Shape your future

150 years | ZURICH

Zurich Insurance Group

Annual Report 2022

Introduction

Mapping nature

What gets measured gets managed. Applying that thinking to the planet is the focus of Swiss-based Restor. The information Restor provides is helping organizations including Zurich to assess the impact of efforts to protect fragile ecosystems.

By collecting and sharing detailed information on its platform about individual restoration projects – including forests, wetlands and agriculture – Restor is helping to restore, preserve and maintain global ecosystems and the biodiversity they support. Zurich uses insights from Restor as part of its efforts to support regeneration within a portion of Brazil's threatened Atlantic Forest. Working with Instituto Terra, a Brazilian non-profit founded by award-winning Brazilian photographer Sebastião Salgado and his wife Lélia, Zurich is helping bring life back to a 700-hectare portion of the forest – equal to the area covered by about 1,300 U.S. football fields.

Zurich Insurance Group (Zurich) is a leading multi-line insurer serving people and businesses in more than 200 countries and territories. Founded 150 years ago, Zurich is transforming insurance. In addition to providing insurance protection, Zurich is increasingly offering prevention services such as those that promote wellbeing and enhance climate resilience.

Reflecting its purpose to 'create a brighter future together,' Zurich aspires to be one of the most responsible and impactful businesses in the world. It is targeting net-zero emissions by 2050 and has the highest-possible ESG rating from MSCI. In 2020, Zurich launched the Zurich Forest project to support reforestation and biodiversity restoration in Brazil.

The Group has about 60,000 employees and is headquartered in Zurich, Switzerland. Zurich Insurance Group Ltd (ZURN), is listed on the SIX Swiss Exchange and has a level I American Depositary Receipt (ZURVY) program, which is traded over-the-counter on OTCQX. Further information is available at www.zurich.com.

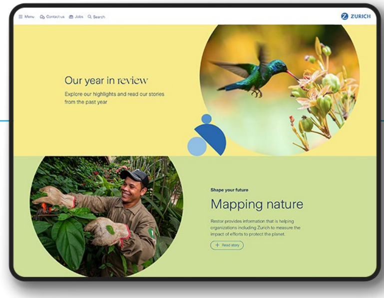
At Zurich, we want to create a brighter future together to benefit people and planet. This could mean pursuing net-zero to safeguard the Earth, our only home. It could mean preparing for the effects of climate change and building resilience. For others, it means using the latest technology available to actively manage medical conditions or track fitness to avoid ill-health now or in the future.

We're working with partners big and small to find solutions to the most pressing societal and environmental problems. And we're making sure we look after all our stakeholders, from investors to customers to employees. By working together, you have the ability to

shape your future.

In this report

Group overview



Our year in review 2022:
www.zurich.com/year-in-review-2022

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Governance

Integrated sustainability disclosure

Risk review

Financial review

Shape your future

Safeguarding global supply chains.

Zurich Resilience Solutions (ZRS) is undertaking on-site climate assessments at five port terminals for shipping giant A.P. Moller-Maersk ('Maersk'). Ports are exposed to extreme weather and will be vulnerable to future sea-level rise. With 67 port terminals – and more than 300 inland facilities and 600 container ships – Maersk has identified climate change as one of its biggest threats in a recent enterprise risk management process, particularly as most of these risks are retained by its captive insurance company, Maersk Insurance.

Watch video and read full story:
www.zurich.com/year-in-review-2022

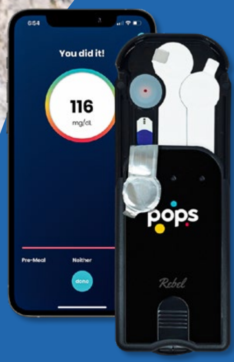
"Our in-house climate experts – armed with the latest climate science, data and modeling techniques – support me to assess our customers' physical and operational site-level risks so that my tailored recommendations mitigate risks and build climate resilience.

Nicolette Botha
Senior Risk Engineer, Technical
Zurich Resilience Solutions

Shape your future (continued)

Empowering people through technology.

Take health and well-being into your own hands – literally. A new era of life insurance offers on-demand wellness advice and services for embracing a healthy lifestyle. LiveWell by Zurich is collaborating with other businesses, such as wearable tech maker Polar Electro to help customers take control of their health.



Managing diabetes on your smartphone

Pops Diabetes Care enables people with diabetes to manage their condition on the go and helps them avoid health complications further down the line. A sensor and a smartphone are all that's needed. Zurich Australia launched a pilot of the app for its life insurance customers in 2022, just one example of how we're collaborating with startups to find new ways to improve customer well-being. Pops Diabetes Care was a finalist in the Zurich Innovation Championship 2020.

Watch video and read full story:
www.zurich.com/year-in-review-2022

Shape your future (continued)

Carbon removal.

Zurich is committed to a net-zero future in which our customers, people and the planet thrive. We're making progress on our target to become net-zero in our operations by 2030. But with the problem of climate change becoming even more urgent, we are taking further steps to invest in carbon removal technology. With projects across the world – from direct air capture to biomass burial – we're taking action now to shape our tomorrow.

Capturing carbon with bamboo in Puerto Rico

Fast growing, invasive and thirsty for carbon: Bamboo is helping to make carbon capture and storage a reality in Puerto Rico. Zurich is collaborating with the startup Bio Restorative Ideas (BRi), which heats bamboo to create biochar, a charcoal-like substance. This biochar, and the carbon it contains, can be stored in the soil for centuries, effectively removing carbon from the atmosphere.

Watch video and read full story:
www.zurich.com/year-in-review-2022

Our performance

Strong top-line growth.

Zurich has a balanced and diversified global business, with industry-leading capital levels. It's our resilient business model, together with a clear strategy focused on customers, innovation and simplification, that positions us well to generate sustainable value for all our stakeholders.

USD 6.5bn
Business operating profit[1]

USD 4.6bn
Net income attributable to shareholders (NIAS)

USD 12.4bn
Net cash remittances[2]

USD 54.1bn
Total revenues[6]

CHF 66.5bn
Market capitalization as of December 31, 2022

15.7%
Business operating profit after tax return on equity[7]

USD 6.3bn
Total amount of impact investments[3]

USD 168.5bn
Investment portfolio[8]

SST 265%
Swiss Solvency Test ratio (SST) estimated as of January 1, 2023[4]

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

–73%
Reduction in CO2e emissions from our own operations (from 2019 to 2021)[5]

Around 1.2 million
Number of customers interviewed through Zurich's NPS program[9]

1 Business operating profit (BOP) indicates the operational performance of the Group's business units by eliminating the impact of financial market volatility and other non-operational variables.
2 Cumulative cash remittances for the period 2020–2022.
3 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).
4 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.
5 Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third party vendors are out of scope.
6 Total revenues excluding net investment result on unit-linked investments.
7 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.
8 Market value of the investment portfolio (economic view). See page 247 for further details.
9 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. See ISD (page 176 of this report) for further details.

Our business mix

Dynamic, agile and well balanced.

We are a leading multi-line insurer that serves its customers in global and local markets. We provide a wide range of products and services in more than 200 countries and territories. Our customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations.

Property & Casualty

Insurance, services and risk insights.

USD 3.6bn
Business operating profit[1]

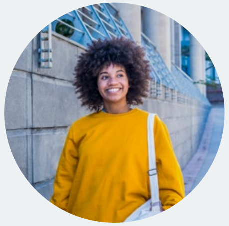
USD 43.3bn
Gross written premiums and policy fees

Business mix
2022 gross written premiums and policy fees by line of business (%)[2]

Motor	19%
Property	39%
Liability	17%
Special lines	17%
Worker injury	8%

- Zurich is a leading global commercial insurer with a profitable retail franchise. Improved portfolio quality in commercial insurance positions us well for success through the cycle.
- Property & Casualty (P&C) reported a combined ratio – a measure of profitability – of 94.3 percent in 2022.

Read more on P&C: pages 236–237



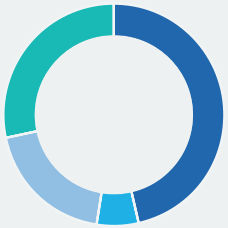
Life

Protection, savings and investment solutions.

USD 2.0bn
Business operating profit[1]

USD 25.9bn
Gross written premiums, policy fees and insurance deposits

Business mix
2022 gross written premiums, policy fees and insurance deposits by line of business (%)[2]



Protection	46%
Corporate pension	6%
Unit-linked	19%
Savings and annuity	28%

- Zurich operates a long-term strategy of focusing on protection and capital-light savings business.
- In 2022, the protection, unit-linked and corporate savings business accounted for 95 percent of new business.

Read more on Life: pages 238–239

Farmers Group, Inc.[3]

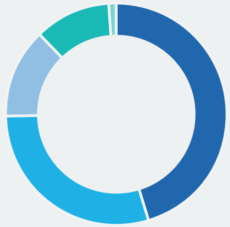
A wholly owned subsidiary providing certain services to the Exchanges.[3]

USD 1.9bn
Business operating profit[1]

USD 4.5bn
Management fees and other related revenues

Farmers Exchanges[3]

Business mix
2022 gross written premiums, by line of business (%)[2]



Auto	45%
Home	29%
Specialty	13%
Business insurance	11%
Others	1%

- Zurich has no ownership interest in the Farmers Exchanges[3], which are owned by their policyholders. The Exchanges are a leading player in U.S. personal lines insurance.
- Farmers Insurance® has successfully completed its integration of MetLife Auto & Home, which was acquired in 2021 (see page 24).

Read more on Farmers Group, Inc. and Farmers Exchanges[3]: page 240

1 Business operating profit (BOP) indicates the operational performance of the Group's business units by eliminating the impact of financial market volatility and other non-operational variables.
2 Percentages may not total 100 due to rounding.
3 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

Our global presence

Global reach.

Since we were founded in 1872, we have grown to be a truly global insurer, with a balanced and diversified business. This includes a strong position in North America and Europe as a provider of insurance to individuals, commercial operations and global corporate customers, as well as growing positions in Asia Pacific and Latin America.

North America

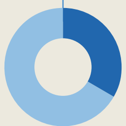
In North America, Zurich is a leading commercial property and casualty insurance provider serving a number of sectors, including global corporate, large corporate and middle market. It additionally serves Life customers in the retail, affluent and corporate markets. The Group also operates through Farmers Group, Inc.[1] in the U.S.

Read more key details: pages 344–349

USD 22.2bn
Property & Casualty gross written premiums and policy fees[2]

USD 1.6bn
Life gross written premiums and policy fees[2]

USD 3.9bn
Business operating profit[2]



19,800
Number of employees in North America[3]

Latin America

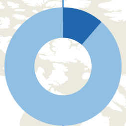
Zurich operates in Brazil, Mexico, Argentina and Chile, among other countries.

Read more key details: pages 344–349

USD 2.8bn
Property & Casualty gross written premiums and policy fees

USD 2.5bn
Life gross written premiums and policy fees

USD 0.6bn
Business operating profit



7,200
Number of employees in Latin America[3]

Europe, Middle East and Africa

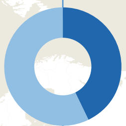
Zurich has major operations in Germany, Italy, Spain, Switzerland, UK and a presence in other countries, including key markets in the Nordics and Middle East.

Read more key details: pages 344–349

USD 17.8bn
Property & Casualty gross written premiums and policy fees

USD 7.5bn
Life gross written premiums and policy fees

USD 2.4bn
Business operating profit



25,500
Number of employees in Europe, Middle East and Africa[3]

Asia Pacific

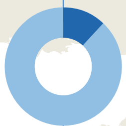
Zurich has a growing footprint in Asia Pacific, with operations in Australia, Hong Kong, Indonesia, Japan and Malaysia.

Read more key details: pages 344–349

USD 3.5bn
Property & Casualty gross written premiums and policy fees

USD 2.5bn
Life gross written premiums and policy fees

USD 0.6bn
Business operating profit



6,900
Number of employees in Asia Pacific[3]

1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.
2 Including Farmers Group, Inc.
3 Excluding Cover-More.

Message from our Chairman

Unprecedented times.

> We are capable of remarkable achievements when challenges demand it.

Michel M. Liès
Chairman of the Board of Directors

The Collins Dictionary aptly chose "permacrisis" as its word of the year for 2022. Meaning an "extended period of instability and insecurity," the word could be used to describe the state of the world since the start of the decade and could define this era in its entirety.

COVID-19 caused a global health crisis and exposed vulnerabilities in international supply chains. Russia's war in Ukraine has polarized the world, triggered energy and food crises, fueled a rise in inflation and leaves us on the brink of a global recession. Meanwhile, the extreme weather events we have witnessed in the past 12 months remind us that climate change is an existential crisis that cannot be ignored.

All this shows how risks are global and interconnected. One global crisis can cause a cascade – or cluster – of interrelated global shocks, often with unpredictable consequences. Energy security has displaced energy transition at the top of the political agenda, and while this could exacerbate climate change it may help us to accelerate the development of renewables.

A beacon of stability

In a period of volatility, the world looks to the insurance industry to be a beacon of stability. And our customers look to us to support and guide them through these unprecedented times.

The word "permacrisis" has been used as far back as the 1920s, but our experience of responding to extended periods of instability and insecurity goes back even further: to 1872. Through geopolitical upheaval, industrial revolution and societal transformation, we have learned that you can find strength in adversity and opportunity within risk. A crisis can force an individual, a business or the world to engage in thoughtful critique that can lead to positive progress.

The COVID-19 pandemic, for instance, forced us to work, learn, communicate and access health and financial services through digital interfaces. It also illuminated the deprivation and the many underlying inequalities that exist within countries and between countries. And it shone a light on the power and beauty of nature and humanity. It taught us that we are capable of remarkable achievements when challenges demand it.

The future remains uncertain. But our business is incredibly resilient due to the strength, flexibility and resourcefulness of our people.

As we start a new three-year cycle, my word for the year is "confidence." Because our people, our business, have proven time and time again that we excel at managing risk.

Michel M. Liès
Chairman of the Board of Directors

Message from our Group CEO

Big strides toward our ambitious vision.

> “We are planning a significant acceleration of our customer-centered strategy.
>
> **Mario Greco**
> Group Chief Executive Officer

Dear shareholder,

Zurich marked its 150-year anniversary in 2022, an opportunity to celebrate a remarkable journey from newcomer to an industry leader. It was an era of extremes – from world wars to extraordinary technological advances – yet time and again, we emerged from challenges leaner, more agile and poised for future success.

Our long history is an inspiration that has served us well in our more recent past. When we laid out our plans for 2020–2022, nobody could have foreseen that this period would see a global pandemic, a war in Europe and one of the worst-ever years for natural catastrophes. Despite all that, we delivered an industry-leading total shareholder return to you, our shareholder, by adapting rapidly to changing circumstances.

And we did so while staying focused on supporting our customers, colleagues and communities. I am immensely proud of our over 60,000 employees for what we have achieved and how we achieved it, for acting in ways that do credit to our rich history. They deserve our heartfelt thanks and praise.

Simplicity, innovation, customer focus

The year 2022 ended the second three-year cycle of our strategy to transform Zurich into a simpler, more innovative and truly customer centric organization. Because of the way our industry has traditionally operated through intermediaries, it has always been difficult for insurers to be truly customer-focused. Our vision was ambitious, and we have made big strides.

We have re-established ourselves as a credible leader in commercial insurance, thanks to disciplined underwriting, improved quality of insights, customer focus, the shift toward a more balanced business, and investments in people and capabilities.

In retail, our continuous improvements in our ability to listen, anticipate and respond to the needs of customers are bearing fruit. Customer satisfaction is rising and we have recaptured market share in business units like Switzerland and Germany, where we have been growing at above-market rates, with good profitability.

New financial cycle

In November, we presented our new financial targets to shareholders and raised our ambitions for the next three years. During 2023–2025, we are planning a significant acceleration of our customer-centered strategy by taking advantage of data and innovation.

In the commercial segment, we want to gain even more relevance to customers and improve Zurich’s competitive position. We plan to continue to diversify the business by leveraging our data platform and a new organizational setup to grow in the mid-market space.

Message from our Group CEO (continued)

In retail, we aim to strengthen the loyalty of customers by striving to understand their values and what services they need. We expect to achieve this across all lines of business – Property & Casualty (P&C) as well as Life – by using digital solutions to deliver relevant, personalized propositions in a convenient way, when it suits our customers.

In the Life business, we also intend to drive growth by continuing to expand our distribution and our product range, building on our in-house investment management capabilities. The Farmers Exchanges[1], which are owned by their policyholders, aim to lift revenues and profitability by diversifying the geographic and distribution footprint and through more sophisticated customer segmentation, dynamic pricing and advanced data insights.

As a global insurer, we see an opportunity to provide retail products and services across multiple jurisdictions through global platforms. This ambition is the focus of Zurich Global Ventures.

Responsible and impactful

What doesn't change is our ambition to be one of the most responsible and impactful businesses in the world. Central to this is the goal to accelerate the transition toward net-zero emissions, and to work with our customers and investee companies to make the transition together. One of our fastest-growing businesses is Zurich Resilience Solutions, created in 2021 to help commercial customers become more resilient to new and emerging risks including climate change.

We continue to take resolute action to reduce emissions in our own operations, from limiting air travel and switching to renewable power, to converting our fleet to electric vehicles and making our real estate more energy efficient. Our success has allowed us to bring forward by 20 years our target to achieve net-zero emissions in our operations.

Our people have been enthusiastic supporters of these efforts. An initiative that has helped mobilize employees around the world is our Zurich Forest project in Brazil. In collaboration with non-profit Instituto Terra, we are restoring a biodiverse habitat in the Atlantic Forest region and making good progress: the cover photo of this report illustrates the growing richness of its flora and fauna.

Beyond the climate crisis, another priority of our approach to sustainability is to ensure that our people are equipped for the future. We have been investing in training and making our organization one that is continuously learning and growing. Our success is reflected in the growing number of open positions filled by our own people – people who we hired, trained, developed and then stretched with promotions.

Right strategy

The successful conclusion of the 2020–2022 cycle shows that we have the right strategy. Over the next three years, we want to keep our focus on innovation to provide valuable services for our customers, further reduce complexity and volatility, and continue to run the business for the benefit of all our stakeholders.

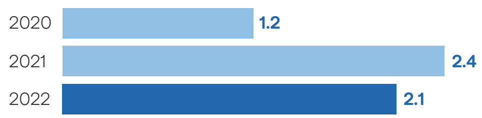
We have proven our ability to rise to challenges. No matter what lies ahead, I have every confidence that our people will respond with the same agility, confidence and ingenuity.

Mario Greco
Group Chief Executive Officer

Net new retail customers

In the cycle 2020–2022, Zurich continued to advance its customer-focused strategy, increasing the use of customer insights to improve their experience. This is reflected in continued improvements in customer satisfaction across the business, which resulted in improved retention and supported customer growth, with 5.7 million net new retail customers added during 2020 to 2022.[2]

Net new retail customers[2]
in millions



5.7 million
Number of net new retail customers[2] added during 2020 to 2022

1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.
2 Based on 19 retail markets.

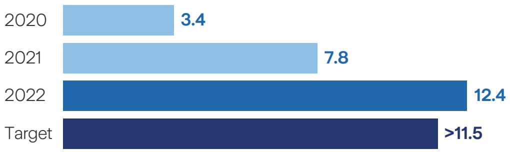
Message from our Group CEO (continued)

Closing out the cycle

How we delivered on our 2020–2022 targets

BOPAT ROE[1]
%

Cumulative cash remittances[2]
USDbn



Swiss Solvency Test ratio[3]
%

Compound organic earnings per share growth
%

1 Business operating profit after tax return on equity, excluding unrealized gains and losses.
2 Cumulative cash remittances for the period 2020–2022.
3 Estimated Swiss Solvency Test (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.
4 Adjusted for loss on disposals in the second half-year 2022 of USD 260 million mainly related to the sale of the legacy Life back book in Italy.
5 Before capital deployment, over the period 2023–2025.

Shaping our future ambitions.

Mario Greco, our Group CEO answers three questions about the next three year cycle...

Why do customers form such an important part of Zurich's strategy?

Our customers are our reason for being. When I arrived as Group CEO in 2016, the strong, long-term relationships between Zurich and its commercial customers was a key differentiator for us as an insurer. For the last six years, we have been working to extend the same principles to our relationships with our retail customers. We are doing this because serving our customers well is the right thing to do and also because it generates value for our shareholders and the business as a whole.

Why will you continue to focus on simplification?

Simplification is a key part of our strategy and is based on the very straightforward principle that Zurich is all about the business and customers. We will continue to reduce complexity and bureaucracy in the organization and in the way we interact with customers. That's where innovation comes in. We need to digitalize in order to offer customers a way to easily interact with us, we need to be swift in responding to their needs and eliminate everything that slows us down. To stay competitive, we also need to make sure customers don't pay for inefficiencies and that we focus resources on what adds value to them.

How does Zurich's strategy dovetail with environmental, social and governance (ESG) principles?

We take ESG seriously and aim to be one of the most responsible and impactful businesses in the world. For 2023, we refreshed our sustainability framework to ensure our actions are timely and continue to address all three letters of ESG. We are growing our range of sustainable products and services to help customers make choices that benefit people and planet. We've also invested in reskilling and upskilling our employees, an important element of our company culture that will help us stay agile and relevant for today's customers. And we will continue to embed our values and principles to always do what's right throughout the business.

What are we looking to achieve next?

Our targets for 2023–2025

We are building on our track record of strong delivery in challenging times and raising the bar for customer experience, simplifying the business and driving innovation as we set ambitious new financial targets for the next three years.

BOPAT ROE[1]	>20%
Cumulative cash remittances	>USD 13.5bn
SST ratio[3]	≥160%
Compound organic earnings per share growth[5]	8%

Our business model

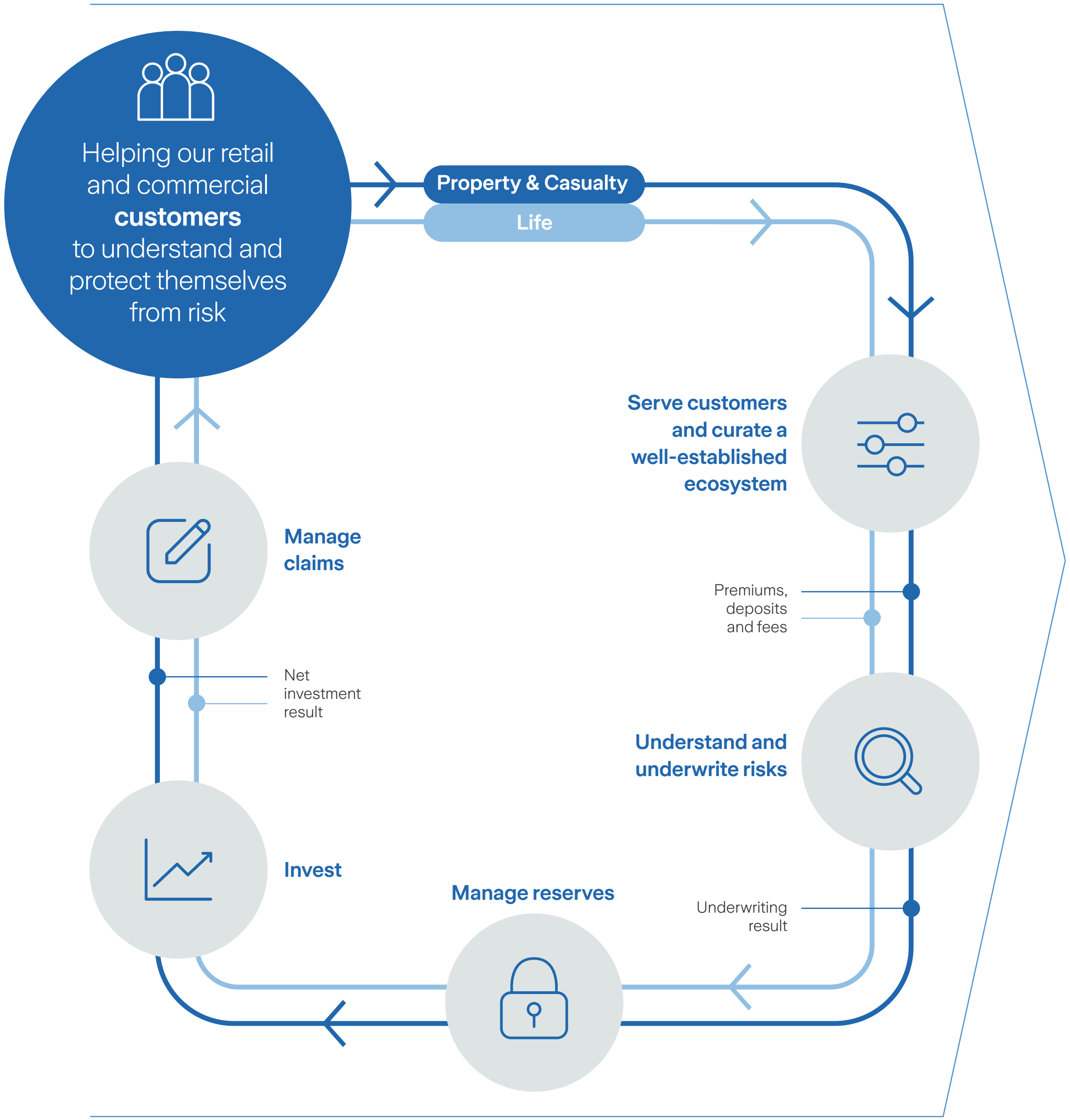
We create sustainable value.

For a century and a half our business has evolved to deliver value to all our stakeholders.

Read more: page 22

Our business model works to generate benefits for our stakeholders. Insurance acts as a safety net in society, while our risk management capabilities enhance resilience to natural, societal, economic and financial risks. Our business model is based on five key elements: serving customers and curating a well-established ecosystem; understanding and underwriting risks; managing reserves; investing and delivering returns; and managing claims.

Our risk advisory business, called Zurich Resilience Solutions, helps corporate customers mitigate potential risks and Zurich Global Ventures is accelerating the development of innovative, digital services across the Group.



Our planet

Read more: page 23

Our customers

Read more: page 24

Our employees

Read more: page 25

Our business model (continued)

Serve customers and curate a well-established ecosystem

We continuously expand our ecosystem, making products, services and solutions available to customers through many channels: directly, or indirectly via brokers and agents, and in cooperation with third parties including banks, travel providers, retailers, rental agreements and car dealerships.

A strong and global partner network is vital to our success, and this means developing and curating our relationships.

The success of our business and the satisfaction of our customers build on the sum of the activities described below, from pricing risk to settling claims quickly. Trusted customer relationships mean we are better able to provide advice and solutions that meet the individual needs of our customers in an ever-evolving risk landscape.

Understand and underwrite risks

Insuring risks is central to what we do. Our underwriting expertise, knowledge and skill, accumulated over decades of experience and backed by a wealth of data, gives us the ability to assess, understand and quantify risks at all levels of complexity. This enables us to offer fairly priced, appropriate insurance solutions to our customers, as well as provide insights to support them in managing their risks and mitigating potential losses. As trusted long-term partners, we stay close to our customers to better understand their individual needs, and where possible equip them with the right tools to navigate any challenges they face.

We have deployed technology throughout the organization to improve how we engage with our customers and support our underwriters in providing a superior service. We constantly make improvements to the day-to-day environment for our underwriters by seeking and acting on their feedback. This reduces turnover and helps us to retain experienced people within the organization, helping us to maintain the strong technical capabilities that our customers expect.

Manage reserves

Our Group-wide policy, the 'Zurich Way of Reserving', with well-defined standards and conservative approach, is the basis for how we calculate insurance liabilities. Our reserving process is supported by strong governance, including extensive internal and external reviews.

Invest

Our income includes returns from invested premiums, policy fees and deposits. Our success as a business is important to those who depend on us to pay claims reliably, as well as investors who look to us to deliver savings returns and operate our business responsibly.

Zurich's approach to managing investments aims to maximize risk-based returns relative to the Group's liabilities, while understanding emerging risks in challenging times. That is why we manage our assets responsibly and do this by integrating environmental, social and governance factors in our investment decisions.

Manage claims

It is vital our customers have faith and confidence in our ability to fulfill our commitments. Experience and a reputation built over decades mean our customers can trust us to use our expertise to support them in their time of need, responding swiftly, keeping them informed throughout their journey, and settling the claim fairly.

We are constantly seeking new ways to respond to our customers' expectations of service, offering a choice of communication channels and self-service capabilities. We innovate to respond to their changing needs and enhance the sustainability of the services we deliver. We strive to deliver insights to customers to help them mitigate and even avoid future losses.

We systematically analyze customer feedback using a range of engagement opportunities, including net promoter system (NPS) programs, not only as part of our claims process but throughout all key customer touchpoints.

Zurich Resilience Solutions

Zurich Resilience Solutions is a global risk consultancy business unit that supports customers with solutions that go beyond risk transfer. In a rapidly evolving risk landscape, we provide customers with services that help them prevent and mitigate risks and sometimes even make uninsurable risk insurable again. Our 850 risk experts work with customers to support them develop and deliver their risk management strategies, using specialized insights, tools and services to tackle both traditional and emerging risks.

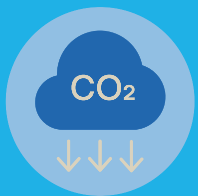
Zurich Global Ventures

Zurich Global Ventures is accelerating our development of innovative and digital services that will empower customers to choose insurance they value most. Its portfolio comprises solutions in travel, health and well-being, employee benefits, cyber and device protection. These businesses include Cover-More, LiveWell by Zurich and Zurich Integrated Benefits & International Life.

Business environment

An evolving environment.

Insurance is changing rapidly. Digital advances are changing the way we interact with customers and how we deliver services. Customer and employee expectations have increased, while the frontiers of corporate responsibility are expanding. We are making sure we have the right expertise to succeed, ensuring Zurich is well-equipped for whatever the future brings.

	Market dynamics	Opportunities	Risks	Material issues
Living in a digital world 	– Rapid evolution of new technologies that have potential to transform the insurance industry – Large amounts of data is generated and can be collected, stored and analyzed – Impacts all areas of the economy and our day-to-day lives	– Automation and artificial intelligence (AI) can help companies deliver seamless services and improve speed and efficiency of claims process – Digital strategy can help companies to stand out from peers – Data provides new insights on customers' needs and satisfaction	– Cybercrime – Loss of trust among people in digital society – Failure to adapt quickly	– Data privacy and security – Responsible handling of data – Transparency on data collection and use – Regulation
Employing people 	– New hybrid ways of working and interacting – Growing importance of skills in the workplace – Faster pace for career development, upskilling/reskilling – Growing focus on well-being and sustainable working – Importance of creating diverse and inclusive spaces	– Retaining employees and giving them opportunity to develop institutional knowledge that can better serve customers – Empowering employees contributes to a stronger culture of innovation across the business – Diverse workforces are open to growing and challenging old ways of thinking and doing business	– Talent and skills shortage – Failure to develop skills at the pace required in the short-term – Dynamic talent market and competition for talent	– Employee well-being – Workforce development and engagement – Retention of employees – Diversity, equity, inclusion and belonging
Our planet 	– Increasingly pressing need to address climate change mitigation and adaptation – Customers increasingly environmentally conscious – Demand for sustainable solutions	– Working together with customers to build resilience, e.g., Zurich Resilience Solutions – Leveraging technology to help reduce need for business-related travel – Working across our industry to develop targets and guidelines based on science and transparency	– Insufficient focus on climate change adaptation – Lack of data to help anticipate the impacts of climate change – Lack of consensus between public and private sectors, moving too slowly, global challenge requires all countries to move in unison – Lack of understanding of interplay between climate change and biodiversity – Greenwashing and reputational risk	– Decarbonization – Climate change adaptation – Biodiversity

Our strategy

Leveraging our strengths.

We implement our strategy by remaining true to our purpose and values and play to our strengths to lay the foundation for success. We have a balanced business with a solid financial position and trusted brand delivered by talented people.

Our strategic priorities focus on:

1 Customers

Our transformation to become a truly customer-led company is showing results. We will continue to provide solutions that meet customers' changing needs.

Our progress so far

- Launched the Zurich Customer Mastery Program, an online and inspiring course to embed a customer-centric culture and empathy across the business. By end of December, the program recorded over 23,400 registrations across more than 30 countries.
- Launched a mobile-first customer portal, adaptable to market conditions and local infrastructure for personalized engagement. Features include personal data management, policy management and filing claims.
- Further developed customer segmentation, implemented lead management to generate new potential business and customer experience standards across all markets.

Next steps

- Become the insurer of choice by fostering loyalty among our customers and factor customer loyalty into our pricing approach.
- Introduce improved ways to measure customer loyalty and link it to financial performance.
- Master multi-channel customer engagement through the Zurich One customer portal, customer relationship management and social media.
- Improve our digital capabilities around customer data using Zurich's customer intelligence platform.

2 Simplification

We are successfully simplifying our business and operations, reducing unnecessary complexity to make better use of resources.

Our progress so far

- Launched next generation global Application Programming Interface (API) marketplace Zurich eXchange enabling faster integration and more efficient collaboration (see page 21).
- Invested further in improving our capabilities in conversational artificial intelligence (AI). Today, Zurich has more than 30 chatbots among our business units.
- Encouraged bottom-up simplification through the Make the Difference campaign, a platform for employees to challenge the status quo.

Next steps

- Build on our progress in APIs with a rollout of our Global API platform to Asia Pacific.
- Invest in simplification and automation capabilities, such as robotic process automation and process mining. This will significantly improve customer experience and efficiency, while delivering cost savings.
- Continue to work toward a common data platform to store, process, govern, analyze and derive insights to inform decision making.

3 Innovation

We are adapting to make sure we continue to meet customers' expectations and needs.

Our progress so far

- One Zurich, the Group's employee app won the Efma-Accenture Innovation in Insurance gold award in the workforce transformation category.
- Launched Freely, a fully digital travel insurance app, in the U.S. (see page 21).
- The third edition of the Zurich Innovation Championship ran throughout 2022 with a record number of applications. Zurich has 30 ongoing collaborations with startups.

Next steps

- Roll out the Digital Mastery program, which aims to upskill and reskill employees, to local Zurich businesses and translate into all Zurich languages during 2023.
- Start the Zurich Innovation Championship 2023 with a focus on innovation through collaboration, including themes on sustainability, commercial insurance and customer experience.

Our strategy (continued)

1 2 3 Customers

Building frictionless customer journeys.

In conversation with Conny Kalcher, Group Chief Customer Officer

How are you helping to create a more customer focused mindset at Zurich?
The challenge is you can't just tell an organization, "be customer focused." You have to explain what it means and how you achieve it. You must come up with a compelling vision and then set standards, create processes and launch initiatives that will change mindsets and ways of working. Once you've done that, you need to set targets for how to get there and then measure and reward your people when they're driving in the right direction.

What has your Customer Office team achieved since you joined Zurich in 2019?
We refreshed our brand purpose and visual identity and created a new and more engaging customer value proposition that builds an emotional connection. We developed a vision for customer experience, or CX, aimed at building meaningful relationships – and not just transactions – with our customers. We also created new capabilities. For instance, we established customer offices across the Group to drive this transformation and we set up a customer academy to train our people. I'm very pleased to say we've seen progress. In the last year we gained 2.1 million net new customers, customer satisfaction – measured by TNPS – is up almost 7 percent.

What are your focus areas for the 2023–25 cycle?
Our priorities are to drive customer loyalty and deliver relevant experiences to our customers in a way that they can feel the difference. To do that, we're upgrading our customer segmentation and lead management processes and introducing a new portal for our customers where we can engage with them directly.

Why are you focusing on customer loyalty?
Loyal customers tend to have higher product density and if they have a great experience they will recommend us to others, so it makes economic sense for Zurich. And we should reward these customers for their loyalty, which is not common in the insurance industry. We're strong at building customer loyalty in Commercial Insurance, but we have plenty of opportunity to improve in Retail Insurance.

How important is data to this goal?
Data analytics is key to driving our customer ambitions. Data gives us a much more refined picture of our customers, where they are, how they behave and how we can service them better. Over time, as we improve the understanding of our customers, we'll be able to deliver a more personalized experience that will also drive greater loyalty.

With the world seemingly in a "permacrisis," do you still feel optimistic?
Absolutely! We still live in an exciting and inspiring world. We have many short- and long-term risks that challenge our lives. But let's be forward thinking. Let's be confident. Let's reframe risks as opportunities so we can help people, businesses and communities build confidence today to take positive action for tomorrow.

> "Connecting with our customers is helping us to build meaningful relationships.
>
> **Conny Kalcher**
> Group Chief Customer Officer

1 2 3 Simplification

How our strategy provides Zurich with a clear and simple vision.

In conversation with Paolo Mantero, Group Chief Strategy Officer

What motivates you?

I'm deeply motivated by the idea that the strategy team can drive change to enable Zurich to be an even more attractive prospect for its customers, a more valuable stock for its shareholders and a better place to work for its employees. Our success over the last few years gives me the confidence that we can do even better and live up to high expectations from customers, markets and colleagues.

Is strategy just a buzzword?

The word 'strategy' can be a buzzword. But all successful companies (like ours) have a clear vision of what they want to be. And this simple, compelling vision is what drives their decision making. For me, strategy is about taking decisions and choosing priorities.

> "Our strategy provides a simple, compelling vision that drives our decision making.
>
> **Paolo Mantero**
> Group Chief Strategy Officer

When I hear a company has 10 priorities, I know they don't have a strategy, only a wish list. Strategy is not about the 'what,' but the 'how' – especially the 'how' do we get from where we are to where we want to be. To use a mountaineering analogy, strategy is not looking at the highest peak and saying, "let's go for it." It's about drawing a map that shows you how to get to the highest peak from your current location, ensuring you are properly equipped and trained, and that you are considering all potential obstacles that you need to overcome to get to the top.

We're following the same strategy for a third cycle. What does that say about our strategy?

We should not confuse our strategy with the financial cycle. The rhythm of our cycle sets our financial targets every three years. However, these targets must be justified by a sound strategy. While changing market conditions require us to adapt our action plan with the ability to respond tactically, a robust strategy, like ours, has a longer life span and does not change with each three-year cycle. Today, we still have more opportunities to simplify our business, to build an even stronger innovation mindset and to further elevate our customer offerings.

What stands out for you from 2022?

2022 was a very tough year for many reasons. In this challenging context, what stands out for me is our ability to quickly adapt and respond to these circumstances, while remaining focused on our strategic goals. During the past year, we grew our customer base, increased customer loyalty and have reaffirmed ourselves as a true leader in the commercial market. And we did all of this while continuing to deliver consistently solid financial outcomes. This is a sign that we are an incredibly strong company, which, at its 150th anniversary, can still look at its future with confidence.

Our strategy (continued)

1 2 3 Innovation

Independent businesses are driving innovation.

In conversation with Jack Howell, CEO, Zurich Global Ventures

How is Zurich Global Ventures different from traditional insurance?

Insurance traditionally provides customers with risk transfer. The insurer receives premiums from customers to cover a particular risk and pays out claims when things go wrong. Zurich Global Ventures works differently: We start with thinking about how our customers can reduce their risk of something going wrong in the first place. We help customers avoid risks, mitigate the potential impact of risks, and overcome any consequences of risks that happen.

How do we meet the needs of our customers?

Customers want financial security if something goes wrong and the confidence to know that they can overcome difficulties. We focus on building products and services for customers to give them this confidence, be it during a vacation (see Freely on page 21) or over the course of a lifetime with our health and well-being proposition, LiveWell.

LiveWell is about designing products to help people make health a habit. Achieving better health, be it physically, mentally, or financially, is often difficult for all of us because it requires discipline, and the rewards are usually far out in the future.

Through LiveWell, we encourage people to embed health into their lifestyles, whether it's taking care of their mind by meditating, getting enough sleep, moving on a regular basis or managing chronic illnesses like diabetes (see Pops Diabetes Care on page 5). We want our customers to avoid ill health and live longer, happier and healthier lives.

How do you go about creating a startup mindset within a large company like Zurich?

For me this is about a willingness to explore and innovate. It starts with asking the right questions. If we ask ourselves "what did we learn?" we encourage people to experiment and apply that knowledge to the next project.

What will Zurich Global Ventures focus on in the next three years?

The next three years is all about growth: investing and partnering to bring the right capabilities to life. We want to serve more customers and to bring more services to existing customers. I really look forward to dramatically expanding our presence and creating opportunities for both our customers and business partners.

> "We want to build services that give our customers confidence.
>
> **Jack Howell**
> CEO, Zurich Global Ventures

Our strategy (continued)

1 2 3 **Customers**

Helping seniors stay active

People are living longer than ever before. Zurich is helping Japan's seniors to maintain their independence by offering them accident insurance specifically tailored to them, setting an example for other countries with aging populations. "We believe we are making a contribution to society as Japan's population continues to age," says Hiromasa Takeuchi, Senior Manager of Wholesale Business, who helped to develop the product offered by Zurich's Japanese Property & Casualty (P&C) business. Zurich's senior personal accident insurance policy resonates with active seniors in a country where typical accident insurance cover is limited to people 75 years or younger. More than a third of the Zurich product's policyholders are older than 80, and unlike products sold by most peers, Zurich's can be continued until the customer reaches the age of 100.

1.35 million
Number of total policies-in-force in 2022 (in Japan P&C)

1 2 3 **Simplification**

Making it simpler for businesses to connect with Zurich

Zurich launched Zurich eXchange, a global repository of APIs that allows customers, distributors and partners to seamlessly integrate products from Zurich into a single, all-in-one platform. The platform publishes Zurich's Application Programming Interfaces (API), which are used by computer programmers to allow different software to communicate with one another effectively. This enables more efficient collaboration throughout Zurich and with customers and partners, helping computer programmers avoid complex point-to-point integrations of different Zurich services and products. At the same time, the Zurich eXchange will oversee that the APIs are easy to use, well-managed and secure.

1,433
Number of APIs under management

1 2 3 **Innovation**

A travel insurance you can toggle on and off

Freely is a travel insurance, safety and experience app that targets a new wave of modern, ethical travelers with flexible, transparent policies. Launched in Australia in 2021 and offered by Cover-More, Freely began its global expansion last year, launching in the U.S. in July 2022. Freely is an innovative app that easily engages with customers and exemplifies Zurich's digital strategy. It gives customers the ability to purchase day-to-day policies and toggle coverage on and off in near real time for activities such as winter sports and adventure activities, allowing travelers to pay only for what they need, when they need it. Travelers can also access geo-specific travel and safety alerts on the go and connect to a human 24/7 for medical and crisis assistance. Leveraging the existing global infrastructure and capabilities of Cover-More and Zurich, Freely has the potential to create an ecosystem of services delivered direct to the retail customer.

300,000
Number of customers using Cover-More's travel apps

Our business review of 2022

Our year in review.

Our ambition is to be one of the most responsible and impactful businesses in the world. It begins with doing the right thing for our planet, our customers and all the people we connect with.

Our customers

Read more: page 24

Our planet

Read more: page 23

Our employees

Read more: page 25

Our business review of 2022 (continued)

Our planet

Taking action today to safeguard tomorrow.

The risks and opportunities associated with climate change affect our products, services and operations. Understanding, measuring and managing these impacts – while seizing business opportunities that arise from the transition to a climate-neutral world – is important for creating sustainable value for all our stakeholders.

> We strive to be a leader in helping the world better manage climate risk and improve resilience to the adverse consequences of climate change.

Linda Freiner
Group Head of Sustainability

Planet highlights

- Grew our sustainable energy business, which operates across four hubs: in the UK, U.S., Germany and the UAE.
- Set an additional target to allocate 5% of invested assets to impact investments by 2025.
- Conducted a portfolio-level climate risk analysis for underwriting, investment management and our own operations to better understand the impact of climate change on the business.
- Helped avoid a total of 3.2 million metric tonnes of CO2e emissions and benefited 4.7 million people in 2022 through our impact investing portfolio of USD 6.3 billion.[1]

See our integrated sustainability disclosure for more information on our performance in this area: page 131

1 Impact numbers include methodology upgrade, as explained in Zurich's impact measurement methodology paper: www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/zurich-impact-measurement-framework.pdf

Case study

Taking action to phase out U.S. coal-fired plants

Zurich invested USD 24 million in a USD 200 million financing by MetLife Investment Management (MIM) to support the phase-out of the last two coal-fired power plants in New Jersey, U.S. The decommissioning is expected to result in the reduction of 3.9 million tonnes of CO2 in the atmosphere, the equivalent of eliminating more than 750,000 passenger cars a year and an estimated USD 30 million cost savings to Atlantic City Electric customers.

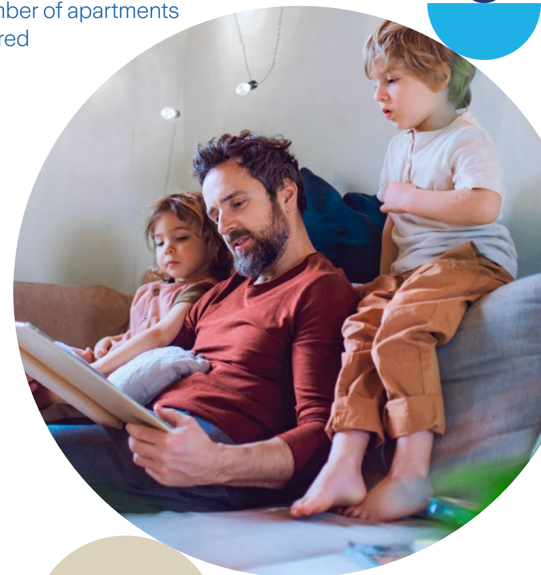
3.9 million
Number of tonnes of CO2 avoided by the project

Case study

Helping to build sustainable, affordable housing

Zurich invested in a highly sustainable building in the Dutch affordable housing sector on behalf of its German life business, Zurich Deutscher Herold. The energy-efficient De Baak residential tower boasts 127 apartments in Amsterdam's mid-market segment. The building is sustainable in terms of its use of materials, will produce energy from solar panels on the roof and will also offer a large number of bike parking spaces and electric vehicle-charging stations to enable tenants to commute sustainably. The project fulfills both the environmental and the social aspects of sustainability by providing urgently-needed housing to families of policemen, nurses and others, who could otherwise not afford to rent an apartment so close to the city center.

127
Number of apartments offered



Our business review of 2022 (continued)

Our customers

Building long-term, meaningful relationships with our customers

We have proven to be a reliable and trustworthy company in an unstable world, with a long history of using our expertise to care for society and people. However, customer expectations are evolving and lifestyles are changing, creating new demands. As technology has a profound impact on our lives, customers increasingly expect a seamless digital experience. They want more personalized products, faster delivery and simpler processes.

> Customers are at the core of our business. We create value for our customers by helping them understand, prevent and protect themselves from risk.

Conny Kalcher
Group Chief Customer Officer

Customers highlights

- Accelerated development of sustainable solutions for our customers, doubling to approximately USD 277 million in premium during 2022.
- Listened to 1.2 million customers in 2022 through our NPS program across our entire business.
- Took action to improve our customer experience across all touchpoints, obtaining a 6.9 point increase in our overall TNPS.
- Continued growth in number of retail customers by 2.1 million to 67.5 million.[1]

See our integrated sustainability disclosure for more information on our performance in this area: page 170

1 Based on 19 retail markets.

Case study

Helping customers build better work environments

Zurich Resilience Solutions (ZRS) delivers many innovative services worldwide. In North America, ZRS offerings include diversity, equity and inclusion services to help organizations combat toxic work environments. The services include a collaboration with Work Shield, a platform that helps workers to be heard, thus protecting culture and mitigating risk. The platform also helps companies to effectively manage and resolve workplace misconduct with simple digital tools and data around trends and patterns.

Growing the Farmers® brand

Farmers[1] successfully completed its integration of MetLife Auto & Home, which was acquired in 2021. In addition to integrating critical technologies, Farmers effectively onboarded 3,500 new employees and rebranded more than 22,000 individual assets. These and other actions helped grow the Farmers brand and aided in expanding the Farmers customer base in key states. Farmers Group, Inc. (FGI), the Los Angeles-based subsidiary of Zurich Insurance Group, also announced the appointment of Raul Vargas to the position of President & Chief Executive Officer of FGI, effective January 1, 2023.

1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

Case study

Simplifying the claims process to help flood victims

Throughout December 2021 and January 2022, Malaysia suffered from torrential downpours and major floods. The floods affected the livelihoods and way of life of thousands of Malaysians, with overall losses estimated at USD 1.5 billion (MYR 6.1 billion, as estimated by the department of statistics Malaysia).

Our claims team in Malaysia took a proactive approach to helping victims of the flood get back on their feet. Deploying Zurich Flood Aid vehicles to travel the roads, they were able to provide a more convenient way for the customers to lodge a claim, completing assessments on the spot. As well as providing faster, more convenient and efficient claims settlements, the team also distributed flood aid kits to support affected customers. Thanks to the proactive approach and a simplified claims process applied by our teams, Zurich in Malaysia have been recognized for their best-in-class turnaround time and settlement approach – even winning Claims Initiative of the Year 2022 from the Insurance Asia Awards and Malaysia Customer Experience of the Year in Financial Services (Insurance) from the Asia Experience Awards 2022.

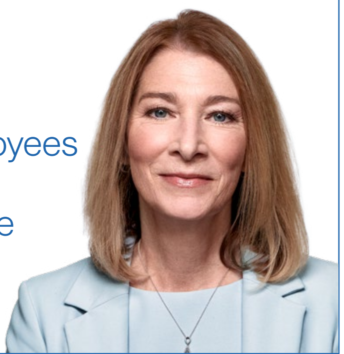
USD 1.5bn
Estimated overall losses caused by the Malaysia floods

Our business review of 2022 (continued)

Our employees

We empower employees to take charge of their careers.

Across generations and throughout the world, the way we approach our work and personal lives is changing rapidly. We support employees with learning the right skills to navigate the evolving world of work – so they can help our customers do the same.



> We aspire to support employees with lifelong learning and encourage them to grow the careers they want.

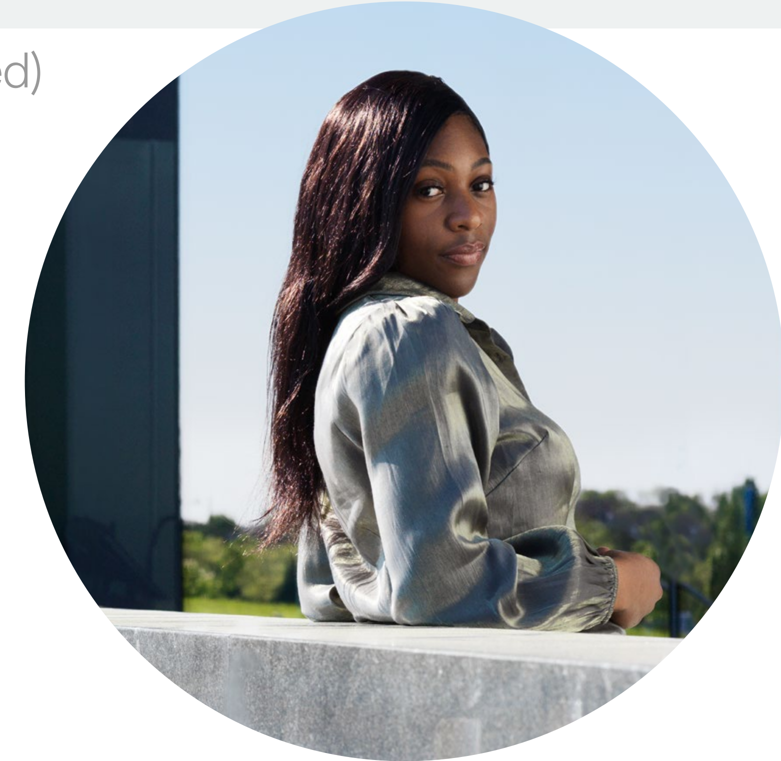
Kathleen Savio
Group Chief Transformation and People Officer

Employees highlights

- Continue to prioritize internal over external hires, reflected in an internal hire rate of 71 percent in 2022, compared with 68 percent in 2021.[1]
- Strengthened our internal leadership pipeline to support career growth through vertical and lateral moves.
- Spent more than USD 33 million on training across the Group, an average of USD 728 per employee.[1,2]
- Our employees spent more than 1.2 million hours on online learning in 2022, an increase of 3 hours per employee compared with 2021.[3]

See our integrated sustainability disclosure for more information on our performance in this area: page 181

1 Reporting excludes Bolivia and unranked employees (Cover-More, Farmers Management and Germany covering 26 percent).
2 Employees refers to both full-time and part-time employees.
3 In 2022 we adjusted our calculation to include all employees that consumed learning content in the reporting year. In prior years we only considered employees that were active at the end of the reporting year. This resulted in an increase of the employees included into the metric and as a consequence also the hours learned. Only includes hours tracked centrally on our global learning platform, including physical and digital trainings, as well as mandatory and voluntary trainings.



Case study

Zurich apprentices learn while they earn

At Zurich North America, our apprentices simultaneously gain the education and work experience needed to build a rewarding career. Zurich considers apprentices to be full-time employees and pays them as such. During the two-year program, they are eligible for full benefits such as health insurance and paid time off. Zurich also covers their tuition toward an associate or bachelor's degree. The program, the first of its kind to be certified by the U.S. Department of Labor, is growing and offers roles in more cities than ever before, including Chicago, New York City, Atlanta and Houston. "Joining the Zurich Apprenticeship Program has allowed me to get an education while exploring different career paths in an industry with so much opportunity," said Lydia Arthurs who was part of the 2022 intake of apprentices.

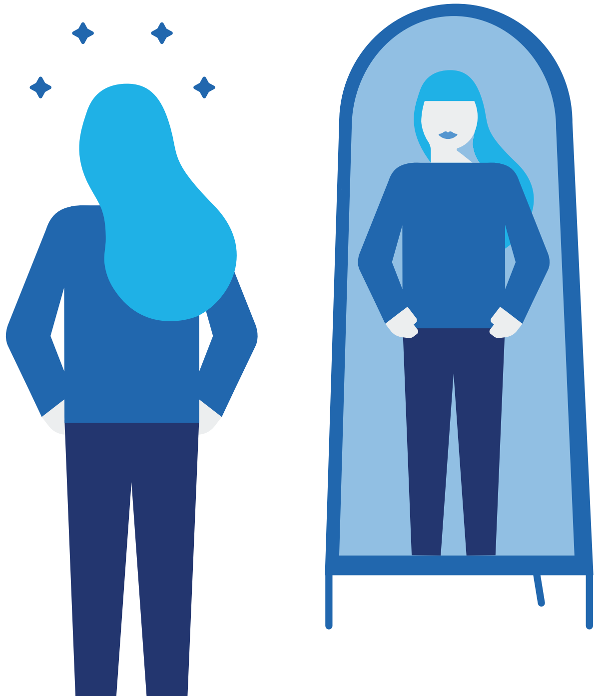
73
Number of apprentices hired in 2022

Case study

Re-wording ads for female candidates

Zurich UK has increased applications from women by adding just six words to their job advertisements: part-time, job share and flex work. The initiative, which began in 2019, has generated a significant increase in the number of women applying for senior management roles. The number of women appointed to senior roles rose by 45 percent, while applications from women across all jobs increased by 95 percent compared to the previous year.

45%
Increase in the number of women appointed to senior roles at Zurich UK



Z Zurich Foundation

Joining forces for impact.

The Z Zurich Foundation strives to create a brighter future for vulnerable people by empowering the activist in all of us. It aspires to build a more equitable world where everyone has independence, choice and the power to shape their futures.

ZURICH® Foundation

The Z Zurich Foundation (the Foundation) is a Swiss-based charitable foundation. It is the main vehicle by which Zurich Insurance Group delivers on its global community investment strategy. The Foundation works alongside Zurich Insurance Group employees and other stakeholders in pursuit of a future where people can thrive.

In 2022, the Foundation positively impacted the lives of vulnerable people by funding programs and developing engagement initiatives aligned with its strategic pillars and its humanitarian and emergency support to the victims of the war in Ukraine and other catastrophes worldwide. The 2022 figures will be disclosed in the Foundation's Annual Report published in June 2023.

"We're proud to work alongside such passionate and dedicated Zurich employees.

Gregory Renand
Head of the Z Zurich Foundation

Case study

Supporting Ukrainian refugees and displaced people

In 2022, the war in Ukraine forced millions of people to flee their country overnight. The Foundation immediately launched a multi-faceted response to assist them. This started with a fundraising campaign to support humanitarian efforts, pledging to match donations up to a value of CHF 1 million. In just four weeks, the campaign raised CHF 2 million (including matching from the Foundation) to help the victims of the crisis. The amount raised from individual donations was the largest in the Foundation's history.

In total, the Foundation has made more than 20 donations to smaller local and international organizations assisting people affected by the crisis, such as the United Nations High Commissioner for Refugees (UNHCR), the International Rescue Committee, the International Committee of the Red Cross and Save the Children.

The Foundation is also supporting refugees in coping with the consequences of their fragile and extremely vulnerable situation, for example, by supporting young people's mental well-being, as well as tackling social inequalities resulting from the war's consequences on Ukrainian youth.

"From raising funds and in-kind donations, to driving to the borders and opening their homes, we have been impressed by the dedication from Zurich employees worldwide to assist the people fleeing Ukraine," said Head of the Z Zurich Foundation Gregory Renand. "We are proud to be working alongside such passionate activists."

Z Zurich Foundation (continued)

To support its strategy, the Z Zurich Foundation focuses its efforts on three societal challenges, aiming to help create brighter futures for vulnerable people.

Enabling social equity | Adapting to climate change | Improving mental well-being

> Through joint actions, we can help create brighter futures for young people globally.

Gary Shaughnessy
Chair of the Z Zurich Foundation

Case study

Help young people improve their mental well-being

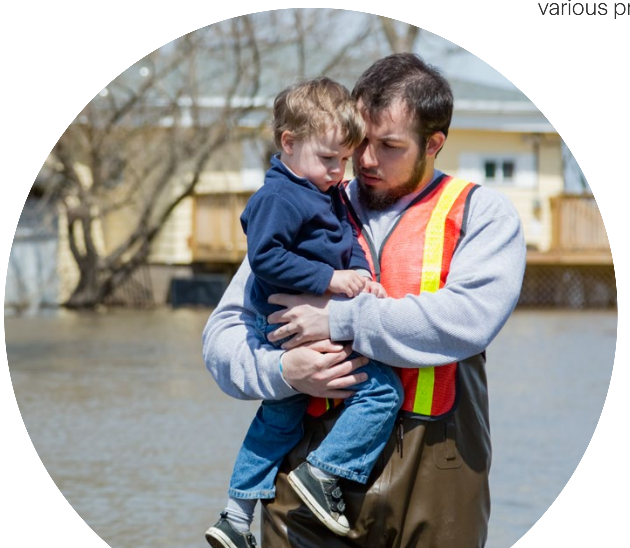
One in seven adolescents aged 10–19 across the globe live with a mental health condition. Bringing more focus and investment to youth mental well-being has never been more urgent. In 2022, the Foundation co-designed and launched, together with UNICEF, the Global Coalition for Youth Mental Well-being[1] (the Coalition). The first action of the Coalition was an appeal to support young refugees from Ukraine. The Coalition is also calling on the public and private sectors to increase their investments in mental well-being prevention and promotion. As of November 2022, three global leading organizations have already joined the Coalition alongside UNICEF and the Foundation[2], including Zurich Insurance Group.

The Coalition represents a key milestone in the strategic partnership between UNICEF and the Foundation[3], which also includes the launch of interventions in seven program countries in 2022, and the support of a global prevention campaign equipping youth and their caregivers with the tools they need to proactively look after their mental well-being.

Case study

Acting on climate change adaptation is urgent

The need to adapt to climate change is more urgent today than previously predicted as we continue to see an increase in the frequency and severity of natural disasters around the world. The Foundation has been actively engaged in climate adaptation programs since 2013, aiming to support millions of vulnerable people in rural areas in the Global South. In November 2022, it launched its most comprehensive climate change adaptation program to date – Urban Climate Resilience Program, a collaboration between the Foundation, several members of the Zurich Insurance Group, the Zurich Flood Resilience Alliance and a number of cities and partners in 10 countries. The program aims to help urban communities build resilience against multiple perils such as floods, heatwaves and wildfire.



Case study

Expanding reach of our social equity activities

In August 2022, the Foundation announced a new collaboration with Junior Achievement Worldwide and Junior Achievement Africa. This multi-year strategic partnership aims to empower young people in nine African countries to succeed as innovative job creators and well-qualified job seekers, following the path best suited to their economic realities. It expands the Foundation's established relationships with Junior Achievement Canada and Junior Achievement España to new countries across the globe. Zurich employees will have opportunities to volunteer and become mentors for some of these young people on the various programs supported by the Foundation.

1 www.unicef.org/partnerships/coalition-youth-mental-wellbeing
2 www.unicef.org/partnerships/jo-malone-london-spotify-zurich-insurance-group-join-global-coalition
3 www.zurich.foundation/mental-wellbeing/global-program-with-unicef

Zurich is underpinned by an ambitious purpose, a robust set of values and a credible code of conduct. We consistently re-evaluate our role in society and how we can play our part in responding to the challenges of our times.

Governance

Message from our Chairman on corporate governance

“Sound and stable corporate governance frameworks and good decision-making are more important than ever.

A new risk paradigm.

Message from our Chairman on corporate governance (continued)

Dear Shareholder

Russia's war in Ukraine has plunged the world into a new risk paradigm since I last wrote to you in 2021, dashing my hopes for an improvement in the economic and political climate. The war has polarized the world, triggered energy and food crises, fueled a rise in inflation and has left us on the brink of a global recession.

It feels like we are in a perpetual state of crisis; of lurching from one emergency to another.

In this period of volatility, our sound and stable corporate governance frameworks and good decision-making are more important than ever. The Swiss Corporate Law Reform supports this stability and aims to modernize corporate governance by strengthening shareholder rights and giving companies more flexibility regarding their share capital. Accordingly, we will propose several changes to the Articles of Association at the shareholders' meeting in April 2023, embracing the spirit of modernization.

A refreshed sustainability framework

The war has thrust the issue of energy security and energy affordability to the top of the political agenda. But this must not come at the expense of energy transition and other sustainability measures.

The extreme weather events we have witnessed in the past 12 months remind us that climate change is an existential crisis and cannot be ignored.

To ensure we maintain our focus on such issues, we are enhancing our environmental, social and governance (ESG) approach by updating our sustainability framework.

In 2022, we once again performed a materiality assessment to identify what issues are most relevant to our business. The assessment ensures our ESG priorities continue to meet external expectations and create sustainable value for our shareholders, the planet and society. We surveyed more than 8,000 employees, 500 retail customers, 20 commercial customers and a representative number of NGO partners, industry associations and investors. Based on their feedback, we have refreshed our sustainability framework with clear and bold targets, new investment priorities and road maps that plot out actions we intend to take from 2023 to 2025.

This framework reinforces our ambition to be one of the most responsible and impactful businesses in the world, with a clear focus on accelerating and embedding sustainability for customers across our business units as a source of growth for our next strategic cycle.

The refreshed sustainability framework places stronger emphasis on societal issues. The experience of Peter Maurer (former President of the International Committee of the Red Cross), who assumed his role as a member of the Board of Directors in October 2022, will ensure humanitarian and social issues are prominent in our ESG thinking.

150 years and counting

Last October we celebrated our 150-year anniversary. It was an opportunity to look back on our history, ahead to our future and to put current turbulent events into context.

Despite the challenges the world faces today, we should look forward to our next 150 years with confidence. Our business has thrived despite having to endure world wars, natural disasters, financial crises and pandemics. Throughout our history, we remained a beacon of stability and grew stronger by staying nimble, adapting to change and seeing opportunity in risk.

We have managed to shape our industry and earn the trust of our customers, communities and families worldwide. And we have always proactively addressed environmental and societal concerns through our philanthropy, internal policies and ESG strategy.

I am confident these traits will serve us well in the years ahead.

Thank you for your continued trust, support and engagement.

M.M. Liès

Michel M. Liès
Chairman of the Board of Directors

Board changes

At the Annual General Meeting (AGM) on April 6, 2022, we welcomed Peter Maurer as a new Board member. Peter Maurer assumed this role as of October 1, 2022.

Executive Committee changes

Stephan van Vliet assumed the role of Group chief investment officer (CIO) and ExCo member as of May 1, 2022.

Raul Vargas, former president of distribution, life and financial services of Farmers Group, Inc., became CEO of Farmers Group, Inc. as of January 1, 2023. He succeeded Jeff Dailey who retired.

Corporate governance report

Contents

Group governance

Our commitment to effective corporate governance

The Zurich Insurance Group, consisting of Zurich Insurance Group Ltd and its subsidiaries (the Group or Zurich), is committed to effective corporate governance for the benefit of its shareholders, customers, employees and other stakeholders based on the principles of fairness, transparency and accountability. Structures, rules and processes are designed to enable proper conduct of business by defining the powers and responsibilities of its corporate bodies and employees. Our structures provide for checks and balances and institutional separation between the Board and the Group chief executive officer (Group CEO) as well as the Executive Committee (ExCo) which together are responsible for managing the Group on a day-to-day basis.

Zurich's corporate governance principles are described in a number of corporate documents, in particular in the Articles of Association, the Organizational Rules and the Charter of the Committees of the Board of Directors of Zurich Insurance Group Ltd (Organizational Rules) (www.zurich.com/about-us/corporate-governance/corporate-documents). Zurich also complies with the Swiss Code of Best Practice for Corporate Governance (Swiss Code of Best Practice) issued by economiesuisse. The Governance, Nominations and Sustainability Committee (GNSC) regularly reviews the Group's corporate governance against best practice standards.

Effective corporate governance is complemented by a remuneration system that fosters the right behaviors. Information on remuneration, shareholdings and loans to Board and ExCo members is contained in the remuneration report (see pages 74 to 111).

Supervision

Zurich is subject to insurance group supervision by the Swiss Financial Market Supervisory Authority FINMA (FINMA). The Swiss insurance regulation requires Swiss insurance companies and groups to establish and maintain strong governance and risk management systems, as well as effective internal control systems appropriate to their business activities. It prescribes the calculation of a risk-based solvency margin on a Group-wide basis and at legal entity level pursuant to the Swiss Solvency Test (SST). Amongst others, all material intra-group transactions must be reported to FINMA. In addition to the group supervision exercised by FINMA and its insurance supervision of the legal entities Zurich Insurance Company Ltd, Zurich Life Insurance Company Ltd, Zurich Reinsurance Company Ltd and Orion Legal Expenses Insurance Ltd., the insurance and other financial services subsidiaries of the Group are subject to the respective local financial market regulations.

Operational Group structure

Zurich Insurance Group Ltd, the Group's listed holding company, is a corporation organized under Swiss law with registered offices at Mythenquai 2, 8002 Zurich. Zurich's business is focused on providing best-in-class property and casualty, and life insurance products and services to individuals, small businesses, mid-sized and large companies.

The operational structure reflects the businesses operated by the Group and how these are strategically run to offer different products and services to specific customer groups. The Group is managed by regions, and in addition, Commercial Insurance, Zurich Global Ventures and Farmers in the U.S.:

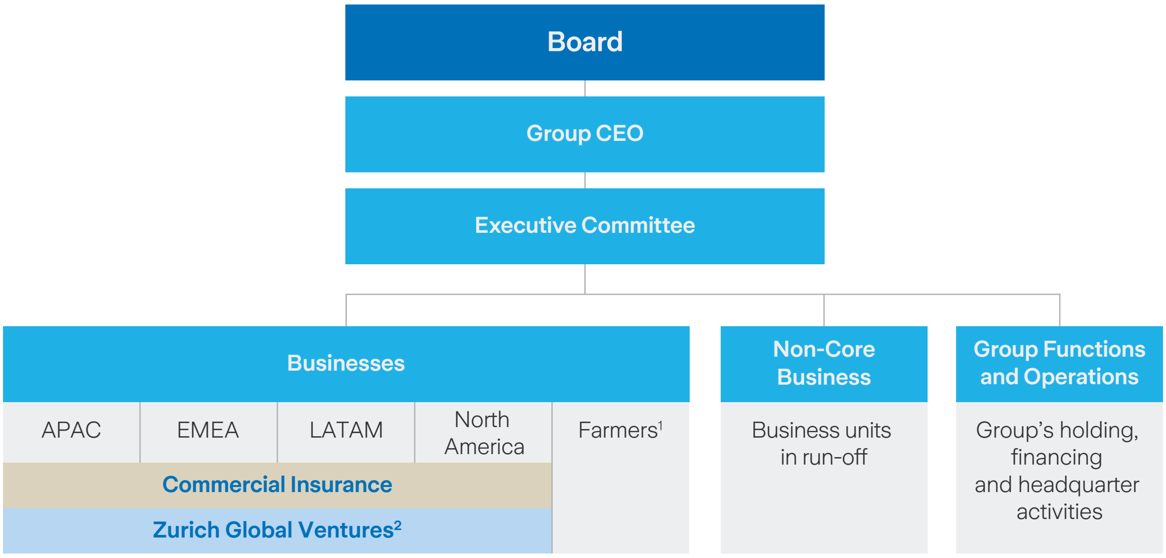
- Through regions (APAC, EMEA, LATAM and North America), the Group provides a variety of property and casualty and life products to retail and commercial customers as well as reinsurance propositions. Each region is headed by a regional CEO.
- Commercial Insurance brings together the corporate and commercial insurance expertise worldwide under a single umbrella. It is organized as a global business and headed by the CEO Commercial Insurance.
- Zurich Global Ventures focuses on providing innovative products and services to meet customer needs, with the goal to make customer experience simple and seamless through a global platform, empowering individuals and businesses to be better prepared for the future. Zurich Global Ventures provides services and solutions in travel, health and well-being, employee benefits, cyber and device protection. Zurich Global Ventures comprises Zurich LiveWell as well as Cover-More and Zurich Integrated Benefits (ZIB, formerly Zurich Integrated Benefits Solutions (ZIBS)), which are embedded in the regions. Zurich Global Ventures is headed by the CEO Zurich Global Ventures.
- Farmers Group, Inc., a wholly owned subsidiary of the Group, is not an insurance company. It provides certain non-claims services and ancillary services to the Farmers Exchanges in the U.S. as its attorney-in-fact and receives fees for its services. Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc. is headed by the CEO of Farmers Group, Inc.

Group governance (continued)

The Group's activities further comprise the non-core business including certain business units in run-off that are under the responsibility of the Group chief financial officer (Group CFO) and the CEO North America. Group Functions and Operations comprise the Group's holding, financing and headquarter activities and include, among others, the Group chief information and digital officer, Group chief risk officer (Group CRO) and the Group CFO.

On the investment side, Investment Management manages the Group's own assets and the assets of policyholders and is headed by the Group chief investment officer (Group CIO).

Operational Group structure
as of December 31, 2022



1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.
2 Certain units of Zurich Global Ventures are reported under Group Functions and Operations. Cover-More and ZIB's businesses are embedded in the regions.

A detailed review of the 2022 business results can be found in the financial review starting on page 230. The Group's reportable segments can be found on pages 342 to 343.

Information about the Group's business activities is also available within the Group overview section starting on page 2 and on our website (www.zurich.com/about-us).

A list of the Group's significant subsidiaries can be found on pages 357 to 358.

For further information on the ExCo, see pages 56 to 67.

Capital structure

Share capital and shares

The shares of Zurich Insurance Group Ltd (ZIG) are listed on the SIX Swiss Exchange (ISIN: CH0011075394, symbol: ZURN). Certain group companies have listed debt issued under its Euro Medium-Term Note Programme and other financial instruments.

As of December 31, 2022, the ordinary share capital of ZIG amounted to CHF 15,046,016.70 divided into 150,460,167 fully paid registered shares with a nominal value of CHF 0.10 each. The market capitalization as of December 31, 2022 was CHF 66,548,351,864.

ZIG has an American Depositary Receipt (ADR) level 1 program with The Bank of New York Mellon (BNYM).[1] As of December 31, 2022, investors held 25,357,930 ADRs (representing 2,535,793 ZIG shares).

Please refer to page 313 for information about treasury shares. Further information on ZIG's shares can also be found under: www.zurich.com/investor-relations/our-shares.

Authorized and contingent share capital

On April 6, 2022, the AGM approved a renewal of the authorized share capital for another two years (from April 2022 to April 6, 2024). Until and including April 6, 2024, the Board is authorized to increase the share capital by an amount not exceeding CHF 4,488,240 by issuing up to 44,882,400 fully paid registered shares with a nominal value of CHF 0.10 each (art. 5bis). This authorized share capital corresponds to about 30 percent of the total registered shares issued as of December 31, 2022. Share issuances from authorized share capital where the shareholders' subscription rights are restricted or excluded are limited to 14,960,800 shares (i.e., about 10 percent of the total registered shares issued as of December 31, 2022).

Furthermore, the share capital of ZIG may be increased by an amount not exceeding CHF 2,992,160 by issuing up to 29,921,600 fully paid registered shares with a nominal value of CHF 0.10 each by the voluntary or mandatory exercise of conversion and/or option rights, which are granted in connection with the issuance of loans, bonds, similar debt instruments, equity-linked instruments or other financial market instruments (collectively, the "financial instruments") by ZIG or one of its group companies, or by mandatory conversion of financial instruments issued by ZIG or one of its group companies, that allow for contingent mandatory conversion into shares of ZIG, or by exercising option rights which are granted to the shareholders (art. 5ter para. 1a). This contingent share capital corresponds to about 20 percent of the total registered shares issued as of December 31, 2022.

Until and including April 6, 2024, the total number of new shares which could be issued from (i) authorized share capital under art. 5bis para. 4 where the subscription rights are restricted or excluded, and (ii) contingent share capital in connection with financial instruments under art. 5ter para. 1 where the advance subscription rights are restricted or excluded is limited to 14,960,800 shares (i.e., about 10 percent of the total registered shares issued as of December 31, 2022).

Moreover, there is an additional contingent share capital (art. 5ter para. 2a) of CHF 409,509.20, representing 4,095,092 fully paid registered shares with a nominal value of CHF 0.10 each, which may be issued to employees of ZIG or one of its group companies. This contingent share capital corresponds to about 2.7 percent of the total registered shares issued as of December 31, 2022.

For further information, see art. 5bis and 5ter of the Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association) and the audited consolidated financial statements, note 19 on pages 312 to 314.

1 Under this program, BNYM issues the American Depositary Shares (ADSs). Each ADS represents the right to receive one-tenth of one share of ZIG. ZIG's ADSs are traded over the counter (OTC) and are evidenced by American Depositary Receipts (ADRs). Since July 1, 2010, ZIG's ADRs have been traded on "OTCQX", an electronic platform operated by OTC Markets Group Inc. under the symbol ZURVY. ADS holders are not treated as shareholders of ZIG and are not able to directly enforce or exercise shareholder rights. Only BNYM as depositary of the level 1 program may exercise voting rights with respect to instructions received from beneficial owners of ADRs.

Capital structure (continued)

Changes to share capital

Changes in the ordinary share capital over the last two years

	Share capital in CHF	Number of shares	Nominal value in CHF
As of December 31, 2020	15,046,016.70	150,460,167	0.10
Newly issued shares from contingent capital	0.00	–	–
As of December 31, 2021	15,046,016.70	150,460,167	0.10
Newly issued shares from contingent capital	0.00	–	–
As of December 31, 2022	15,046,016.70	150,460,167	0.10

Participation certificates, non-voting equity securities and preference shares

ZIG has not issued any participation certificates, non-voting equity securities or preference shares.

Convertible bonds and options

As of December 31, 2022, ZIG had no public convertibles or options outstanding. For information on employee share plans, see the audited consolidated financial statements, note 21 on pages 324 to 325.

Cross-shareholdings

As of December 31, 2022, ZIG had no cross shareholdings in excess of 5 percent of share capital, or voting rights with any other company.

Limitations on transferability and nominee registrations

There are no limitations on transferability except for the following:

Registration as a shareholder requires a declaration that the shareholder has acquired the shares in his or her own name and for his or her own account (art. 7 para. 2 of the Articles of Association, www.zurich.com/investor-relations/our-shares/articles-of-association). Nominees holding ZIG shares may for the benefit of, or as nominee for another person, be registered for up to 200,000 shares with voting rights, notwithstanding that the nominee does not disclose the identity of the beneficial owner. A nominee, however, is entitled to be registered as a shareholder with voting rights of more than 200,000 shares if the nominee discloses the identity of each beneficial owner and informs the beneficial owners about corporate actions, consults as to the exercise of voting rights and pre-emptive rights, transfers dividends and acts in the interests of and in accordance with the instructions of the beneficial owners.

There are special provisions relating to the registration and exercise of rights attached to shares held by BNYM in connection with the ADR program.

Close periods

Under Zurich's Group Policy on Dealing in Securities (the Policy), persons qualifying as Group insiders are prohibited from dealing in Zurich securities during periods Zurich has designated as "close periods". Close periods are those periods (of a minimum of 30 days) leading up to and including the trading day of the announcement of the Group's quarterly, half-year and annual results. In practice, close periods last approximately 40 days with a longer time span over year-end.

In addition, dealing restrictions during prohibited periods apply to insiders who are involved in (potentially) price-sensitive projects. Outside of close and prohibited periods, Group insiders may deal in Zurich securities with prior clearance from Group Compliance.

Persons in scope

Senior executives (such as e.g. ExCo members, head of certain Group functions) and the members of the Board of Zurich Insurance Group Ltd (ZIG) and of certain significant subsidiaries are deemed Group insiders by reason of their positions.

Additional persons can be designated as Group insiders based on the persons' exposure to potentially price-sensitive information regarding Zurich securities. Zurich keeps a list of these individuals.

Furthermore, Group insiders must ensure that connected persons (such as spouse, life or civil partner, minor child, financial advisor, affiliated company, etc.) do not deal in Zurich securities during close and prohibited periods.

Shareholders

Securities in scope

Zurich securities are securities of ZIG or of its subsidiaries and affiliates worldwide. The term "securities" includes:

- Securities admitted to trading on a stock exchange or an institution similar to a stock exchange in and outside Switzerland;
- Securities traded on the primary (e.g., initial public offering) and secondary market;
- Over-the-counter (OTC) financial instruments (e.g., ADRs, derivatives);
- Financial instruments deriving from securities whose price is materially dependent (i.e., Zurich securities weigh more than 20 percent) on the underlying security, including debt instruments.

Exceptions

During a close or prohibited period, clearance to sell may be granted to the Group insider if the Group insider is not in possession of inside information about Zurich and there is an exceptional circumstance (such as a personal or family emergency involving a health matter or legal or financial emergency) in which selling Zurich securities is the only reasonably available course of action for the Group insider. The determination whether circumstances are deemed exceptional is made by the Group chief compliance officer and the chairman.

Furthermore, provided the requirements of the Policy are met, periodic investments based on a pre-defined trading plan do not require clearance and may continue during close and prohibited periods.

Significant shareholders

According to the rules on disclosure of significant shareholdings in Swiss listed companies, a shareholding has to be disclosed if certain thresholds starting at 3 percent are reached, exceeded or if the shareholding subsequently falls below those thresholds. ZIG is obliged to announce third party shareholdings upon receipt of a notification that the shareholding has reached, exceeded or fallen below the relevant thresholds. During 2022, the Group received a notification from UBS Fund Management (Switzerland) AG whose shareholding crossed the 3 percent threshold and a subsequent notification that the shareholding has fallen below the 3 percent threshold.

As of December 31, 2022, ZIG was not aware of any person or institution, other than BlackRock, Inc., New York (>5 percent) and The Capital Group Companies, Inc., Los Angeles (> 5 percent), which, directly or indirectly, had an interest as a beneficial owner in shares, option rights and/or conversion rights relating to shares of ZIG reaching or exceeding the relevant thresholds.

The announcements related to these notifications can be found via the SIX Disclosure Office's platform: www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

ZIG is not aware of any person or institution which, as of December 31, 2022, directly or indirectly, alone or with others, exercised or was a party to any arrangements to exercise control over ZIG.

Duty to make an offer

The Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association) do not provide for opting out or opting up in the meaning of the Swiss Financial Market Infrastructure Act. Therefore, mandatory offers have to be submitted when a shareholder or a group of shareholders acting in concert exceeds 33 1⁄3 percent ownership of the issued and outstanding share capital of ZIG.

Clauses on changes of control

The employment agreements with ExCo members are subject to a maximum notice period of 12 months. The regulations for the Group's share-based long-term incentive plan, which apply to all of the plan's participants including ExCo members and a defined group of senior managers, provide that in case of a change of control, the plan administrator may at its discretion either roll over existing share obligations into new share rights or provide for consideration in lieu of share obligations, or provide for accelerated vesting and removal of sales restrictions.

There are no further clauses pertaining to change of control that would benefit Board members, ExCo members, or other members of senior management.

Shareholders (continued)

Shareholder structure

Number of shares held

as of December 31, 2022	Number of registered shareholders	% of registered share capital
1–500	128,889	13.7
501–1,000	5,148	4.1
1,001–10,000	4,251	11.6
10,001–100,000	418	12.9
100,001+	71	57.7
Total registered shares[1]	**138,777**	**100.0**

1 of registered shareholders.

Registered shareholders by type

as of December 31, 2022	Registered shareholders in %	Registered shares in %[1]
Individual shareholders	96.1	27.7
Legal entities	3.8	31.9
Nominees, fiduciaries	0.1	40.4
Total	**100.0**	**100.0**

1 of registered shareholders.

Registered shareholders by geography

as of December 31, 2022	Registered shareholders in %	Registered shares in %[1]
Switzerland	93.1	52.5
UK	0.4	30.1
North America	0.6	9.4
Asia	0.2	0.4
Latin America	0.1	0.0
Rest of the world	5.6	7.6

1 of registered shareholders.

Shareholders (continued)

Shareholders' rights

Overview

Pursuant to art. 14 of the Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association), each share entered into the share register entitles the holder to one vote at shareholders' meetings and to exercise all other shareholder rights in respect of that share. Each share (excluding treasury shares) further entitles all shareholders to dividend payments. The ZIG Board will propose to the shareholders at the AGM on April 6, 2023 a gross dividend of CHF 24 per share (excluding treasury shares).

Voting rights restrictions and representation

There are no voting rights restrictions (other than set out under "Limitations on transferability and nominee registrations", see page 36).

A shareholder with voting rights can attend shareholders' meetings in person or duly authorize his or her legal representative, another person who need not be a shareholder, or the independent voting rights representative. Shareholders can order their admission card or authorize a representative either in writing or via the online platform of Computershare Switzerland Ltd.

The AGM elects the independent voting rights representative for a term of office until conclusion of the next AGM. The independent voting rights representative may be re-elected.

ZIG generally informs the shareholders at the beginning of the shareholders' meeting of the aggregate number of shares represented by shareholders or their representatives physically attending the meeting and the number of shares represented by the independent voting rights representative. However, in accordance with Swiss legislation passed in response to the COVID-19 pandemic, ZIG decided that shareholders could not attend the AGM on April 6, 2022 in person, but only exercise their voting rights by instructing the independent voting rights representative in writing or electronically. ZIG informed its registered shareholders accordingly.

Statutory quora

Pursuant to art. 15 of the Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association), the AGM constitutes a quorum irrespective of the number of shareholders present and shares represented. Resolutions and elections generally require the approval of an absolute majority of the votes represented, unless respective provisions in the Articles of Association (of which there are currently none) or mandatory legal provisions stipulate otherwise. Art. 704 of the Swiss Code of Obligations provides for a two-thirds majority of votes represented and an absolute majority of the nominal value of shares represented for certain important matters, such as a change of the company's purpose or domicile, the dissolution of the company and certain matters relating to capital increases.

Convening of shareholders' meetings

Shareholders' meetings are convened by the Board or, if necessary, by the external auditor and other bodies in accordance with the provisions set out in art. 699 and 700 of the Swiss Code of Obligations. Shareholders with voting rights representing at least 10 percent of the share capital may call a shareholders' meeting, indicating the matters to be discussed and the corresponding proposals. The invitation to shareholders is mailed to registered shareholders at least 20 calendar days before the meeting is held and, in addition, is published in the Swiss Official Gazette of Commerce.

Agenda

The Board is responsible for setting the agenda. Shareholders with voting rights who together represent shares with a nominal value of at least CHF 10,000 may request, no later than 45 days before the day of the meeting, that specific items be included in the agenda. Such request must be made in writing, and must specify the proposals.

Registrations in the share register

To ensure an orderly process, the Board determines the date on which a shareholder needs to be registered in the share register in order to attend the shareholders' meeting. That date is published, together with the invitation to the shareholders' meeting, in the Swiss Official Gazette of Commerce.

Board of Directors

A diverse and independent Board.

Our Board is well positioned to support management in its efforts to deliver on our strategic priorities. In addition, it is committed to addressing the needs of all stakeholders and has a strong focus on ESG integration.

Michel M. Liès
Chairman

Nationality
Luxembourg

Committee membership
Governance, Nominations and Sustainability Committee (Chairman), Remuneration Committee

Other directorships within the Group
Zurich Insurance Company Ltd

Read more: Page 46

Christoph Franz
Vice-Chairman

Nationality
Swiss and German

Committee membership
Remuneration Committee (Chairman), Governance, Nominations and Sustainability Committee

Other directorships within the Group
Zurich Insurance Company Ltd

Read more: Page 46

Joan Amble
Member of the Board of Directors

Nationality
U.S.

Committee membership
Governance, Nominations and Sustainability Committee, Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

Read more: Page 46

Catherine Bessant
Member of the Board of Directors

Nationality
U.S.

Committee membership
Remuneration Committee, Audit Committee

Other directorships within the Group
Zurich Insurance Company Ltd

Read more: Page 47

Board of Directors (continued)

Dame Alison Carnwath
Member of the Board of Directors

Nationality
British

Committee membership
Audit Committee (Chairman),
Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
Page 47

Kishore Mahbubani
Member of the Board of Directors

Nationality
Singapore

Committee membership
Remuneration Committee,
Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
Page 48

Michael Halbherr
Member of the Board of Directors

Nationality
Swiss

Committee membership
Governance, Nominations and
Sustainability Committee,
Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
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Peter Maurer
Member of the Board of Directors

Nationality
Swiss

Committee membership
Governance, Nominations and
Sustainability Committee

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
Page 49

Sabine Keller-Busse
Member of the Board of Directors

Nationality
Swiss and German

Committee membership
Remuneration Committee

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
Page 48

Jasmin Staiblin
Member of the Board of Directors

Nationality
German and Swiss

Committee membership
Risk and Investment Committee
(Chairman), Remuneration Committee,
Audit Committee

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
Page 49

Monica Mächler
Member of the Board of Directors

Nationality
Swiss

Committee membership
Governance, Nominations and
Sustainability Committee,
Audit Committee

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
Page 48

Barry Stowe
Member of the Board of Directors

Nationality
U.S.

Committee membership
Audit Committee,
Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
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Board of Directors (continued)

Board of Directors

The Board determines the Group's overall strategy. It holds the ultimate decision-making authority for Zurich Insurance Group Ltd (ZIG), except for decisions on matters reserved for the shareholders. The Board is chaired by the Chairman, or in his absence, by the Vice-Chairman. The Vice-Chairman and the Board's secretary are appointed by the Board.

Board of Directors and its committees
as of December 31, 2022

Board of Directors

Michel M. Liès[1] Christoph Franz Joan Amble Catherine Bessant	Dame Alison Carnwath Michael Halbherr Sabine Keller-Busse Monica Mächler	Kishore Mahbubani Peter Maurer Jasmin Staiblin Barry Stowe

Governance, Nominations & Sustainability Committee	Remuneration Committee	Audit Committee[2]	Risk and Investment Committee[2]
Michel M. Liès[1] Joan Amble Christoph Franz Michael Halbherr Monica Mächler Peter Maurer	Christoph Franz[1] Catherine Bessant Sabine Keller-Busse Michel M. Liès Kishore Mahbubani Jasmin Staiblin	Dame Alison Carnwath[1] Catherine Bessant Monica Mächler Jasmin Staiblin Barry Stowe	Jasmin Staiblin[1] Joan Amble Dame Alison Carnwath Michael Halbherr Kishore Mahbubani Barry Stowe

1 Chairman of Board or Board committee, respectively.
2 To facilitate an ongoing exchange of information between the Risk and Investment Committee and the Audit Committee, the Chairman of the Audit Committee is a member of the Risk and Investment Committee and at least one member of the Risk and Investment Committee is a member of the Audit Committee. The Chairman of the Board regularly participates in both the Audit Committee and Risk and Investment Committee meetings as a guest.

Size and elections

The Articles of Association require that the Board shall consist of at least seven but not more than thirteen members (art. 21, www.zurich.com/investor-relations/our-shares/articles-of-association). Shareholders elect the Chairman and the other Board members individually at the AGM for a term of office ending with the conclusion of the next AGM. According to the Organizational Rules (art. 4.4, www.zurich.com/about-us/corporate-governance/corporate-documents), in general, the maximum tenure of Board members may not exceed 12 years, although exceptions may be made under special circumstances.

Board members are elected by an absolute majority of the votes represented (art. 17 of the Articles of Association). The Board constitutes itself at its first meeting after the AGM, except for the Chairman and the members of the Remuneration Committee, who are elected individually by the shareholders at the AGM for a term of office ending with the conclusion of the next AGM.

All Board members of ZIG are also Board members of Zurich Insurance Company Ltd (ZIC). Mr. Liès also serves as Chairman of ZIC's board of directors. None of the Board members have further board memberships within the Group.

Board of Directors (continued)

Independence

Zurich considers the independence of its Board members essential for good corporate governance. Zurich's independence criteria comply with applicable laws and reflect best-practice standards such as the SIX Exchange Regulation Directive on Information relating to Corporate Governance and Swiss Code of Best Practice. The GNSC reviews Board members' independence status annually and reports its findings to the Board for final determination. The GNSC checks the independence criteria before recommending a new Board member for election and, thereafter, for re-election on an annual basis. It confirms in particular that in 2022 and the past three years:

- no Board member (other than in their capacity as Board or committee member), member of their immediate family, or any other related party, received – either directly or indirectly – any consulting, advisory or other compensatory fees;
- no Board members or any member of their immediate family, are or were employed by a member of the Group;
- no Board member is or was employed or affiliated with the external auditor;
- no Board member has had a material direct or indirect relationship with any member of the Group.

Upon the recommendation of the GNSC, the Board determined that, as of February 9, 2022, all Board members were non-executive and independent from management. For further information on the independence policy, please see art. 16.6 of the Annex to the Organizational Rules (www.zurich.com/about-us/corporate-governance/corporate-documents). Board members are also subject to rules and regulations to avoid conflicts of interest and misuse of insider information.

Succession planning

It is a key consideration for the Board to ensure that it continues to act as a strategic asset enabling anticipation of risks and opportunities as well as providing oversight and control particularly by preserving and increasing the Board's diversity.

To achieve this, the Chairman, supported by the GNSC, on a yearly basis leads a structured succession planning process involving an assessment of the Group's challenges and opportunities and the evaluation of skills, knowledge and expertise needed at present and in the foreseeable future. In 2022, the GNSC held a series of meetings dedicated to discussing all of these factors and assess the potential succession needs of the Board and its committees. The GNSC identified the succession of the Audit Committee's chairperson as a priority.

During succession planning discussions, the Board focuses on: skills, expertise, diversity and background, interplay of a candidate's individual personality, expertise and experience with that of incumbent Board members, high values and integrity and ability to commit adequate time (for further information, see Nomination Principles in art. 15 ff. of the Annex to the Organizational Rules under www.zurich.com/about-us/corporate-governance/corporate-documents).

Board of Directors (continued)

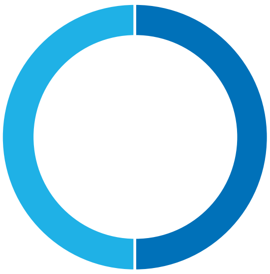
Composition

Diversity is a key factor for success in today's fast-changing global environment. Our Board consists of individuals with diverse geographic, cultural and educational backgrounds and experience, mirroring our international footprint and bringing local cultural perspective as well as regional networks. The backgrounds as shown below are measured based on key areas of the Board members' expertise and include insurance, banking and non-financial industries, CEO experience, risk management, ESG, IT, data, digital and cyber security, legal, regulatory and governance, macroeconomics, finance, accounting and audit, as well as people and culture. In addition, each Board member avails of a wide range of management experience in a variety of areas adding up to a well-balanced and diverse skill set of ZIG's Board.

As of December 31, 2022, our Board:

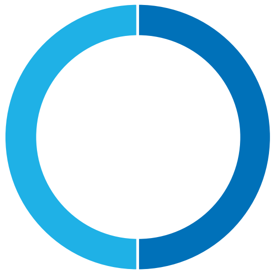
– Is 50 percent female.
– Represents an age range from 52 to 74 years.
– Comprises members of six different nationalities.
– Has an average length of tenure of 5.7 years.

Length of tenure
%, as of December 31, 2022



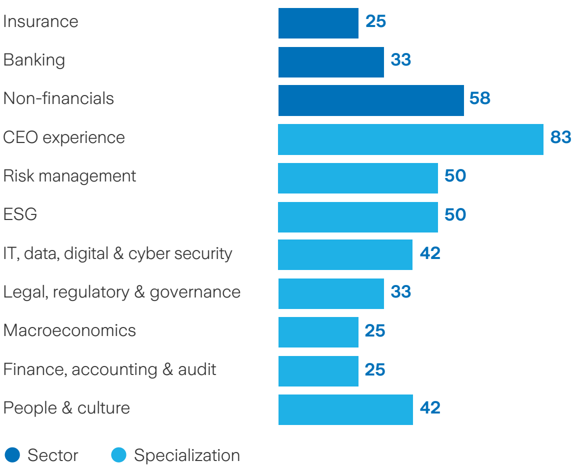
Less than 5 years	50
Between 5 and 10 years	50

Gender
%, as of December 31, 2022



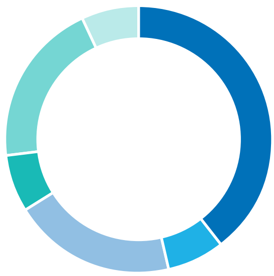
Male	50
Female	50

Background, experience, skills and knowledge
%, as of December 31, 2022



Board members are allocated to one or more nationality, sectors and/or specialization areas based on their individual profile.

Nationality[1]
%, as of December 31, 2022



Switzerland	40
Luxembourg	7
U.S.	20
UK	7
Germany	20
Singapore	7

1 Percentages may not total 100 due to rounding.

Changes to the Board in 2022

At the AGM on April 6, 2022, we welcomed Peter Maurer as a new Board member. Peter Maurer assumed this role as of October 1, 2022.

Board of Directors (continued)

Limits on external mandates

Art. 33 para. 1 of the Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association) sets forth the following, generally applicable, maximum limits for Board members.

This means for the Board of Directors:

Additional mandates for listed and non-listed companies (maximum in total)	8 maximum
Maximum of mandates for listed companies (included in total maximum)	3 maximum

Exempted from this general limit are the following categories of mandates (art. 33 para. 2 of the Articles of Association):

Mandates for Group subsidiaries	No limit
Mandates on behalf of the Group	5 maximum
Mandates for associations, charitable organizations, foundations or pension funds	5 maximum

Multiple mandates for different companies under unified control are counted as a single mandate. The maximum limits set forth in the Articles of Association do not discharge the Board members from their duties to act with due care and protect Group interests. Additional mandates may be assumed only where, upon assuming such mandates, time and resources remain available to perform the office held in the Group.

Board of Directors (continued)

Biographies

Michel M. Liès
Chairman

Born: 1954

Skills and experience
Michel M. Liès has 40 years' experience in global insurance and reinsurance, life insurance, and property and casualty insurance. He has held a number of positions in the industry, including Group CEO of Swiss Re. He began his career at the reinsurer in 1978, working first in the life market in Latin America before moving to Europe in 1983, where he held a number of senior positions within Swiss Re's life businesses. In 1994, he moved into Swiss Re's non-life sector, with responsibility for southern Europe and Latin America. From 1998 he served as Swiss Re's head of Latin America division until 2000, when he was appointed head of the Europe division of its Property & Casualty business group. In 2005, he became Swiss Re's head Client Markets with responsibility for client relationships worldwide, and was appointed a member of the reinsurer's group executive committee. From 2011 to 2012, Mr. Liès served as Swiss Re's chairman of Global Partnerships, which works with governments, international development bodies and non-governmental organizations (NGOs) to mitigate and address global risks and increase resilience. He was appointed Swiss Re's Group CEO in February 2012 and served in that role until his retirement from Swiss Re in 2016. He became Chairman of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2018.

Committee membership
Governance, Nominations and Sustainability Committee (Chairman), Remuneration Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Mr. Liès is chairman of Avenir Suisse, steering committee chair of the Insurance Development Forum, and vice-chairman of the European Financial Services Round Table. He is also a member of the executive committee (vice-chairman for insurance) of the board of the Institute of International Finance (IIF), and a member of the board of trustees of The Swiss Institute of International Studies and the Lucerne Festival.

Educational background
Mr. Liès holds a master's degree in mathematics from the Swiss Federal Institute of Technology in Zurich (ETH). In 1991, he completed the Stanford Executive Program at Stanford University in the U.S. He completed the Senior Executive Program at Harvard University in 1996.

Christoph Franz
Vice-Chairman

Born: 1960

Skills and experience
Christoph Franz started his professional career in 1990 at Deutsche Lufthansa AG. From 1994 until 2003, he held different executive functions at Deutsche Bahn AG, including as member of the executive board and CEO of the passenger transport division. In 2004, he became CEO of Swiss International Air Lines Ltd, and in 2009 he was promoted to the role of deputy chairman of the executive board of Deutsche Lufthansa AG and CEO Passenger Airlines. From 2011 to 2014, Mr. Franz was chairman of the executive board and CEO of Deutsche Lufthansa AG. He became a member of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2014. He was elected Vice-Chairman in April 2018.

Committee membership
Remuneration Committee (Chairman), Governance, Nominations and Sustainability Committee

Other directorships within the Group
Zurich Insurance Company Ltd, Konzern-Vorsorgestiftung der Zürich Versicherungs-Gruppe

External appointments
Mr. Franz was elected chairman of the board of Roche Holding Ltd in March 2014. He is also a member of the board of Chugai Pharmaceuticals Ltd. (controlled by Roche Holding Ltd), and of Stadler Rail Ltd. Mr. Franz serves as a member of the board of trustees of Ernst Goehner Foundation, of Avenir Suisse, of the Swiss Study Foundation and of the Lucerne Festival and is a member of the advisory board of the University of St.Gallen (HSG). He was named as an honorary professor of business administration at the University of St.Gallen in May 2017. In September 2017, the International Committee of the Red Cross (ICRC) appointed Mr. Franz as a member of its Assembly, the organization's top governing body, and in May 2018 he was elected to the Assembly Council.

Educational background
Mr. Franz studied industrial engineering at the Technical University Darmstadt (Germany) and completed his studies with a Ph.D. in economic sciences (Dr. rer. pol.) at the same university. He also studied at the Ecole Centrale de Lyon (France) and conducted post-doctorate research at the University of California, Berkeley.

Joan Amble
Member of the Board of Directors

Born: 1953

Skills and experience
Joan Amble has substantial financial industry experience. She started her professional career as an accountant with Ernst & Ernst (currently Ernst & Young) in 1977. From 1984 to 1989, she served at the Financial Accounting Standards Board (FASB), specializing in pensions, derivatives and other financial instruments. She then spent 14 years with the General Electric Company (GE) in various leadership roles, including CFO GE Real Estate, COO and CFO GE Capital Markets, and as vice president and chief accounting officer GE Financial Services. From 2004 to May 2011, Ms. Amble served as executive vice president and principal accounting officer and, until the end of 2011, as executive vice president, finance, of the American Express Company. In December 2011, Ms. Amble completed a four-year term as a member of the Financial Accounting Standards Advisory Council (FASAC) and in December 2020 she completed the second of two three-year terms as a member of the Standing Advisory Group (SAG) for the Public Company Accounting Oversight Board (PCAOB). From 2006 to 2008, she was a member of the board and chaired the audit committee of XM Satellite Radio and, following the merger of XM Satellite Radio with Sirius Satellite Radio, she was from 2008 to 2021 a member of the board of Sirius XM Satellite Radio and chaired the audit committee. From 2016 to 2022, Ms. Amble served as an independent adviser to the control and risk committee of the executive committee of the U.S. affiliate of Société Générale S.A., a French multinational banking and financial services company. She has been a member of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd since April 2015.

Committee membership
Governance, Nominations and Sustainability Committee, Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Ms. Amble is a member of the board and the audit committee at Booz Allen Hamilton and Spire Global, Inc. and is a board member, audit committee chair and member of the nomination and governance committee at BuzzFeed Inc. She is also involved in developing women in business, including as chair emeritus and co-founder of W.O.M.E.N. in America Inc., and through her various speaking engagements. Ms. Amble also participates in director and other forums and speaks on corporate governance and culture.

Educational background
Ms. Amble received a Bachelor of Science in accounting from The Pennsylvania State University, and later became a certified public accountant (currently inactive).

Board of Directors (continued)

Biographies (continued)

Catherine Bessant
Member of the Board of Directors

Born: 1960

Skills and experience
Catherine Bessant is vice chair, Global Strategy at Bank of America and a member of the Bank of America's executive management team. In this role she is responsible for working with Bank of America's European boards and focused on the Bank's global integrated strategy, governance, and client and regulator engagement. Since joining Bank of America in 1982 as a corporate banker, she has held numerous senior leadership positions within that company: president of Global Product Solutions and Global Treasury Services; chief marketing officer; president of Consumer Real Estate and Community Development Banking; national Small Business Segment executive; market president of Bank of America, Florida; and president of Global Corporate Banking. Prior to being appointed to her current position, Ms. Bessant served as chief operations and technology officer. Ms. Bessant led Bank of America's Global Technology and Operations team from 2010 until September 2021. In that role she was responsible for end-to-end technology and operating services, including business continuity and information security efforts across the company, and overseeing nearly 95,000 employees and contractors in more than 35 countries. Recognized for her multi-sector leadership, Ms. Bessant was inducted into the Most Powerful Women in Banking Hall of Fame by American Banker in 2020 after ranking as the No. 1 of the '25 Most Powerful Woman in Banking' for three consecutive years. She became a member of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in March 2017.

Committee membership
Remuneration Committee, Audit Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Ms. Bessant serves as chair of the USA Field Hockey board and serves on the advisory board of the Ross School of Business at the University of Michigan. She previously served 16 years on the board of Florida Blue, formerly Blue Cross and Blue Shield of Florida, including serving as lead independent director.

Educational background
Ms. Bessant holds a Bachelor of Business Administration from the University of Michigan Ross School of Business.

Dame Alison Carnwath
Member of the Board of Directors

Born: 1953

Skills and experience
Dame Alison Carnwath has substantial financial industry experience. She began her career with Peat Marwick Mitchell, now KPMG, where she practiced as a chartered accountant from 1975 to 1980. From 1980 to 1982, she worked as a corporate financier for Lloyds Bank International. From 1982 to 1993, she was assistant director, then director, at J. Henry Schroder Wagg & Co in London and New York. From 1993 to 1997, Dame Alison was a senior partner at the financial advisory firm Phoenix Partnership. The firm was taken over by Donaldson, Lufkin & Jenrette (DLJ) in late 1997; she continued working for DLJ until 2000. Dame Alison has held several board offices. From 2000 to 2005, she was the chairman of the board of Vitec Group plc, from 2001 to 2006 a director of Welsh Water, from 2004 to 2007 of Friends Provident plc, from 2004 to 2007 of Gallaher Group and from 2007 to 2010, she was the independent chairman of MF Global Inc. She also served on the boards of Barclays from 2010 to 2012, and of Man Group plc from 2001 to 2013. From 2008 to July 2018, she was chairman of the board of Land Securities Group plc, from May 2018 to January 2021 member of the board of BP plc and from 2016 to June 2022 member of the Board of Broadwell Capital Limited. She has been a member of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd since March 2012.

Committee membership
Audit Committee (Chairman), Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Dame Alison is a non-executive member of the boards of PACCAR Inc., Bellis Topco 2 Limited, Coller Capital Ltd. and EG Group Holdings Limited. She is also a member of the supervisory board and chairs the audit committee of BASF SE. In addition, she serves as senior advisor of Evercore Partners, chair of the strategic advisory board of Livingbridge, and as a member of the advisory council of the St. George's Society of New York.

Educational background
Dame Alison graduated in economics and German from the University of Reading. She was awarded honorary doctorates (LLB) from the University of Reading and the University of Exeter.

Michael Halbherr
Member of the Board of Directors

Born: 1964

Skills and experience
Michael Halbherr has extensive experience in the technology industry, serving as an investor, active board member and advisor for young, aspiring companies in many different areas including digital mapping, mobility technology, mobile operating systems, and industrial applications. From 2016 until 2022, he was chairman of Trafi Ltd. in Vilnius and from 2015 until 2022 chairman of FATMAP Ltd. in Berlin. Prior to that he held leadership roles in Nokia Corporation from 2006 to 2014, including serving from 2011 to 2014 as member of Nokia's leadership team and later as CEO of HERE BV, a fully owned Nokia company and a leading company in automotive location technologies. From 2001 to 2006, he served as CEO of gate5, a Berlin-based mobile phone software startup, which Nokia acquired in 2006. From 2000 to 2001, he was a managing director at Europeatweb, an investor into gate5 and venture arm of Groupe Arnault. Prior to that he was a manager at the Boston Consulting Group (BCG) from 1994 to 2000, in the company's Zurich and Boston offices, where he was an active member of BCG's technology practice. He began his career at the Laboratory for Computer Science at Massachusetts Institute of Technology (MIT), where he worked as a visiting scientist and post-doctoral researcher from 1992 to 1994 with a focus on programming paradigms for massively parallel computers. He joined the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2019.

Committee membership
Governance, Nominations and Sustainability Committee, Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Mr. Halbherr is a member of the board of Vontobel Holding AG in Zurich and chairman of the board of ABB E-mobility Holding Ltd. He is also a non-executive director and chairman of German Bionic Systems GmbH in Augsburg, Nanoleq AG in Zurich, and a strategic advisor of Zeotap GmbH.

Educational background
Mr. Halbherr holds a Ph.D. in electrical engineering from the Swiss Federal Institute of Technology (ETH) in Zurich.

Board of Directors (continued)

Biographies (continued)

Sabine Keller-Busse
Member of the Board of Directors

Born: 1965

Skills and experience
Sabine Keller-Busse has extensive financial industry experience. She is President UBS Switzerland. Since joining UBS in 2010, she has served as group chief operating officer, president Europe, Middle East and Africa, group head of Human Resources and chief operating officer UBS Switzerland. Ms. Keller-Busse became a member of the group executive board at UBS in 2016. Prior to joining UBS, she led Credit Suisse's Private Clients Region Zurich division from 2008 to 2010. From 1995 to 2008, she worked for McKinsey & Co., focusing on the financial services industry, where she was a partner since 2002. From 2012 to April 2021, Sabine Keller-Busse was a member of the board of SIX Group, since 2017 vice-chairman of the board and chairman of the nomination & compensation committee. She joined the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2021.

Committee membership
Remuneration Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Ms. Keller-Busse has been a member of the board of the USZ Foundation of the University Hospital Zurich since 2017. Since 2020, she has been a member of the Foundation Council of the UBS International Center of Economics in Society at the University of Zurich and since 2022 a board member of the Swiss Entrepreneurs Foundation.

Educational background
Ms. Keller-Busse studied business administration at the University of St.Gallen (HSG) and completed her studies with a Ph.D. in economic sciences (Dr. oec.) at the same university.

Monica Mächler
Member of the Board of Directors

Born: 1956

Skills and experience
Monica Mächler has substantial legal, regulatory and governance expertise in a national and international context. She served as vice-chair of the board of the integrated Swiss Financial Market Supervisory Authority (FINMA) from 2009 to 2012, after having been the director of the Swiss Federal Office of Private Insurance from 2007 to 2008. From 2010 to 2012, Ms. Mächler chaired the Technical Committee of the International Association of Insurance Supervisors (IAIS). She assumed the roles of Group General Counsel and Head of the Board Secretariat of Zurich Insurance Group from 1999 to 2006 and was appointed a member of the Group Management Board in 2001 after joining in 1990. During the years 1985 to 1990, she was in private practice specializing in banking and business law. Ms. Mächler has been a member of several Swiss federal expert commissions on regulatory projects and regularly speaks, lectures and publishes on matters related to international business law and regulation, and their impact. From May 2012 until May 2018, she was a member of the supervisory board of Deutsche Börse AG. She has been a member of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd since April 2013.

Committee membership
Governance, Nominations and Sustainability Committee, Audit Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Ms. Mächler has been a member of the board of Cembra Money Bank AG since April 2015. She also chairs the advisory board of the International Center for Insurance Regulation at the Goethe University Frankfurt am Main, is a member of the International Advisory Council of the China Banking and Insurance Regulatory Commission and serves on the boards of the Stiftung für schweizerische Rechtspflege, the Europa Institut at the University of Zurich and the Institute for International Criminal Investigations (IICI), a public benefit corporation in California, as well as of the Institute for International Criminal Investigations Foundation (IICIF), a Dutch charitable foundation based in The Hague.

Educational background
Ms. Mächler earned her J.D. at the University of Zurich's Law School and complemented her studies by attending programs on UK, U.S. and private international law. She is admitted to the bar of the Canton of Zurich.

Kishore Mahbubani
Member of the Board of Directors

Born: 1948

Skills and experience
Kishore Mahbubani began his career in 1971 as a diplomat with the Singapore Foreign Service where he served until 2004 with postings in Cambodia, Malaysia, Washington D.C. and New York. He served two postings as Singapore's ambassador to the United Nations and as president of the UN Security Council in January 2001 and May 2002. Mr. Mahbubani was permanent secretary of the Singapore Foreign Ministry from 1993 to 1998. He served as founding dean at the Lee Kuan Yew School of Public Policy of the National University of Singapore (NUS) from 2004 until the end of 2017. In July 2019, he became a Distinguished Fellow at the Asia Research Institute (ARI) of NUS. He has spoken and published extensively on geopolitical and economic issues. In 2013, the Financial Times chose one of his books, "The Great Convergence: Asia, the West and the Logic of One World," as one of the best books of the year on economics. His latest book, "The Asian 21st Century", was released in January 2022. He has been a member of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd since April 2015.

Committee membership
Remuneration Committee, Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
In February 2021, Mr. Mahbubani was appointed chairman of the NUS Medical International Council and in October 2021, Jabil Inc. appointed Mr. Mahbubani as their adviser. In September 2017, he was appointed non-executive chairman of the board of Aggregate Asset Management. Since January 2016, he has been an independent director of the board of Wilmar International Limited, Singapore. In addition, he has served on boards and councils of several institutions in Singapore, Europe and North America, and is currently a member of Yale's President's Council on International Activities (PCIA). He was named a member of the American Academy of Arts and Sciences in April 2019.

Educational background
Mr. Mahbubani graduated with a first-class honors degree in philosophy from the University of Singapore and an M.A. in philosophy from Dalhousie University, Canada, where he was also awarded an honorary doctorate.

Board of Directors (continued)

Biographies (continued)

Peter Maurer
Member of the Board of Directors

Born: 1956

Skills and experience
Peter Maurer has profound knowledge of global megatrends, international relations and current social challenges. He possesses an exceptional global network and, as a member of the Leadership Council of the World Economic Forum (WEF), he is also well connected to the business world.

Mr. Maurer served as President of the International Committee of the Red Cross (ICRC) from 2012 to 2022. Prior to that, he served as Secretary of State for Foreign Affairs in Switzerland from 2010 to 2012 and held the role of Ambassador and Permanent Representative of Switzerland to the United Nations from 2004 to 2010. He began his career in the Swiss diplomatic service in 1986, with various positions in Switzerland, South Africa and the U.S. Mr. Maurer was elected as member of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2022 and assumed the roles in October 2022.

Committee membership
Governance, Nominations and Sustainability Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Mr. Maurer works with the WEF on global governance and innovative financial instruments and is a member of the Leadership Council. He is a member of the advisory council at the International Institute for Strategic Studies in London. In addition, Mr. Maurer is also president of the Basel Institute on Governance, a member of the board of trustees of the elea Foundation for Ethics in Globalization and of the Vontobel-Stiftung. He is president of the Centre of Competence on Humanitarian Negotiation (CCHN), Geneva.

Educational background
Mr. Maurer has a doctorate in history and international law from the University of Bern, Switzerland.

Jasmin Staiblin
Member of the Board of Directors

Born: 1970

Skills and experience
Jasmin Staiblin brings to her role extensive knowledge of how business sectors transform and the growing importance of digitalization and sustainability as a competitive differentiator. She is recognized as one of Europe's top experts in the field of energy and served as CEO of Alpiq, a leading Swiss energy services provider and electricity producer in Europe, until 2018. She began her career in 1997 at the ABB Group, the Swedish-Swiss global technology company. She served in various global functions as a member of the management team for ABB's power technologies division. She held the positions of CEO of ABB Switzerland from 2006 to 2012 and CEO of Alpiq Holding Ltd from 2013 to 2018. She joined the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2019.

Committee membership
Risk and Investment Committee (Chairman), Remuneration Committee, Audit Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Ms. Staiblin is a board member of NXP Semiconductors N.V., Eindhoven, and Georg Fischer Ltd., Schaffhausen. She also chairs the board of Rolls-Royce Power Systems AG and its subsidiary Rolls-Royce Solutions GmbH, both in Friedrichshafen and fully controlled by Rolls-Royce plc.

Educational background
Ms. Staiblin studied physics and electrical engineering at the Karlsruhe Institute of Technology, Germany and the Royal Institute of Technology in Stockholm, Sweden. She completed her studies with a degree in physics and has a Master of Science in electrical engineering.

Barry Stowe
Member of the Board of Directors

Born: 1957

Skills and experience
Barry Stowe has extensive business experience and knowledge gained through executive roles in the insurance industry in North America and Asia. Between 2006 and 2018, he was a member of the board and the group executive committee of Prudential plc. From 2015 to 2018, he served as chairman and CEO of Jackson Holdings Ltd, a subsidiary of Prudential plc, and from 2006 to 2015, as CEO of Prudential Corporation Asia. From 1995 to 2006, he held senior executive positions at American International Group (AIG), including serving as president of AIG Life Companies Accident & Health Worldwide based in Hong Kong from 2001 to 2006. From 1992 to 1995, he served as president of NISUS, a subsidiary of Pan-American Life Insurance Group. From 1980 to 1992, he held several positions at Willis Corroon Group plc in the U.S., an insurance and reinsurance brokerage services company. He joined the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2019.

Committee membership
Audit Committee, Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Mr. Stowe serves as senior advisor to McKinsey & Company, and is co-chair of the Retirement Income Institute in Washington, D.C., chair of Cheekwood Estate & Gardens in Nashville, Tennessee, and a member of the Tennessee Business Leadership Council.

Educational background
Mr. Stowe has a Bachelor of Arts in politics and classical studies from Lipscomb University in Nashville, Tennessee.

Board of Directors (continued)

Self-assessment

To regularly discuss and strengthen the Board's effectiveness, at least annually, the Board reviews, based on an assessment conducted by the GNSC (which includes an appraisal by an external expert at least every three years), the Board and committee performance. The review focuses on the Board's composition, availability and engagement at the meetings; co-operation and culture; processes, particularly agenda setting and meeting conduct; the Board's interaction with the Group's executive management and the Board's collective or individual training needs. The review seeks to determine whether the Board and the committees function effectively and efficiently.

In 2022, the Board Effectiveness Review (BER) was conducted by an external expert. The Board members discussed the results and defined actions to address the feedback received.

Meetings

During 2022, the Board held 12 meetings (of which 11 were partly attended by tele-/videoconference and seven were held over two days. One meeting was fully dedicated to the discussion of strategy. Seven meetings lasted four or more hours during the course of a day and four meetings lasted less than three hours on average.

In 2022, average attendance at Board meetings was 95.64 percent. In the fulfillment of their duties, the Board members spent additional time participating in committee meetings and preparing for meetings. Committee meetings lasted more than an hour and 30 minutes on average.

During 2022, due to challenges posed by COVID-19, Board meetings were in part held virtually. In addition, several informal exchanges between Board members and between Board members and management were facilitated.

The Board approved one circular resolution.

as of December 31, 2022	Board of Directors	Governance, Nominations and Sustainability Committee	Remuneration Committee	Audit Committee	Risk and Investment Committee
Minimum no. of meetings required	6	2	2	4	4
No. of meetings held	12	6	5	7	7
No. of members[1]	12	6	6	5	6
Meeting attendance, in %	95.64	94.44	100	96.43	88.1

Meeting attendance individualized

Joan Amble	11/12	6/6	–	–	7/7
Catherine Bessant	10/12	–	5/5	7/7	–
Dame Alison Carnwath	12/12	–	–	7/7	5/7
Christoph Franz	11/12	6/6	5/5	–	–
Michael Halbherr	12/12	4/6	–	–	6/7
Sabine Keller-Busse	12/12	–	5/5	–	–
Michel M. Liès	12/12	6/6	5/5	–	–
Monica Mächler	12/12	6/6	–	7/7	–
Kishore Mahbubani	12/12	–	5/5	–	6/7
Peter Maurer[2]	4/4	3/3[3]	–	–	–
Jasmin Staiblin	11/12	–	5/5	6/6[4]	7/7
Barry Stowe	11/12	–	–	6/7	6/7

1 Until April 6, 2022, the Audit Committee had four members and until September 30, 2022 the Governance, Nominations & Sustainability Committee had five members.
2 Elected at the AGM on April 6, 2022 and assumed his role on October 1, 2022.
3 Joined Committee on October 1, 2022.
4 Joined Committee on April 6, 2022.

Board of Directors (continued)

Training

The Chairman ensures, together with the GNSC, that new Board members are provided with an onboarding program and existing Board members receive appropriate ongoing training. For this purpose, the Board issued onboarding and training guidelines to underscore the importance of this topic.

Following their appointment, new Board members will be provided with an in-depth and tailor-made onboarding program that generally consists of:

- The Group's strategy, business operating model and its financial and non-financial goals.
- The Group's legal and management structure, corporate governance setup and processes, the Zurich Code of Conduct and relevant legal and regulatory frameworks.
- The Group's risk management framework and relevant compliance requirements and processes.
- Training and introduction into specific topics based on regulatory requirements (e.g., regulatory capital models).
- Applicable Board processes, meeting schedules and other administrative matters.

As part of the onboarding program, meetings will be scheduled with the Chairman, the chairs of the committee(s) on which the new Board member will be serving, the Group CEO, selected executive management members as well as the company secretary.

Furthermore, the Board's training needs are evaluated as part of the annual Board self-assessment or based on regulatory requirements and regularly reassessed throughout the year. In 2022, the Board or individual members of the Board received, inter alia, training on accounting standards (particularly as to the implementation of IFRS 17/9), artificial intelligence in reserving, current macroeconomic dynamics, cyber risk underwriting, ORSA process and scenario analysis, corporate governance and Group Risk Profile analysis.

Role of the Board

The Board is responsible for the ultimate management of ZIG and of the Group as a whole, as well as for the supervision of management. In particular, it has responsibility for the following areas:

- *Group strategy:* The Board approves the Group strategic plan and the overall Group targets upon the recommendation of the Group CEO and receives reports by the Group CEO on the implementation of and progress toward the Group strategy.
- *Sustainability:* The Board approves the Group's sustainability strategy and objectives, including targets having a material impact on the Group. The Board also sets the Group's values and standards to ensure that the expectations of stakeholders are met.
- *Finance:* The Board approves the financial and operating plan annually and establishes guidelines for capital allocation and financial planning. Above certain thresholds, the Board approves major lending and borrowing transactions. It discusses the dividend policy and the Board's proposal for dividend. Within its authority, the Board also makes resolutions on capital increases.
- *Reporting:* The Board reviews and approves the Annual Report, the half-year financial reporting of the Group, the Group's updates for the first three and nine months of the year, as well as the financial condition report. In addition, the Board approves the Sustainability Report.
- *Structure and organization of the Group:* The Board determines and regularly reviews the basic principles of the Group's structure and major changes in the Group's management organization and to Group functions. In this respect, the Board discusses the Group's corporate governance framework, its remuneration system and adequate controls and assurance. Further, as part of its duty to convene the shareholders' meeting, it approves and submits proposals to the shareholders' meeting.
- *Business development:* Above certain thresholds, the Board regularly discusses and approves acquisitions and disposals of businesses and assets, investments, new businesses, mergers, joint ventures, cooperations and restructuring of business units or books of businesses.
- *Corporate culture:* The Board also approves and regularly reviews ethical and compliance standards of the Group, in particular the Zurich Code of Conduct.
- *Risk management:* The Board approves the Group's key risk management principles and procedures including, in particular, the Group's risk appetite and risk tolerance. It also approves the Group's Own Risk and Solvency Assessment (Group ORSA) as well as the Group Recovery Plan.

Additional information can be found in art. 5.1 to 5.13 of the Organizational Rules (www.zurich.com/about-us/corporate-governance/corporate-documents).

Board of Directors (continued)

Activities and focus topics in 2022 included:

- Delivery on strategic priorities for the strategic cycle 2020–2022, including developments in all regions, new business models and brand.
- Discussion of strategic priorities for the strategic cycle 2023–2025, including financial targets.
- Discussion and approval of the updated sustainability framework, including core sustainability priorities, targets and action roadmaps for the next strategic cycle 2023–2025; further development of Group Sustainability reporting; and potential financial implications of climate change for the Group.
- Macroeconomic and health developments in 2022 and implications for the Group, including long-term scenarios related to the war in Ukraine.
- Status and digital transformation of technology and operations.
- ExCo changes as proposed by the Group CEO.
- Close monitoring of implementation of IFRS 17 and potential implications for the Group.
- Board succession planning.
- Risk management including risk appetite and tolerance and internal control framework, enabling integrated view of risks and assurance customer trends, structural industry changes and new technologies.
- Mergers and acquisitions, including a review of respective value creation and investment management.
- Significant internal restructurings.
- Recommendations from the external Board Effectiveness Review.
- Legal and regulatory environment.

Role of the Chairman

The Chairman leads the Board, calls Board meetings and sets the Board's agenda. He has continuous contact with the Group CEO and facilitates a constructive relationship between the Board and the ExCo. In particular, in his role, he also:

- Presides over the AGM.
- Ensures accuracy and proper implementation of Board resolutions.
- Ensures Board members receive accurate, timely and clear information.
- Takes pressing decisions, subject to ratification by the Board.
- Together with the GNSC, ensures the Board's onboarding and training program.
- Issues further guidelines on compliance with fitness and properness of Board candidates and members.
- Arranges the Board's self-assessment.

Additional information can be found in art. 9.1 to 9.4 of the Organizational Rules (www.zurich.com/about-us/corporate-governance/corporate-documents).

Role of the Vice-Chairman

The Vice-Chairman supports the Chairman with his responsibilities and assumes the role should the Chairman be unable to exercise his functions.

Role of the Board committees

The Board may establish committees for specific topics, terms of reference and rules with respect to delegated tasks, responsibilities and reporting to the Board. Except for the Remuneration Committee, the Board constitutes such committees from among its members at its own discretion.

The committees assist the Board in performing its duties. They discuss and propose matters to the Board unless they are authorized to take resolutions in specific areas on their own. All committees have the authority to retain external advice. To get an outside view, the Board and/or its committees occasionally invite external advisors (e.g., the independent executive compensation consultant of the Remuneration Committee, the external auditors) to attend a meeting and/or represent a specific topic.

Board of Directors (continued)

The Board has the following standing committees:

Governance, Nominations and Sustainability Committee

Key tasks and responsibilities:

- Assists the Board in setting an appropriate tone at the top to promote key values and behaviors, and to ensure a sound and open culture throughout the organization.
- Supports the Board by establishing corporate governance best practices across the Group with a view to ensuring that the shareholders' and other important stakeholders' rights are protected.
- Ensures structures and processes are in place allowing for sound corporate governance and proper documentation.
- Monitors legislative and regulatory developments and reporting requirements relating to corporate governance and sustainability.
- Is entrusted with Board and ExCo succession planning and makes proposals to the Board on the Board composition, the appointment of the Chairman, the Vice-Chairman, the Group CEO and members of the ExCo. Final decisions are made by the Board, subject to shareholder approval, where required.
- Monitors the Group CEO's talent management and management succession planning.
- Reviews and proposes to the Board for approval the Group's sustainability strategy and objectives, including targets having a material impact on the Group.

Activities and focus topics in 2022 included:

- ExCo changes as proposed by the Group CEO in alignment with strategic priorities.
- Driving and monitoring the implementation of the sustainability strategy and its three pillars of changing climate, confidence in a digital society and work sustainability in the business, including key initiatives such as reviewing outcomes of the climate-risk scenario assessment or joining the Net-Zero Insurance Alliance.
- Update to sustainability strategy in 2022, including a materiality assessment eventually resulting in the recommendation to the Board of the updated sustainability framework, including core sustainability priorities, targets and actions for the strategic cycle 2023–2025.
- Discussion of the integration of ESG-related aspects throughout the Group.
- Board and ExCo succession planning.
- Assessment of the impact of Swiss Corporate Law reform on corporate governance documents and recommendations of changes to the Board.
- Developments affecting corporate governance, including changes to Swiss and international laws, regulations and trends.
- Review of the corporate governance report and Sustainability Report 2021 (www.zurich.com/reports/2021/sustainability-report) and recommendation to the Board for approval.
- ESG Roadshow.

Remuneration Committee

Key tasks and responsibilities:

- Annually evaluates the Group's remuneration architecture and system, as well as Zurich's remuneration rules, and proposes amendments to the Board, which is responsible for the design, implementation and monitoring of the remuneration framework.
- Annually reviews and proposes to the Board the remuneration terms of the Board members.
- Reviews and proposes to the Board the employment terms and conditions of the Group CEO and reviews those of the ExCo members, as proposed by the Group CEO.
- Annually reviews the performance targets and achievements of the ExCo, including the Group CEO, and proposes the respective awards or amendments to the Board, as appropriate, for approval.
- Annually reviews and proposes to the Board the remuneration of the heads of Control Functions for approval.
- Reviews the achievements of the predefined performance metrics related to short-term and long-term incentive plans (STIP and LTIP), as well as conducts a qualitative assessment of the performance, before proposing to the Board the funding of the STIP pools, the LTIP vesting level and the amount of the total variable remuneration pool.
- Liaises with the Group CEO on other important matters related to employment, salary and benefits.
- Reviews and makes proposals to the Board on the amounts of Board and ExCo remuneration to be submitted for approval at the AGM.
- Discusses the regulatory environment and risk management aspects regarding remuneration and related disclosure, and prepares the remuneration report.

Board of Directors (continued)

Activities and focus topics in 2022 included:

- Performance of the Group, the countries and the ExCo, as well as the approval of the STIP awards and the LTIP vesting level for the period ending December 31, 2021.
- Approval of the amount of total variable remuneration for 2021.
- Regulatory environment and external developments regarding remuneration and related disclosures, as well as the implications for Zurich.
- The proposed maximum amounts of total remuneration for the Board and the ExCo for the shareholder votes at the AGM, and the results of the votes from the AGM 2022.
- The remuneration report, the information on the approval of the remuneration for the Board and ExCo in the AGM invitation and other related disclosures as appropriate.
- Risk management aspects of the Group's remuneration architecture, together with the Risk and Investment Committee, as well as key activities with respect to identified key risk taker (KRT) positions, for example the risk-based assessment of KRTs.
- Zurich's remuneration rules, which were approved by the Board.
- Compensation and remuneration structures of the Board and the ExCo, including share ownership in line with the guidelines.
- Compensation and remuneration structures of the heads of Control Functions.
- Activities of the Group Pensions Committee.
- Performance and incentive architecture, including the metrics of the variable remuneration plans, for 2022 and looking ahead into 2023.

Further details of the Group's remuneration framework are set out in the remuneration report on pages 74 to 111.

Audit Committee
Key tasks and responsibilities:

- Serves as a focal point for communication and oversight regarding accounting as well as financial and non-financial reporting, internal control, actuarial practice, and financial and regulatory compliance.
- Reviews the Group's auditing process (including establishing the basic principles relating to and making proposals for the audit of ZIG and the Group).
- At least annually, reviews the standards of internal control, including activities, plans, organization and quality of Group Audit and Group Compliance.
- Reviews annual and half-year consolidated financial statements of the Group, the Group's updates for the first three months and first nine months and the Annual Report of the Group.

Activities and focus topics in 2022 included:

- Annual and half-year reporting with a strong focus on accounting and reserving matters, as well as the Group's updates for the first three months and first nine months.
- IFRS 17 and 9 implementation status and implications for the Group.
- Assessment of non-financial reporting.
- Strategy, scope and effectiveness of the internal control framework, including internal controls over financial reporting (ICFR).
- Annual Group Audit plan, Group Audit findings and management implementation of improvement actions.
- PwC external quality assessment of Group Audit.
- Work of the external auditors including the regular review of the Non-Audit Services Policy, the external auditors' findings on key judgments and estimates in financial statements, as well as the transition to the new external auditors.
- Annual Group Compliance Plan, activities to support management of compliance risks, compliance policy updates and enhancements, compliance findings, the result of the annual Zurich Code of Conduct training, as well as evolving regulatory expectations.
- Tax strategy and regulation.
- Artificial intelligence in reserving.
- Legal and regulatory matters.

Board of Directors (continued)

Risk and Investment Committee

Key tasks and responsibilities:

- Enterprise Risk Management Framework and risk appetite and tolerance:
  - Oversight of the Group's risk appetite and tolerance, including agreed limits that the Board regards as acceptable for ZIG and the Group to bear, the aggregation of agreed limits across the Group, the measurement of adherence to agreed risk appetite and tolerance, and the Group's risk appetite and tolerance in relation to anticipated capital levels.
  - Oversight of the Group's enterprise risk management framework (embracing policies, models, methodologies, reporting, systems, processes and people).
  - Oversight of the impact of risk on economic and regulatory capital requirements.
- Risk reporting:
  - Receipt of periodic reports from the risk management function and assessment of whether all 'significant' risk matters (as defined in the Zurich Risk Policy (ZRP)) are being addressed by ExCo members in an appropriate and timely fashion.
  - Review of the Group ORSA report and the Group Recovery Plan and subsequent proposal to the Board for approval.
- Investments:
  - Oversight of the investment process.
  - Review of the investments above a pre-defined threshold and subsequent recommendation to the Board.
  - Monitoring of developments in the macroeconomic environment.
  - Receipt of updates on the Group's annual strategic asset allocation, market risk consumption relative to allocated market risk capital and limit, as well as major market risk drivers.
  - Receipt of updates on the accounting investment result, the economic investment return relative to liabilities, and the performance of asset managers.

Activities and focus topics in 2022 included:

- Update on enterprise risk management, including quarterly risk reports, strategic risk assessment (Group Total Risk Profile), emerging risks, internal control integrated framework and scenario analysis discussions.
- Group statement on risk appetite and tolerance 2023.
- Group ORSAs, including self-assessment of the effectiveness of the risk management system.
- Group Recovery Plan 2022.
- Discussions on macroeconomic developments and impact on investment performance.
- Investment management deep dives on private equity investments and management investments through the market cycle.
- Update on the Group's capital position with regards to economic, regulatory and rating agency metrics.
- Model validation results 2021 and the plan for 2022.
- Update on credit and country risk and semi-annual derivative report.
- Update on own insurance.
- Updates on accumulation, cyber underwriting appetite and operational risk.
- Group Risk Management strategy update as well as regional risk updates.
- Update on reinsurance strategy.
- Discussion on risk aspects of the remuneration architecture and update on KRTs in joint meeting with Remuneration Committee.

For further information on risk governance, see the risk review on pages 198 to 229.

For further information on the Board committees in general, see the Annex to the Organizational Rules (under www.zurich.com/about-us/corporate-governance/corporate-documents).

Executive Committee

An Executive Committee focused on delivering results.

Our ExCo is well equipped to steer Zurich toward its 2025 goals and beyond to ensure the Group remains agile and ready for the future.

Mario Greco
Group Chief Executive Officer

Nationality
Italian

Read more: Page 62

Ericson Chan
Group Chief Information and Digital Officer

Nationality
Chinese (Hong Kong SAR)

Read more: Page 62

Jeff Dailey
CEO of Farmers Group, Inc.

Nationality
U.S.

Read more: Page 62

Peter Giger
Group Chief Risk Officer

Nationality
Swiss

Read more: Page 63

Executive Committee (continued)

Jack Howell
CEO Zurich Global Ventures

Nationality
U.S.

Read more: Page 63

George Quinn
Group Chief Financial Officer

Nationality
British

Read more: Page 64

Alison Martin
CEO EMEA (Europe, Middle East & Africa) and Bank Distribution

Nationality
British

Read more: Page 63

Sierra Signorelli
CEO Commercial Insurance

Nationality
U.S.

Read more: Page 65

Laurence Maurice
CEO Latin America

Nationality
French

Read more: Page 64

Kristof Terryn
CEO North America

Nationality
Swiss and Belgian

Read more: Page 65

Tulsi Naidu
CEO Asia Pacific

Nationality
British

Read more: Page 64

Stephan van Vliet
Group Chief Investment Officer

Nationality
Dutch

Read more: Page 65

Executive Committee (continued)

Executive Committee

Subject to the powers reserved for the Board (see page 51), the Board has delegated management of the Group to the Group CEO and, under the Group CEO's supervision, to the ExCo and its members. The ExCo serves the Group CEO as the core management team in matters of Group-wide strategic, financial and business-policy relevance.

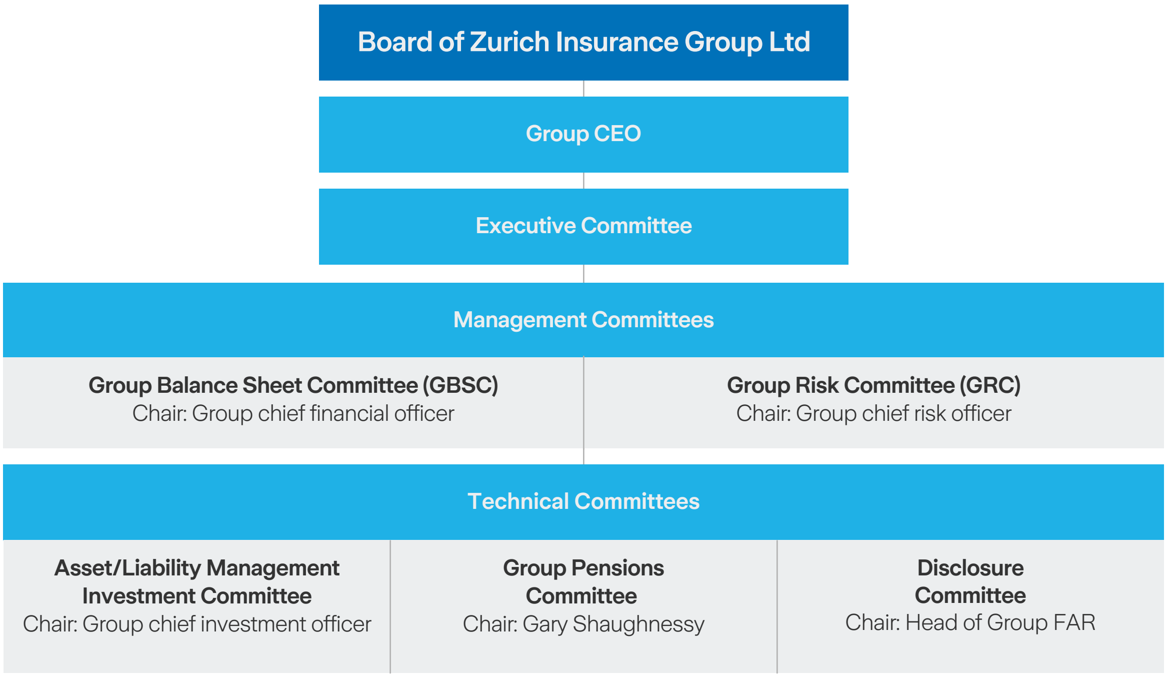
The Group CEO is responsible for:

- ZIG's and the Group's management and performance;
- representation of the overall interests of ZIG and the Group towards third parties to the extent such interests are not represented by the Board;
- development and implementation of the strategic and financial plans approved by the Board;
- management, supervision and coordination of the activities of the ExCo members and of other direct reports;
- specific powers and duties pertaining to strategic, financial and organizational matters.

ZIG has not transferred key parts of management by contract to other companies (or individuals) not belonging to (or employed by) the Group.

Additional information can be found in art. 14 to 17 of the Organizational Rules (www.zurich.com/about-us/corporate-governance/corporate-documents).

Group Management
as of December 31, 2022



Executive Committee (continued)

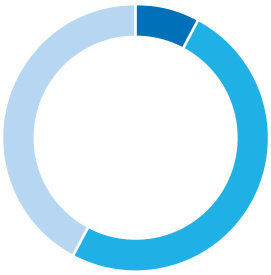
Composition

As of December 31, 2022, the ExCo included members of eight nationalities. ExCo members' business experience covers a broad range of jurisdictions, giving the ExCo profound collective knowledge of international business practices.

The average length of tenure was 5.2 years:

Length of tenure[1]

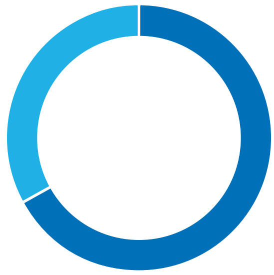
%, as of December 31, 2022



Less than 1 year	8
Between 1 and 5 years	50
More than 5 years	42

Gender

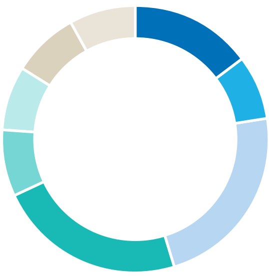
%, as of December 31, 2022



Male	67
Female	33

Nationality[1]

%, as of December 31, 2022



Switzerland	15
Italy	8
U.S.	23
UK	23
Belgium	8
France	8
Netherlands	8
China (Hong Kong SAR)	8

ExCo members are allocated to one or more nationality.

1 Percentages may not total 100 due to rounding.

Changes to the ExCo in 2022

Stephan van Vliet assumed the role of Group CIO and ExCo member as of May 1, 2022.

Raul Vargas, former president of distribution, life and financial services of Farmers Group, Inc., became CEO of Farmers Group Inc. as of January 1, 2023. He succeeded Jeff Dailey who retired.

Executive Committee (continued)

Limits on external mandates

Art. 33 para. 1 of the Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association) sets forth the following, generally applicable, maximum limits for ExCo members.

This means for the ExCo:

Additional mandates for listed and non-listed companies (maximum in total)	4 maximum
Maximum of mandates for listed companies (included in total maximum)	1 maximum

Exempted from this general limit are the following categories of mandates (art. 33 para. 2 of the Articles of Association):

Mandates for Group subsidiaries	No limit
Mandates on behalf of the Group	5 maximum
Mandates for associations, charitable organizations, foundations or pension funds	5 maximum

Multiple mandates for different companies under unified control are counted as a single mandate. The maximum limits set forth in the Articles of Association do not discharge the ExCo members from their duties to act with due care and protect Group interests. Additional mandates may be assumed only where, upon assuming such mandates, time and resources remain available to perform the office held in the Group.

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Executive Committee (continued)

Biographies

Mario Greco
Group Chief Executive Officer

Born: 1959

Skills and experience
Mario Greco joined Zurich in March 2016 as Group CEO and member of the ExCo.
Mr. Greco started his professional career in management consulting, working in McKinsey & Company's Milan office from 1986 until 1994, where he became a partner in 1992 and subsequently a partner leader in the insurance segment. In 1995, he joined RAS (Allianz Group) in Milan as head of the claims division. He became general manager in charge of the insurance business the following year. In 1998, he was appointed managing director and in 2000, he became the company's CEO. At the end of 2004, Mr. Greco joined Allianz AG's executive board, with responsibility for France, Italy, Spain, Portugal, Greece and Turkey.
In April 2005, he joined the Sanpaolo IMI Group in Milan as CEO of EurizonVita and in October 2005, he was appointed CEO of Eurizon Financial Group. From 2007 to 2012, he served at Zurich, first as CEO Global Life and from 2010, as CEO General Insurance. In 2012, he was appointed CEO of Generali.

External appointments
Mr. Greco is a member of the international advisory council of Bocconi University, a member of the executive faculty of the University of St.Gallen (HSG), a member of the advisory board of the Executive MBA program from ETH and the University of St.Gallen (HSG), and an advisory board member of the Department of Economics at the University of Zurich.

Educational background
Mr. Greco holds a bachelor's degree in economics from the University of Rome and a master's degree in international economics and monetary theory from Rochester University.

Ericson Chan
Group Chief Information and Digital Officer

Born: 1966

Skills and experience
Ericson Chan has an extensive background in technology leadership prior to joining Zurich as Group chief information and digital officer and as member of the ExCo in October 2020. From 2016 to 2020, he was CEO of Ping An Technology where he helped to transform Ping An Group's business model and online ecosystems through digital services including a range of fintech products and online platforms. Between 1998 and 2016, he held several technology and operations leadership roles at Standard Chartered Bank in Hong Kong, Shanghai and Singapore, including chief information officer for North Asia, head of Corporate & Investment Banking Operations in China and global head of Consumer Banking Technology. He also has six years of HealthTech experience in the U.S.

External appointments
Mr. Chan is a member of the Financial Infrastructure and Market Development Advisory Committee of the Hong Kong Monetary Authority and a member of the board of the Centre for Finance, Technology and Entrepreneurship in London. He is the chairman of the board of the Jane Goodall Institute in Hong Kong and is also a member of the ETX Council at Insight Partners.

Educational background
Mr. Chan graduated from the University of Wisconsin-Madison with a bachelor of science degree in computer science and has an MBA from Edgewood College in Madison, Wisconsin.

Jeff Dailey
CEO of Farmers Group, Inc.

Born: 1957

Skills and experience
Jeff Dailey began his career in 1980 with Mutual Service Insurance Company. He also worked for Progressive Insurance Company. He went on to form Reliant Insurance Company, an auto insurance startup owned by Reliance Group Holdings, which was sold to Bristol West Holdings, Inc. in 2001. From 2001 until 2003, Mr. Dailey was chief operating officer of Bristol West Holdings, Inc. In 2003, he was named president and chief operating officer of Bristol West Holdings, Inc., in conjunction with the firm's initial public offering on the New York Stock Exchange. In 2006, he became CEO of Bristol West Holdings, Inc. Mr. Dailey joined Farmers Group, Inc. in 2007 as Vice President when Farmers acquired Bristol West Holdings, Inc., and he was promoted in 2008 to Executive Vice President of Personal Lines. In January 2011, he was promoted to the position of President and COO of Farmers Group, Inc. He became a member of the Board of Farmers Group, Inc. in February 2011 and has been its Chairman since October 2015. Mr. Dailey was appointed to his current role of CEO of Farmers Group, Inc. and became a member of the ExCo in January 2012.

External appointments
Mr. Dailey is a member of The Institutes board of trustees and serves on the advisory board of Team Rubicon, a disaster relief organization that brings together military veterans, first responders, medical professionals and technology experts. He is also an independent director of Verisk Analytics, Inc.

Educational background
Mr. Dailey graduated from the University of Wisconsin-Madison with a bachelor's degree in economics and has an MBA from the University of Wisconsin-Milwaukee.

Executive Committee (continued)

Biographies (continued)

Peter Giger
Group Chief Risk Officer

Born: 1964

Skills and experience
Peter Giger has extensive experience in insurance and reinsurance, including in areas of finance, risk, strategy, underwriting and regulatory management. He was appointed Group CRO and member of the ExCo in October 2019 and took on the additional responsibilities as Group chief investment officer on an interim basis from July 2021 until early 2022. Prior to that, he served for four years from 2014 to 2018 as the head of FINMA's insurance division. During that time, he also served as FINMA's deputy CEO and a member of its executive team. While at FINMA he represented Switzerland in international organizations, instituted standard operating procedures and guidelines, and was instrumental in consolidating Swiss Solvency Test modeling. From 2002 to 2014, he held executive leadership roles at Zurich, including CFO General Insurance from 2010 to 2014. Prior to that he headed Structured Finance at Swiss Re from 1999 to 2002. Mr. Giger began his career at Zurich, holding a series of management positions between 1992 and 1999.

External appointments
Peter Giger became a member of the Swiss Federal Institute of Technology (ETH) Risk Center's advisory board in February 2020. He has been a member of the CRO Forum since October 2019 and was elected chairman in October 2022.

Educational background
Mr. Giger has a doctorate in business administration from the University of Zurich, and a master's degree in business administration, specializing in IT, from the University of St.Gallen (HSG).

Jack Howell
CEO Zurich Global Ventures

Born: 1970

Skills and experience
Jack Howell has more than 25 years' experience in the financial services sector, of which more than 15 have been in various senior leadership positions for insurance companies in Asia. Prior to his appointment at Zurich, Mr. Howell was the regional officer for Asia for Assicurazioni Generali based in Hong Kong. He joined Generali from Prudential plc Group, where he briefly served as CEO and president director for PT Prudential Life Assurance, Indonesia, and for almost six years as CEO of Prudential Vietnam Assurance. Before Prudential, he held various positions with AIG in the Philippines, Hong Kong and New York, co-founded a boutique investment bank called TwentyTen, and spent several years as a consultant with organizations including The Boston Consulting Group. Mr. Howell joined Zurich in September 2016 as CEO for Asia Pacific and became a member of the ExCo in October 2016. He was named CEO Global Business Platforms effective January 1, 2021. Global Business Platforms has since been renamed to Zurich Global Ventures.

External appointments
None.

Educational background
Mr. Howell holds an MBA from the University of Chicago and a Bachelor of Science in quantitative economics from Tufts University in Massachusetts.

Alison Martin
CEO EMEA (Europe, Middle East & Africa) and Bank Distribution

Born: 1974

Skills and experience
Alison Martin has extensive management, financial and commercial experience within the insurance sector. She was appointed chief executive officer Europe, Middle East & Africa (EMEA) and bank distribution in July 2019 and is responsible for sustainability at Zurich Insurance Group. Prior to that, she served as Group chief risk officer from January 2018 to September 2019. A qualified accountant, Ms. Martin began her career at PwC, where from 1995 to 2003 she worked with insurance clients in audit and advisory roles. She then served in leading executive positions at Swiss Re, starting in 2003 as finance director, Life & Health. Starting in January 2011 she served as group managing director of Swiss Re's Life & Health Products Division. She was appointed Swiss Re's head of Life & Health Business Management in 2013, a position she held until joining Zurich as Group chief risk officer-designate and a member of the Executive Committee in October 2017.

External appointments
In June 2019 Alison Martin became a councillor of the British-Swiss Chamber of Commerce.

Educational background
Ms. Martin earned a bachelor's degree in law, with honors, from the University of Birmingham in 1995. In 1998, she qualified with the Institute of Chartered Accountants in England and Wales as an associate member, and in 2010 she completed the Chartered Financial Analyst investment management certificate.

Executive Committee (continued)

Biographies (continued)

Laurence Maurice
CEO Latin America

Born: 1965

Skills and experience
Laurence Maurice has extensive experience in the insurance industry and in organizational transformation. Before joining as CEO Latin America and as member of the ExCo in October 2020, she served for five years as Allianz Partners' CEO of Spain and head of Southern Europe. During that time, she revamped strategy while supporting her company's global transformation. Before this, she spent seven years as global CFO at Allianz Global Assistance and seven years as Brazil and then Latam regional CFO for Allianz Seguros. After beginning her career at PWC, she held positions as head of business division and head of International Internal Audit at Allianz France.

External appointments
Laurence Maurice is an associate of the French-Brazilian Chamber of Commerce (Câmara de Comércio França-Brasil).

Educational background
Ms. Maurice holds an engineering degree from SupAgro Montpellier and a master's degree in audit from ESCP Europe.

Tulsi Naidu
CEO Asia Pacific

Born: 1973

Skills and experience
Tulsi Naidu is CEO Asia Pacific and a member of the ExCo effective January 1, 2021. Ms. Naidu joined Zurich in September 2016 as head of business development EMEA and was then appointed UK CEO. She joined Zurich after 14 years at Prudential plc in their UK business serving as COO and Executive Director, UK & Offshore. Ms. Naidu started her career in India with roles at Arthur Andersen and ICICI Bank before moving to CSFB. Ms. Naidu is a past chair of the UK Financial Conduct Authority's practitioner panel.

External appointments
Ms. Naidu is an independent director of Wipro Ltd.

Educational background
Ms. Naidu earned a bachelor's degree in mathematics, economics and statistics from Nizam College, Hyderabad and a master's degree in management from the Indian Institute of Management in Ahmedabad.

George Quinn
Group Chief Financial Officer

Born: 1966

Skills and experience
George Quinn started his career at KPMG 1988 in London, where he held several positions working with the insurance and reinsurance industry. He joined Swiss Re in 1999 as group chief accounting officer based in Zurich and later served as CFO for Swiss Re Group's financial services. Mr. Quinn became the regional CFO for Swiss Re Americas based in New York in 2005. In March 2007, he became Swiss Re Group's CFO. Mr. Quinn joined Zurich in May 2014 as Group CFO and is a member of the ExCo.

External appointments
Mr. Quinn is a member of the finance chapter of the Swiss-American Chamber of Commerce.

Educational background
Mr. Quinn holds a degree in engineering from the University of Strathclyde. He is also a member of the Institute of Chartered Accountants in England and Wales.

Executive Committee (continued)

Biographies (continued)

Sierra Signorelli
CEO Commercial Insurance

Born: 1975

Skills and experience
Sierra Signorelli was appointed CEO Commercial Insurance and became a member of the ExCo in March 2021. She has extensive experience in the insurance industry, serving as Zurich's Group chief underwriting officer from October 2020 and as chief underwriting officer for Commercial Insurance after joining the company in 2017. Her prior experience includes 17 years with American International Group where she held a number of senior leadership roles in the insurer's Global Specialties division, including global chief underwriting officer, specialty lines and specialty executive in Asia/Pacific and global head of Network Partner Practice.

External appointments
Ms. Signorelli is a member of the board of the Swiss-American Chamber of Commerce.

Educational background
Ms. Signorelli holds a Bachelor of Science degree in environmental science from the University of California, Santa Barbara. She completed the Stanford Executive Program at Stanford University School of Business.

Kristof Terryn
CEO North America

Born: 1967

Skills and experience
Kristof Terryn began his career in 1993 in the banking industry, where he worked in capital markets. In 1997, he joined McKinsey & Company where he held various positions within the financial services practice in Brussels and Chicago. He joined Zurich in 2004 in the Finance department. In 2007, he became chief operating officer (COO) for the Global Corporate business division and in January 2009 was named COO for General Insurance. Mr. Terryn became a member of the ExCo in 2010 upon his appointment as Group Head Operations. In September 2013, he was appointed CEO Global Life and became CEO General Insurance in October 2015. He was appointed Group chief operating officer effective July 2016. Mr. Terryn was named CEO North America effective January 1, 2021.

External appointments
Mr. Terryn is a board member of the American Property Casualty Insurance Association (APCIA) and a board member of St. John's School of Risk Management.

Educational background
Mr. Terryn holds a law degree and a degree in economics from the University of Leuven, Belgium, as well as an MBA from the University of Michigan.

Stephan van Vliet
Group Chief Investment Officer

Born: 1970

Skills and experience
Stephan van Vliet has extensive international experience in asset management in the insurance sector. He joined Zurich as Group chief investment officer and as member of the ExCo in May 2022. Prior to this, he served as chief investment officer for Prudential Corporation Asia, Hong Kong, from 2017 to March 2022. Before Prudential, he worked at Pinebridge Investments (2014–2016) as head of insurance asset management, at ING Insurance Asia Pacific as head of investments (2010–2013) and at ING Investment Management (1994–2013) in roles spanning both asset ownership and asset management. These roles involved advising and managing portfolios for many different insurance companies and pension funds -both affiliated and third party- under multiple regulatory models.

External appointments
None.

Educational background
Mr. van Vliet earned a bachelor's degree in business administration from Nijenrode University, the Netherlands, in 1991. Between 1991 and 1994 he completed a master's degree in international affairs at Johns Hopkins University and an MBA at Bocconi University.

Executive Committee (continued)

Management committees

The following cross-functional committees have been established for key areas to facilitate the coordination and alignment of recommendations to the Group CEO for approval on specific subjects.

Group Balance Sheet Committee (GBSC)

Members: Group CFO (Chairman), Group CEO, Group CRO, Group CIO. The Group general counsel attends the meetings ex officio but is not a voting member.

Key tasks and responsibilities: The GBSC 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.

The GBSC has oversight of all of the main levers of the balance sheet, including but not limited to transactions, capital management, reinsurance, asset and liability management, dividend and share buyback programs, liquidity, leverage, rating agencies and other balance sheet-related matters and topics as measured by the Internal Economic Capital Model, including Zurich Economic Capital Model (Z-ECM), Risk-Based Capital (RBC) and related models, such as the SST and Solvency II.

Oversight is exercised through regular review of plans, policies and specific transactions related to these areas and recommending appropriate actions to the Group CEO and, where appropriate, to the relevant decision-making bodies and management committees of the Group.

Core topics are:

- Capital management on capital allocations and lending and borrowing decisions.
- Rating management strategy and target ratings management.
- Balance sheet planning on liquidity, solvency, investment and asset/liability management strategies and associated capital allocation, including changes to investment strategy.
- Business development matters on corporate transactions with third parties, internal restructuring, investments, including real estate, and entry into new types of business and markets.
- Material Group reinsurance strategy and reinsurance programs.
- Other topics with material impact on the balance sheet of the Group as determined by the Chairman of the GBSC.

The Group Risk Committee (GRC)

Members: Group CRO (Chairman), Group CFO, Group CIO, CEO EMEA and bank distribution,[1] CEO Commercial Insurance,[2] Group general counsel. The Group chief auditor and the Group chief compliance officer are invited ex officio to attend the meetings, but are not voting members.

Key tasks and responsibilities: The GRC's main function is to 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.

The GRC reviews and recommends on topics such as:

- The Group's overall risk appetite including exposures and risk impacts to capital and liquidity, earnings and reputation and sustainability compared to the Group's risk appetite and risk tolerance.
- Requests to enter new lines of insurance business or types of insurance coverage with significant impact on the Group's risk profile.
- Changes to key risk management principles and procedures, the ZRP, and exceptions to limits as required by the ZRP.
- Key regulatory filings (in particular SST, Group ORSA and Group Recovery Plan).
- The Group's Internal Control Integrated Framework (ICIF).
- Prospective changes to capital models and methodologies with significant impact on economic solvency ratios.
- The annual model validation plan and independent model validation outcomes and material findings with agreed mitigation actions.

1 The CEO EMEA and bank distribution is member of the GRC by virtue of her responsibility for Life Business Management (incl. underwriting and claims for life insurance).
2 The CEO Commercial Insurance is member of the GRC by virtue of her additional responsibility for underwriting and claims for property & casualty insurance.

Executive Committee (continued)

Technical committees

In addition to management committees, the Group's governance structure provides for committees of a more technical nature to support further aspects of Zurich's business activities. These include:

The Asset/Liability Management Investment Committee, chaired by the Group CIO, 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.

The Group Pensions Committee, chaired by Gary Shaughnessy, is responsible for developing, reviewing and advising on the Group governance framework in matters related to pension and post-employment benefit arrangements. It provides oversight and guidance in the areas of market, demographic and reputational risk. It reports to and makes recommendations to the GBSC on material, pension-related matters, and reports regularly to the Remuneration Committee.

The Disclosure Committee, chaired by the Head of Group Financial Accounting and Reporting (FAR), is responsible for reviewing all external communications and disclosures that contain information material to the financial and capital position and/or performance of the Group. In particular, it reviews half-year and year-end IFRS financial results as well as the updates for the first three and nine months of the Group and related documents, e.g., related news releases and analysts' information. It reviews other external communications that contain information or guidance regarding earnings in respect of either current or future reporting periods as well as external documentation required under applicable laws and regulations in relation to public financing transactions or publicly announced share buy-back programs as well as non-financial reports and the Sustainability Report. It also reviews controls and procedures regarding the effectiveness of the Group's internal controls over financial reporting. It makes recommendations to the Group CFO.

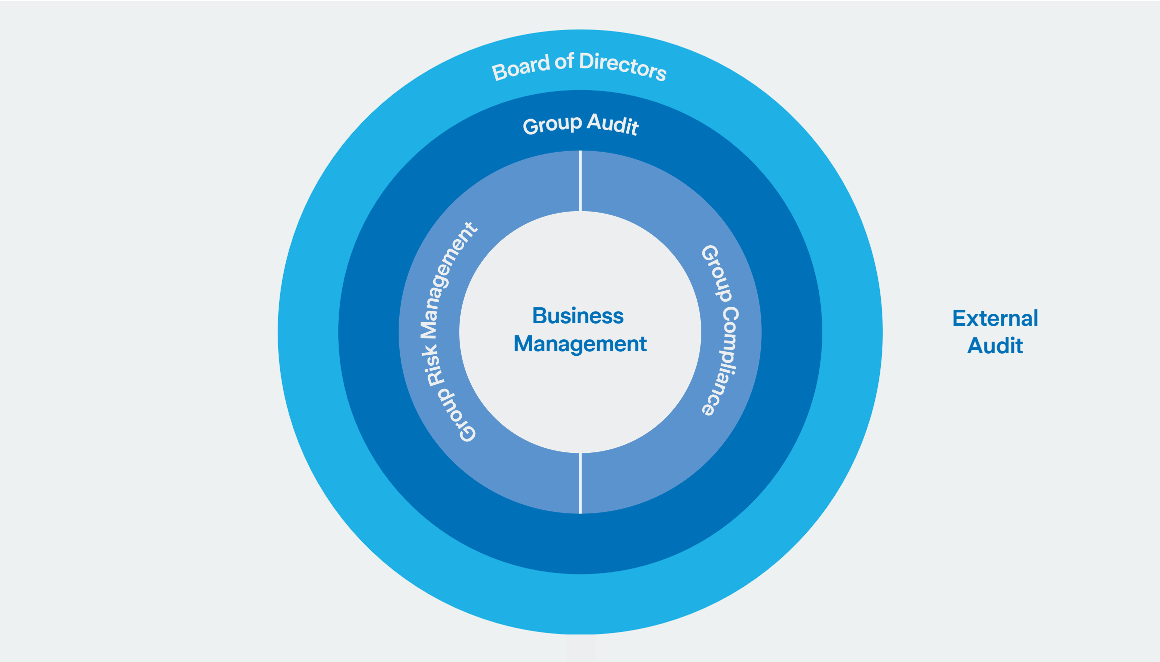
Governance and control functions

At Zurich, we are committed to complying with all applicable laws, regulations and internal requirements, professional and industry standards, and our corporate values. Various governance and control functions help to ensure that risks are identified and appropriately managed and that internal controls are in place and operating effectively. The Board is ultimately responsible for the supervision of these activities. The Board supervises management and monitors its performance through reporting and controlling processes. It receives regular and timely information on developments relevant to the Group as further described in this section.

Although each governance and control function maintains its distinct mandate, the functions are closely aligned and cooperate with each other through a regular exchange of information, planning and other activities. This approach supports management in its responsibilities and provides confidence that risks are appropriately addressed.

Zurich uses a model of three lines of defense in its approach to enterprise risk management. This model runs through Zurich's governance structure, so that risks are clearly identified, assessed, owned, managed and monitored.

Three lines of defense at Zurich Insurance Group
as of December 31, 2022



First Line: Business management

The first line of defense consists of business management and all functions except Group Risk Management, Group Compliance and Group Audit. The first line takes risks and is responsible for day-to-day risk management (i.e., risks are identified and monitored, mitigation actions are implemented and internal controls are in place and operating effectively).

The Group CEO and other executives inform the Board through regular reports, including on key performance indicators and other Group-relevant financial data, existing and emerging risks, important market developments, industry peers and other significant events. The Group CEO attends Board meetings ex officio. ExCo members are regularly invited to Board or Board committee meetings, while other executives attend these meetings from time to time. Most Board and Board committee meetings include private sessions without management participation.

During 2022, the Chairman regularly met with the Group CEO. The Chairman meets from time to time with other ExCo members and management outside regular Board meetings. The other Board members do so as well, including meetings with the Group CFO and the Group CRO, in particular.

The Group has an information and financial reporting system. The annual plan for the Group, which includes a summary of financial and operational metrics, is reviewed by the ExCo in detail and approved by the Board. Full-year forecasts are revised, if necessary, to reflect changes in sensitivities and risks that may affect the results of the Group. Action is taken, where appropriate, when variances arise. This information is reviewed regularly by the ExCo and the Board.

Governance and control functions (continued)

Second Line: Group Risk Management and Group Compliance

The second line of defense consists of the two control functions, Group Risk Management and Group Compliance.

Group Risk Management

Group Risk Management is responsible for supporting the development, implementation and maintenance of Zurich's enterprise risk management framework. The Group CRO regularly reports risk matters to senior management committees, the Group CEO and the Risk and Investment Committee (e.g. in the form of quarterly risk reports and updates). For information regarding the Group's enterprise risk management and internal control framework, see the risk review on pages 198 to 229. The Group no longer separately describes this information in this corporate governance report.

Group Compliance

Group Compliance enables business management to manage its compliance risks by providing compliance solutions and independent challenge, monitoring and assurance related to relevant processes and controls, new business opportunities and complex transactions. The Group Compliance mandate includes:

- Enabling the business to manage its compliance risks.
- Being a trusted advisor.
- Providing independent challenge, monitoring and assurance.
- Assisting management to promote compliance culture and ethics.

Group Compliance is vertically integrated to support a global framework and is led by the Group chief compliance officer who reports directly into the Group CEO while maintaining functional independence as second line of defense. The Group chief compliance officer has direct access to the Chairman of the Audit Committee and appropriate access to the Chairman of the Board.

Group Compliance provides an independent view on the key compliance risks to the business and performs independent risk-based monitoring and assurance activities, while also challenging the business operations. Group Compliance performs its activities according to the Global Annual Compliance Plan. Each Annual Compliance Plan (global, regional, local) is a risk-based plan and must be prepared on the basis of an independent forward-looking compliance risk assessment, considering both internal and external key risk drivers.

Group Compliance also provides compliance risk insight through relevant and targeted reporting. It provides the ExCo and the Audit Committee with insights into key compliance trends, issues and risks as well as on progress against the Global Annual Compliance Plan through quarterly reporting to enable the members of the respective bodies to take informed business decisions. The equivalent regional and local governance bodies receive insights into relevant compliance topics, including progress against the respective risk-based plans. These reporting flows ensure that the organization at all levels embeds the findings and activities of Group Compliance to safeguard against regulatory and business risk exposure.

The Group chief compliance officer defines and issues compliance policies relevant to the Group and establishes appropriate processes and guidance. Group Compliance supports a strong compliance culture across the Group via training and awareness initiatives and maintains the global concerns reporting mechanism. Zurich encourages its employees to speak up and report improper conduct that they believe is illegal, unethical, or violates the Zurich Code of Conduct or our Group's policies. Employees are free to report their concerns to management, Human Resources, Group Legal, Group Compliance, or through the Zurich Ethics Line (or similar service provided locally), a phone and web-based service run by an independent external provider. Zurich does not tolerate retaliation against any employee who reports concerns in good faith.

Governance and control functions (continued)

Third Line: Group Audit

The role of Group Audit is to provide independent and objective assurance on the adequacy and effectiveness of the Group's risk management, internal control and governance processes to the Board, the Audit Committee, the Group CEO and management, and to the boards and audit committees of subsidiary companies.

The Group chief auditor reports functionally to the Chairperson of the Audit Committee and administratively to the Group CEO. Group Audit has no operational responsibilities for the areas it reviews and, to ensure independence, all Group Audit staff ultimately report to the Group chief auditor. In some instances, local heads of audit for subsidiaries also have a reporting line to the local CEO and/or subsidiary audit committee chair to comply with regulatory requirements.

Group Audit develops a risk-based plan and continuously updates it as the risks faced by the business change. The plan is based on the full spectrum of business risks including issues raised by the Audit Committee, management and other stakeholders. The Audit Committee approves the plan annually and any changes to the plan are reviewed and approved quarterly. The audit plan for 2022 comprised 447 audits, addressing key risks and regulatory requirements, across the Group.

Group Audit is authorized to review all areas of the Group and has unrestricted access to all Group activities, accounts, records, property and personnel necessary to fulfill its duties. Group Audit coordinates its activities with Group Risk Management, Group Compliance and the external auditors, sharing risk assessments, work plans, audit reports and updates on audit actions.

Group Audit executes its plan in accordance with defined operating standards, which incorporate and comply with the International Standards for the Professional Practice of Internal Auditing, issued by the Institute of Internal Auditors (IIA). Group Audit ensures that issues identified by Group Audit are brought to the attention of appropriate levels of management and that timely follow-up action occurs. The Group chief auditor meets monthly with the Group CEO. The Audit Committee and audit committees of subsidiary companies are informed at least quarterly of important audit findings, including adverse opinions and status of mitigation actions by management. This is supported by the Group chief auditor's attendance at each Audit Committee meeting and monthly meetings between the Group chief auditor and the Chairperson of the Audit Committee and with the Chairperson of the Board.

The Audit Committee assesses the independence of Group Audit and reviews its activities, plans, organization, work quality and its cooperation with the external auditors. As required by IIA Standards, the internal audit function's quality is reviewed at least every five years by an independent qualified assessor. This review was conducted most recently in the second half of 2021 and reported to the Audit Committee in February 2022. The results confirmed that Group Audit's practices are generally conforming to the Institute of Internal Auditors Code of Ethics and International Standards, and guidance prepared by the European Confederation of Institutes of Internal Auditing.

External auditor

Duration of the mandate and term of office of the lead auditor

Ernst & Young Ltd (EY), Maagplatz 1, in 8005 Zurich, were re-elected as ZIG's external auditors for the financial year 2022 by the AGM on April 6, 2022.

EY assumes all auditing functions which are required by law and the Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association). EY is responsible for auditing ZIG's and the Group's financial statements and for auditing Zurich's compliance with specific regulatory requirements.

Isabelle Santenac of EY is the global relationship partner and lead auditor. Thomas Fiepke, audit engagement partner, co-signs the auditors' report for 2022. Both of these partners took up office in 2021. Philip Kirkpatrick is the auditor in charge of the regulatory audit work. The Group together with EY ensures that the roles are rotated at least every five years.

The AGM elects the external auditors annually. The Board proposes to re-elect EY at ZIG's AGM on April 6, 2023 as external auditors for the financial year 2023. EY fulfills all necessary requirements under the Swiss Federal Act on the Admission and Oversight of Auditors and is admitted as a registered auditing company by the Federal Audit Oversight Authority.

Audit fees

Total audit fees (including expenses and value added taxes) charged by EY in the year 2022 amounted to USD 51.7 million.

Audit fees are approved annually by the Audit Committee. Prior to the Audit Committee's approval, management reviews and validates EY's proposal, which is mainly based on an analysis of existing reporting units and expected changes to the legal and operational structure during the year.

Once the fees are agreed, they are further allocated to the countries and reporting units via a global allocation process with the allocations communicated to local CFOs and FAR controllers. As the year comes to a close, actual fees charged are reviewed and agreed with the local CFOs. At all levels – Group and local – there is a clear understanding of the basis for the current year fee, including the impacts of changes in scope or other factors. Unplanned overruns are reviewed and agreed with the business (responsible CFO or audit contact).

Non-audit fees

Total fees (including expenses and value added taxes) in the year 2022 for non-audit services, such as tax advice, audit-related services (primarily for service organization control reports, non-audit assurance engagements and actuarial regulatory reviews) and other services were USD 5.4 million.

The Audit Committee has approved a comprehensive policy for non-audit services, which defines allowable and non-allowable non-audit services as well as approval limits for non-audit service mandates at the local and Group level. Allowable non-audit services may include tax advice, comfort and consent letters as well as certifications and attestations, to the extent that such work complies with applicable legal and regulatory requirements and does not compromise the independence or objectivity of EY. To avoid conflicts of interest, all allowable non-audit services need pre-approval from the Audit Committee (Chairman), the Group CFO, the head of Group FAR or the local CFO, depending on the expected fee. The policy further requires, among other things, an engagement letter specifying the services to be provided.

EY also tracks non-audit services and reports quarterly to the head of Group FAR and the Audit Committee the extent of non-audit services provided worldwide.

The audit and non-audit fees of EY for 2022 and 2021 were as follows:

Audit and non-audit fees

in USD millions, as of December 31	2022	2021
Total audit fees (including one-off IFRS 17/9 audit)	**51.7**	**39.3**
Total non-audit fees[1]	**5.4**	**16.8**
– Tax advice	1.6	1.6
– Audit-related services	3.1	12.9
– Other services	0.7	2.2

1 Rounded individual amounts may not always add up to the rounded total.

External auditor (continued)

Supervision and control over the external audit process

The Audit Committee regularly meets with the external auditors. During 2022, the Audit Committee met with EY seven times. The external auditors regularly have private sessions with the Audit Committee without management present. Based on written reports, the Audit Committee and the external auditors discuss the quality of the Group's financial and accounting function and any recommendations that they may have. Topics considered during such discussions include strengthening of internal financial controls, applicable accounting principles and management reporting systems. In connection with the audit, the Audit Committee obtains from the external auditors a timely report relating to the audited financial statements of the Group.

The Audit Committee oversees external auditor's work. It reviews, at least annually, the external auditors' qualification, performance and independence and reviews any matters that may impair their objectivity and independence. The review is based on a written report by EY describing the firm's internal quality control procedures, any material issues raised and all relationships between EY and the Group and/or its employees that could be considered to bear on their independence. The Audit Committee evaluates the external auditors' performance during their audit examination. It elicits the comments of management regarding the auditors' performance (based on criteria such as their understanding of Zurich's business, technical knowledge and expertise, etc.) and the quality of the working relationship (responsiveness to the needs of Zurich Insurance Group Ltd and the Group and the clarity of communication). The Audit Committee reviews, prior to the commencement of the annual audit, the scope and general extent of the external audit and suggests areas requiring special emphasis.

The Audit Committee proposes the external auditors to the Board for election by the AGM and is responsible for approving the audit fees (see page 71 for further information).

Information policy

Please find below an overview of the different ways Zurich communicates with shareholders, as well as relevant sources of information:

Topic	Links
Shareholders' meeting invitation	is published in the Swiss Official Gazette of Commerce and on our website: www.zurich.com/agm It is also sent by mail to registered shareholders.
Group's updates for the first three months and first nine months	www.zurich.com/investor-relations/results-and-reports
Letters to shareholders	provide an overview of the Group's activities as the year progresses and outline its financial performance based on the half-year and annual results. www.zurich.com/en/investor-relations/shareholder-area/letter-to-shareholders
Annual Report and half-year reports	www.zurich.com/investor-relations/results-and-reports
Media releases	www.zurich.com/media/news-releases
Free news subscription service	www.zurich.com/services/news-releases
Financial calendar	www.zurich.com/investor-relations/calendar
ESG Roadshow	to engage with our investors on an annual basis. This year's roadshow took place in November and December 2022. It focused on ESG strategy and execution. www.zurich.com/investor-relations/presentations
Registered office, contact, phone numbers	see page 391 of this Annual Report.
Investor Relations	www.zurich.com/investor-relations

Message from our Chairman of the Remuneration Committee

> We regularly review our remuneration framework and approach to support the Group’s journey of becoming a simpler, more customer-oriented and innovative insurer.

Awards reflecting achievements.

Message from our Chairman of the Remuneration Committee (continued)

Dear Shareholder

Our people have once again demonstrated their contribution to Zurich's success and their strong commitment to delivering the Group's strategy. Guided by clear values and high standards of integrity in line with Zurich's code of conduct, Zurich's employees are using their expertise to create positive customer experiences, to simplify and to innovate.

The Group's incentive plans align remuneration awards with Zurich's relevant performance achievements, while also considering risk factors. The outcomes of the short-term incentive plan (STIP) and long-term incentive plan (LTIP) are shown below. Among the financial and strategic highlights in 2022, relevant to the incentive plan awards, was a 12 percent increase in Group business operating profit (BOP) to USD 6.5 billion, compared to the prior year. The Group also reported net income attributable to shareholders' return on common shareholders' equity (NIAS ROE) in 2022 of 14.1 percent and an increase across the Group of 6.9 points in the customer net promoter system (NPS) score compared with the prior year.

The Remuneration Committee would also like to acknowledge the lower level of support for the 2021 remuneration report at the AGM last year. Although the feedback we receive during our regular interactions with investors and other stakeholders is mostly supportive, some concerns were raised on the level of detail in our STIP disclosures.

We have been developing this disclosure over recent years, and following this latest feedback, we have incorporated further explanations on STIP in the remuneration report on pages 99–100 to provide more clarity on the STIP awards, including the performance achievements of the Group CEO. You can find more information on the actions we have taken in response to stakeholder feedback on pages 80–81.

The outcomes of the LTIP performance metrics, which we disclosed for the first time last year, provide transparency on the calculated vesting level for these awards.

Looking ahead to 2023, certain changes are being made to the metrics of the LTIP which align with the new targets communicated to investors in November 2022. These targets build on the success of the previous strategy cycles by raising the bar again. After careful consideration, we have also made the decision to introduce an environmental measure in the LTIP to support the delivery of our sustainability targets. Further details can be found in the outlook section on page 108.

At the AGM 2023, we invite you to express your views on our remuneration report 2022. More information on the remuneration votes, including the approvals on the maximum amounts of remuneration for the Board of Directors (Board) and for the Executive Committee (ExCo), can be found in the AGM invitation 2023 (www.zurich.com/investor-relations/shareholder-area/annual-general-meeting). Details on the amounts previously approved compared with the amounts paid are provided in this report on page 96 for the Board and page 103 for the ExCo.

We appreciate your continued engagement, valuable exchanges, and your support.

Christoph Franz
Chairman of the Remuneration Committee

Short-term incentive plan (STIP)

107%

STIP pool achievement level for the ExCo as a percentage of target for 2022 (2021: 105%)[1]

1 The STIP pool achievement level for the ExCo is based on the Group BOP achievement for 2022. For 2021, it was based on Group BOP and the overall customer net promoter system (NPS) score achievements. See page 80 for further details. The overall amount awarded across all STIP pools for all participants can be found on page 79.

Long-term incentive plan (LTIP)

155%

Vesting in 2023 as a percentage of target following the 2020–2022 performance period (2022: 200%)

Total variable remuneration

CHF 818m

Amount of variable remuneration across the Group for 2022 (USD 885m) (2021: CHF 746m /USD 814m)

Remuneration report

Contents

Remuneration summary 2022

An overview of the remuneration of Zurich Insurance Group Ltd and its subsidiaries (the Group or Zurich), including the link between business performance and variable pay decisions for 2022, is provided on the following pages.

Zurich's remuneration

Zurich operates a remuneration system which aims to provide competitive total remuneration opportunities and variable remuneration awards based on the achievement of results and positive outcomes for all stakeholders. The remuneration system is embedded in the Group's enterprise risk management framework and is designed to not encourage or reward inappropriate risk-taking.

Board members receive fixed remuneration as an annual fee, of which the basic fee is paid half in cash and half in five-year sales-restricted shares which are not subject to the achievement of any specific performance conditions. Total remuneration for employees, including members of the Executive Committee (ExCo), comprises fixed remuneration consisting of base salaries, pension benefits and other remuneration including employee benefits, as well as variable remuneration consisting of short- and long-term incentive awards as applicable for an individual's role. The Group's short-term incentive plan (STIP) and long-term incentive plan (LTIP) aim to align the remuneration architecture with the achievement of the Group's key financial and strategic targets, the Group's enterprise risk management framework and operational plans, while considering the interests of key stakeholders.

Read more:
Pages 83–89

Remuneration safeguards

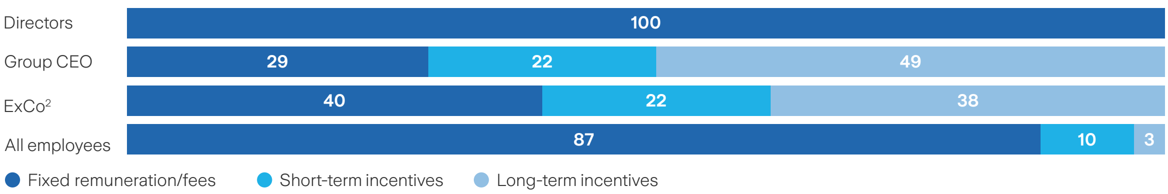
Zurich's remuneration system and practices are embedded in the Group's enterprise risk management framework and include, among others, the following safeguards:

- Emphasis on longer-term, deferred remuneration for the most senior positions and Group key risk-takers.
- Risk-based performance assessment for ExCo, leadership team and Group key risk-takers.
- Variable remuneration of employees in control and assurance functions is structured to avoid conflicts of interest by linking to Group metrics, rather than the metrics of the businesses they oversee.
- Ability to apply risk adjustments and exercise malus (all participants) and clawback (ExCo and some additional participants) for variable remuneration.
- Minimum share ownership requirements for the Board, Group CEO and other members of the ExCo.

The illustration below shows a greater emphasis on variable remuneration elements, with a higher weighting on average toward the long term, for our most senior employees.

2022 remuneration structure[1]

%



1 At target, as a percentage of total remuneration.
2 Considering ExCo members that were active for the full year, including the Group CEO.

Remuneration summary 2022 (continued)

Remuneration for 2022 in light of business results

Expenditure on remuneration is considered in the context of Zurich's overall revenues, capital base and profitability, as shown by the following key financial figures.

Key financial figures

in USD millions, for the years ended December 31	2022	2021
Gross written premiums and fees[1]	63,339	60,042
Business operating profit (BOP)	6,451	5,742
Net income attributable to shareholders (NIAS)	4,603	5,202
Shareholders' equity	26,634	37,881
Return on common shareholders' equity (ROE)	14.1%	16.4%
Dividends paid to shareholders[2]	3,521	3,199
Total variable remuneration for all employees gross before tax[3]	885	814
– as a percentage of gross written premiums and fees	1%	1%
– as a percentage of shareholders' equity	3%	2%
– as a percentage of dividends paid to shareholders	25%	25%

1 Consists of USD 58,848 million gross written premiums and policy fees, as well as USD 4,490 million Farmers management fees and other related revenues in 2022. Farmers Group, Inc., a wholly owned subsidiary of Zurich Insurance Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as attorney-in-fact and receives fees for its services. The Farmers Exchanges are owned by their policyholders.
2 Dividend at transaction day exchange rate in 2022 and 2021.
3 The corresponding amount of total variable remuneration in Swiss francs is CHF 818m for 2022 and CHF 746m for 2021.

As can be seen from the metrics in the table, relative to Zurich's overall revenue and shareholders' equity, expenditure on variable remuneration remains relatively small.

The total variable remuneration for 54,640 employees across the Group in 2022, amounting to CHF 818 million, includes the following elements:

- The total expenditure on cash incentives to be paid for the performance year comprising the amount of the aggregated funding pools under the STIP, and the amounts to be paid under local short-term incentive plans.
- The value of share allocations, including target share allocations under the LTIP, made in 2022.
- The total amount of sign-on payments[1] committed in 2022, regardless of when the payments are due, for people taking up their employment in 2022.
- The total amount of severance payments[2] committed in 2022, regardless of when the payments are due.

Commission payments made to employed sales agents are not included in the total variable remuneration amount.

In determining the amount of total variable remuneration, the Board considers the long-term economic performance of the Group as well as other relevant factors. The average economic profit is calculated by subtracting the required return on economic capital, based on the weighted average cost of capital, from the adjusted BOP (the amount before interest and variable remuneration) after tax. In this respect, the Group has continued to generate economic profit over the long term which exceeds the actual expenditure on variable pay.

1 Zurich defines sign-on payments as payments (whether paid immediately or over time) that are agreed on the execution of an employment contract. Sign-on payments may include compensation made prior to a person joining the company and providing any services (payments in advance) or compensation for benefits foregone with a previous employer (replacement payments). Payments in advance are not paid to members of the Board or the ExCo.
2 Zurich defines severance payments as payments that are provided in connection with the termination of an employment relationship. Zurich does not include under the term severance payments, garden leave or similar payments for employees in jurisdictions where such payments are required by applicable law, or where they are based on contractual notice periods which conform with recognized market practice, or where they are non-contractual, but in line with recognized market practice. Zurich does include garden leave or similar payments however, that go beyond recognized market practice, irrespective of whether these are provided pursuant to an agreement or are ex gratia. Severance payments are not paid to members of the Board or the ExCo.

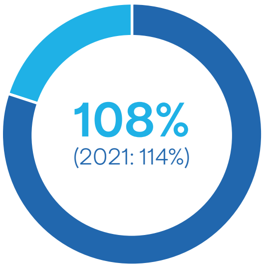
Remuneration summary 2022 (continued)

Variable remuneration outcomes

Short-term incentive plan

Short-term cash incentives support employees to focus on their performance, as measured by achieving key business metrics, as well as individual goals that are set at the beginning of the year. For the performance year 2022, the Board approved funding of 108 percent of target (114 percent for 2021) for all participants based on the business performance achievements across all STIP pools.

STIP funding 2022



The primary measures used to determine the STIP pool achievement level and the respective funding for most STIP pools are:

The relevant BOP or other profitability metrics	80%
The relevant customer satisfaction achievements using the net promoter system (NPS) score where applicable	20%

More than 90 percent of STIP participants are in a STIP pool which incorporates customer metric outcomes to determine the STIP pool achievement level. For ExCo members, where only the Group BOP achievement determines the STIP pool achievement level as of 2022, more emphasis is placed on customer metrics in their individual goals as described on the following page. In addition, an overall qualitative assessment of business performance is carried out, including a risk-based review, which the Board takes into consideration when determining the funding.

The final STIP award for an individual is based on the business performance and resulting achievement level of the STIP pool they have been allocated to, as well as individual performance assessed against personal goals and behaviors in line with the Group's code of conduct and Zurich's purpose and values.

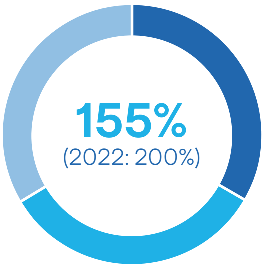
Read more on the Group's STIP:
Pages 85–87

Read more on the STIP metrics and outcomes for the ExCo:
Pages 99–100

Long-term incentive plan

The LTIP links remuneration with future performance and risk, thereby aligning participants with the long-term interests of the Group and its shareholders and encouraging them to operate the business in a sustainable manner. The vesting level in 2023, based on the achievements of the predefined metrics for performance in the period 2020 to 2022, was calculated as 155 percent of target (200 percent in 2022). The Board did not exercise any discretion when determining the vesting level.

LTIP vesting level 2023



Performance metrics and weights for the 2020 – 2022 LTIP:

Relative total shareholder return (TSR) position	1/3
Average net income attributable to shareholders' return on common shareholders' equity (NIAS ROE)	1/3
Cumulative cash remittance	1/3

Read more on the Group's LTIP for 2022:
Pages 87–89

Read more on the performance achievements for the 2020–2022 LTIP and the resulting vesting level in 2023:
Page 101

Read more on the Group LTIP metrics for the next performance period from 2023–2025:
Page 108

Remuneration summary 2022 (continued)

Total remuneration for 2022

Remuneration amounts

in CHF millions, for the years ended December 31	Fixed remuneration/ Fees[1]	Variable remuneration Short-term incentives[2]	Long-term incentives[3]	Total remuneration 2022[4]	Total remuneration 2021[4]
Directors	5.6	–	–	5.6	5.5
ExCo	20.0	16.6	19.1	55.7	47.7
All employees[5]	5,303	653	165	6,121	5,837

1 For the ExCo and all employees, fixed remuneration includes base salaries, pension benefits and other remuneration such as employee benefits. For Directors, the amount includes payments in cash and in sales-restricted shares.
2 The cash incentives earned for the year for all employees comprise the amounts under the STIP and other local short-term incentive plans which are subject to approval by the applicable local boards. For all employees, payments such as sign-on and severance payments in cash are also included.
3 Represents the value of target share allocations made in 2022, which will be assessed for vesting in 2025, and for all employees, also includes any other share allocations such as sign-on payments in shares.
4 Actual, gross and for cash amounts based on the accrual principle.
5 Includes the remuneration of ExCo members, as well as all other individuals employed by the Group and remunerated for work performed in respect of the Group.

Listening to stakeholder feedback

The Remuneration Committee aims to continuously review and improve the clarity of Zurich's remuneration disclosures as can be seen in the development of the remuneration report over the years. Last year, the remuneration report included enhancements focusing on clearer communication of the metrics used to determine variable pay awards for the ExCo. Further, regular dialogue with key stakeholders is undertaken to establish additional areas of improvement, along with a review of market practices and legal and regulatory requirements, as we continue to evolve our disclosures.

Similar to prior years and as part of the regular dialogue, the Chairman of the Board met investors representing approximately 46 percent of voting shares in 2022 (approximately 42 percent in 2021), as well as proxy advisors and consultants. Overall, the remuneration approach and practices were supported, and the disclosure improvements in the 2021 remuneration report were noted. There were however, some concerns about the level of detail in our STIP disclosures. Support for the consultative vote on the remuneration report subsequently fell for the second year running (AGM 2021: 78.1 percent support and AGM 2022: 73.9 percent support). To address this feedback, the Committee decided to make the following further adjustments for 2022:

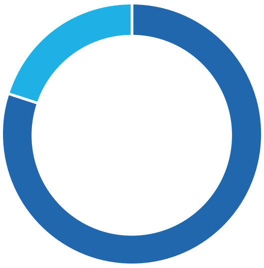
- *Enhanced disclosures* can be found in the ExCo remuneration and shareholdings section of this report on pages 99–100. The explanation of variable remuneration amounts for the ExCo provides additional clarity on the STIP awards, including:
  - The target set for the year and the resulting outcome of the business performance metric used to determine the STIP pool achievement level for the ExCo.
  - The target card of the Group CEO as well as the performance achievements used to determine the individual performance outcome.
  - The calculation of the STIP award and the resulting payout for the Group CEO.
  - The STIP award as a percentage of target on an average basis for all ExCo members.
- *Adaptions to the STIP metrics for the ExCo* were agreed by the Board for 2022 and are shown on the next page. These changes better support the Group's strategy to focus on customers, simplify and innovate, and include:
  - *Increasing individual responsibility on customer focus* by shifting customer metrics from the assessment of business performance used to determine the STIP pool achievement level, to an increased weight in the individual target card of each ExCo member. Customer metrics now represent a 40 percent weight in an ExCo member's target card, up from 15–20 percent previously, to ensure continued focus on customers, listening and acting on their feedback, as well as improving their overall experience. This shift of emphasis from the funding of STIP awards to the individual target cards of ExCo members supports the individual responsibility each member has to put customers at the heart of all we do.
  - *Considering overall execution against strategic priorities.* Being able to adapt and innovate to execute strategic priorities, including delivering on responsibilities, sustainability and risk considerations, are all factors that help position Zurich for long-term success. A comprehensive review of overall contributions to strategic targets is therefore taken into account for each ExCo member's individual performance assessment. This minimizes the risks of unintended outcomes when focusing on a narrow set of metrics only, and allows adjustments, whether upward or downward, when justified. Group Risk Management, together with other control and assurance functions, continue to provide risk, compliance and audit information on each member that is considered in the overall assessment.

Remuneration summary 2022 (continued)

ExCo STIP metrics

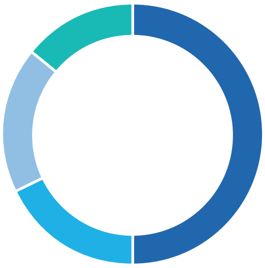
2021

Business performance



Group BOP	80%
Overall customer NPS	20%

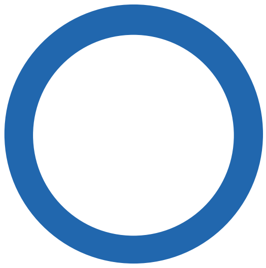
Individual performance



Financial measures supporting strategy execution	~50%
Customers	15-20%
Employees	15-20%
Strategic projects and accountabilities incl. ESG	10-20%

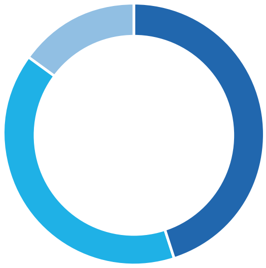
2022

Business performance



Group BOP	100%

Individual performance



Financial measures supporting strategy execution	40-50%
Customers	40%
Employees	10-20%

+ Consideration of execution against strategic priorities, including ESG factors and a risk-based review.

Remuneration summary 2022 (continued)

Outlook summary for 2023

- *Variable remuneration metrics for the next strategic cycle 2023–2025:* Following a review of the metrics in the Group's incentive plans to ensure continued alignment with the more ambitious targets set for the next strategic cycle, some changes are being made to the LTIP metrics for the performance period 2023–2025. The changes reflect the new financial targets, IFRS 17 and IFRS 9 accounting changes, as well as an environmental measure supporting our sustainability journey.

Read more: Page 108

- *Board:* No changes are proposed to Board fees for 2023.

Read more: Pages 93–97

- *ExCo:* No changes are proposed to the overall structure of remuneration for the ExCo in 2023. Relevant individual performance targets for 2023 are set to support the execution of the strategy, while also considering risk and behavior aspects.

Read more: Pages 97–105

Remuneration framework

Philosophy

Zurich's employees are helping shape the organization for the future, one that delivers a positive customer experience, values and nurtures its people and acts responsibly for society and the planet. Zurich's remuneration philosophy is an integral part of our overall offer to employees and supports them in making a positive contribution to the success of the company. Based on established remuneration principles, the Group operates a balanced and effectively managed remuneration system providing competitive total remuneration opportunities to attract, retain, motivate and reward employees. The remuneration system and practices are embedded in the Group's enterprise risk management framework and consider legal and regulatory requirements, as well as market developments.

Guiding principles of the remuneration philosophy

The guiding principles of the remuneration philosophy, aligned to Zurich's remuneration rules, are as follows:

- The remuneration architecture is simple, transparent, can be put into practice and considers the interests of key stakeholders such as customers, shareholders and employees.
- Reward decisions are made on the basis of merit – performance, skills, experience, qualifications and potential – and are free from discrimination toward or against particular diverse backgrounds. These principles ensure all employees have equal opportunities.
- The structure and level of total remuneration are aligned with the Group's risk policies and risk appetite.
- The elements of remuneration for each individual reflect appropriate internal and external factors and are tied to long-term results for individuals who have a material impact on the risk profile of the Group.
- A clearly defined performance and development approach guides employees throughout the year to achieve personal goals and exhibit behaviors in line with the Group's code of conduct, purpose and values, and this can be used to support remuneration decisions.
- Variable remuneration awards are linked to key performance factors which can include performance of the Group, countries, business units, functions, as well as individual achievements.
- The Group's STIP and LTIP, used for variable remuneration, are linked to appropriate performance criteria that are selected to support the execution of the Group's strategy. The overall expenditure on variable pay is considered in connection with the Group's long-term economic performance.
- The design of the LTIP links remuneration with the future development of performance and risk by including features for deferred remuneration, thereby encouraging participants to operate the business in a sustainable manner.
- Employees are provided with a range of benefits based on local market practices.

Equal pay for equivalent work

At Zurich we believe it is important for every employee to be treated in an inclusive and equal way. Methodology has been developed to consistently evaluate that gender is not a factor when it comes to pay for the same or similar roles across the Group. This methodology has been aligned with EDGE certification requirements and the analysis, or a similar approach, is carried out on an annual basis by several business units across the Group. In addition, business units may choose to review remuneration across additional parameters such as ethnicity, LGBT+, disability, or full and part-time work arrangements.

Read more on our approach to pay equality:
www.zurich.com/en/careers/deib/equity

Elements of remuneration

Total remuneration

Total remuneration for an individual employee and its composition may be influenced by factors such as the scope and complexity of the role, level of responsibility, risk exposure, business performance and affordability, individual performance, professional experience, internal relativities, external competitiveness, geographic location and legal requirements. Remuneration is benchmarked toward median levels in clearly defined markets which can be local, regional or global, and reflects practices in either insurance, financial services or general industry, depending on the role and market.

Remuneration framework (continued)

Remuneration elements

	Fixed remuneration		Variable remuneration	
	Base salary	Pensions and employee benefits	Short-term incentives	Long-term incentives
Description	Fixed pay for the role performed, to attract and retain employees. Reviewed annually.	Employee benefits are provided to attract and retain employees, are in line with market practices and targeted toward the market median.	Discretionary incentive awards to reward achievement of key business and individual goals during the performance year.	Annual target share allocations, subject to vesting in accordance with predefined performance criteria. Designed to support Zurich's longer-term goals, encourage participants to operate the business in a sustainable manner and align the Group's long-term interests with those of shareholders.
Drivers and/or performance metrics	Scope and complexity of the role, level of responsibility, professional experience and geographic location.	Market practice	Award is driven by: – The relevant business profitability achievements, as well as customer experience where applicable. – Individual performance against personal goals, including behaviors in line with Zurich's code of conduct.[1]	Vesting is determined based on (i) the position of the TSR compared with an international peer group of insurance companies derived from the Dow Jones Insurance Titans 30 Index, (ii) average NIAS ROE and (iii) cumulative cash remittance.
Duration	n.a.	n.a.	1 year	3–6 years (target shares subject to 3-year cliff vesting and for the ExCo half of the vested shares are sales-restricted for an additional 3 years)
Range of opportunity	Generally paid within an 80–120 percent range around the relevant market median.	n.a.	Award of 0–200 percent of an individual's target amount.	Vesting level of 0–200 percent of an individual's target shares.
Eligibility	All employees	Location specific	Location specific (around 45,000 plan participants in 2022)	ExCo members and a defined group of the most senior positions, including key risk-takers (1,305 plan participants as of December 31, 2022).
Delivery	Fixed cash	Location-specific fixed benefits	Performance-based cash	Performance-based shares
Clawback, malus and hedging	n.a.	n.a.	Variable remuneration is subject to clawback provisions for ExCo members and also for additional participants in some jurisdictions as required by local laws and regulations, to allow for forfeiture or recovery of awards. Malus conditions to reduce or eliminate awards are applicable to all STIP and LTIP participants. Individual hedging of share-based remuneration is prohibited.	

1 In general, all employees participate in the Group's performance and development cycle of goal setting, regular career and progress conversations and a year-end review, even if they do not participate in the Group's STIP. Certain employees might not participate in the performance and development cycle, such as those holding temporary positions.

Remuneration framework (continued)

Fixed remuneration

Fixed remuneration encompasses base salaries, pension benefits and other remuneration including employee benefits.

The Group provides a range of pension benefits to employees, which are designed to reflect local market practices. Overall benefit offerings are positioned around the relevant market median. The Group Pensions Committee provides oversight and a point of focus and coordination at Group level in relation to the long-term financial and reputational risks relating to the Group's pension arrangements. Almost all new employees are offered defined contribution or cash balance type arrangements.

The Group also provides a range of other relevant employee benefits in line with the local market, for example life insurance, medical coverage and flexible benefits, and may also include distinctive Zurich components. Further, the Group operates several mobility-related policies to facilitate the movement of people across the organization.

Variable remuneration

Incentive plans are designed to provide a range of award opportunities linked to levels of performance. Business and individual performance may result in remuneration levels above target for superior performance, and reduced levels that are below target for performance below expectations. Variable remuneration opportunities are provided to motivate employees to achieve key short-term and long-term business goals that support the execution of the Group's strategy. Further information on the Group's STIP and LTIP is set out below.

Short-term incentives

Short-term (one-year) incentives are performance-driven based on the following design for 2022:

Short-term cash incentives support employees to focus their performance on the achievement of key financial, customer and individual goals set at the beginning of the year. They are delivered primarily through the Group's STIP, which is utilized across the organization and in many countries covers all employees. In some countries, based on market practice in that location, only the most senior individuals participate. Determination of the final individual STIP award for the year ending December 31, 2022, is based on an individual's STIP target amount, the performance of the business in line with the pool to which an individual has been allocated, and an individual's personal achievements in terms of goals and behaviors as set out in the overview on the next page. For employees below a certain job level, markets also have the option to base the award solely on an individual's STIP target amount and the achievement level of the relevant pool, provided a minimum standard of individual performance and expected behaviors has been demonstrated.

Remuneration framework (continued)

STIP target x **Business performance** x **Individual performance** = **STIP award**

Target amount

A STIP target amount is established for each participant for the performance year at a maximum of 100 percent of base salary, unless otherwise approved by the Board.

STIP pool achievement

Performance on business-relevant profitability and customer metrics[1], including a qualitative assessment of the performance, determines the STIP pool achievement level and the respective funding or allowable spend available for each STIP pool. This can vary between 0 and 175 percent of the target amount.

Key metrics for the STIP pools:

- ExCo: Group BOP
- Other Group pools[2]: Group BOP and the overall customer NPS
- Investment Management: Investment results
- Countries: Relevant BOP and customer NPS as applicable
- Farmers[3]: Growth, profitability and customer metrics
- Joint ventures: Relevant profitability metrics

Personal achievements

An individual's personal achievements considers performance against goals, as well as the behaviors demonstrated. Behaviors continue to be guided by the Group's code of conduct, purpose and values.

At year-end, a performance category is assigned with differentiated award levels which can vary between 0 and 185 percent of the target amount:

Partially met (0% to 75%)

Fully met (80% to 120%)

Exceeded (125% to 185%)

Resulting STIP award

Depending on business and individual performance achievements, the participant's final STIP award can range from 0 percent up to a maximum of 200 percent of an individual's STIP target amount. The award is capped at 200 percent of the STIP target, irrespective of the STIP pool achievement level and individual performance award level.

The resulting STIP award is paid in cash.

1 The Net Promoter System (NPS) score is a global best practice standard for measuring customer experience and one of the key measures (20 percent weight) used to determine the business performance in markets where there is sufficiently robust data. Over 90 percent of STIP participants are in a pool where funding is impacted by customer satisfaction achievements.
2 Other Group pools include the wider leadership team, employees in control functions, and employees in Group and regional roles.
3 Includes a separate pool for Farmers New World Life.

Remuneration framework (continued)

Qualitative, including risk-based assessment of performance for STIP and LTIP

The Board, in its sole discretion, approves the funding of the STIP pools and the LTIP vesting level, both of which link business performance to the level of awards. In addition to the actual business performance achieved versus plan, the Board considers factors such as the quality of earnings, unusual or one-off items affecting results, market conditions, performance relative to peers, as well as a review of risk considerations and input from other assurance functions, provided by the Group Chief Risk Officer. The qualitative assessment ensures that award levels are consistent with the guiding principles of Zurich's remuneration philosophy, including supporting the execution of the Group's strategy, considering the interests of key stakeholders and alignment with risk policies.

Long-term incentives

Long-term (three- to six-year) incentives are performance-driven based on the following design for the performance period 2022 to 2024:

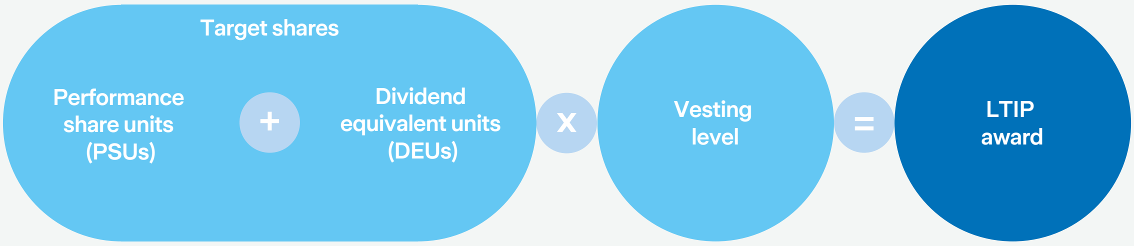
To support the achievement of the Group's longer-term goals, long-term incentives are utilized for a defined group of the most senior positions in Zurich, those that have a significant influence on the risk profile of the Group, as well as individuals considered suitable for participation, for example, due to market competitiveness given their skills and areas of expertise. This group generally includes the individuals with the highest levels of total remuneration. The LTIP aligns the incentives and behaviors of participants with the long-term interests of the Group and its shareholders. To further support this purpose, the individual hedging of any shares of Zurich Insurance Group Ltd is prohibited.

In alignment with the Group's risk profile and business strategy, and considering best practice principles among insurance companies, as well as views from proxy advisers and shareholders, long-term incentives are provided with a deferral element that takes into account material risks and their time horizon. Such deferred remuneration is structured to promote the risk awareness of participants and to encourage participants to operate the business in a sustainable manner. An overview of the LTIP for the performance period 2022–2024 is set out on the following page.

Details of the LTIP relevant for the 2023 vesting decision following the performance period from 2020–2022 can be found in the remuneration report for 2020 (www.zurich.com/en/investor-relations/results-and-reports) and the performance outcomes are detailed in the remuneration and shareholdings section of this report on page 101.

Details of the LTIP for the next performance period beginning in 2023, can be found in the outlook section on page 108.

Remuneration framework (continued)



Target allocation

The number of PSUs allocated to each participant on the third working day in April is determined by dividing the target amount (expressed as a percentage of base salary) by the closing share price on the day prior to the allocation.

Alignment with shareholder interests

During the vesting period, the dividend amount is calculated on the number of PSUs allocated. This amount is converted into DEUs based on the closing share price on the day prior to the dividend payment. No DEUs are credited in the year of allocation if the allocation is made after the ex-dividend date. No dividends accrue on DEUs.

Performance assessment

The percentage of target shares that will vest, is calculated according to an assessment of the performance criteria detailed in the vesting grid below for the three-year performance period 2022-2024.[1] The performance criteria are reviewed by the Board annually to ensure alignment with the strategic and financial targets and are agreed ahead of the performance period.

Resulting LTIP award

Vesting takes place on April 3, three years after the PSUs were allocated and can be between 0 and 200 percent of the overall target shares.

Half of the vested shares are sales-restricted for an additional three years for LTIP awards made to members of the ExCo.

Performance criteria	Weight	Details	0% vesting	50% vesting	100% vesting	150% vesting	200% vesting
Relative TSR position	1/3	Considers Zurich's performance in comparison with an international peer group of insurance companies derived from the Dow Jones Insurance Titans 30 Index. The Remuneration Committee reviews the peer group regularly to ensure that peers exhibit a strong TSR correlation and reflect the Group's business profile and geographic spread. There were no changes to the industry peer group which includes the following companies: AIG, Allianz, Allstate, Aviva, AXA, Chubb, Generali, Legal & General, Manulife Financial Corp, MetLife, Munich Re, Progressive Ohio, Prudential Plc, QBE, Swiss Re, The Hartford, Travelers Cos. Inc.	18th – 13th	12th – 10th	9th – 7th	6th – 4th	3rd – 1st
Average NIAS ROE	1/3	Key measure for shareholders, supporting the alignment of LTIP participants with shareholder interests, and reflecting the targets in the financial plan. Linear interpolation is used to determine the level of vesting.	<11.75% p.a.	11.75% p.a.	14.00% p.a.	15.125% p.a.	≥16.25% p.a.
Cumulative cash remittance	1/3	Key component of Zurich's financial targets ensuring Zurich generates sufficient cash and demonstrates a commitment to creating liquidity for the business and shareholder requirements. Linear interpolation is used to determine the level of vesting.	<USD 10.5bn	USD 10.5bn	USD 11.5bn	USD 12.0bn	≥USD 12.5bn

1 The amounts in the vesting grid for 2022-2024 are subject to change in line with the recalibration due to IFRS 17 and IFRS 9 accounting changes as noted on page 108. There will be no changes to the performance expectations reflected in the grid.

Remuneration framework (continued)

Exceptional adjustments

The Board may exercise discretion when determining the overall vesting level to prevent unreasonable outcomes, or to reflect the financial impact of decisions taken to implement the strategy, or to deal with exceptional circumstances. An adjustment of +/–25 percentage points to the calculated vesting level may be applied. No discretionary adjustment was made to the calculated vesting level for 2023 following the 2020–2022 performance period.

The right to modify awards to reflect individual circumstances is reserved for the Group CEO, except for modifications regarding members of the ExCo where this right is reserved for the Board based on recommendation by the Remuneration Committee. An adjustment of +/–25 percentage points to the calculated final vesting level may be applied on an individual basis prior to vesting. However, if performance under exceptional or unusual circumstances warrants it, exceptions to the +/–25 percentage points adjustment may be made. In this respect, Zurich reserves the right to adjust and even set the vesting level to 0 percent for an individual to reflect specific circumstances (e.g., in connection with a breach of internal or external rules) during the period prior to vesting. Any such adjustment is reserved exclusively for the Board based on recommendation by the Remuneration Committee.

Clawback and malus conditions for variable remuneration

Variable remuneration is subject to clawback provisions for members of the ExCo and also for additional participants in some jurisdictions as required by local laws and regulations, to allow for the recovery or forfeiture of awards. Malus conditions to reduce or eliminate awards are applicable to all STIP and LTIP participants. Clawback or malus conditions may apply for example, in cases of misconduct, violation of the Group's code of conduct or applicable laws, or where there has been a material financial restatement.

Remuneration governance

The Board is responsible for the design, implementation and monitoring of Zurich's remuneration rules[1], which include the overall remuneration philosophy, principles, system and practices. The Remuneration Committee supports the Board in performing these duties. On an annual basis, the Remuneration Committee evaluates Zurich's remuneration rules and the remuneration architecture, including the incentive plans which are discretionary and can be terminated or modified at any time. The Remuneration Committee proposes any amendments to the Board as required.

Read more on the Remuneration Committee's activities and responsibilities:
Pages 53–54

The Remuneration Committee and the Board receive independent advice from the executive compensation practices at Alvarez & Marsal. Alvarez & Marsal do not provide any other services to the Group. The Remuneration Committee reviews their mandates and fees and evaluates ongoing performance.

At Remuneration Committee and Board meetings where decisions are made on the individual remuneration of either the Chairman, the Group CEO or other members of the ExCo, those individuals are not present.

The remuneration approval framework is set out as follows:

A strong governance framework ensuring alignment of interest with shareholders

Remuneration governance

Topic	Recommended by	Board approval	Shareholders' approval
Remuneration architecture	Board Remuneration Committee and Board Risk & Investment Committee[1]		
Relevant chapters within the organizational rules	Board Remuneration Committee		
Zurich remuneration rules	Board Remuneration Committee		
Remuneration report	Board Remuneration Committee	→	Consultative vote
Board of Directors remuneration	Board Remuneration Committee	→	Binding vote
Group CEO remuneration	Board Remuneration Committee	→	Binding vote[2]
ExCo remuneration	Group CEO	→	Binding vote[2]
Total variable remuneration	Board Remuneration Committee		
STIP pool funding	Board Remuneration Committee[3]		
LTIP vesting level	Board Remuneration Committee[3]		

1 Based on recommendation by the Group CEO and evaluation by Group Risk Management.
2 The Group CEO remuneration is approved in aggregate with the ExCo remuneration.
3 Based on the performance achievements of the predefined metrics, an overall qualitative assessment and a risk assessment by Group Risk Management.

1 The remuneration policy of the Group, which serves as a framework for the governance, design, implementation and monitoring of the Group's remuneration architecture, is designed to support the Group's business strategy, enterprise risk management framework and operational and financial plans, and takes into account legal and regulatory requirements.

Remuneration governance (continued)

Legal and regulatory requirements

This remuneration report provides all the information required by the following regulations with which Zurich complies:

– Chapter 5 of the Directive on Information Relating to Corporate Governance of the SIX Exchange Regulation.
– Swiss Code of Best Practice for Corporate Governance.
– Art. 14–16 of the Ordinance Against Excessive Compensation (Ordinance AEC) and art. 663c para. 3 of the Swiss Code of Obligations (to be replaced by art. 734a–734f of the Swiss Code of Obligations as of January 1, 2023).
– Circular 2010/1 on minimum standards for remuneration schemes of financial institutions issued by the Swiss Financial Market Supervisory Authority, FINMA.

AGM remuneration votes

Shareholders vote on and approve the maximum total amount of remuneration for the Board for the next one-year period from AGM to AGM and the maximum total amount of remuneration for the ExCo for the subsequent financial year (art. 18 para. 1 articles of association: www.zurich.com/en/investor-relations/our-shares/articles-of-association). Details on the votes can be found in the AGM invitation 2023 (www.zurich.com/en/investor-relations/shareholder-area/annual-general-meeting) and in the respective sections of the remuneration report for the Board (page 96) and for the ExCo (page 103). Art. 18, 28, 32 and 34 of the articles of association outline the approach regarding the votes on pay, supplementary amounts for any new members of the ExCo during a period for which the remuneration for the ExCo has already been approved, performance-related remuneration for the ExCo, allocation of shares, contracts with Board and ExCo members, and loans and credits.

Remuneration and risk

The Remuneration and the Risk and Investment Committees meet jointly once a year to discuss a risk review of the remuneration architecture and the remuneration governance framework. The assessment of risk in making reward decisions, and the ability to apply risk adjustments and exercise malus and clawback, if required, are features of Zurich's remuneration framework. Group Risk Management evaluated the remuneration architecture in 2022 and reported that the remuneration architecture does not encourage inappropriate risk-taking that exceeds the Group's risk appetite and tolerance.

To help align remuneration with the Group's risk appetite and tolerance, Group Risk Management consults with other control, governance and assurance functions to provide the Group CEO with a review of risk factors to consider when assessing overall performance for the annual funding of incentive awards. The Group CEO considers Group Risk Management's assessment, amongst other factors, when proposing the funding for the STIP pools to the Remuneration Committee, which in turn makes its recommendation to the Board for final approval. The Group Chief Risk Officer is available to discuss these findings with the Remuneration Committee and the Board.

All Group leadership team roles, which includes ExCo roles, are considered key risk-taker positions. The remuneration for key risk-taker positions includes STIP and LTIP, with a greater emphasis toward long-term incentives and therefore, deferred remuneration. Group Risk Management, together with other control and assurance functions, provide risk, compliance, and audit information about each key risk-taker as part of the annual individual performance assessment of the leadership team, including the ExCo. This is considered when assessing performance and making reward decisions.

The variable remuneration of employees in control and assurance functions is structured to avoid conflicts of interest by linking to Group profitability metrics rather than the profitability of the business controlled by such functions.

At reasonable intervals, Group Audit assesses the operational implementation of Zurich's remuneration rules to verify that the remuneration architecture is adhered to across the Group.

Remuneration governance (continued)

Share ownership guidelines

To align the interests of the Board and the ExCo with those of shareholders, the following levels of share ownership are required for Directors and ExCo members:

– Members of the Board: one time the basic annual fee.
– Group CEO: five times base salary.
– Other members of the ExCo: two-and-a-half times base salary.

Directors achieve this requirement by obtaining part of their fee in five-year sales-restricted shares and market purchases. ExCo members achieve this through their participation in the LTIP and market purchases. Directors, the Group CEO and other ExCo members have a period of five years to meet their ownership requirements and the Remuneration Committee monitors compliance with these guidelines annually.

At the end of 2022, all Directors and all ExCo members who have served at least five years on the Board or the ExCo, respectively, met the required share ownership level.

Share dilution

Zurich did not issue any new shares in 2022 or 2021.

Share dilution as of December 31

		2022	2021
Share dilution	Shares issued during the year[1]	–	–
	Registered shares as of December 31	150,460,167	150,460,167
LTIP	Total number of unvested target shares[2]	1,386,835	1,651,886
	– as a percentage of the registered shares	0.92%	1.10%

1 During 2021 and 2022, share-based compensation awards were funded with own shares repurchased on the market.
2 Given the vesting level of 155 percent of target for the share allocations vesting in 2023 and assuming 100 percent vesting in 2024 and 2025. For 2021 the amount represents vesting of 200 percent in 2022 with assumed vesting of 100 percent for 2023 and 2024.

Remuneration and shareholdings 2022

Audited

The information provided according to art. 14–16 of the Ordinance AEC contained in the remuneration report needs to be externally audited following the audit requirements of the Ordinance AEC. In addition, the information according to art. 663c of the Swiss Code of Obligations is being audited and disclosed as such in the remuneration report. All audited sections have been highlighted accordingly.

The following section sets out the remuneration and shareholdings of members of the Board of Directors and members of the ExCo, as well as the remuneration of all employees.

Board of Directors

Directors' fees

As Zurich is a global insurance provider, its Directors' fees need to be established at a level which enables the Group to attract and retain individuals with a long-term interest in Zurich's success and reflecting the diversity of the Group's employee and customer base. To assist in determining Board remuneration, an independent adviser carries out benchmarking studies on a regular basis. Zurich aims to set the remuneration of its Directors at the relevant median levels using the Swiss Market Index (SMI) as a basis. Based on the role and the fee structure set out in the table below, fee levels are established for each member of the Board. Fees are paid in cash and shares, with half of the basic fee provided in five-year sales-restricted shares. The fees paid to Directors (including the portion provided in sales-restricted shares) are not subject to the achievement of any specific performance conditions.

All Board members of Zurich Insurance Group Ltd are also Board members of Zurich Insurance Company Ltd, and the fees cover duties and responsibilities under both boards.

Fee structure for Board members[1]

	Fee elements in cash (CHF 000)	**Fee elements in sales-restricted shares (CHF 000)**	**Total fees 2022 (CHF 000)**	Total fees 2021 (CHF 000)
Basic fee for the Chairman of the Board[2]	1,000	1,000	2,000	2,000
Basic fee for the Vice-Chairman of the Board[2]	225	225	450	450
Basic fee for a member of the Board	120	120	240	240
Committee fee[3]	80	–	80	80
Chair fee for the Audit Committee	100	–	100	100
Chair fee for the Remuneration Committee[4]	80	–	80	80
Chair fee for the Risk and Investment Committee	80	–	80	80
Chair fee for the Governance, Nominations and Sustainability Committee[4]	80	–	80	80

1 These amounts are for the period from AGM to AGM. The table excludes other fees for board memberships of Zurich subsidiaries.
2 Neither the Chairman nor the Vice-Chairman receive any additional fees for their committee work on the Boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd.
3 Amount remains the same irrespective of the number of committees on which a Board member serves.
4 For 2022 and 2021 no Chair fee has been paid for the Governance, Nominations and Sustainability Committee or the Remuneration Committee, as these committees were chaired by the Chairman and Vice-Chairman, respectively.

Remuneration and shareholdings 2022 (continued)

The committees on which the Directors serve are set out in the corporate governance report on page 42. In 2022, the Board consisted entirely of non-executive Directors independent from management.

Where a Director is also a member of one or more subsidiary boards of Zurich, the Director is entitled to an additional fee of CHF 50,000 per annum, plus CHF 10,000 per annum if he or she also chairs an audit committee of such a board. The fee structure for subsidiary boards can be modified if certain circumstances, for example, the additional time commitment to discharge the duties of a board member, warrant it. None of the Board members had an additional mandate in a subsidiary board of Zurich in 2022 or 2021.

The following tables set out the actual fees paid to the Directors for 2022 and 2021 in Swiss francs. In 2022, 11 members served for the full year and one member served for part of the year. In 2021, 10 members served for the full year and two members served for part of the year. The total aggregate fees for the calendar year 2022 amounted to CHF 5,620,000, which is higher compared with the corresponding amount of CHF 5,510,000 for 2021, due to the increase in the number of Board members in 2022.

Audited

Directors' fees 2022

in CHF	2022[1]					
	Fee elements in cash					
	Basic fee	Committee fee[2]	Chair fee[3]	Total cash	Basic fee in sales-restricted shares[4,5]	Total fees
M. Liès, Chairman[6]	1,000,000	n.a.	n.a.	1,000,000	1,000,000	2,000,000
C. Franz, Vice-Chairman[6]	225,000	n.a.	n.a.	225,000	225,000	450,000
J. Amble, member	120,000	80,000	–	200,000	120,000	320,000
C. Bessant, member	120,000	80,000	–	200,000	120,000	320,000
A. Carnwath, member	120,000	80,000	100,000	300,000	120,000	420,000
M. Halbherr, member	120,000	80,000	–	200,000	120,000	320,000
S. Keller-Busse, member	120,000	80,000	–	200,000	120,000	320,000
M. Mächler, member	120,000	80,000	–	200,000	120,000	320,000
K. Mahbubani, member	120,000	80,000	–	200,000	120,000	320,000
P. Maurer, member[7]	30,000	20,000	–	50,000	60,000	110,000
J. Staiblin, member	120,000	80,000	80,000	280,000	120,000	400,000
B. Stowe, member	120,000	80,000	–	200,000	120,000	320,000
Total in CHF[8]	**2,335,000**	**740,000**	**180,000**	**3,255,000**	**2,365,000**	**5,620,000**

Remuneration and shareholdings 2022 (continued)

Audited

Directors' fees 2021

in CHF	2021[1]					
	Fee elements in cash					
	Basic fee	Committee fee[2]	Chair fee[3]	Total cash	Basic fee in sales-restricted shares[4,10]	Total fees
M. Liès, Chairman[6]	1,000,000	n.a.	n.a.	1,000,000	1,000,000	2,000,000
C. Franz, Vice-Chairman[6]	225,000	n.a.	n.a.	225,000	225,000	450,000
J. Amble, member	120,000	80,000	–	200,000	120,000	320,000
C. Bessant, member	120,000	80,000	–	200,000	120,000	320,000
A. Carnwath, member	120,000	80,000	100,000	300,000	120,000	420,000
M. Halbherr, member	120,000	80,000	–	200,000	120,000	320,000
J. Hayman, member[9]	30,000	20,000	20,000	70,000	–	70,000
S. Keller-Busse, member[9]	90,000	60,000	–	150,000	120,000	270,000
M. Mächler, member	120,000	80,000	–	200,000	120,000	320,000
K. Mahbubani, member	120,000	80,000	–	200,000	120,000	320,000
J. Staiblin, member	120,000	80,000	60,000	260,000	120,000	380,000
B. Stowe, member	120,000	80,000	–	200,000	120,000	320,000
Total in CHF[8]	**2,305,000**	**720,000**	**180,000**	**3,205,000**	**2,305,000**	**5,510,000**

1 The remuneration shown in the tables is gross, based on the accrual principle and does not include any business-related expenses incurred in the performance of the Directors' services.
2 Members of a committee receive a cash fee of CHF 80,000 for all committees on which they serve, irrespective of the number. The committees on which the Directors serve are set out in the corporate governance report.
3 Committee chairs receive an annual fee of CHF 80,000 and the chair of the Audit Committee receives an additional CHF 20,000. The committees on which the Directors serve and the chairs are set out in the corporate governance report.
4 The shares allocated to the Directors are not dependent on the achievement of performance criteria and are sales-restricted for five years.
5 As of June 16, 2022, Michel Liès was allocated 2,346 shares, Christoph Franz was allocated 528 shares and the other Board members, aside from Peter Maurer, were allocated 281 shares. As of October 1, 2022, Peter Maurer was allocated 140 shares. The closing share price on June 15, 2022 (CHF 426.10) was adopted to calculate the number of shares on half of the basic fee amount, or on a pro rata amount, as applicable. Where the value of shares allocated did not equal exactly half the member's basic fee or the applicable pro rata amount, the difference was paid in cash.
6 Neither the Chairman nor the Vice-Chairman received any additional fees for their committee work on the Boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd.
7 At the AGM on April 6, 2022, Peter Maurer was elected as a new member of the Board. He assumed this role as of October 1, 2022.
8 Zurich also paid the company-related portion of contributions to social security and pension systems in line with applicable laws, which amounted to CHF 256,226 in 2022. The amount in 2021 was CHF 228,957. Any personal contributions of the Directors to social security and pension systems are included in the amounts shown in the table above. Swiss-based Directors are eligible for selected employee benefits.
9 At the AGM on April 7, 2021, Sabine Keller-Busse was elected as a new member of the Board and Jeffrey Hayman decided not to stand for re-election.
10 As of June 16, 2021, Michel Liès was allocated 2,673 shares, Christoph Franz was allocated 601 shares, and the other Board members were allocated 320 shares. The closing share price on June 15, 2021 (CHF 374.00) was adopted to calculate the number of shares on half of the basic fee amount. Where the value of shares allocated did not equal exactly half the member's basic fee, the difference was paid in cash.

Remuneration and shareholdings 2022 (continued)

Audited

Special payments and termination arrangements, additional honoraria and remuneration and personal loans for Directors

There was one new member of the Board elected at the AGM on April 6, 2022 who assumed the Director role as of October 1, 2022. No replacement payments, termination payments (golden parachutes), nor any other benefits such as additional contributions to occupational pension schemes were provided.

None of the Directors received any additional honoraria, remuneration or benefits-in-kind from the Group or from any of the Group's companies other than what is set out earlier. In addition, none of the Directors had any outstanding loans, advances or credits as of December 31, 2022 and 2021.

Remuneration and personal loans for former Directors

No benefits (or waiver of claims), either related to their former role or at conditions outside of market practice, have been provided to former Directors during 2022 and 2021. As of December 31, 2022 and 2021, no former member of the Board had any outstanding loans, advances or credits that have been provided on terms that are different to market conditions.

Related parties to current or former Directors

No benefits (or waiver of claims) outside of market practice have been provided in 2022 or 2021 to related parties of current or former Directors. No party related to current or former Directors had any outstanding loans, advances or credits that have been provided on terms that are different to market conditions, as of December 31, 2022 and 2021.

Board remuneration voting at the AGM

A summary of the amounts of remuneration paid to the Board for a one-year period from AGM to AGM, along with the respective maximum amounts of total remuneration approved by shareholders for the past two periods, is outlined in the table below. The amounts provided earlier in this report relate to a calendar year.

Summary of fees paid to the Board over the last two periods

		Fees				
Period AGM to AGM	Number of members	in cash (CHF 000)	in shares (CHF 000)	Total (CHF 000)	Maximum amount approved at the AGM (CHF 000)	Percent of votes in favor
2022–2023[1]	11.5	3,305	2,365	5,670	6,000	96.9%
2021–2022	11	3,205	2,305	5,510	5,910[2]	97.1%

1 Assumes the amount to be paid for the first quarter in 2023 remains unchanged. Considers 11 members who served for the full period and one member who served on the Board as of October 1, 2022. Zurich also pays the company-related portion of contributions to social security and pension systems in line with applicable law. These contributions are not included in the table, however as a reference, Zurich paid an amount of CHF 256,226 for the calendar year 2022.
2 This amount was based on 12 members of the Board.

Information on the proposed maximum total amount of remuneration for the Board for the one-year period from the AGM 2023 to the AGM 2024 can be found in the AGM invitation 2023 (www.zurich.com/en/investor-relations/shareholder-area/annual-general-meeting).

Remuneration and shareholdings 2022 (continued)

Audited

Shareholdings of Directors

The shareholdings of the Directors who held office in 2022 in shares of Zurich Insurance Group Ltd are shown in the following table. All interests shown include the portion of shares allocated to the Directors as part of their fees, shares acquired in the market by the Directors and shares held by parties related to the Directors.

Directors' shareholdings[1]

Number of Zurich Insurance Group Ltd shares as of December 31	Ownership of shares	
	2022	2021
M. Liès, Chairman	12,797	10,451
C. Franz, Vice-Chairman	7,711	7,183
J. Amble, member	3,097	2,816
C. Bessant, member	2,142	1,861
A. Carnwath, member	4,022	3,741
M. Halbherr, member	1,319	1,038
S. Keller-Busse, member	601	320
M. Mächler, member	3,645	3,364
K. Mahbubani, member	3,097	2,816
P. Maurer, member[2]	565	n.a.
J. Staiblin, member	2,189	1,908
B. Stowe, member	1,319	1,038
Total	**42,504**	**36,536**

1 None of the Directors, including parties related to them, held more than 0.5 percent of the voting rights of Zurich Insurance Group Ltd shares as of December 31, 2022 or 2021, respectively.
2 At the AGM on April 6, 2022, Peter Maurer was elected as a new member of the Board. He assumed this role as of October 1, 2022.

Executive Committee

ExCo remuneration

The total remuneration for ExCo members for 2022 comprises the value of base salaries, pension benefits, other remuneration including employee benefits, short-term cash incentives and the target share allocations made under the LTIP in 2022. To assist with decisions regarding the remuneration structure and the mix of the individual remuneration elements for ExCo members, the Board conducts benchmarking studies on a regular basis, taking into account relevant market practices within peer groups, as well as internal relativities.

The remuneration structures and practices of a core peer group, consisting of the following insurance and reinsurance firms in the Dow Jones Insurance Titans 30 Index, are analyzed:

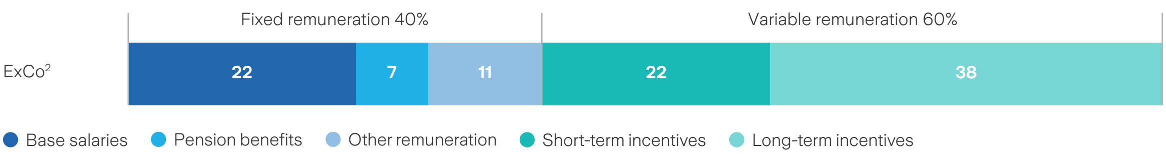
AIG, Allianz, Allstate, Aviva, AXA, Chubb, Generali, Legal & General, Manulife Financial Corp., MetLife, Munich Re, Progressive Ohio, Prudential Plc, QBE, Swiss Re, The Hartford and Travelers Cos. Inc.

The core peer group is regularly reviewed by the Remuneration Committee. Further, the analysis is supplemented by additional benchmarking studies as appropriate, for example, reviewing practices of large SMI companies in Switzerland or companies of a similar size in other countries.

The distribution of the individual elements making up the total remuneration of the ExCo in 2022 is set out in the following chart and is based on the target values for performance-related remuneration. It shows an appropriate balance of remuneration elements, with a significant emphasis on performance-related remuneration (STIP and LTIP), particularly long-term, deferred remuneration.

2022 remuneration structure[1]

%



1 At target, as a percentage of total remuneration.
2 Considering ExCo members that were active for the full year, including the Group CEO.

Remuneration and shareholdings 2022 (continued)

Amounts of remuneration for the ExCo

The following table shows the total remuneration in 2022 and 2021 for the highest-paid individual, which was Mario Greco, Group CEO, along with the total remuneration for all ExCo members (which includes the amounts for the Group CEO). The values of any one-off remuneration awards, such as replacement payments, and the amounts of contractually agreed remuneration after stepping down from the ExCo and during the notice period, are shown below the total amounts. Total remuneration for the ExCo in 2022 increased compared with the prior year. There was no change to the overall remuneration structure for the ExCo in 2022, however an increase in other remuneration compared with the prior year considers costs relating to expatriates which may fluctuate year to year. The amount of short-term incentives compared with the prior year reflects performance outcomes against the targets set for 2022.

Audited

Remuneration of the highest-paid individual and all ExCo members (including the highest-paid)

in CHF millions, for the years ended December 31		Highest-paid individual (Group CEO)		ExCo	
		2022[1]	2021[1]	**2022**[1,2]	2021[1,3]
Fixed remuneration	Base salaries	1.7	1.7	11.3	11.0
	Pension benefits[4]	0.4	0.4	3.4	3.4
	Other remuneration[5]	0.1	0.1	5.3	0.4
Variable remuneration	Short-term incentives	3.4	3.2	16.6	15.8
	Long-term incentives	3.8	3.8	19.1	17.1
Total in CHF[6]		**9.4**	**9.2**	**55.7**	**47.7**
Total in USD[6,7]		**10.1**	**10.1**	**59.6**	**51.8**
in CHF million, for the years ended December 31		**2022**[8]	2021[8]	**2022**[2,8]	2021[3,8]
Other payments and share allocations[9]		–	–	0.6	–
Contractual remuneration after stepping down until termination[10]		–	–	–	2.8

1 The remuneration shown is gross, based on the accrual principle, for the time employees are members of the ExCo during the year and does not include any business-related expenses incurred in the performance of the members' services.
2 On the basis of 12 members of the ExCo, of whom 11 served in the ExCo during the full year in 2022. See the corporate governance report for details on the ExCo member changes in 2022.
3 On the basis of 14 members and former members of the ExCo, of whom 10 served in the ExCo during the full year in 2021.
4 The total value of pension benefits accruing to ExCo members during the year, calculated on the basis of company contributions and service costs for the company as assessed under IAIS 19 accounting principles.
5 ExCo members receive other remuneration in relation to employee benefits, perquisites, benefits-in-kind, expatriate allowances and associated costs including tax equalization in line with the Group's global mobility policy, and any other payments due under each member's employment contract. Benefits-in-kind have been valued using market rates.
6 Zurich also paid the company-related portion of contributions to social security systems for members and former members of the ExCo in line with applicable laws where the executives are employed, which amounted to CHF 4.2 million in 2022 and CHF 3.8 million in 2021. Since the contributions are based on full earnings, whereas benefits are capped, there is no direct correlation between the costs paid to social security systems and the benefits received by the executives.
7 The amounts have been translated from CHF to USD at the relevant exchange rates throughout the year and the cash incentive to be paid in 2023 has been translated at the year-end rate in 2022.
8 The remuneration shown is gross, based on the accrual principle and does not include any business-related expenses incurred in the performance of the members' or former members' services.
9 These are extraordinary and include payments and share allocations to compensate incentive plan forfeitures with previous employers.
10 Relates to contractually agreed remuneration for leavers for the period of employment in 2022 or 2021 as applicable, after stepping down from the ExCo and during the notice period. Such remuneration may include base salaries, cash incentives, LTIP target allocations, pension costs and other remuneration including employee benefits, on a pro rata basis. Severance payments are not paid to ExCo members.

Based on these figures, total ExCo remuneration consists of 36 percent in fixed remuneration, comprising base salaries, pension benefits and other remuneration including employee benefits, as well as 64 percent in performance-related remuneration, comprising short-term and long-term incentives (31 percent and 69 percent, respectively, in 2021).

Remuneration and shareholdings 2022 (continued)

Variable remuneration outcomes of the ExCo

Short-term incentives

The amount shown in the table on the previous page relates to the total cash incentives earned under the Group's STIP. The individual STIP awards for ExCo members are determined in a similar way as for all employees, taking into account:

STIP target

The STIP target amounts for ExCo members are 100 percent of base salary.

Business performance

The relevant metric to determine the STIP pool achievement level for the ExCo for 2022 is the Group's BOP.

Read more on the adaptions to the STIP metrics for the ExCo: Pages 80–81

ExCo STIP pool achievement

in USD billions, for the years ended December 31	Group BOP[1] Target	Group BOP[1] Actual	STIP pool achievement level as a % of target[2] (0-175%)
2022	6.0	6.5	107%
2021	5.5	5.7	105%

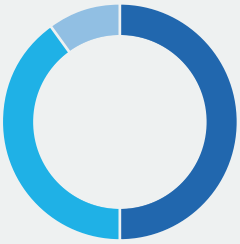
1 At actual foreign exchange rates.
2 Considering a qualitative, including risk-based, assessment of the performance achieved against plan as described on page 87. For 2021, the STIP pool achievement level also considered the overall customer NPS.

Individual performance

At the beginning of the year, each ExCo member receives a target card based on the general framework shown on the next page for the Group CEO. At year-end, following an assessment of each individual's performance, a performance category is assigned with differentiated award levels. To assess individual performance, each member first conducts a self-assessment. Group Risk Management, together with other control and assurance functions, provide risk, compliance and audit information on each member. A discussion is then held between each member of the ExCo and the Group CEO. In a rigorous process, the Group CEO and the Remuneration Committee review the individual performance achievements, including risk and behavior aspects. The Group CEO's performance is assessed by the Remuneration Committee and includes a review of the targets set at the beginning of the year, as well as progress on delivering the strategic plan, with risk and sustainability aspects as key considerations. The Group CEO is not present during these discussions.

Remuneration and shareholdings 2022 (continued)

Group CEO 2022 target card and achievements



	Weight	Achievements	Outcome
Financial measures supporting strategy execution	**50%**	– Group Business Operating Profit (BOP) increased by 12% to USD 6.5 billion. – P&C: Combined ratio maintained at 94.3%, and BOP rising 14% to USD 3.6 billion with strong growth in gross written premiums (GWP) of 14% on a like-for-like basis. – Life: BOP increase of 8% to USD 2.0 billion, while continuing to improve capital efficiency. – Farmers[1]: BOP up 18% to USD 1.9 billion. – Very strong capital position being maintained with Swiss Solvency Test ratio at 265%.	Exceeded
Customers	**40%**	– Continued progress focusing on customer needs with a net increase of 2.1 million retail customers to 67.5 million. – Increase across the Group of 6.9 points in the customer NPS score. – Customer focus in Retail & SME areas reflected in the strong growth in GWP in 2022.	Exceeded
Employees	**10%**	– Employee engagement, as measured by the employee NPS score, up by 5 percentage points over prior year and the highest score since initially measuring in April 2018. – Continued increase in female representation in senior management roles, up 2% on prior year to 29% and 7% compared with 5 years ago.	Exceeded

Consideration of execution against strategic priorities, including ESG factors and a risk-based review

- Successful final year to conclude the 2020-2022 strategic cycle, with the highest BOP since 2007.
- Sales of legacy life insurance back books in Germany and Italy announced. Completion of Italy sale during 2022 resulted in a favorable impact of 9ppts on the Group's Swiss Solvency Test ratio.
- Launch of Zurich eXchange, a global application programming interface marketplace to allow customers, distributors and partners to connect digitally with Zurich from a single, all-in-one platform.
- Sustainable revenues from activities doubled to USD 566m.
- CO2 equivalent (CO2e) intensity of corporate investment reduced by 12% versus the 2019 baseline.
- External recognition of efforts to improve work sustainability with ranking of number 3 in the SMI Reputation Index 2022.

Group CEO overall achievement (Individual performance)	Exceeded 185%

1 Farmers Group, Inc., a wholly owned subsidiary of Zurich Insurance Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as attorney-in-fact and receives fees for its services. The Farmers Exchanges are owned by their policyholders.

STIP award

STIP awards for each member of the ExCo are determined and approved by the Board. The maximum amount is 200 percent of the individual STIP target amount.

Based on the business performance achievements and individual performance achievements outlined above, the STIP award for 2022 for the Group CEO is 198 percent of target. The average STIP award across all ExCo members for 2022 is 147 percent of target.

Group CEO STIP award calculation

STIP target CHF 1.7m x Business performance 107% x Individual performance 185% = STIP award CHF 3.4m (198% of target)

Remuneration and shareholdings 2022 (continued)

Long-term incentives

As disclosed on page 98, the value of the long-term incentive allocation for ExCo members in 2022 amounted to CHF 19.1 million. The corresponding total number of PSUs allocated for the three-year performance period 2022–2024, was 42,236. The PSUs are valued using the closing share price of CHF 451.20 on the day prior to the allocation (second working day in April), and will be assessed for vesting in 2025 based on the metrics and targets outlined in the vesting grid on page 88. DEUs may accrue during the vesting period.

The LTIP targets for the allocation in 2022 varied between 125 percent and 225 percent of base salary for ExCo members and the maximum vesting level is 200 percent of the aggregate number of target shares (PSUs and DEUs).

The LTIP vesting level in 2023 for target shares allocated in 2020 is 155 percent. No discretionary adjustment was made to the calculated vesting level as outlined below.

LTIP vesting level 2023

	Weight	Vesting grid for the performance period 2020-2022: 0% vesting	50% vesting	100% vesting	150% vesting	200% vesting	
Relative TSR position	1/3	18th – 13th	12th – 10th	9th – 7th	6th – 4th	3rd – 1st	150%
Average NIAS ROE	1/3	<11.75% p.a.	11.75% p.a.	14.00% p.a.	15.125% p.a.	≥16.25% p.a.	123%
Cumulative cash remittance	1/3	<USD 10.5bn	USD 10.5bn	USD 11.5bn	USD 12.0bn	≥USD 12.5bn	191%
LTIP vesting level 2023							**155%**
LTIP vesting level 2022[1]							200%

1 Vesting grid for 2019 – 2021 applies.

Replacement payments

In extraordinary circumstances where payments are made to new hires to replace forfeitures under the incentive plans of the previous employer, the payments tend to mirror the type and timing of the forfeited payments and can include cash payments and/or awards of restricted share units (RSUs) or PSUs. Where payments are made in cash, there is typically a clawback period if the employee leaves the company voluntarily during the first two years of employment. RSUs typically vest over three to five years following the date of allocation and are also credited with DEUs during the vesting period to compensate for any dividend paid. RSUs and associated DEUs are typically forfeited if the holder of such allocations leaves the company before the vesting date and the employment relationship terminates.

In 2022, replacement payments made to a new ExCo member who took up employment with the Group during the year, comprised cash payments made in 2022 and to be made in 2023, as well as RSUs vesting in 2023 and 2024. No replacement payments were made in 2021.

Remuneration and shareholdings 2022 (continued)

Audited

Special payments and termination arrangements, additional honoraria and remuneration, and personal loans for ExCo members

During 2022, one new member was appointed to the ExCo as an external hire. One member relinquished his responsibilities as a member of the ExCo at the end of 2022.

There were no termination payments (golden parachutes) or payments in advance, nor were any other benefits provided, such as agreements concerning special notice periods or longer-term employment contracts (exceeding 12 months in duration), or additional contributions to occupational pension schemes.

None of the ExCo members received any remuneration from the Group or from any of the Group's companies in 2022 or 2021 other than as set out in the tables above.

As of December 31, 2022 and 2021, there were no loans, advances or credits outstanding for ExCo members.

Remuneration and personal loans for former ExCo members

Former members of the ExCo are eligible to continue their mortgage loans following retirement on similar terms to those when they were employed. As of December 31, 2022 and 2021, no former ExCo member had any outstanding loans, advances or credits that have been provided on terms that are different to market conditions.

No former member of the ExCo received remuneration in 2022 or 2021, related to their former role as an ExCo member, other than disclosed in the remuneration report 2022.

Related parties to current or former members of the ExCo

No benefits (or waiver of claims) outside market practice have been provided in 2022 or 2021 to related parties of current or former members of the ExCo. No party related to current or former members of the ExCo had any outstanding loans, advances or credits that have been provided on terms that are different to market conditions, as of December 31, 2022 and 2021.

Remuneration and shareholdings 2022 (continued)

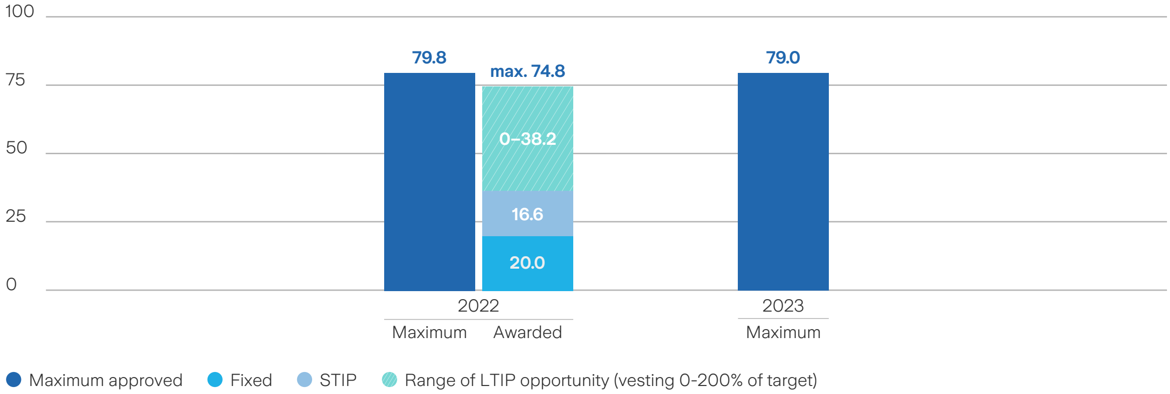
ExCo remuneration voting at the AGM

The following chart provides an overview of the maximum total amounts of remuneration for the ExCo approved by shareholders at the last two AGMs, along with the maximum awarded remuneration for 2022 considering:

- Actual fixed remuneration including base salary, pension benefits and other remuneration, as disclosed in this remuneration report.
- STIP awards as disclosed in this remuneration report.
- The range of LTIP opportunity considering possible vesting between 0 and 200 percent of the value of the PSU allocation disclosed in this remuneration report. The final amount will depend on the vesting level calculated in 2025 upon completion of the three-year performance period.

Maximum total amounts of remuneration approved and the awarded amount for 2022[1,2]

in CHF millions



1 In addition to the awarded fixed remuneration, STIP and LTIP, other one-off payments and share allocations may be made. These could include extraordinary amounts for new ExCo hires to compensate incentive plan forfeitures with previous employers. In 2022, one-off payments were made in the amount of CHF 0.6 million, still within the maximum amount approved. LTIP amounts do not consider shareholder returns including dividend equivalents from the date of the target share allocation until the date of vesting, as well as the impact of share price and foreign exchange rate fluctuations. Zurich also pays the company-related portion of contributions to social security in line with applicable law. These contributions are not included in the amounts, however as a reference, Zurich paid an amount of CHF 4.2 million for the calendar year 2022.

2 Based on art. 18 para. 4 of the articles of association (www.zurich.com/en/investor-relations/our-shares/articles-of-association), Zurich is authorized to make payments to any member who joins the ExCo during a period for which the AGM has already approved the remuneration of the ExCo, of a supplementary amount for the period(s) in question, where the total amount already approved for such remuneration is not sufficient. The sum of all supplementary amounts may not exceed, during any one remuneration period, 30 percent of the respective total amount of approved maximum total remuneration for the ExCo.

Information on the proposed maximum total amount of remuneration for the ExCo for 2024 can be found in the AGM invitation 2023 (www.zurich.com/en/investor-relations/shareholder-area/annual-general-meeting).

Remuneration and shareholdings 2022 (continued)

Unvested share allocations of the ExCo

As of December 31, 2022, the total number of unvested target shares under the LTIP was 146,175 (146,079 as of December 31, 2021) and the number of unvested RSUs was 2,608 (3,554 as of December 31, 2021).

Within the context of the regular LTIP allocations made each year, the PSUs will be considered for vesting three years after the allocation, along with any DEUs that have accrued during the vesting period. For allocations made to ExCo members, half of the resulting vested shares are sales-restricted for an additional three-year period. The actual level of vesting is determined in accordance with the remuneration principles and vesting criteria set out in the remuneration report for the year of allocation.

Additional share allocations, for example to compensate incentive plan forfeitures with previous employers, can be made in the form of RSUs.

A summary of the unvested share allocations of ExCo members as of December 31, 2022, is set out in the following table:

Summary of unvested share allocations of the ExCo as of December 31[1]

Year of allocation		Year of vesting 2023	2024	2025	2026	Total
Target shares under the LTIP[2]	2020	55,410	–	–	–	55,410
	2021	–	46,491	–	–	46,491
	2022	–	–	44,274	–	44,274
RSUs[3]	2020	267	136	–	1,455	1,858
	2021	14	7	–	76	97
	2022	269	314	–	70	653

1 DEUs are credited during the vesting period and included in these amounts where they have already accrued. No further dividend equivalent shares will accrue on the DEUs.
2 At the vesting date, the original number of PSUs allocated, plus the DEUs, will be assessed for vesting in aggregate based on the performance achievements against the predefined vesting grid.
3 No performance conditions are applicable for vesting.

Remuneration and shareholdings 2022 (continued)

Audited

Shareholdings of the members of the ExCo

The actual shareholdings of ExCo members in 2022 are shown in the following table for the past two years.

In addition to any shares acquired in the market, the numbers also include vested shares, whether sales-restricted or not, received under the LTIP. The table does not, however, include the share interests of ExCo members that are currently unvested. All interests include shares held by related parties to members of the ExCo.

Shareholdings of ExCo members[1]

Number of shares, as of December 31	Shares	
	2022	2021
M. Greco, Group CEO	102,773	92,158
E. Chan, Group Chief Information and Digital Officer	174	85
J. Dailey, CEO of Farmers Group, Inc.	33,721	26,488
P. Giger, Group Chief Risk Officer	4,974	–
J. Howell, CEO Zurich Global Ventures	20,677	15,891
A. Martin, CEO EMEA and Bank Distribution	18,976	13,977
L. Maurice, CEO Latin America	–	–
T. Naidu, CEO Asia Pacific	7,574	5,369
G. Quinn, Group Chief Financial Officer	70,670	57,780
S. Signorelli, CEO Commercial Insurance	7,693	5,107
K. Terryn, CEO North America	21,873	23,050
S. van Vliet, Group Chief Investment Officer[2]	–	n.a.
Total	**289,105**	**239,905**

1 None of the members of the ExCo, together with parties related to them, held more than 0.5 percent of the voting rights as of December 31, 2022 or 2021.
2 Stephan van Vliet was appointed as Group Chief Investment Officer as an external hire effective May 1, 2022.

Trading plans

ExCo members may sell shares under predefined trading plans which require prior approval from the Chairman of the Board. The terms and conditions of the transactions under the trading plans must be defined and cannot be changed. Trading plans are reported to the SIX Swiss Exchange according to the rules on disclosure of management transactions. As of December 31, 2022, there were no trading plans in place. Further, no trading plans were entered into in 2022 or 2021.

Remuneration and shareholdings 2022 (continued)

All employees

Remuneration of all employees

Please refer to the remuneration framework section on pages 83–89 for the key elements of remuneration and the benchmarking approach for all employees. The benchmarking analysis is mainly carried out and approved at a local level. The Group had 59,498 full-time equivalent employees as of December 31, 2022 (54,914 in 2021).

The following section includes information regarding the total remuneration earned by employees for 2022 and 2021 across the Group, including remuneration for ExCo members. The amount of cash incentive awards includes, among others, the awards across all pools in the Group's short-term incentive plan. The performance achievements against the predefined metrics for the STIP pools resulted in an overall funding level of 108 percent of the target amount for 2022 across the Group. This compares with 114 percent for 2021. The value of share allocations includes the target shares allocated under the LTIP, which will be assessed for vesting in 2025, as well as any other share allocations.

Total remuneration for all employees

in CHF millions, for the years ended December 31		2022	2021
Fixed remuneration	Base salaries, pension benefits and other remuneration[1]	5,303	5,091
Variable remuneration	Cash incentive awards earned for the year[2]	653	601
	Value of share allocations made in the year[3]	165	145
Total remuneration		**6,121**	**5,837**

1 Service costs for pension benefits represent the present value of the defined benefits from pension and post-retirement benefit plans, plus employers' contributions to defined contribution plans, arising from employee service over the accounting period. The amount included in this figure for defined benefit plans is calculated using actuarial factors and can vary year-on-year as economic conditions change. These numbers are explained in greater detail in note 20 of the consolidated financial statements. Other remuneration includes amounts for employee benefits and any other payments due under employment contracts.
2 Includes the amounts under the Group's STIP, as well as other cash incentive awards such as those from local plans which are subject to local Board approval, and any sign-on and severance payments in cash.
3 Includes the value of target shares from the LTIP and any other share allocations such as sign-on payments in shares.

Value of outstanding deferred remuneration

The Group's remuneration system includes instruments for the deferral of remuneration. The following table provides an overview of the overall value of outstanding deferred remuneration as of December 31, 2022 and 2021.

Value of outstanding deferred remuneration for all employees

in CHF millions, for the years ended December 31	2022	2021
Unvested target shares under the LTIP[1]	454	433
Unvested RSUs[1]	20	12
Vested but sales-restricted shares	244	373
Value of overall outstanding deferred remuneration	**718**	**818**

1 DEUs are credited during the vesting period and included in these amounts where they have already accrued. No further dividend equivalent shares will accrue on the DEUs.

The value of the deferred and unvested remuneration has been determined by multiplying the number of outstanding shares by the relevant share price at the original date of allocation. The value of the vested, but sales-restricted shares considers the taxable value at the time of vesting.

Remuneration and shareholdings 2022 (continued)

Impact on net income in 2022 and 2021 from remuneration made in prior years

The LTIP vesting level determines the actual number of shares to be awarded to participants relative to the target shares initially allocated. Differences in value between the initial estimated amount expensed in the income statement for the LTIP and the actual shares vesting in 2023, are reflected in the 2022 consolidated income statement in line with accounting principles. For the 2020 plan with shares vesting in 2023, there was an increase of USD 30 million in the expense recognized in the 2022 income statement to reflect actual performance to date compared with original estimates. In 2021, there was an increase of USD 81 million to the expense recognized in the income statement to reflect adjustments due to actual performance for the 2019 and 2020 plans.

Sign-on and severance payments for key risk-takers

The following definition and principles for sign-on and severance payments apply:

- *Sign-on payments* are payments that are agreed on the execution of an employment contract (whether paid immediately or over time). Sign-on payments may include compensation made prior to a person joining the company and providing any services (payments in advance) or compensation for benefits foregone with a previous employer (replacement payments). Payments in advance are not paid to members of the Board or the ExCo. Any replacement payments for members of the ExCo, including the Group CEO, must be approved by the Board based on a proposal by the Remuneration Committee.
- *Severance payments* are provided in connection with the termination of an employment relationship. Zurich does not include under the term severance payments, garden leave or similar payments for employees in jurisdictions where such payments are required by applicable law, or where they are based on contractual notice periods which conform with recognized market practice, or where they are non-contractual, but in line with recognized market practice. Zurich does include garden leave or similar payments, however, that go beyond recognized market practice, irrespective of whether these are provided pursuant to an agreement or are ex gratia. Severance payments are not paid to members of the Board or the ExCo.

The Group as a principle does not make any sign-on or severance payments, however, if circumstances which in the Group's interest warrant such payments, these can be approved through a clear governance process. Any such payment with a value of CHF 1 million or more is approved by the Chairman of the Remuneration Committee prior to the time the employment offer is made or prior to the time the severance payment is committed to.

The following table discloses sign-on and severance payments committed to key risk-takers. Key risk-takers are incumbents of Zurich's most senior positions, as well as positions that have a significant influence on the risk profile of Zurich. All Group leadership team roles, which includes ExCo roles, are considered key risk-taker positions. For key risk-taker roles where the incumbent is a member of the ExCo, no payments in advance and/or severance payments have been made. Replacement payments for the ExCo in 2022 and 2021 are included where such payments were made.

Sign-on and severance payments for key risk-takers

in CHF millions, for the years ended December 31	**2022**		2021	
	Amount (CHF m)	**Number of beneficiaries**	Amount (CHF m)	Number of beneficiaries
Sign-on payments/number of beneficiaries	2.2	3	2.0	5
Severance payments/number of beneficiaries	3.9	2	–	–

Outlook 2023

The Remuneration Committee reviews the Group's remuneration framework, system and practices annually. During 2022, particular attention was given to reviewing the metrics in the incentive plans to:

- Ensure alignment with the next strategic cycle from 2023–2025.
- Explore additional metrics that support the Group's sustainability targets.
- Understand the impact of the IFRS 17 and IFRS 9 accounting changes on the financial targets in the LTIP.

These reviews resulted in a proposal to the Board on the following changes to the Group's LTIP which the Board approved as of the next strategy cycle beginning in 2023:

- *Business operating profit after tax return on equity (BOPAT ROE) to replace NIAS ROE in the LTIP vesting grid as of 2023:* One of the financial targets for the next strategy cycle is a BOPAT ROE in excess of 20 percent. The Board decided that incorporating this in the LTIP would further align variable remuneration with the new strategic financial targets. In addition, with IFRS 9 effective from 2023, there is an increase in volatility to the NIAS ROE as there are more cases in which market-driven changes in fair value will be recognized in profit or loss. Replacing the NIAS ROE metric with BOPAT ROE limits the impact of capital gains and losses that are outside of management control on Group targets, which is more consistent with the Group's risk policies.
- *Introducing Zurich's operational CO2e emissions reduction target[1] in the LTIP vesting grid for the 2023–2025 performance period:* Operational emissions have been reported at Zurich since 2008. The reporting methodology for this metric is therefore considered one of the more mature externally reported ESG metrics of the Group and this is also reinforced by receiving reasonable assurance[2] on the 2021 data. As part of our sustainability journey, this metric will be introduced into the LTIP for the 2023-2025 performance period with a 10 percent weight as seen in the vesting grid below. The target to be achieved by the end of 2025 is 65,000 metric tons of CO2e emissions.
- *LTIP metric targets reflect the new financial targets for 2023-2025:* The vesting grid for allocations made as of 2023 also reflects the new financial targets communicated to investors in November 2022 and is shown below.

LTIP vesting grid for the 2023-2025 performance period, vesting in 2026:

Vesting grid for the new strategic cycle

Performance criteria	Weight	0% vesting	50% vesting	100% vesting	150% vesting	200% vesting
Relative TSR position (no change)	30%	13th – 18th	10th – 12th	**7th – 9th**	4th – 6th	1st – 3rd
Average BOPAT ROE (replaces NIAS ROE)	30%	< 15% p.a.	15% p.a.	**20% p.a.**	21% p.a.	≥ 22% p.a.
Cumulative cash remittance (aligned to new targets)	30%	< USD 11.5bn	USD 11.5bn	**USD 13.5bn**	USD 14.0bn	≥ USD 14.5bn
Operational CO2e emissions (new metric)	10%	> 68,250 mt	68,250 mt	**65,000 mt**	58,500 mt	≤ 52,000 mt

In addition to the above changes, the implication of IFRS 17 and IFRS 9 accounting standards on current in-flight LTIP plans (2021 and 2022 plans) will be assessed in 2023. The performance expectations for the metrics in these plans will not change, however financial targets may need to be realigned to the new standard and any adjustments will be shared in the 2023 remuneration report.

The Remuneration Committee will continue to review the Group's remuneration architecture and framework ensuring it supports the execution of the strategy, complies with legal and regulatory requirements and aligns with risk considerations. In addition, the Committee will keep monitoring regulatory and other external developments, as well as engaging in dialogue with investors, proxy advisers and other stakeholders.

Shareholders are invited to express their opinion on the remuneration report 2022 through an advisory vote at the AGM 2023. They also have the opportunity to approve the maximum total amount of remuneration for the Board for the one-year period from the AGM 2023–AGM 2024 and for the ExCo for the financial year 2024, in the binding votes. More information on these votes can be found in the AGM invitation 2023 (www.zurich.com/investor-relations/shareholder-area/annual-general-meeting) and in the relevant sections of this report.

1 CO2e includes carbon dioxide and the carbon dioxide equivalent of other greenhouse gases, most commonly methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF6) and nitrogen trifluoride (NF3). The emissions reduction target is based on approximately 90 percent of CO2e emissions from Zurich's operations within the control boundary as specified in footnote 1 to table 14 on page 169 of the integrated sustainability disclosure. Approximately 10 percent has been excluded from the calculation methodology used for LTIP due to time lags in the availability of data that do not align with the timing for the assessment of the LTIP vesting level at the end of the performance period. This considers facilities and data center emissions, both of which have been minimized through the use of renewable power in 2022 onwards.
2 The assurance statement can be found under www.zurich.com/sustainability/planet/net-zero-in-operations.

Report of the statutory auditor

Building a better working world

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 86 86
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
Zurich Insurance Group Ltd, Zurich

Zurich, February 8, 2023

Report of the statutory auditor

Report on the Audit of the Remuneration Report

Opinion

We have audited the Remuneration Report of Zurich Insurance Group Ltd for the year ended December 31, 2022. The audit was limited to the information on remuneration, loans and advances pursuant to Art. 14-16 of the Ordinance against Excessive Remuneration in Listed Companies Limited by Shares (Verordnung gegen übermässige Vergütungen bei börsenkotierten Aktiengesellschaften, VegüV) in the tables labeled “audited” of the Remuneration Report.

In our opinion, the information on remuneration, loans and advances in the attached Remuneration Report complies with Swiss law and Art. 14-16 VegüV.

Basis for opinion

We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the «Auditor’s Responsibilities for the Audit of the Remuneration Report» section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The board of directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the tables marked “audited” in the Remuneration Report, the consolidated financial statements, the financial statements and our auditor’s reports thereon.

Our opinion on the Remuneration Report does not cover the other information and we do not express any form of assurance conclusion thereon.

Report of the statutory auditor (continued)

In connection with our audit of the Remuneration Report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the audited financial information in the Remuneration Report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of directors' responsibilities for the Remuneration Report

The board of directors is responsible for the preparation of a Remuneration Report in accordance with the provisions of Swiss law and the Company's articles of incorporation, and for such internal control as the board of directors determines is necessary to enable the preparation of a Remuneration Report that is free from material misstatement, whether due to fraud or error. The board of directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibilities for the Audit of the Remuneration Report

Our objectives are to obtain reasonable assurance about whether the information on remuneration, loans and advances pursuant to Art. 14-16 VegüV is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Remuneration Report.

As part of an audit in accordance with Swiss law and SA-CH, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the Remuneration Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

We communicate with the board of directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report of the statutory auditor (continued)

Building a better working world

We also provide the board of directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Ernst & Young Ltd

Isabelle Santenac
Licensed audit expert
(Auditor in charge)

Thomas Fiepke

At Zurich, we believe in being clear about what our company stands for and how the organization as a whole considers the interests of all stakeholders. We want to do business in a way that builds resilience.

Integrated sustainability disclosure

Executive message on sustainability

> The change begins with us: with doing the right thing by our planet, our customers and our employees.

Dear Shareholder,

Sustainability is how we do business. We balance present and future needs of our business with the aim to create long-term sustainable value. We help weave a safety net for individuals, corporate customers and society. Our expertise gathered over 150 years helps provide innovative solutions on both reducing risk and transferring it.

But our ambitions run much deeper. We aspire to be one of the most responsible and impactful businesses in the world.

This change begins with us: with doing the right thing by our planet, our customers and our employees.

Updated sustainability goals

We have come a long way since we set out to create a sustainability plan in 2018 to guide us in building a resilient organization. Our efforts are reflected in our own operations, our underwriting and our investments.

The need for action is increasingly urgent and we're building on our existing achievements by focusing our sustainability priorities where we can make a difference.

Planet

A sustainable company must care for the planet. Climate change is the most pressing challenge of our time and we're committed to tackling it with every means available, as an insurer, an investor and an employer.

We will accelerate emissions reductions and help regenerate nature. For instance, through our Zurich Forest Project, we are helping to restore a unique and biodiverse ecosystem in Brazil's Atlantic Forest.

We also want to do what we can to help decarbonize our economies. That's why we committed to reduce the carbon intensity of our underwriting and investment portfolios to net-zero by 2050.

Executive message on sustainability (continued)

At the end of December 2022, Zurich's impact investment portfolio of USD 6.3 billion helped avoid 3.2 million metric tons of CO2-equivalent (CO2e) emissions and improved the lives of 4.7 million people.

Across our own operations, we have already reduced emissions by 73 percent in 2021 compared to our 2019 baseline and intend to achieve net-zero by 2030, 20 years ahead of target. It is one of the reasons why independent studies rate us a leader among global peers on climate risk mitigation initiatives.

Customer

Our focus is always on helping and inspiring our customers to join us on our journey to net-zero. We believe it is better to engage with our customers and investee companies to check that they have viable credible transition plans rather than simply divest or end a relationship.

We also offer products and services to enable sustainable choices and outcomes. Examples include the take up of electric vehicles, the development of renewable energy and investment in responsible funds.

In 2021, we launched the insurance industry's first carbon-neutral equity fund.

Through our Climate Change Resilience Services consultancy, we help commercial customers build resilience and adapt to climate change and support their net-zero transition.

But customer sustainability goes beyond just a focus on climate. We listen and adapt to emerging and evolving needs, whether that's through developing accident insurance for the gig economy or our data commitment to reassure customers that we will never sell their personal data.

Employees

Finally, as a global employer, we are constantly striving to foster a culture of inclusiveness in our workplace. We also focus on building a caring environment that enables our people to improve their physical, mental, emotional and financial wellbeing.

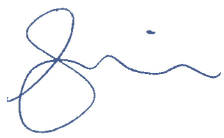
Through our focus on work sustainability we are building a learning organization that helps our employees to grow their talents.

The need for transparency and accountability

Supporting our customers and society at large to build resilience against some of the most challenging environmental and social risks is at the heart of our purpose to create a brighter future together. These ambitions, however, are meaningless if we cannot measure the impact of our work. We must match ambition with appropriate ways to gauge our progress, champion transparency and hold ourselves, our industry and stakeholders to account.

In this second year of publishing the integrated sustainability disclosure (ISD), we are providing greater transparency on how we are measuring progress toward our sustainability goals.

As an advocate, adviser and role model, we want to support individuals and organizations to thrive today and flourish tomorrow.



Alison Martin

CEO EMEA (Europe, Middle East & Africa) and Bank Distribution

Sustainability highlights 2022

USD 566m
revenues from sustainable solutions[1]

USD 8.7bn
investments in climate solutions

USD 8.8bn
tax contribution[7]

–12%
reduced intensity in financed corporate CO2e emissions[2]

–73%
in 2021 reduction in CO2e emissions from our own operations[4]

72%
of our procurement spend[8] is in compliance to our supplier code of conduct

3.2m
metric tons CO2e avoided through climate-related impact investments[3]

6.9-point
increase in our overall transactional net promoter system (TNPS) score[5]

Internal hire ratio of
71%

USD 41.5m
donated via the Z Zurich Foundation[9]

1 Based on our internal definition.
2 Compared to our 2019 baseline.
3 Impact number include methodology upgrade, as explained in Zurich's impact measurement methodology paper www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/zurich-impact-measurement-framework.pdf
4 Compared to our 2019 basline. Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third party vendors are out of scope.
5 TNPS is a specific indicator that is calculated as part of the NPS program – with NPS being the global best practice standard for customer experience measurement.
6 Senior management represents the combination of career levels D and E.
7 Tax contribution comprises the tax borne by shareholders in 2021 and taxes collected in 2021.
8 The spend of approximately USD 2 billion annually managed by Zurich's Procurement and Vendor Management function according to the 2020 baseline on goods and services that are required to enable Zurich to maintain and develop its operations, excluding suppliers no longer active in 2022.
9 The Z Zurich Foundation is a Swiss-based charitable foundation established by members of the Group. It is the main vehicle by which Zurich delivers on its global community investment strategy.

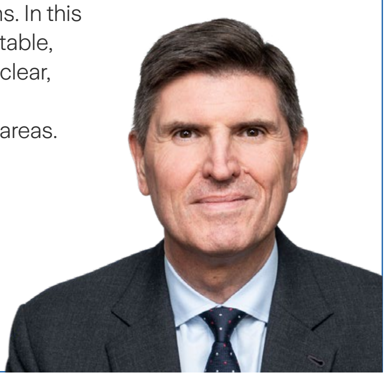
Integrated sustainability disclosure

Contents

1. Introduction

Introduction

As an insurer, a key component of our Group[1] success is the trust built through doing the right things, in the right way, and measuring and reporting the effects of those actions. In this light, we continue to embed sustainability across our business through accountable, transparent, measurable initiatives. We strongly believe in the need to disclose clear, comprehensive, and high-quality information on our performance against key sustainability indicators, covering environmental, social and governance (ESG) areas.



"At Zurich, sustainability is integral to how we conduct business and measure success."

George Quinn
Group Chief Financial Officer

Globally recognized and generally accepted reporting principles on sustainability don't exist yet, however industry alliances and standard setters are taking positive action to address this gap. The insurance industry has moved further in taking concrete actions to support the efforts against climate change. As a founding member of the Net-Zero Insurance Alliance (NZIA), we worked intensively with other members to deliver the target-setting protocol (TSP) issued in January 2023. The TSP sets out the minimum requirements for all members to set their initial interim targets. It allows NZIA member organizations to individually set science-based targets for their underwriting portfolios in line with a 1.5°C, net-zero transition pathway.

While actively contributing to these initiatives, we have progressed further in leveraging our expertise in financial accounting and reporting to establish our sustainability measurement and reporting processes. Globally, sustainability has become a standard agenda topic for finance and its leaders. We all have an important role in making sustainability disclosures transparent and comparable.

About this report

We have endeavored to create a meaningful disclosure based on good practices, sustainability regulations and external reporting frameworks. Accordingly, this report has adopted a combination of existing frameworks to provide insights into the most material topics for our business and our key stakeholders. In addition, this report includes reporting on our targets under the three pillars of our sustainability framework[2] and the indicators we use to measure progress on them.

Frameworks followed

We continue to disclose in line with the recommendations from the Task Force on Climate-related Financial Disclosure (TCFD), which allows us to understand the resilience of our strategy to climate risks. It also provides insights into the sustainability risks and opportunities our business faces. Read more about it in the planet section (pages 131 to 169). Additionally, we have considered the 21 core World Economic Forum (WEF) Stakeholder Capitalism Metrics and the Sustainability Accounting Standards Board (SASB) standard for the insurance industry. We follow a 'disclose or explain' approach as in prior years. All the indicators material to us are included directly in the integrated sustainability disclosure (ISD), and we address less material indicators in the index table.

Climate risk assessment

We perform our scenario-based climate risk assessment with three focus areas – underwriting and investment portfolios as well as our own operations. The heatmap of our underwriting portfolio remains unchanged compared to 2021, as the business mix did not change significantly in 2022. We monitor this closely and have prioritized strategic actions in our underwriting portfolio. On the investment side, we have extended the scope of the scenario analysis to additional asset classes, covering a bigger portion of the balance sheet. In our own operations, we reviewed further risks, including the impact of climate change on our distributed workforce and supply chain. The outcomes of these analyses are used to determine appropriate responses and confirm the resilience of our strategy.

Other enhancements in ISD 2022

We have included several new KPIs or extended the scope of previously disclosed KPIs. The financed emissions are now split between equities and corporate bonds and our engagement actions with our top 10 emitters without science-based targets, are now shown by sector and region providing additional transparency. We have provided the coverage ratio and new targets for green-certified buildings in our real estate portfolio. Disclosure of monetary losses arising from natural catastrophes has been extended to include net losses by type of event and region. Our customer-related KPIs have been extended to include additional countries. We now show the absolute customer retention rate aligning with the SASB framework. On social matters, a human rights risk assessment was performed on our supply chain which has been included. Training related KPIs on data security have been added.

We have set ourselves ambitious targets and have taken clear positions on several issues (see section 2.2, pages 119 to 120) and remain focussed on being one of the most responsible and impactful businesses in the world.

Note: The indicators included in this report cover the period from January 1 to December 31, 2022, unless stated otherwise. Some data may be collected and reported as at an earlier date in the year. Certain cases are extrapolated for the remaining months of the year based on the Group's internal methodology and are indicated by footnotes in the respective tables.

For a detailed overview, please see the index tables related to the frameworks SASB, WEF IBC, Zurich sustainability pillars, as well as the index table related to the key metrics[3] of our planet section on our website. Furthermore, we have used references to the Global Reporting Initiative (GRI), without adhering to the standards listed in the index[4] in its entirety.

1 Comprising Zurich Insurance Group Ltd and its subsidiaries (the Group or Zurich or we).
2 www.zurich.com/sustainability/strategy-and-governance/strategy
3 www.zurich.com/sustainability/reporting
4 www.zurich.com/sustainability/reporting

1. Introduction (continued)

Figure 1

Our ESG reporting monitors strategy execution, meeting stakeholders' needs while ensuring compliance

Zurich sustainability strategy and objectives

Strategy execution metrics for our sustainability objectives (i.e., our 1.5°C future, confidence in a digital society, work sustainability).

Reporting standards adopted; stakeholder relevance

Standards that we decided to adopt and that are of relevance to our stakeholders, especially investors (e.g., WEF IBC, SASB).

Upcoming corporate law requirements

Reporting requirements, such as FINMA disclosure requirements on climate risks and non-financial reporting requirements under the Swiss Code of Obligations.

Our three sustainability pillars call out the transformational themes that impact our business most. They are the cornerstone of our sustainability strategy and guide us in building a resilient organization that responds to the needs of our time.

Figure 2

Our three sustainability pillars – selected highlights from 2022

Our 1.5°C future

– Net-Zero delivery in investments and operations underway.[1]
– Thermal coal and oil sands exclusion concluded, review of oil and gas transition plans.
– As of the end of 2022, we confirmed that 71.5 percent of our managed procurement spend (MPS)[2] is with suppliers that meet or exceed the key expectations of our supplier code of conduct.[3]

Confidence in a digital society

– Data commitment rolled out to more than 90% of business.
– Artificial intelligence (AI) assurance framework rolled out in 2022, with end of 2023 as implementation target.

Work sustainability

– 26 hours of learning per employee in 2022.
– Females share in senior management roles is 29 percent in 2022 (up by 7 ppts since 2017).
– Internal hire rate of 71 percent.

Indicators discussed in this report are labelled to identify the sustainability pillar and standard to which the reporting is linked. Please note that indicators might impact several areas across environment, social and governance. In this case, we highlight the most relevant impact area only.

Legend of icons used

External frameworks and our standards				Impact area		
TCFD	WEF IBC	SASB	Zurich sustainability pillars	Environmental impact	Social impact	Governance impact

1 Includes retail and commercial customers.
2 The spend of approximately USD 2 billion annually managed by Zurich's Procurement and Vendor Management function according to the 2020 baseline on goods and services that are required to enable Zurich to maintain and develop its operations, excluding suppliers no longer active in 2022.
3 By completing suppliers' self-assessment.

2. Creating positive impact for stakeholders

2.1 Our purpose

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Our purpose is to create a brighter future together. We do not strive to realize a static ideal, but rather to be an enabler for evolution and continuous improvement. Over a century and a half, we have refined our business model to make the most of our resources and generate value in a way that considers all our stakeholders and the physical and social environment around us. We are proud of our heritage and understand that protecting our reputation and our assets is critical to our long-term success. When looking to the future, we are confident we will thrive based on our tradition and grow based on our purpose.

We are convinced that living up to our purpose will strengthen our core business and have a positive impact on our performance as an underwriter and investor. With changing customer expectations and an increasing demand for social and environmental engagement, sustainability is increasingly becoming a driver for value creation. Evolving legislation and the increasingly visible impacts of climate change underline the urgency of the topic.

We are supporting our customers who face these risks and we are enhancing preventative advisory solutions to complement traditional underwriting services. In Chapter 5 (pages 170 to 180), you can read about the innovative and sustainable solutions we offer to our customers to enhance resilience and advocate for prevention or minimization of damage and harm from climate-related perils. We continue to focus on the development of insurance and risk management solutions for new technologies, business models and approaches that are needed to achieve a climate-neutral economy. Additionally, we continue to develop new solutions and increase revenues associated with sustainable products and services.

The ownership and management of assets carries broad responsibilities. In addition to traditional financial considerations, we have established a responsible investment approach which covers climate risk and integrates environmental and social metrics to assess our performance in sustainability. Accordingly, our climate-related strategy must be understood as feeding into a broader sustainable approach to investment management. For more details, please see Chapter 4 (pages 131 to 169) of this report.

2.2 Our targets and positions

We believe social responsibility and care for our planet are aligned with shareholders' interests. Sustainability is a business opportunity as well as an urgent global imperative. Our ambition is to be one of the most responsible and impactful businesses in the world. This means creating positive outcomes for all stakeholders, taking economic, social and environmental considerations into account.

We have set ourselves ambitious targets and report transparently about our progress throughout the year. Moreover, additional targets were set in 2022 and underline our ambition.

Investment management

Our areas of focus	Our progress			Our targets		
	2020 to 2022			2025	2050	Targets without a deadline
Reduction of financed emissions						
Reduce emissions intensity of listed equity and corporate bond investments (metric tons CO2e/USD million invested) (compared to 2019)	**2020** –6%	**2021** –21%	**2022** –12%	–25%	Net-zero investment portfolio	
Reduce emissions intensity of direct real estate investments (kgCO2e/m²) (compared to 2019)	**2020** –6%	**2021** –20%		–30%	Net-zero investment portfolio	
Engagement targets – Climate action						
Engage companies producing 65% of portfolio emissions and lacking targets aligned with Paris Agreement (PA)		**2021** 46%	**2022** 54%	65%		

2. Creating positive impact for stakeholders (continued)

Investment management (continued)

Our areas of focus	Our progress			Our targets		
	2020 to 2022			2025	2050	Targets without a deadline
Financing the transition – Impact investment						
Avoid CO2e emissions through climate-related impact investment organization (per year)		**2021** 4.6 million metric tons CO2e	**2022** 3.2 million metric tons CO2e			Avoid 5 million metric tons CO2e
People to benefit from a positive contribution to their lives and livelihood (per year)		**2021** 3.6 million people	**2022** 4.7 million people			5 million people
Increase allocation to climate solution investments (compared to 2019)	**2020** +9%	**2021** +11%	**2022** +17%			
Increase invested assets in impact investments	**2020** 2.5%	**2021** 3.3%	**2022** 3.8%	5%		

Underwriting

Our areas of focus		Our targets		
		2030	2040	2050
Full phase out of thermal coal from underwriting portfolio organization		OECD and EU[1]	Rest of the world[1]	Net-zero UWR portfolio

Own operations[2]

Our areas of focus	Our progress			Our targets			
	2020 to 2022			2022	2025	2029	2030
Absolute reduction in all operational emissions (compared to 2019)	**2020** –60%[3]	**2021** –73%			Reduced by 60%	Reduced by 70%	Net-zero operational emissions
Reduction of scope 1 and 2 emissions (compared to 2019)	**2020** –41%[3]	**2021** –56%			Reduced by 62%	Reduced by 80%	
Reduction of scope 3 emissions[4] (compared to 2019)	**2020** –67%[3]	**2021** –80%			Reduced by 60%	Reduced by 67%	
% of MPS that is in compliance with, or exceeds our SCOC expectations[5,6] (2020 baseline)		**2021** 55%	**2022** 72%	75% completed			

Customer data

Our areas of focus	Our progress
	2022 onwards
Keep customers' data safe	Never sell customers' personal data. Not share customers' personal data without being transparent about it. Put customers' data to work so Zurich can better protect them and so they can get the most out of life.

1 Unless the company has formally approved science-based targets in place, which are approved by either SBTi or a similar scientifically accredited body.
2 Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third party vendors are out of scope.
3 The 2020 numbers were restated as a number of data quality improvement opportunities were revealed during the assurance process. For a detailed overview, please see: www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/Zurich-environmental-performance-data-2021.xlsx
4 Resulting from air, rental and rail business travel, employee commuting, strategic data centers, printed paper and waste, as well as indirect energy impact.
5 The spend of approximately USD 2 billion annually managed by Zurich's Procurement and Vendor Management function according to the 2020 baseline on goods and services that are required to enable Zurich to maintain and develop its operations, excluding suppliers no longer active in 2022.
6 By completing suppliers' self-assessment.

2. Creating positive impact for stakeholders (continued)

2.3 Sustainability at the core of our organization

We continuously work to identify new challenges and opportunities to ensure we invest our resources where we can make the biggest impact. We strive to understand the environment around us and look for ways to capture the opportunities it presents for our business. We believe that taking an integrated approach is the key to our success, hence we place sustainability at the core of our organization and stakeholder interactions.

We are conscious of the impact we have on people and planet and we keep this in mind in our own operations, investment portfolio and underwriting. As well as embedding sustainability across all functional units, we also set high expectations for all our business units around the world. We combine top-down and bottom-up initiatives to engage all regions. Through this hybrid approach, we ensure all countries can contribute toward the same goals.

Figure 3
Sustainability is integrated in everything we do

Operations	Underwriting	Investing	Customers	Employees	Partners and communities
Net-zero targets for 2030	Climate resilience for customers and portfolio	Net-zero approach to investing	Strengthen customers' sustainability	Employee skill development	Sustainable sourcing
100% renewable power target	Net-zero insurance baseline	Active ownership	Data commitment	Diversity, equity, inclusion and belonging	Contribute to communities
100% electric fleet target	Sustainability in business transactions	Impact investing	Customer care	Well-being	Enhance climate resilience

As a founding member of the Net-zero Insurance Alliance (NZIA) Zurich has committed to "Transitioning all operational and attributable greenhouse gas (GHG) emissions from its insurance and reinsurance underwriting portfolios to net-zero emissions by 2050 consistent with a maximum temperature rise of 1.5°C above pre-industrial levels by 2100 in order to contribute to the implementation of the COP21 Paris Agreement." We were heavily involved in developing the common methodology and target setting protocol (TSP) that will allow NZIA member organizations to individually set science-based targets for their underwriting portfolios in line with a 1.5°C net-zero transition pathway. The TSP sets out the minimum requirements for all members to set their initial interim targets, with one target to be set by the end of July 2023 and targets in all three categories defined by the protocol by the end of July 2024. The TSP structures targets into three areas:

- Engagement with customers.
- Portfolio emission reductions.
- Insuring the transition.

2.3.1 Assessing materiality

We want to work together with our employees, customers, investors and society to create a brighter future. To do this, it is necessary to involve these stakeholder groups in our decision-making process – and to understand what issues matter most to them. As the field of sustainability is rapidly evolving and we strive to have a clear view on the most material issues going forward, we conduct a full materiality assessment every three years as part of our strategic cycles.

In 2022, we carried out a complete update to our materiality assessment in order to understand which sustainability-related issues are most relevant to internal and external stakeholders. The 2022 assessment included both quantitative and qualitative analyses, insights generated from leading big data tools, and direct engagement with 10 different stakeholder groups including more than 8000 employees and 500 customers. Using this information, we identified 23 sustainability topics and prioritized them based on their importance to our stakeholders (y-axis) and their potential for future business impact (x-axis).

The outcomes of the 2022 materiality assessment were key inputs for creating our new strategic cycle and sustainability framework. This refreshed framework builds upon our previous three sustainability pillars[1] and will take effect in 2023. The results illustrated in the matrix below have been validated through numerous expert interviews. The purpose of these interviews was to validate the results and provide input to defining the next three-year strategic cycle for sustainability. A few topics were slightly moved to the right, meaning that the experts estimated the potential business impact to be higher than initially indicated by the surveys. As a final step, the Board endorsed the materiality matrix.

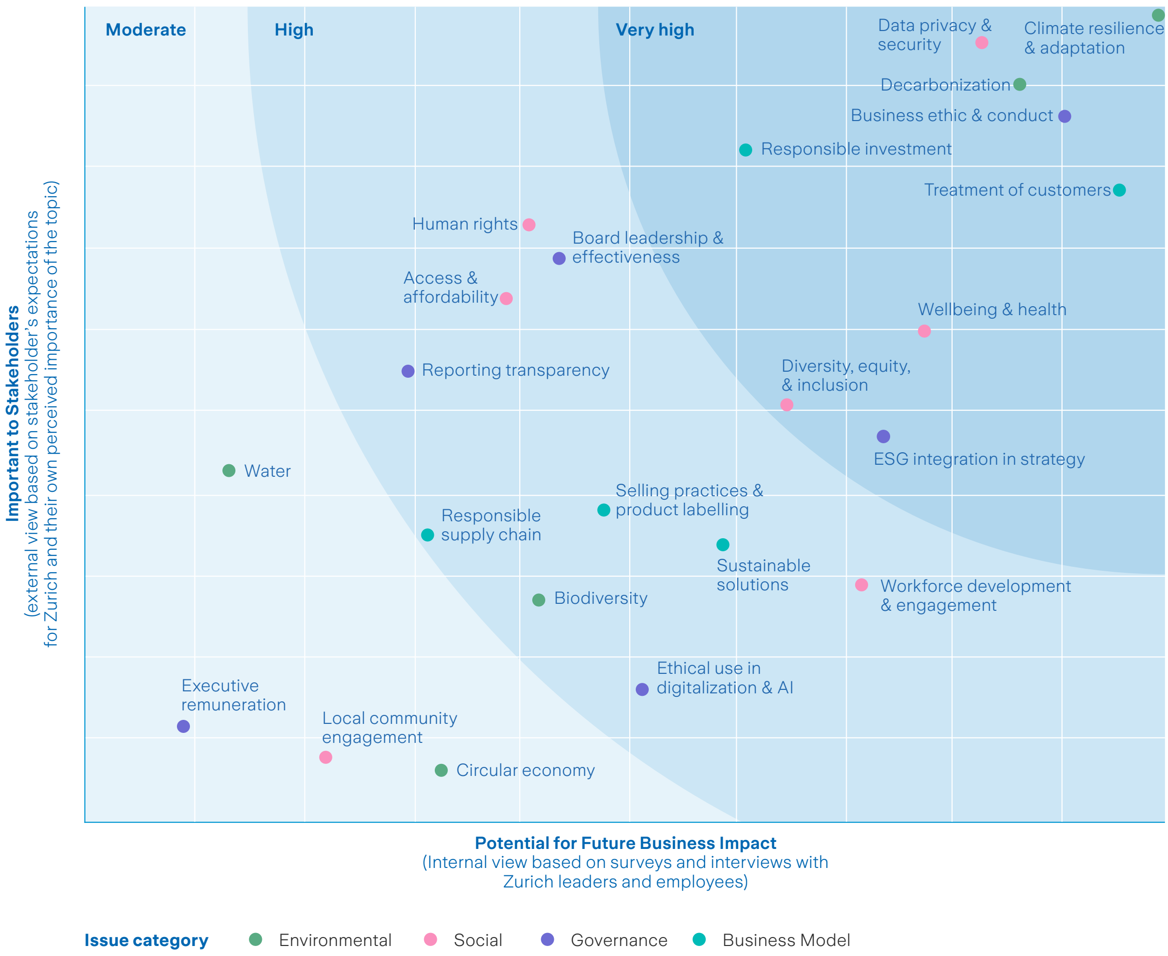
1 More information can be found in figure 2.

2. Creating positive impact for stakeholders (continued)

2.3.1 Assessing materiality (continued)

Figure 4

Materiality matrix 2022



2. Creating positive impact for stakeholders (continued)

2.3.1 Assessing materiality (continued)

Taking into account the future interests of our stakeholders and business, this updated overview of our material issues reaffirms the importance of areas we have been working on for many years, for example: climate resilience and adaptation; decarbonization; data privacy and security; and business ethics and conduct. Some new topics included in the 2022 assessment are among the highest ranking issues in the materiality matrix, for example: ESG integration in strategy; sustainable solutions; treatment of customers.

New topics confirmed to be of growing importance during the 2022 materiality assessment

Topic definition defines the exact meaning of each issue included in the materiality matrix. The definitions were shared in the stakeholder survey to ensure our respondents understand what each of the topics includes. Implications for our business describes the main, expected impact areas of each topic.

ESG integration in strategy

- Topic definition: The efforts taken to embed sustainability into the company's strategy and implementation across the business, including commitment from all levels and locations to contribute to group targets and efforts.
- Implications for our business: We will continue to integrate ESG into our strategy and across our business as we aim to create positive impact for our stakeholders, in line with our purpose.

Sustainable solutions

- Topic definition: Insurance products, add-on coverage, investment products and advisory services designed or adapted to support activities that generate positive environmental or social impacts and contribute to mitigating climate risks.
- Implications for our business: We will continue to grow our offering of sustainable solutions through innovation, risk transfer and collaboration with our customers to better understand their sustainability needs.

Read more about our sustainable solutions:
5.1 Customer experience and customer-centric solutions, pages 171 to 175.

Treatment of customers

- Topic definition: Fostering a customer-centric culture and putting in place controls in product development and claims processing to ensure we handle customer challenges or disputes in a caring, responsible way.
- Implications for our business: We will maintain our focus on ethically serving our customers through the Group-wide implementation of our claims blueprint and customer experience standards to foster empathy and compassion at all customer touchpoints.

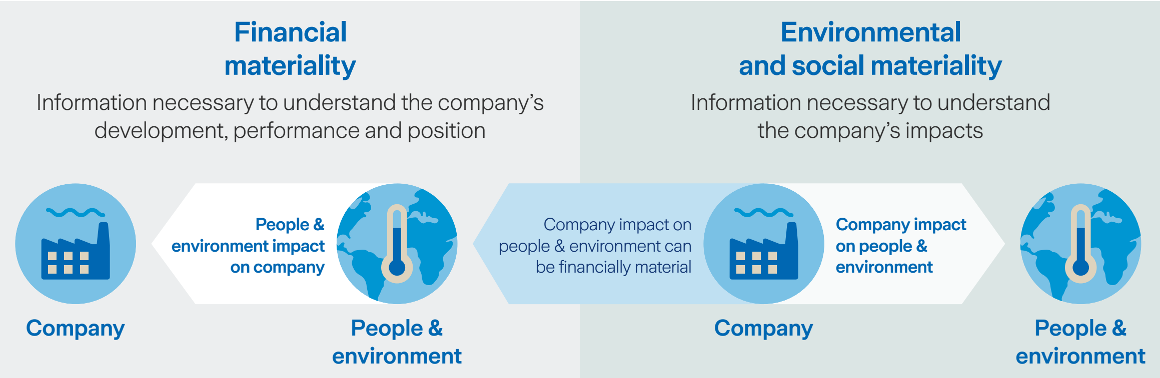
Read more about our sustainable solutions:
5.3 Fair and transparent advice and engagement, pages 177 to 178.

2. Creating positive impact for stakeholders (continued)

2.3.2 Managing risks and opportunities

To carry out effective sustainability risk management, we consider the impact of our company on the planet and society (a so-called inside-out perspective), as well as the impact of climate and society on our company's core business (an outside-in perspective). Known as 'double materiality,' this approach helps us to understand sustainability risks, for example climate change, as a driver of the key risks in our risk taxonomy. It also enables us to establish a position on societal risks, such as the use of banned weapons, or forced or child labor (human rights risks). The sustainability risk framework addresses the process of identifying, assessing and mitigating risks largely from an inside-out perspective, whereas other approaches, such as scenario-based climate risk assessment (see Capter 4), are used to understand the risks from an outside-in perspective.

Figure 5
Double materiality[1]



Our risk management framework helps to protect our company against financial and reputational risks and supports the identification of potential business opportunities. ESG integration is a core pillar of our responsible investment strategy for these same reasons.

To help our business mitigate risks, maximize opportunities and manage the inside-out impact of our company, we have established a systematic and integrated approach to identifying and assessing the potential impact of sustainability issues. This approach also helps us to recommend proper response strategies, which can include the development of new products and services that support our customers in managing sustainability issues. The approach is applied across all Group activities and, in particular, in investment management and underwriting.

Figure 6
Risk management framework

We have used our proprietary risk-profiling methodology since 2012 to prioritize key sustainability risks that need to be monitored across all our business transactions. These include:

- Banned weapons, avoiding business involving the manufacture, sale, distribution or stockpiling of cluster weapons or anti-personnel mines.
- Thermal coal, oil sand and oil shale unless formally approved science-based targets are in place (and engagement on phase out of OECD and EU 27 by 2030 and rest of world by 2040).

For other sustainability issues, we believe that proactively integrating sustainability risks and opportunities – expressed in ESG factors in our investment decisions across asset classes and alongside traditional financial metrics and state-of-the-art risk management practices – will support us in our mission to achieve superior risk-adjusted long-term financial returns (ESG integration).

1 The diagram represents the double materiality perspective of the EU Non-financial Reporting Directive. It is included here to illustrate double materiality.

2. Creating positive impact for stakeholders (continued)

2.3.2 Managing risks and opportunities (continued)

Specifically for underwriting we also include monitoring of:

- New greenfield oil exploration projects (unless meaningful transition plans are in place).
- Respect for human rights, in particular avoiding business involving child labor, forced labor, poor health and safety conditions or unfair remuneration.
- Dam construction, avoiding unacceptable social, political or environmental risks of specific dam construction projects.
- Oil and gas operations and mining operations, avoiding risks involving damage to protected areas or critical natural habitats, corruption and human rights abuses.
- Oil and gas drilling and production in the Arctic.[1]

The framework is also used to establish proper response strategies,[2] for example, avoiding risks by divestment or underweighting assets,[3] or not underwriting certain activities, such as our thermal coal, oil sand and oil shale position.

Scenario-based climate risk assessment

First performed in 2021 and updated in 2022, it is our most prominent and detailed outside-in risk evaluation. The assessment used a range of scenarios developed by the Network for Greening the Financial System (NGFS) and applied these across our core underwriting and investment portfolios to understand potential physical risks and risks associated with the transition to a net-zero economy. We understand a net-zero economy to be a world aligned with the Paris Agreement, where greenhouse gas emissions are reduced to as close to zero as possible, with any remaining emissions reabsorbed from the atmosphere by negative-emission technologies or by oceans or forests. The climate risk assessment demonstrates that, overall, the financial impact of transitioning in the mid-term (by 2030) is modelled to be relatively low under current scenarios. This is largely due to diversification across lines of business and regions with the exception of potential losses arising from physical climate change risks. However, these can be addressed through continued best-in-class climate modeling and a focus on reshaping property portfolios, should aspects of the more severe scenario begin to materialize.

Read more about our scenario based climate risk assessment:
in section 4.1.4 to 4.1.9 Portfolio-level climate risk scenario analysis, pages 138 to 153.

Supporting the transition

The assessment also helped us identify the lines of business in which we have an opportunity to support certain industries in their transition to net-zero, principally in the construction and energy industries. As a risk manager, we are positioned to play an important role in the energy transition, now further accelerated owing to the war in Ukraine, helping organizations understand risks and opportunities and make informed decisions that are aligned with net-zero and ESG commitments. We are doing this both through our alternative energy offerings as well as through our Zurich Resilience Solutions. Further opportunities arising from a proactive management of sustainability risks include, for example, on the life insurance side, an increased offering of unit-linked products investing in funds focused on sustainable environmental and social factors, e.g., USD 36 million invested in ESG funds. For further information on the impact and management of these risks, as well as the business opportunities they can bring, see the planet section (page 131 to 169) and the customer section (page 171 to 175).

2.4 Involving our stakeholders

The success of our sustainability strategy greatly depends on the willingness of our stakeholders to be involved in, and contribute to, our ambitions. For further details on our interactions with customers and employees, please see pages 170 to 180 and 181 to 189, respectively. In addition, we strive to involve our investors, suppliers and vendors, as well as the communities in which we operate, in diverse ways. We frequently interact with groups such as regulators, NGOs and industry associations.

2.4.1 Investors

A demonstrable commitment to sustainability is of critical importance to many of our investors. We are proactive in developing and communicating our sustainability strategy, particularly on the topics that are most material to investors, such as climate resilience and adaptation, decarbonization, business ethics and conduct, and Board leadership and effectiveness.

We engage consistently and openly with investors, analysts, rating agencies and proxy advisors. As part of our outreach, we have established dedicated annual interactions between our Board and investors to explain our sustainability strategy and performance. In particular, we have set additional targets for the upcoming strategic cycle and will report on them. In our ESG roadshow[4] conducted by the Chairman of the Board in November 2022, for example, we have highlighted that we are placing sustainability at the core of our organization and stakeholder interactions.

1 Considered as anything north of 66 degrees latitude with the exception of the Norwegian Continental Shelf.
2 www.zurich.com/sustainability/governance-and-policies/exclusion-policies
3 www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/responsible-investment-at-zurich.pdf
4 www.zurich.com/-/media/project/zurich/dotcom/investor-relations/docs/investors/2022-esg-presentation.pdf

2. Creating positive impact for stakeholders (continued)

2.4.1 Investors (continued)

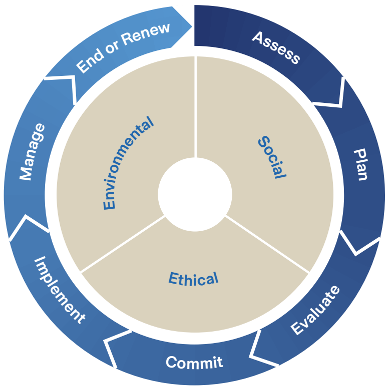
This engagement gives us invaluable insights into investors' rapidly developing expectations and supports the development of our strategy toward a more sustainable future.

2.4.2 Sustainable sourcing

We are expanding our efforts to interact with partners in a way that supports our values. As part of this, we have established a sustainable sourcing program.[1] The program aims to enhance the resilience of our supply chain, supports our commitment to the Business Ambition for 1.5°C[2] and creates a positive social impact.

It comprises three pillars, which address environmental, social and ethical factors. Its objective is to embed these factors throughout the sourcing cycle, align suppliers with our values and be transparent about our expectations. We have developed a supplier code of conduct (SCOC)[3] to lay a clear foundation for systematically integrating responsible business conduct in our supply chain.

Figure 7
Sustainable sourcing program



By asking our suppliers to comply with this code, we aspire to use our influence as a significant buyer of goods and services to accelerate the adoption of sustainable business practices among our suppliers. During 2022, we continued to engage suppliers with our SCOC, globally. The first step in our supplier engagement includes providing access to training videos and asking suppliers to carry out a self-assessment to determine how they perform against the expectations set out in the SCOC. We then review the self-assessment results and audit a sample of the responses internally. As of the end of 2022, we confirmed that 71.5 percent of our MPS[4] is with suppliers that meet or exceed the key expectations of our SCOC, pursuant to their self-assessment. While this falls slightly short of our target of 75 percent, we remain committed to driving sustainability performance within our supply chain.

In 2023, we will offer additional tools and resources for suppliers to use within their own businesses to improve their sustainability performance, such as a carbon emissions calculator, training videos and policy statement templates. The tools are designed to address common areas in which multiple suppliers fall short of our expectations. We will continue to work with our suppliers to address these areas in the short to medium term. Where our engagement fails and suppliers cannot, or refuse to, embed the minimum standards, we will review the relationship and consider phasing it out to protect our commitment to doing the right thing.

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Human rights risk assessment

We respect the protection of international human rights within our sphere of influence and work hard to avoid being complicit in human rights abuses.

To determine our exposure to potential human rights violations in our supply chain, we analyzed the fundamental human rights set out in the United Nations Universal Declaration of Human Rights (UDHR). Our analysis sought to identify which, if any, of these fundamental human rights presented a potential violation risk to suppliers within our tier-one supply chain, i.e. those suppliers with whom we have a direct buying contract. Our analysis identified a limited potential for violation of certain human rights, though our overall exposure to such incidents is considered low. Our analysis also concluded that the labor standards and workplace practices operated by our suppliers are a critical factor in the likelihood of a human rights violation occurring.

We then studied the types of supplier for whom the risk of violating these identified human rights was most significant. Using data and reports from reputable NGOs and our own internal expert judgement, we have identified high-risk countries and high-risk goods and services. Our assessment of high-risk goods and services categories is based upon the prevalence of human rights issues reported and an assessment of working practices at industry or sector level.

Our assessment of high-risk countries is based on:
– The reported prevalence of human rights issues.
– The degree of respect for worker rights, based upon local laws and actual practices.
– The extent of political freedom and civil liberties.
– The extent of corruption.

1 www.zurich.com/sustainability/planet/sustainable-sourcing
2 UN Global Compact – Business Ambition for 1.5°C: www.unglobalcompact.org/take-action/events/climate-action-summit-2019/business-ambition
3 www.zurich.com/sustainability/planet/sustainable-sourcing
4 The spend of approximately USD 2 billion annually managed by Zurich's Procurement and Vendor Management function according to the 2020 baseline on goods and services that are required to enable Zurich to maintain and develop its operations, excluding suppliers no longer active in 2022.

2. Creating positive impact for stakeholders (continued)

2.4.2 Sustainable sourcing (continued)

Human rights due diligence

The output from our risk assessment has been integrated into our third-party governance framework (TPGF), which provides a globally consistent framework of Group minimum standards that apply to the onboarding and management of third parties with which we work, including suppliers. The TPGF adopts a risk-based approach to ensure onboarding and management measures, such as third-party due diligence processes, are relevant and proportionate to the nature and risk of any particular transaction. We have started implementing the TPGF across the Group in 2022 and and we expect to complete the implementation by the end of March 2023.

The aim of our due diligence is to seek assurance that the supplier has relevant measures in place to respect fundamental human rights. We have a referral process in place to investigate or resolve, as appropriate, any red flags identified during the due diligence process. We also use a software tool that uses artificial intelligence to screen news reports, social media posts and NGO reports to monitor potential ESG-related supply chain issues.

2.4.3 Responsible tax[1]

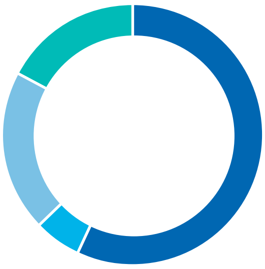
We aim to be recognized as a responsible member of the communities in which we operate and as a contributor to their prosperity. Being a responsible taxpayer is one of the ways we support the economic and societal development of these communities. We consider effective and efficient tax compliance to be a key objective and allocate significant resources to ensure that the tax affairs of the Group are managed in a sustainable, well-governed and transparent manner.

Our approach to tax is guided by our purpose – create a brighter future together – and is supervised by the Board and executed by members of the Executive Committee (ExCo). The Group's code of conduct is embedded into our responsible tax strategy and requires compliance with laws and regulations of all countries where the Group operates.

We are a significant contributor of taxes, both those borne by our shareholders as well as those collected on behalf of tax administrations.

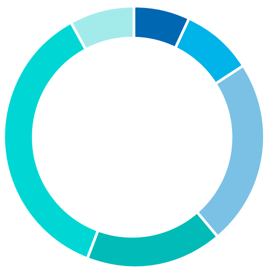
Figure 8
Tax contribution 2021

Taxes borne by shareholders
Total 2021: USD 2.2bn
(All numbers based on IFRS, excluding deferred income tax)



Shareholder income tax	57%
Stamp duty and other taxes	6%
Employer social security	20%
Irrecoverable VAT	17%

Taxes collected
Total 2021: USD 6.6bn
(All numbers based on IFRS, excluding deferred income tax)



Employer social security	7%
Policyholder income and other taxes	9%
Other taxes (incl. withholding tax)	23%
Payroll tax	17%
Premium tax	36%
VAT declared	8%

1 Results are reported with a one-year time lag. The tax results are available on our website (see: www.zurich.com/sustainability/strategy-and-governance/policies-and-frameworks/being-a-responsible-taxpayer), including a more detailed view on our tax strategy. Our 2022 tax results will be communicated on our website in 2023.

2. Creating positive impact for stakeholders (continued)

2.4.4 Community investment[1]

WORLD ECONOMIC FORUM S

Our community investment activities are mainly delivered through the Z Zurich Foundation (the Foundation), a charitable organization established by members of Zurich Insurance Group. It is creating a brighter future for vulnerable people with the aim to positively impact at least 11 million people worldwide by 2024.

In 2022, natural disasters have impacted thousands of people, adding to the challenges many continue to face as a result of the COVID-19 pandemic. In Europe, millions of people have fled the war in Ukraine.

The Foundation has continued to support the most vulnerable by providing tailored grants to support local disaster relief initiatives identified by our business units. Our employees also went above and beyond to support the most vulnerable, mobilizing their networks to best respond to crises. We are proud of our collective efforts and the Foundation's highlights for 2022 include:

- Dedicated response to support people fleeing Ukraine from the first day of the war, including a global and public fundraising campaign.
- The Foundation and UNICEF launched the Global Coalition for Youth Mental Well-being, which Zurich joined as a strategic member. Its first action was to raise funds for programs to support the mental well-being of young refugees who have fled Ukraine.
- An additional donation from the Foundation to UNICEF to help deliver COVID-19 vaccines to about 30 countries with vaccination rates below 15 percent.
- Significant developments of the Foundation's three strategic pillars: 'adapting to climate change', 'improving mental well-being' and 'enabling social equity'. These include signing new partnerships in countries where we have an existing commercial presence as well as those where we do not (e.g., Africa and India).
- Twenty-seven new multi-year grant programs to support projects under the Foundation's strategic areas.
- Twenty-five Community Hero Awards presented to recognize those Zurich employees who go above and beyond to support their communities.

In addition to the work driven by the Foundation, our local business units also hold smaller budgets to account for local needs and priorities.

Table 1

Employee fundraising and volunteering 2021 figures[1,2]

	2021	2020	Change
Fundraising and donations (USD millions)[3]	3.3	2.5	32%
Total time volunteered by workforce (business hours)	49,736	38,830	28%
of which skills-based hours	16,667	19,485	(14%)
Workforce actively volunteering (% of total headcount)	12.3%	9.3%	3 ppts

1 All figures exclude Farmers Exchanges. Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.
2 Figures for 2022 will be disclosed in the Foundation's Annual Report published in June 2023.
3 Mostly includes fundraising and donations of Zurich employees. As the share of the Zurich business units' matching becomes negligible, the split of these two sub-categories is no longer reflected.

Table 2

Charitable cash contributions 2022 figures (USD millions)

	2022	2021	Change
Charitable cash contributions by Zurich business units[1]	29.2	15.6	82.2%
Charitable cash contributions by Zurich to Z Zurich Foundation[2]	41.5	43.8	(5.2%)

1 Charitable cash contributions capture voluntary contributions from Zurich business units to charitable initiatives and organizations, excluding the Foundation. The significant increase in contribution between 2022 and 2021 can be mainly explained by a low contribution in 2021 caused by the COVID-19 pandemic.
2 Charitable cash contributions captures voluntary contributions from Zurich to the Foundation. The donation is made by various legal entities of the Zurich Insurance Group and amounted to CHF 39.6 million in 2022 and CHF 40.0 million in 2020 & 2021 each. The dollar amount decrease in the table above is due to foreign exchange rate movements and a smaller donation amount.

Please note that parentheses around percentages or points indicate a reduction.

1 Zurich Insurance Group and its employees contribute through fundraising, volunteering and cash contributions whereas the Foundation carries out community investment activities.

3. Governance: Sustainability is embedded in our governance

Governance: Sustainability is embedded in our governance

The Board of Zurich Insurance Group Ltd has ultimate responsibility for the success of the Group and for delivering sustainable value within a framework of prudent and effective controls. It sets the Group's values and standards to meet the expectations of our stakeholders. As part of its strategic responsibility, the Board approves the Group's sustainability strategy and objectives, including related targets that have a material impact on the company or the Group. It is supported by its Board Committees within their respective core mandates:

- The Governance, Nominations and Sustainability Committee (GNSC) recommends the Group's sustainability strategy and objectives and exercises oversight on sustainability-related matters.
- The Audit Committee provides oversight on the integrated sustainability disclosure (ISD).
- The Risk and Investment Committee provides oversight of risks (including sustainability risks).
- The Remuneration Committee evaluates the Group's remuneration architecture, including incentive plans which are linked to appropriate performance criteria supporting the execution of the strategy of the Group.

Our governance structure supports a stakeholder-inclusive approach. Embedding sustainability throughout our business will enable us to maximize our impact. We treat sustainability as an integral part of our governing system.

Katja Roth Pellanda
Group General Counsel

The target card framework, used to assess individual performance of the ExCo members for the 2022 short-term incentive plan (STIP) awards, includes both financial and non-financial targets. The non-financial targets are related to customers and employees. In addition, consideration is given to execution against strategic priorities, including ESG factors and a risk-based review, to determine the final individual performance assessment outcome.

Read more in the remuneration report:
on pages 80 to 81, 85 to 87 and 99 to 100.

Read more on how sustainability will be further embedded in variable remuneration as of 2023:
in the outlook section of the remuneration report on page 108.

The Board of Zurich Insurance Group Ltd is a supervisory board in nature. Its members receive fixed remuneration as an annual fee, of which half of the basic fee is paid in cash and half in five-year sales-restricted shares which are not subject to the achievement of any specific performance conditions.

Read more on Board fees in the remuneration report:
on pages 93 to 97.

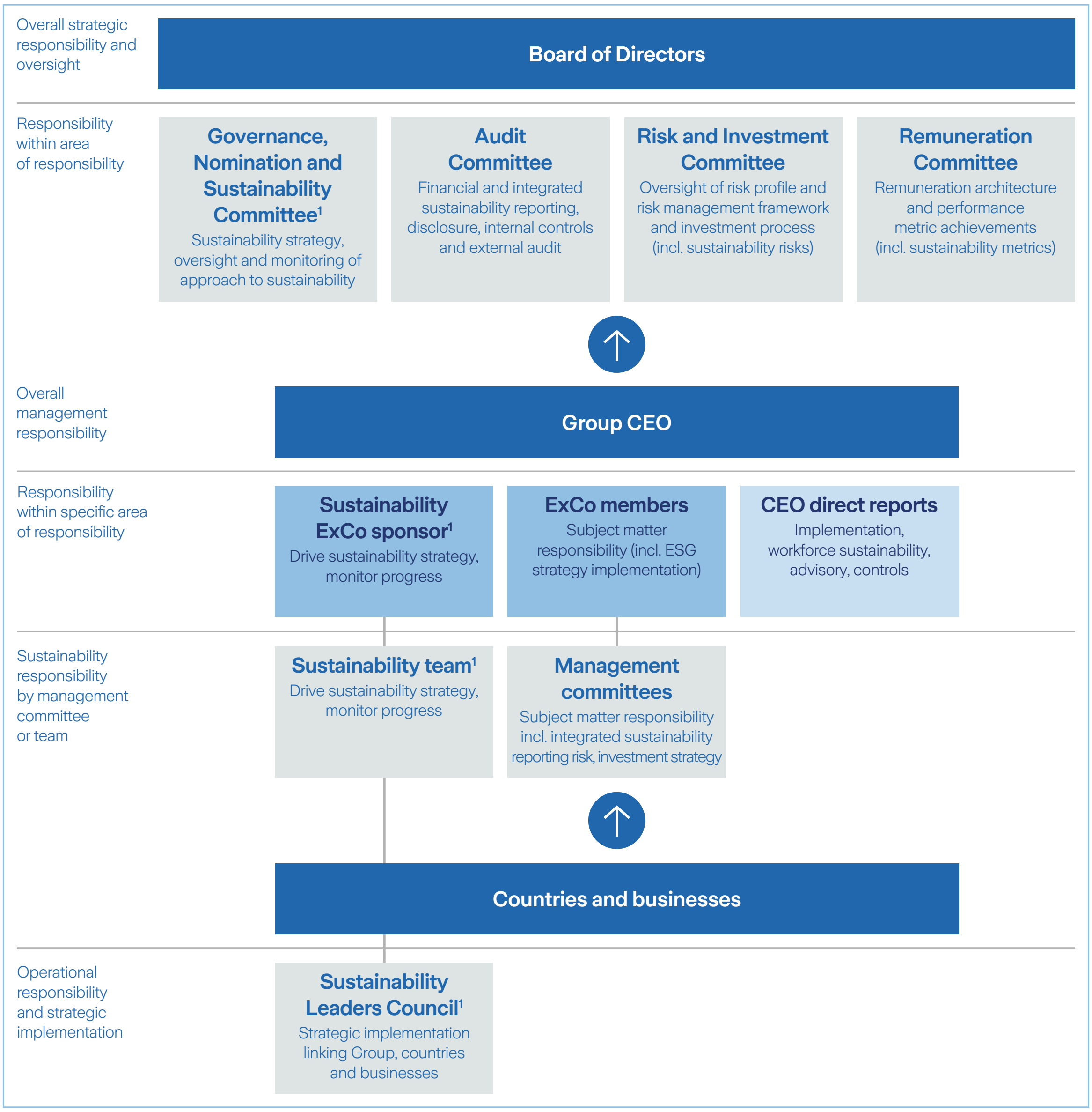
At management level, accountability for different areas of expertise, including sustainability aspects related to each of these areas, is assigned to an ExCo member or a Group CEO direct report. In addition, the Group CEO has designated the CEO EMEA & Bank Distribution as the ExCo-level sponsor for Sustainability (Sustainability ExCo sponsor). This role is supported by the Group head of Sustainability and the Group Sustainability team. The sponsorship includes driving the strategic sustainability approach of the Group and acting as a sounding board for strategic alignment of global sustainability priorities to assure a consistent approach and to facilitate oversight. The Sustainability ExCo sponsor is also responsible for monitoring progress with respect to the sustainability priorities and targets and reporting thereon to the Board's GNSC, the Group CEO and the ExCo.

By opting for an integrated approach, our existing governance bodies are responsible for sustainability-related topics that concern their field of expertise.

The implementation of the sustainability strategy and objectives in the businesses, functions, regions and countries is facilitated by the Sustainability Leaders Council (SLC). The SLC comprises senior executives from across the Group and is chaired by the Group head of Sustainability and sponsored by the Sustainability ExCo sponsor.

3. Governance: Sustainability is embedded in our governance (continued)

Sustainability is fully embedded in our governance



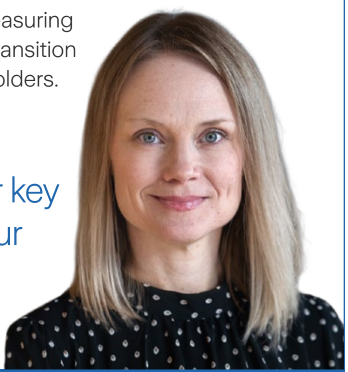
1 ESG-specific responsibilities.

4. Our planet: Drive positive impact

Our planet

Taking action today to safeguard tomorrow.

Significant reductions in greenhouse gas emissions are required to achieve the outcomes of the Paris Agreement and our ambition for a 1.5°C future. Through engagement and collaboration with our stakeholders, we use our underwriting activities, our investment activities and our own operations to tackle climate change. The risks and opportunities associated with climate change affect all parts of our business. Understanding, measuring and managing these impacts – while seizing the opportunities that arise from the transition to a climate-neutral world – is needed to create sustainable value for all our stakeholders.



> Mitigating and adapting to climate change is one of our key priorities across our own operations, while leveraging our role as an underwriter and investor.

Linda Freiner
Group Head of Sustainability

Climate risk scenario-based assessment

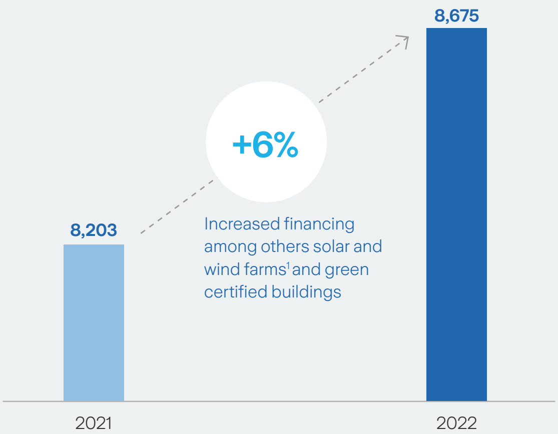
Resilient strategy confirmed

Engagement started of financed emissions without science-based targets

54%

Climate solution investments

USDm



1 Under our green impact strategy.

4. Our planet: Drive positive impact (continued)

TCFD E

This section presents our disclosure in line with the recommendations of the Financial Stability Board's TCFD. It outlines our understanding of the potential impacts of climate risk to our underwriting and investment activities and an assessment of the resilience of our strategy to climate change risk. Also outlined is the governance we have established to make climate and sustainability an executive-level responsibility, our climate risk management processes and finally the metrics and targets we have implemented to track delivery of our stated targets. While climate change is the focal point of this section, we are dedicated to environmental aspects in a broader sense, e.g., revenues resulting from sustainable solutions, see Chapter 5 (pages 171 to 175).

4.1 Strategy

TCFD E G

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.

Our climate strategy focuses on supporting companies and people through the transition to a net-zero economy and demonstrates our commitment to using every lever of our business, from underwriting and investments to our own operations, to accelerate this transition.

4.1.1 Our climate-related strategy

Understanding and integrating climate risk into the way we conduct business

Understanding and managing the impact of climate change is an important aspect of maintaining our long-term profitability. Our approach to climate risk is part of our risk management process across the Group. It is managed in a way that is consistent with other risks to which the Group is exposed. We integrate assessments of the evolving physical and transition risk landscape into our underwriting and investment strategies.

Natural catastrophe modeling

To manage our climate risks more effectively, we are investing in improving our understanding of them. Modeling the effects of physical risk on our portfolios is a key focus area. While climate change models are constantly improving, they remain less accurate at the smaller spatial resolutions needed to analyze in detail the impact of changes to natural catastrophes on our portfolio. In contrast, traditional commercial catastrophe models that form the basis of our current modeling are typically based on historical data and hence would not reflect future changes in trends. For this reason, we have started to combine climate change scenarios and natural catastrophe models to complement our framework with a view of climate change, and to integrate this view into our accumulation-risk and peril-region modeling.

Read more about natural catastrophe modeling:
in section 4.1.3, pages 135 to 137.

Portfolio-level climate risk scenario analysis

A deep understanding of potential medium- to long-term impacts of climate change risk to our underwriting and investment portfolios is fundamental to formulating appropriate strategic responses. We undertake scenario analysis on our portfolios to understand what these impacts are.

Our first exploratory, scenario-based climate risk assessment, performed in 2021, considered outcomes from 2030 onward, with impacts quantified where possible. This exploratory exercise considered major aspects of our business, including underwriting, investment management and our own operations. In 2022, we reviewed the risk assessments performed in 2021 and updated them where needed. As the mix of our underwriting portfolio did not change significantly in 2022 compared with our 2020 baseline, the heatmap published in Annual Report 2021 remains valid. Besides monitoring, we prioritised strategic actions in our underwriting portfolio and strengthened the assessment of our investment portfolio by including additional asset classes. In terms of our own operations, we reviewed further risks, including the impact of climate change on our distributed workforce and our supply chain.

Outcomes of these analyses are used to determine appropriate responses and ensure the resilience of our strategy. We disclose the outcomes of these processes in line with TCFD recommendations and to demonstrate our understanding and management of these risks.

Read more about portfolio-level climate risk scenario analysis:
in section 4.1.4 to 4.1.9 pages 138 to 153.

4.1.2 Introduction to climate-related risks

In alignment with TCFD recommendations, we broadly categorize climate-related risks as physical and/or transition risk and outline below the potential impacts of these risks on our business. In sections 4.1.5 to 4.1.9 we discuss in detail our own assessment and the expected impact from climate-related physical and transition risk. We outline our understanding of how climate change risk could impact our business activities, mainly focusing on the impact on demand (revenues) and losses (claims) from an insurance perspective and on assets from an investment perspective.

4. Our planet: Drive positive impact (continued)

4.1.2 Introduction to climate-related risks (continued)

The section below should be read as an overview of expected effects of both physical and transition risks, while the scenario analysis provides more details on how each of these risks is expected to unfold and impact our business under different scenarios.

Physical risks

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Figure 9
Climate-related physical risk

Physical risk	Impact channels	Economic impact	Impact to insurer's balance sheet
Acute physical risks – Tropical and extra-tropical cyclones – Severe convective storms – Hail – Floods (riverine, pluvial, storm surge) – Heatwaves – Droughts – Wildfires **Chronic physical risks** – Sea-level rise – Variability in temperature – Variability in precipitation – Water stress	**Changes to extreme weather events** – Changes in severity of events – Changes in frequency of events – Geographic shifts of events **Land degradation** **Changes in productivity** – Agricultural production – Labor productivity	**Individual companies** – Changes in revenue and costs from impacts on workforce and production assets – Increased operating costs for climate change adaptation measures – Changes in revenue and costs from changes in supply chain costs and reliability – Write-offs and early retirement of assets – Increased costs of capital **Macroeconomy** – Higher infrastructure costs – Increased disaster relief and recovery costs – Changes in GDP and growth rates – Changes in borrowing costs – Changes in interest rates	**Liabilities (insurance)** – Changes in and shift of demand for products and services across geographies/ sectors/ lines of business – Changes in loss ratios and profits – Changes in loss frequency – Changes in loss severity **Assets (investments)** – Valuation changes – Changes in default rates

Greenhouse gas (GHG) emissions are leading to an increase in global surface temperatures, which is driving changes in climate and weather systems across the globe. Latest research shows that changes in extreme weather events can be attributed to human-induced increases in global surface temperatures and suggests continuing trends in emissions will further exacerbate the situation.

These developments will bring negative economic and societal impacts as extreme weather events increase in severity and frequency or undergo geographic shifts. The scientific understanding of how weather events will respond to climate change varies greatly, but we assume that further temperature increases will accelerate sea-level rise due to thermal expansion and melting of glaciers and icesheets. It will also lead to more extreme temperatures, heatwaves and droughts, impacting agricultural production and human productivity.[1] As the warming atmosphere will also intensify evaporation, more extreme precipitation and variability in the global water cycle is seen as highly likely.

There is less certainty around how other weather events will react to climate change, such as tropical and extra-tropical cyclones, severe convective storms and hail. Secondary effects of climate change can also have negative impacts, such as extreme heat and drought leading to more wildfires, or the combination of sea-level rise and changes in hurricane intensity or tracks leading to higher storm-surge damage.

Impact to demand and loss profiles

Up to 2030, we expect changes driven by climate change to become increasingly relevant. However, these changes stop short of becoming a dominant loss driver over and above what is currently embedded into our risk appetite. We expect the inherent volatility and natural variability of extreme weather events and socioeconomic trends will continue to have a stronger influence on loss experience. Natural variability comes both from random fluctuations of extreme but rare events and multi-year variations in regional climate systems, such as the El Niño Southern Oscillation or Atlantic-Multidecadal Oscillation. This variability is also embedded in historic loss trends and taken into account in our pricing and capital management.

1 www.ipcc.ch/report/ar6/wg2/

4. Our planet: Drive positive impact (continued)

4.1.2 Introduction to climate-related risks (continued)

Socio-economic trends, such as an increase in asset values and accumulation through population growth and concentration in urban areas, also contribute to increases in losses over time. The impact of such trends is considered in pricing and modeling, such that annual policy renewals provide mitigation against increasing physical risks for short-tail business and mitigate transition risk to the underwriting portfolio.

Through certain lines of business, we can be directly impacted by the changes in physical risk caused by climate change. The impacts include, for example, increases in severity and frequency of natural catastrophes, such as tropical cyclones, flood or hail, which can lead to higher losses by customers covered by our property policies. Other lines are less sensitive to physical risk and, within these, only a minority of our losses are driven by natural catastrophes (see the current exposure to physical risk section, pages 135 to 137.

Impact through valuation changes

Buildings may be at risk, due to their fixed locations, of suffering significant damage costs from the impact of climate change. We are currently exploring ways to assess physical risks for properties using our risk model on catastrophes and by integrating data into our central portfolio management system. The valuation of assets in our investment portfolio can also be affected by direct and indirect exposure to physical risk.

Businesses will be directly affected by impact on costs and revenues and the potential for supply chain disruptions and asset write-offs. The vulnerability of countries to physical risk, including costs associated with infrastructure and adaptation measures, disruptions and vulnerability to extreme weather events, may also have an impact on the valuation of sovereign debt.

Transition risks

TCFD E

Figure 10
Climate-related transition risk

Climate transition risk

Policy and legal
- Increased pricing of GHG emissions and removal of subsidies
- Enhanced reporting requirements
- Restrictions on products and technologies

Technology
- New low-carbon technologies
- New energy efficiency technologies

Market and sentiment
- Changing customer behavior and consumer preferences
- Stigmatization of sectors and technologies
- Changed cost of production inputs

Impact channels

Changes in demand
- Increasing demand for low-carbon products and materials
- Reduced demand for carbon-intense technologies and products

Changes in costs
- Direct carbon costs
- Changes in operating costs (supply chain, commodity costs, compliance, new production processes)
- Abatement

Competition and pass-through effects
- Shifts in market share
- Passing costs through to end customers
- Products and services with low price elasticity

Economic impact

Individual companies
- Lower product margins
- More operational break-downs
- Early write-offs and stranded assets
- Changes in borrowing costs
- Higher sales volumes and profits for companies providing low-carbon products and services

Macroeconomy
- Changes in GDP and growth rates
- Changes in borrowing costs
- Changes in interest rates

Impact to insurer's balance sheet

Liabilities (insurance)
- Changes in, and shift of, demand across geographies/sectors/ lines of business
- Changes in loss frequency
- Changes in loss severity

Assets (investments)
- Valuation changes
- Changes in default rates

If society moves to limit global warming in line with the Paris Agreement to below 2°C, and optimally to 1.5°C, the required decarbonization of the global economy will bring its own set of risks. The legal, policy, technological and market changes necessary for the transition will lead to significant shifts in economic activity and asset valuation.

Impact to demand and loss profiles

The expected steep rise in carbon prices and removal of subsidies on carbon-intensive resources and activities in this transition could lead to reduced profitability, stranded assets and impairments in sectors that are difficult to decarbonize and where additional costs cannot be passed on to customers. This will, in turn, affect demand for insurance from shrinking sectors.

4. Our planet: Drive positive impact (continued)

4.1.2 Introduction to climate-related risks (continued)

For example, the transition will shift demand for insurance toward low-carbon technologies and products, creating opportunities for companies that provide new solutions or are able to reduce their emissions more efficiently than competitors.

The aggregate effect of transition risk will vary greatly across individual actors, depending on their detailed business models, assets and transition strategy. This complicates the assessment of aggregate transition impacts. There will also be aggregate macro effects arising in a transitioning scenario, including the impact on economic activity, inflation and, potentially, government borrowing costs.

As new policy measures and technologies are rolled out, uncertainties around their effectiveness and unintended consequences are likely to increase, with higher market volatility and uncertain loss ratios among possible outcomes. Transition risk will be highly dependent on how predictable policy responses are and the time available for the economy to decarbonize. More disruptive impacts can be anticipated with a faster transition.

Impact through valuation changes and other drivers

In the commercial real estate sector, transition risk will manifest from the need to adhere to tighter policies, carbon and energy costs, market preferences and challenges to achieve energy efficiency and may impact asset values.

The transition will also bring legal or litigation risks. Carbon-intense energy producers are already defending lawsuits seeking to hold them accountable for their alleged historical contribution to CO2e emissions. This current litigation could expand to other industries whose operations contribute to CO2 or other climate-impacting emissions. Companies may be sued for failing to disclose climate-related risks, for failing to mitigate the impact of their activities on climate change, for allegedly misrepresenting their level of climate impact, or for failing to adapt to the changing climate. Asset managers could be sued for financing climate change-inducing activities, or for inadequately driving emission reductions in their portfolios.

The global transition to a greener society will also bring with it new and emerging technologies. These could also present new opportunities as well as unanticipated risks and new environmental concerns from both a resourcing and disposal aspect. Extreme weather events could present new risks to employers regarding worker safety or to companies engaged in building design, engineering and construction. Governments could enact laws seeking to hold companies accountable for the climate impact of their supply chains.

4.1.3 Natural catastrophe modeling: current exposure to physical risk[1]

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Approach

Current exposures to physical climate risk are expressed through annual expected loss (AEL) and probable maximum loss (PML). Modeled exposures are shown below.[2] Our approach to modeling is discussed further in the section on managing risks from climate-related natural catastrophes (pages 154–155). We highlight how various drivers including exposed insurance portfolio and vulnerability changes, model updates, exposure data quality, foreign exchange rates and reinsurance can influence natural catastrophe modeling output (e.g., AEL, PML) over time.

Scope

The climate risk assessment is applied to our portfolios, namely the exposure of our Property and Casualty business to natural catastrophe perils, impacted by climate change that could materially impact us.

Quantification

AEL
AEL provides a view on the expected loss due to natural catastrophes per year, averaged over many years.

PML
PML is a tail metric that looks at severe, unexpected but still possible outcomes of natural catastrophes at a defined probability of occurrence.

Monetary losses
Amount of monetary losses attributable to insurance payouts from natural catastrophes.

1 Results from the Q4 2022 Group Catastrophe Model are presented in the analysis shown below. There are timing differences in the underlying exposures considered in this analysis (underlying exposures by peril region are generally as of June or September 2022, and in exceptional cases as of September or December 2021).
2 Countries comprising the peril regions referred to here are as follows:
– Central Europe Hail: Austria, Belgium, France, Germany, Italy, Luxemburg, the Netherlands and Switzerland.
– Europe Wind: Austria, Belgium, Czech Republic, Denmark, France, Germany, Guernsey, Ireland, Isle of Man, Jersey, Luxemburg, the Netherlands, Norway, Poland, Sweden, Switzerland and the UK.
– Europe Flood: Austria, Belgium, Germany, Italy, Switzerland and the UK, plus other small nations like Guernsey, Isle of Man, Jersey, San Marino and Vatican.
– CB, MX and U.S. Hurricane: Caribbean, Mexico and the U.S.

4. Our planet: Drive positive impact (continued)

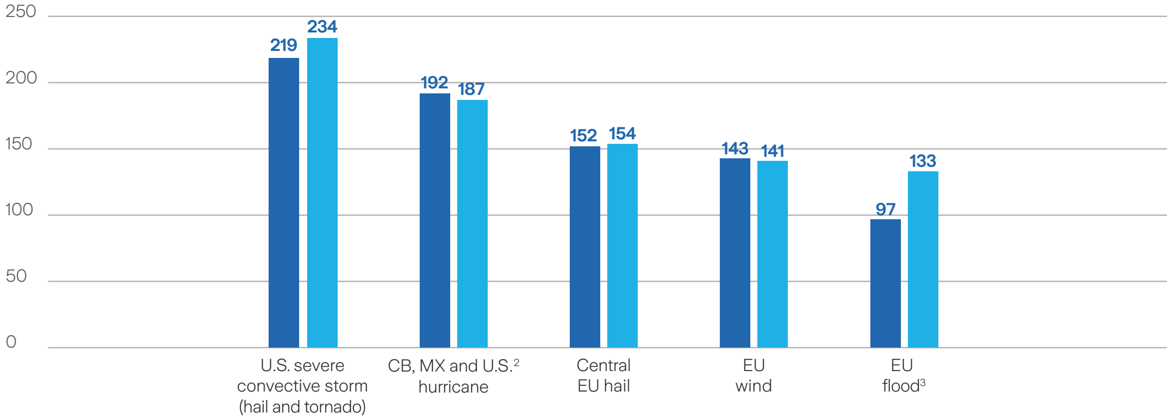
4.1.3 Natural catastrophe modeling: current exposure to physical risk (continued)

TCFD E

Annual expected loss

Figure 11

Annual expected loss for top five peril regions[1]
in USD millions



1 AEL excludes Farmers Re increased participation in the Farmers Exchanges' all lines quota share treaty from 1.75% to 8.50% as of 31 December, 2022. This increased Zurich Group's AEL for US severe convective storm by USD 72 million and for U.S. hurricane by USD 11 million.
2 The geographic scope is extended when compared with prior year reporting to include correlated exposure in the Caribbean (CB) and Mexico (MX) . The AEL for U.S. hurricane only is USD 183 million in 2022.
3 The 2021 reporting for flood in Europe was by country on a stand-alone basis. The UK as the largest country was not in the top five peril regions.

Our modelled AEL from climate-related natural catastrophes provides an indicator of our current exposure to perils that might be affected by climate change. The AEL analysis above reflects the current top five peril regions in the Group, net of reinsurance, before tax and excluding unallocated claim adjustment expenses. This analysis helps us manage risks related to insuring these perils, such as accumulation risk. Risk appetite limits by peril region are in place and exposure is currently within appetite.

Comparison to 2021 shows a decrease for U.S. severe convective storm driven by exposure reductions. Europe flood also decreased but primarily driven by an enhanced risk view. The other peril regions have been relatively stable since 2021 net of reinsurance. It is noted that the hurricane exposure for the U.S. only before reinsurance, decreased as per our underwriting strategy.

SASB E

Probable maximum loss

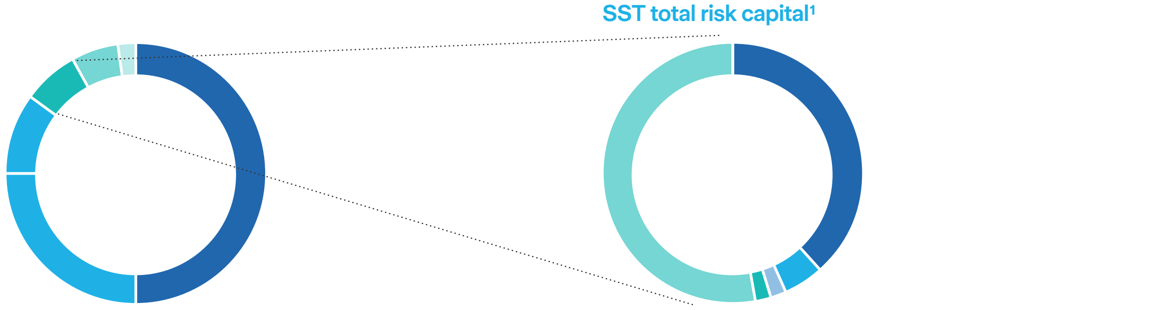
The graphs below show the materiality of catastrophe risk relative to other risk types and the materiality of our climate-related perils to overall catastrophe risk.

Figure 12

Swiss Solvency Test (SST) by risk type and climate-related perils as proportion of natural catastrophe total SST

SST total risk capital contribution by risk type

Climate-related perils as a fraction of nat cat SST total risk capital[1]



Market risk	50%
Premium & reserve risk	25%
Business risk	10%
Natural catastrophe risk	7%
Life insurance risk	6%
Other credit risk	2%

North America hurricane	38%
Europe wind	5%
Europe flood	2%
Other climate-related	2%
Non-climate related	52%

1 The natural catastrophe SST total risk capital is defined by the 1% worst annual losses. These are driven by peril regions with large potential losses beyond the 100-year return period (e.g. North America hurricane).

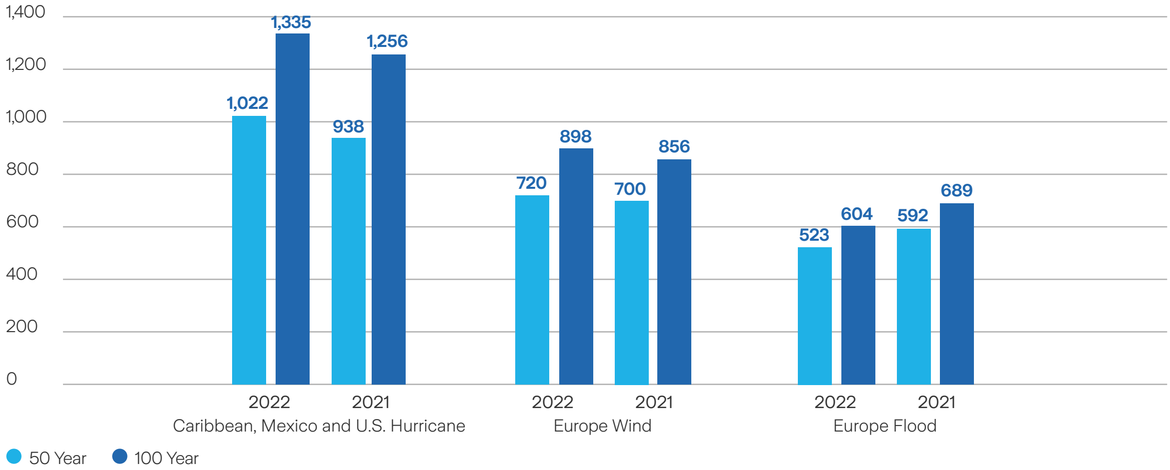
4. Our planet: Drive positive impact (continued)

4.1.3 Natural catastrophe modeling: current exposure to physical risk (continued)

Figure 13

Probable maximum loss by top three peril regions[1]

in USD millions



1 PML excludes Farmers Re increased participation in the Farmers Exchanges' all lines quota share treaty from 1.75% to 8.50% as of 31 December, 2022. This increased Zurich Group's PML for US hurricane exposure by USD 54 million for the 50-year PML and by USD 61 million for the 100-year PML.

The net annual aggregate 50- and 100-year PML are shown above for the top three peril regions measured by SST total capital contribution.[1]

Comparison to 2021 shows an increase for Carribean, Mexico and U.S. hurricane net of reinsurance. It is noted that the hurricane exposure for the U.S. only before reinsurance, decreased as per our underwriting strategy. Europe flood decreased primarily driven by an enhanced risk view, while Europe wind was relatively stable net of reinsurance.

SASB E

Total monetary losses from natural catastrophes

Our loss ratio for the full year 2022 was 63.7 percent with 1.5 percentage points attributable to the following natural catastrophe experienced in 2022 (Hurricane Ian). We follow the Group's Catastrophe Response Group (CRG) governance for natural catastrophe identification. Here we report events where the total net loss is above USD 200 million. The Hurricane Ian event and figure has been reviewed by the CRG, a cross-functional committee which oversees and recommends to the ExCo the best-estimate ultimate loss for material catastrophes. The term "catastrophe" in the context of the CRG covers both man-made and natural catastrophe peril events that are relatively infrequent or are phenomena that produce unusually large aggregate losses.

Table 3

Total amount of net losses in USDm[1]

Event name (by event and region)	Total net losses in USDm
Hurricane Ian (hurricane, NA)	485
Total	**485**

1 Only events above USD 200 million are reported.

An important aspect of our proprietary view on natural catastrophe risk is the evaluation of patterns and trends in catastrophe activity with time. Natural variability of event activity is an integral part of our view on natural catastrophe risk, as are statistically significant trends that may be detectable in our claims experience or credible, conclusive modeling of past, present and future climate as a driver of loss activity. We regularly revisit our risk views and underlying models on climate-related perils in order to reflect trends in the hazard, whereas exposure trends are naturally captured by exposure data updates. In 2022, we enhanced our risk view on European flood that reflects the loss correlation across countries. Natural variability is at the same time evaluated and kept up-to-date as part of the regular reviews of our natural catastrophe risk view, which underpins the structuring and purchase of reinsurance along with the profitability assessment and strategic capacity allocation for risk assumed from customers.

We follow a gross-line underwriting strategy and focus substantial time and resources on ensuring risk-adequate underwriting and pricing of the business we assume up-front, including consideration of potential climate change-induced trends. Reinsurance is used as a means to maximize diversification of net retained risks and to protect shareholders against earnings volatility. We engage with a core panel of reinsurance partners to secure the required capacity at sustainable pricing over the medium term. Given our financial strength, we have the option to weigh the benefits and cost of reinsurance against other forms of risk financing and thus adapt to supply-side changes in the reinsurance market as a potential consequence of the macroeconomic response to climate change adaptation.

1 Our disclosure shows our efforts to provide additional details, however it is acknowledged that full compliance is not envisaged e.g., due to our reporting standards (no disclosure of gross losses), or our industry's catastrophe modeling standards. There are generally no catastrophe models available for example, for chronic diseases, droughts and extreme heat and therefore no PMLs can be provided. Tsunami risk is correlated (and modelled) with seismic risk and therefore cannot be reported on a standalone basis as part of insured products from weather-related natural catastrophes, which is the scope of the standard.

4. Our planet: Drive positive impact (continued)

4.1.4 Portfolio-level climate risk scenario analysis

In the chapter below, we have labelled the sub-sections that are specific to one of our three impact areas: underwriting, investment management or own operations.

Legend of icons used

Underwriting | Investment Management | own Operations

Approach

Our assessment of climate risk leverages both our Total Risk Profiling™ methodology and scenario analysis.[1] While Total Risk Profiling™ offers a short term (1–3 years) qualitative risk assessment, scenario analysis allows us to assess the strategic implications of climate change over the medium (up to 10 years) and longer term (to 2050) and improves our ability to assess the resilience of our business model to potential climate risks.

The scenarios used to analyze our underwriting and proprietary investment portfolios are drawn from the Network for Greening the Financial System (NGFS) suite, with scenarios chosen to cover a relevant set of emissions pathways. The emissions pathways of the selected scenarios correspond broadly to representative concentration pathways (RCP) 2.6 and 6.0.[2]

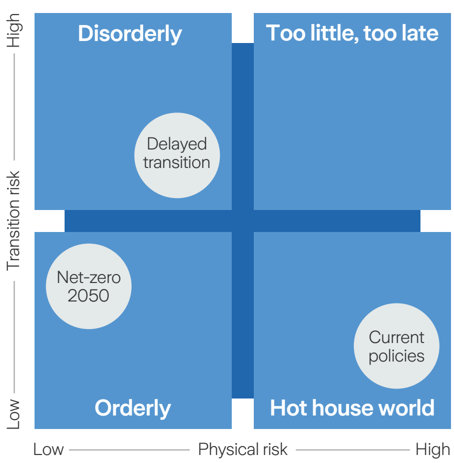
Scenarios used

Net-zero 2050 limits global warming to 1.5°C through early adoption of stringent climate policies and innovation. Net-zero emissions reached around 2050, giving at least a 50 percent chance of limiting global warming to below 1.5°C by the end of the century, with no or low overshoot (<0.1 °C) of 1.5°C in earlier years.

Delayed transition assumes no new climate policies until 2030 with high regional variation in policy implementation. Emissions exceed the carbon budget temporarily and decline more rapidly to ensure a 67 percent chance of limiting global warming to below 2°C.

Current policies assumes that only currently implemented policies are preserved, leading to high physical risks. Emissions grow until 2080 leading to about 3°C of warming and severe physical risks.

Figure 14
NGFS scenario framework[3]



The selected scenarios used for underwriting and investment management analyses cover a broad scope of potential risks and opportunities, including high and low physical and transition risks.

The scenarios used to understand physical risk impacts to our own operations are broadly aligned with those used for our insurance and investment analysis in terms of the RCP assumed (RCP 2.6 and 8.5)[4]. Our scenario analysis leverages a third-party model and associated data to assess both our insurance and investment businesses. A high-level overview of the model, data sources and key assumptions are provided in the risk management section (pages 154 to 156).

1 For details on the Total Risk Profiling™ methodology and scenarios analysis process, see the risk management section (pages 154 to 156).
2 As described by NGFS, "the RCPs are greenhouse gas concentration scenarios that are commonly used in the climate modeling community. They were officially adopted by the Intergovernmental Panel on Climate Change (IPCC) and provide a basis for the projections and predictions of the Fifth Assessment Report of the IPCC." The correspondence between NGFS scenarios and RCP pathways is based on the emissions trajectory in those scenarios over time. The correspondence is not exact, but NGFS net-zero 2050 and disorderly scenario temperature pathways fall in the range of RCP 2.6, and current policies fall in the range of RCP 6.0. (More details available in the NGFS technical documentation).
3 www.ngfs.net/ngfs-scenarios-portal. Mapping compared to 2021 scenario names: no additional action (NAA) became current policies, late action became delayed transition and early action became net-zero 2050.
4 These correspond to SSP1-2.6 and SSP5-8.5, respectively, according to the new designations from the IPCC.

4. Our planet: Drive positive impact (continued)

4.1.4 Portfolio-level climate risk scenario analysis (continued)

Scope[1]

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. The scope of the analysis was determined as follows:

Analysis of the Group by:

Lines of business	Region	Industry/sector

↓

Set of nine clusters with potentially high exposure to physical and transition risk representing:

49% of P&C	37% of Life

↓

Each cluster was analyzed in depth for:

Impact on demands	Impact on losses

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.

Within each asset class, the third-party model covers between 70 and 100 percent of investment management holdings based on number of securities. The numbers are higher if based on market values.

Quantification

Underwriting and investment management require different approaches to understand potential impacts of climate risk.

Concerning our underwriting portfolio, we decided to quantify impacts for 2030 and perform a qualitative analysis for 2050. The outcome of the 2030 analysis is used to define strategic actions, for which the much longer time frame (2050) would be less relevant.

Given the model-based nature of investment analysis, impacts to asset valuations can be assessed over multiple timeframes. As we aim to understand the impact of climate risk on the different asset classes over a longer time, we made the decision to conduct quantitative analyses and disclose the results for 2050.

Underwriting

Quantification is performed to underpin our medium-term assessment (to 2030). This approach is reasonable for determining how to manage identified risks due to the flexibility of adapting a high proportion of our portfolio through annual policy renewals. Given the increasing uncertainty inherent in considering longer time periods, impacts to 2050 are analyzed qualitatively.

Two metrics are chosen to quantify scenario-based impacts of climate risk on our insurance business:

- **Percentage change in demand** is the estimated impact on size and composition of demand for insurance products due to the drivers of physical and transition climate risk in each scenario, compared with a 2030 baseline. This baseline does not take into account any further climate action or climate change relative to present-day levels but reflects modeled impacts on demand (or losses) from GDP changes and industry sector growth or decline.
- **Percentage change in expected losses** is the estimated impact on claims due to the drivers of physical and transition climate risk in each scenario, compared with a 2030 baseline. This baseline does not take into account any further climate action or climate change relative to present-day levels but reflects modeled impacts on demand (or losses) from GDP changes and industry sector growth or decline.

Investment Management

The valuation of equity in the scenarios involves discounting future revenues and costs (quantified at 2050) to arrive at a net present value of future cash flows.

Corporate credit impact is estimated by translating changes in equity valuations to changes in fixed-income instrument default risk and associated loss, using a ratings-based Altman Z-score[2] model and the Frye-Jacobs PD-LGD relationship,[3] respectively.

Real estate impairments due to transition and physical risk are estimated by country and property type. Transition risks are based on country-level emissions data for residential and commercial real estate (scope 1 and 2). The physical risk impacts to real estate use a third-party risk model, including coastal flooding, river flooding and tropical cyclones. The combined impact of transition and physical risks is calculated by multiplying the reduced valuation associated with impacts from transition and physical risk.

Sovereign bond impact reflects the macroeconomic shocks arising from changes in energy consumption, energy costs and the physical risks of climate change, as well as the response of governments and central banks to those shocks. The model uses macroeconomic outputs from NiGEM[4] to calculate changes in nominal forward interest rates and changes in default risk premia per risk scenario.

1 For more details concerning the scenario analysis performed on our own operations, please see pages 151 to 152.
2 Altman (2019): 50 Years of Altman Z-score: what have we learned and the applications in financial and managerial markets. https://www.systemicrisk.ac.uk/sites/default/files/images/Evolution%20of%20Altman%20Z-Score.lse.pdf
3 Frye (2013) https://www.chicagofed.org/~/media/others/people/research-resources/frye-jon/frye-lgd-as-a-function-of-the-default-rate-091013-pdf.pdf
4 For more details on the NiGEM model, see: https://nimodel.niesr.ac.uk/

4. Our planet: Drive positive impact (continued)

Sierra Signorelli
CEO Commercial Insurance

4.1.5 Portfolio-level climate risk scenario analysis – Underwriting

Underwriting analysis

- We undertook a materiality assessment in 2022 to build on the observations from the 2021 in-depth scenario analysis of our underwriting portfolio. The materiality assessment compared shifts in business mix (e.g. changes in line of business, industry and region mix), year on year, as well as any change in climate scenarios that might result in a different outcome for the scenario analysis. It was concluded that there was no material change to the in-depth analysis of our underwriting portfolio. As such, the findings of the 2021 climate risk scenario analysis still stand.
- Focus for 2022 actions remain, as outlined in our 2021 report, with priority given to four areas:
  - Retail and commercial motor.
  - Property, including catastrophe management.
  - Sustainable energy.
  - Construction.

Materiality review of overall underwriting portfolio

Following the detailed climate risk scenario assessment applied across the underwriting portfolio in 2021, we are taking the approach to update the full materiality assessment only in the event of a material change in either the underwriting portfolio or climate risk scenarios. For the purpose of this report, a material change in underwriting portfolio is defined as the change in industry or line of business mix of more than 5 percentage points for either the Group, or European P&C business and North America, independently.

From 2020 (the basis of our climate risk scenario analysis) to 2021, there was no material shift in the P&C underwriting portfolio industry or line of business mix. The main driver of premium increase was increased rates, changing commodity prices and inflation, for example in costs of construction rather than an increase in exposure or coverage.

Overall, the impact on demand for the current policies scenario would be immaterial to total P&C premiums. For the net-zero 2050 scenario, the impact of rate change in construction and property as well as a decline in premiums from the fossil fuel industry could drive increased upside opportunities. However, given the nature of rate change and commodity prices, we believe the impact would not be material when fully modeled.

For our Life business, an assessment of the 2021 Life portfolio showed a similar geographic mix to 2020. The most significant exposures are related to the life protection business in EMEA and LATAM (56 percent of protection gross written premiums). Corporate risk business continues to be well diversified across industry sectors. We therefore concluded that there was no material change to the risk profile of the Life business under the scenarios tested, compared with the previous assessment.

Our conclusion, therefore, is that there is no material change in 2022 to the results of the 2021 climate risk scenario analysis.

4. Our planet: Drive positive impact (continued)

4.1.5 Portfolio-level climate risk scenario analysis – Underwriting (continued)

Figure 15

Potential climate change-related impacts to our underwriting portfolio under current policies and net-zero 2050 scenarios with strategically aligned responses

Sector	Line of business	Portfolio weight	Demand impacts: Current policies	Demand impacts: Net-zero 2050	Loss impacts: Current policies	Loss impacts: Net-zero 2050	Responses
All sectors	Retail and commercial motor						Monitor loss trends associated with electric vehicles to reflect appropriately in pricing. Optimize claims network for emerging technology.
All sectors	Property						Continue best-in-class CAT modeling, accumulation management and continued development of Zurich Resilience Solutions. Reshape portfolios in case of current policies.
Construction	–						Optimize expected growth in construction by continuing to balance risk across the portfolio and understanding risks associated with changing construction methods.
Financial services	–						Deepen ESG review as part of the underwriting process within Financial Lines, with a focus on customers' climate-related reporting.
Agriculture	–						Continue investment in models to develop insights at commodity, product and country level to help adjust the mix. Assess potential growth in private products.
Heavy industry and mining	–						Leverage carbon capture and storage as well as knowledge of energy for customers developing own solutions. Explore customer activities around transition to understand growth opportunities.
Fossil fuels	–						Understand customers' transition plans and how Zurich can support. Increased focus on risk engineering maintaining facilities that may be in run-off.
Power	–						Grow market share in renewables to maximize growth above that modelled. Continue to build on existing specialist knowledge to manage risk.
All sectors	Life protection						Focus on commercial sales to sectors with high growth, offer innovative life products with proactive measures and continuously monitor factors affecting vulnerability to climate.

Portfolio weight (% of GWP)

- High (>10%)
- Medium (5–10%)
- Low (<5%)

Impact thresholds

- High risk (managed through Group actions)
- Medium risk (managed through local actions)
- Low risk (managed through local actions)
- Low growth (managed through local actions)
- Medium growth (managed through local actions)
- High growth (managed through Group actions)

Definition of terms used:
– Sector: Industry group of the customer base except for transport, which was considered together with the total motor book and property that was considered across industry due to the overarching impact of physical risk associated with climate change.
– Weight in underwriting portfolio: Indicates how much the sector/geography/line of business being considered contributes to the overall underwriting portfolio.
– Demand impacts: high, medium and low risk relate to the potential decline in premium volume due to the various scenarios whereas high, medium and low growth indicates that there is a potential increase in premium due to the changing landscape driven by transition.
– Loss impacts: High, medium and low as above relate to the potential increase in losses in each sector if no strategic or mitigating action taken as part of the underwriting strategy.

Through the materiality assessment we concluded that the results of our 2021 climate risk scenario assessment remain unchanged. Overall impacts to P&C demand at Group-level in 2030 under the scenarios previously modelled and with no change in assumptions are still estimated to be of low materiality.

Demand impacts related to Life protection products are observed to be higher under the net-zero 2050 scenario. In both scenarios, impacts to Group-level P&C loss experience are observed to be more pronounced before mitigating actions are considered, due to the potential negative impact of physical losses related to weather events. In general, the diversification of our P&C business in terms of geographic footprint, industry mix and line of business limits our potential exposure at a total Group level. We would forgo growth opportunities highlighted in the current policies scenario as these derive from increased use of fossil fuels and are therefore not aligned with our net-zero commitments.

Based on the outcome of our analysis on the Life and P&C book we do not expect material impacts to fee income received from Farmers Group Inc. through to 2030.

4. Our planet: Drive positive impact (continued)

4.1.5 Portfolio-level climate risk scenario analysis – Underwriting (continued)

Underwriting focus on building capabilities and continuing assessment on risks associated with both the transition and physical impact of climate change.

In 2022, we continued to prioritize areas of our portfolio identified during the climate risk scenario assessment 2021. We narrowed down the original nine areas of focus to four areas of markets and industries that are potentially the most material to our business, either due to the size of the underwriting portfolio or the potential impact of transition or physical risk on our portfolios.

These areas are:

- Retail and commercial motor.
- Property, including catastrophe management.
- Sustainable energy.
- Construction.

Retail and commercial motor: a closer look

Expanded focus on technological advancements in driving and vehicles.

Identified action following climate risk scenario analysis 2021

We increased focus on monitoring loss trends associated with electric vehicles (EVs) to reflect this appropriately in pricing. Additionally, we are seeking to optimize claims networks for emerging technology and expanded focus on technological advancements in driving and vehicles.

Rationale

Transition within the motor industry is largely focused on the shift from internal combustion engines (ICEs) to alternatively fuelled vehicles, mainly EVs. This shift to EVs goes hand in hand with the development and wide adoption of advanced driver assistance systems (ADAS) in new vehicles.

In reviewing the impact of ADAS equipped vehicles, of which we identified EVs as a subset to ensure efficient analysis of both ADAS and EVs within the motor industry.

Strategic action prioritized in 2022

We performed an in-depth review on claims experience with ADAS vehicles and will expand this to focus specifically on EVs during 2023.

Progress

We established a global working group of subject matter experts to review relevant internal and external practices, for example, adjusting loss estimates or applying industry standard discounts for vehicles equipped with ADAS, formulate business goals, scan the market, conduct analyses and take action.

The work is ongoing. As of December 31, 2022, we have acquired external vehicle data for two of our key motor portfolios in EMEA. In-house experts are quantifying the predictive value of the data for underwriting to support the transition to a more resource-efficient and sustainable economy.

Ongoing focus

We will continue our focus on e-mobility in four key areas:

1 Portfolio (e.g., Zurich's market share, overall market growth and adoption of EVs in fleets).

2 Pricing (e.g., discounts against ICE policies).

3 Performance (e.g., claim frequency).

4 Proposition (especially in high EV growth markets and segments).

4. Our planet: Drive positive impact (continued)

4.1.5 Portfolio-level climate risk scenario analysis – Underwriting (continued)

Property: a closer look

Physical impact of climate change continues to drive potential risk in the property book. Actions taken to counter this include a refined approach to managing natural catastrophe and optimizing exposure in key peril regions globally.

Identified action following climate risk scenario analysis 2021

We continued to develop our best-in-class catastrophe modeling and accumulation management, as well as focusing on building capabilities within Zurich Resilience Solutions, our risk management services unit. Please see section 5.1 for more information (page 174).

Rationale

Catastrophe management is key to creating a climate resilient underwriting portfolio and also allows us to inform customers of actions they should take to become more resilient in the face of potential impact from climate change.

Strategic action prioritized in 2022

We assigned a dedicated project team, led by the global head of property, to oversee the management of exposures in key peril regions and further enhance Zurich's catastrophe management framework. We are building on existing capabilities within the area of catastrophe management and leveraging our in-house climate science experts.

Outcome

Following a comprehensive review, we prioritized action on capacity deployed within our North American business. We are on track to reduce U.S. windstorm average annual loss (AAL) by 10 percent by the end of 2023 and continue to take similar action in other regions.

Ongoing focus

Optimizing exposure in key peril regions remains a strong focus area and relies upon frequent, consistent and comprehensive review processes, which have been in place for many years and will continue to be a key part of our climate resilience strategy.

Energy transition: a closer look

Our sustainable energy strategy underpins development of our energy book and helps support customers as they transition to lower-carbon operating models.

Identified action following climate risk scenario analysis 2021

Fossil fuels and power

Ways to support:

- We built a framework to help review customers' transition plans and look for ways to support them.
- We took action to grow our market share in renewables to maximise growth above that modeled. We continued to build on existing specialist knowledge to manage risk.

Strategic action prioritized in 2022

The future of energy depends on the transition of traditional power and fossil fuel companies to sustainable ways of generating power. During 2022 we restructured our team of experts, blending the old world of energy with the new to mirror our customers and better help them accelerate the energy transition. We have expanded our sustainable energy offering, developing skills internally as well as hiring industry experts where needed, and built further knowledge and expertise in this rapidly changing market.

Our sustainable energy strategy is built on three layers:

- Engagement and review of transition plans.
- Upskilling and cross skilling in sustainable energy within underwriting, risk engineering and claims.
- Continued development of solutions to address emerging technologies in this area.

4. Our planet: Drive positive impact (continued)

4.1.5 Portfolio-level climate risk scenario analysis – Underwriting (continued)

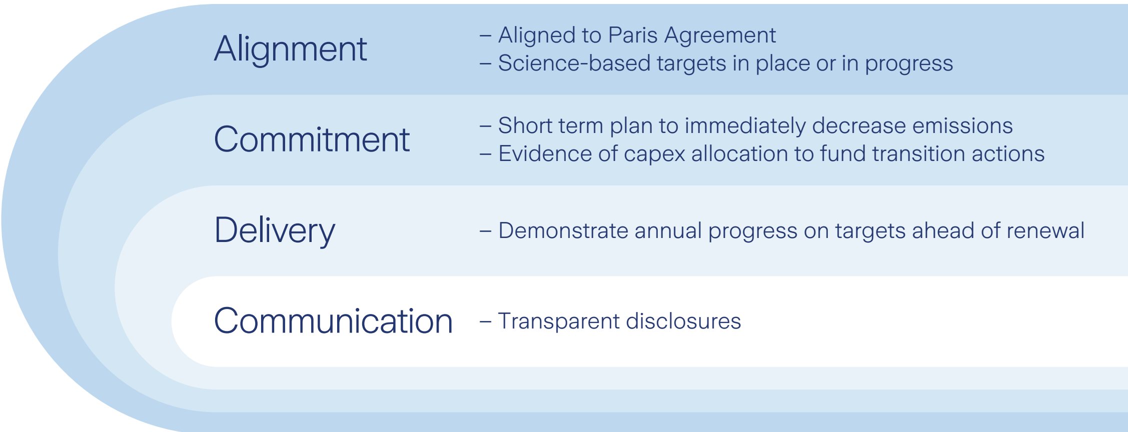
Outcome

We successfully grew our sustainable energy business in 2022. We operate across four hubs in the UK, U.S., Germany and Dubai, and service every industry within the area of sustainable energy, with the exception of offshore wind, which we are currently reviewing.

Our integrated approach to energy allows us to access traditional power and fossil fuel customers that are transitioning to sustainable energy. The world's largest wind power owners, for example, are mostly traditional power companies or integrated energy companies. We estimate sustainable energy now represents more than 10 percent of our overall portfolio and we expect this share to grow rapidly. To enable this growth, our experts are working together to share knowledge. In 2022, for example, our sustainable energy global lead engineer and team created a detailed technical database of more than 1,800 wind turbines – a number that highlights both the demand for solutions and the complexity involved in understanding associated risks.

We developed and implemented our alignment, commitment, delivery and communication (ACDC) approach to reviewing transition plans (see below). As of December 31, 2022, we reviewed more than 30 companies using this approach and identified next steps to take to engage with the underwriting community and customer relationship leaders.

Figure 16
Transition assessment framework



Upskilling, cross skilling and recruitment
In 2022, we created the role of sustainable energy global lead engineer, which is pivotal for our understanding of the current risk landscape. In addition to this, we hired additional employees across underwriting, claims and risk engineering to help build our integrated approach to sustainable energy.

Developing solutions and growing the business
Our global energy team created concepts for new products based on input from energy customers, through client meetings and at various conferences, for example, the Lillehammer Offshore Energy Claims Conference. We continue to work on bringing these solutions to market.

To drive and support growth in sustainable energy, the sustainable energy global lead engineer created an in-house equipment database to provide comprehensive details on the increasing amount of machinery coming to market in this area. He also represents Zurich on the Global Wind Energy Council.[1]

Ongoing focus

We continue to build the sustainable energy business across Zurich and are identifying new opportunities in emerging technology in this area. We expect to launch additional services throughout 2023.

1 www.gwec.net

4. Our planet: Drive positive impact (continued)

4.1.5 Portfolio-level climate risk scenario analysis – Underwriting (continued)

Construction & engineering lines: a closer look

We recognize the investment required to support the energy transition and tackle the accompanying challenges, while decarbonizing both operational and embodied emissions.

Identified action following climate risk scenario analysis 2021	Strategic action prioritized in 2022
We continued to balance risk across the portfolio and understand the risks associated with changing construction methods.	We focused on growth and innovation within our construction business line through talent acquisition and new product development, with heavy focus on the U.S. market as a first step.

Case study

In November 2021, Zurich construction in North America launched its proprietary policies for mass timber master builders risk and project builders risk. These policies offer customized coverage and market-leading capacity of up to USD 50 million for qualified risks using mass timber, a low-carbon alternative to concrete and steel. The product launch resulted in USD 1.85 million in new business.

Zurich construction in North America also launched a weather parametric product which provides non-physical damage coverage for perils including rain, wind, heat, cold and snow accumulation. We have seen interest from customers in the weather parametric product as a complement to builders risk insurance due to the continued uptick of severe weather events across North America. We continue to build out our peril offerings based on customer and broker needs.

Zurich construction in North America is a key pillar of our sustainable energy strategy, offering up to USD 100 million of capacity for qualified on-shore renewable energy risks, including wind, solar and biomass. Growing demand in the U.S. marketplace has accelerated due to various federal tax incentives and enhanced commitment from the government and population to renewable energy fuelled by uncertainty and supply chain challenges abroad.

We created the role of head of construction innovation and sustainability, which will be responsible for managing the growth of our parametric, mass timber and renewable energy products. This position will also be responsible for developing and deploying new sustainable product solutions for construction.

Strategic implications for overall underwriting portfolio

We have continued to focus on maximising opportunities and mitigating risks identified through the climate risk assessment 2021. We believe we are well positioned to further develop in these areas in 2023, whilst at the same time embedding net-zero underwriting across our business, in line with the NZIA's target setting protocol released in January 2023.

4. Our planet: Drive positive impact (continued)

Stephan van Vliet
Group Chief Investment Officer

4.1.6 Portfolio-level climate risk scenario analysis – Investment Management

Proprietary investment portfolio analysis

- Scenarios indicate climate change-related risk to asset valuation would not pose a major risk to our capital position.
- Under the current policies scenario, physical risk is confined to a few sectors and regions (agriculture and tropical areas) where we have limited exposure.
- Under the net-zero 2050 scenario, the aggregated risk is limited, though some businesses would experience a large negative impact on their market valuation.
- In response to carbon risks, we made a long-term commitment to decarbonize our investment portfolio to net-zero greenhouse gas emissions by 2050, consistent with a maximum temperature rise of 1.5˚C above pre-industrial temperatures.

High-level outcomes

The scenarios, as currently modeled, indicate that climate change-related risk to asset valuation would not pose a major risk to our capital position, either at aggregate portfolio or individual asset class level. This conclusion considers impacts across three major asset classes (listed equities, corporate credit and real estate) covering 36 percent of the investment portfolio, excludes the potential mitigating effect on liability valuation and is made in accordance with our Total Risk Profiling™ methodology.[1] This methodology defines a major risk as a risk that could have a negative impact of at least USD 5 billion on the Group's economic capital position at either aggregate portfolio or individual asset class level.

In the current policies scenario, physical risk is limited over the time horizon of the analysis (2021–2050), with the exception of a few sectors and regions (e.g., agriculture and tropical regions) to which we have limited investment exposure in our listed equity, corporate credit and real estate portfolios.

In the net-zero 2050 scenario, the aggregate impact is also low. This is because transitioning is assumed to be relatively frictionless, without bottlenecks or supply side issues and businesses are assumed to be able to pass on cost increases to customers without negative impact. While some industries and businesses would experience a large negative impact on their market valuations in these scenarios, it would only generate limited aggregate risks.

The impact of climate risk on our sovereign debt exposure has been analyzed independently of other asset classes. The transition risk scenarios (net-zero 2050) are mildly inflationary due to a rising cost of carbon, resulting in slightly higher sovereign bond yields (by around 15 basis points for our investment sovereign bond portfolio) compared with the baseline. In the physical risk scenario (current policies), interest rates are slightly lower (by around 10 basis points) than the baseline due to a small negative effect on economic activity. The corresponding impact on the valuation of the sovereign debt portfolio is limited in all scenarios (less than 1.5 percent in the worst affected transition scenarios).

Given the scale of transformation required, an orderly and smooth transition, such as that described by the net-zero 2050 and delayed transition scenarios, may be difficult to achieve and periods of higher volatility are likely. There remains the potential for significant spill-over effects from the most affected sectors and regions, as well as a potentially positive – but possibly also disruptive – impact stemming from the development of new technology and gains in productivity. As the scenarios highlight, there will also be potentially large divergence across businesses and sectors, with the transition presenting both opportunities and risk.

Listed equities: a closer look

We applied the three scenarios and a third-party model to our global listed equity portfolio in comparison with a broad market benchmark, resulting in similar outcomes as in 2021. The relatively small changes in the overall impact on the value of our global listed equity portfolio (compared with the 2021 Annual Report) arise mainly from changes within the sectors of the portfolios.

We found transition risk to be material for businesses that operate in carbon-intensive sectors, have relatively high emissions and are less able to absorb, reduce or pass on carbon costs. The climate risk scenario analysis also sheds light on transition opportunities, including those that stem from greening the economy.

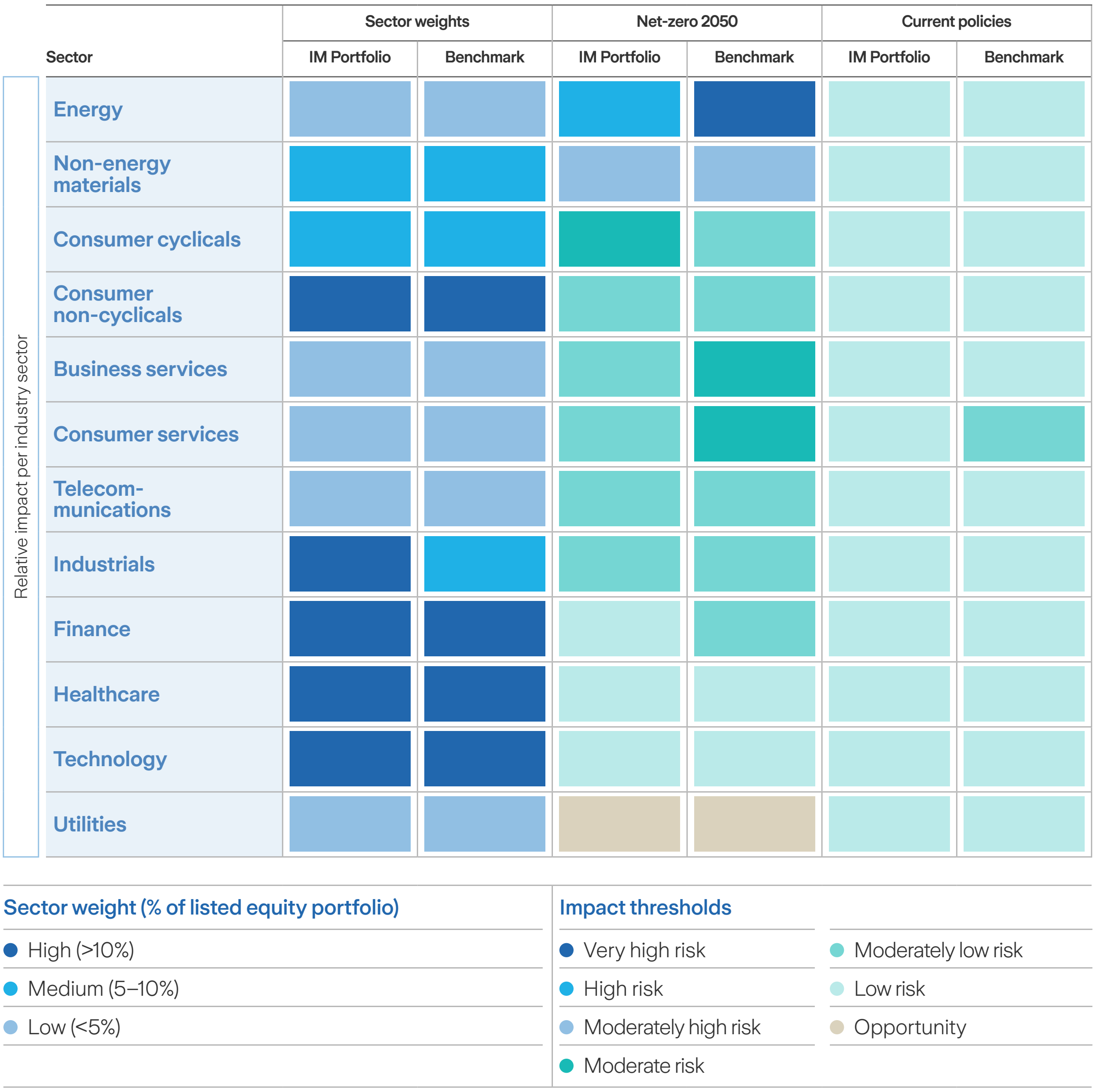
In contrast to transition risk, additional physical risk relative to today's level is estimated to be relatively limited over the time span considered, even in the current policies scenario. This is because it takes time for more significant, additional effects from climate change to materialize. More severe impact will therefore be restricted to a few regions and sectors, such as the agricultural sector and tropical regions, to which we have limited investment exposure across all asset classes. As shown on the next page, the largest relative impact on the valuation of our global listed equity portfolio is found in the net-zero 2050 scenario. The impact is somewhat higher than in the delayed transition scenario, due to the discounting of future impact and a heavily front-loaded, albeit gradual, rise in the price of carbon. From a financial materiality perspective, we observed only minor impacts to our listed equity portfolio.

1 See the risk management section (pages 154 to 156) for further details on the Total Risk Profiling™ methodology.

4. Our planet: Drive positive impact (continued)

4.1.6 Portfolio-level climate risk scenario analysis – Investment Management (continued)

Figure 17
Estimated impact on listed equity portfolio across net-zero 2050 and current policies scenarios in comparison to a well-diversified global equity benchmark[1]



The results demonstrate how the relatively higher transition risks to our listed equity portfolio are limited to only a few sectors, including energy, non-energy materials and consumer cyclicals (which includes vehicles). This result is not a reflection of the relative weighting of our book but captures the general impact on the economy, and consequently market pricing, in a transition risk scenario.

By contrast, services sectors, including healthcare and finance but also consumer and business services, see less impact. The relative resilience of services appears reasonable given their limited direct exposures, but there are a few caveats to this result. For the finance sector, only direct exposure to climate-related risk is considered. Indirect exposure through the valuation of assets and financial interlinkages is not captured. Additionally, if rapid transitioning were to lead to energy scarcity, bottlenecks in the economy and rising costs for energy and materials, this could impact sentiment and demand and have broader effects on the economy, including on the services sector.

1 The sector heatmap is calibrated to highlight relative impact per industry sector. Aggregate scenario level impacts are assessed in relation to Zurich's definition of financial materiality.

4. Our planet: Drive positive impact (continued)

4.1.6 Portfolio-level climate risk scenario analysis – Investment Management (continued)

The applied model highlights that an early-transition scenario can lead to transition opportunities and risks within industry sectors. Within the energy, utilities and non-energy materials sectors, which experience significant and negative median impacts, the characteristics of individual counterparties also have a strong impact on their exposure to climate risk. In the utilities sector, for example, some utilities experience significant decreases in value, as their high CO2e emissions intensity leaves them in a weak competitive position relative to less emission-intensive rivals, leading to reduced profitability and market share. Other utilities with lower emission intensity benefit from increased electricity demand, higher electricity prices and the opportunity to gain market share at the expense of more emission-intensive rivals. This variance in individual counterparty impacts also occurs in other sectors, including industrials and consumer cyclicals, where median impacts are small.

Overall, the impacts on our global equity portfolio are somewhat smaller than those of a broad market benchmark. This is due to a number of different reasons, including differing sector weights and geographic exposure. Other contributing factors are a different security selection resulting from our long-standing practice of ESG integration as part of our responsible investment approach, as well as our climate-related exclusion screens. Since 2017, we have divested from companies that derive more than 30 percent of their revenues from the mining of, or generate more than 30 percent of electricity from, thermal coal, oil sands and oil shale.

Corporate credit: a closer look

Applying the various scenarios and third-party model to our global corporate credit portfolio in comparison with a broad market benchmark results in a similar distribution of outcomes as those for our listed equity portfolio. The portfolio tends to hold relatively lower risk than the benchmark.

Transition risk is found to be moderate for businesses that operate in carbon-intensive sectors, have relatively high emissions and are less able to absorb, reduce or pass on carbon costs and physical risk. In the physical risk scenario (current policies), the impact is relatively low across all sectors.

For the most affected sectors, the materially lower impact on corporate credit relative to equity can be explained by the relatively short maturity of the corporate bond portfolio. These bonds tend to experience smaller impacts simply because they mature before the strongest impacts materialize. Risk associated with the refinancing of debt is not considered in the current modeling approach.

In contrast to the listed equity portfolio, the corporate debt portfolio shows a higher diversification and lower exposure to carbon-intensive sectors, and hence has a lower exposure to sectors impacted by climate risk.

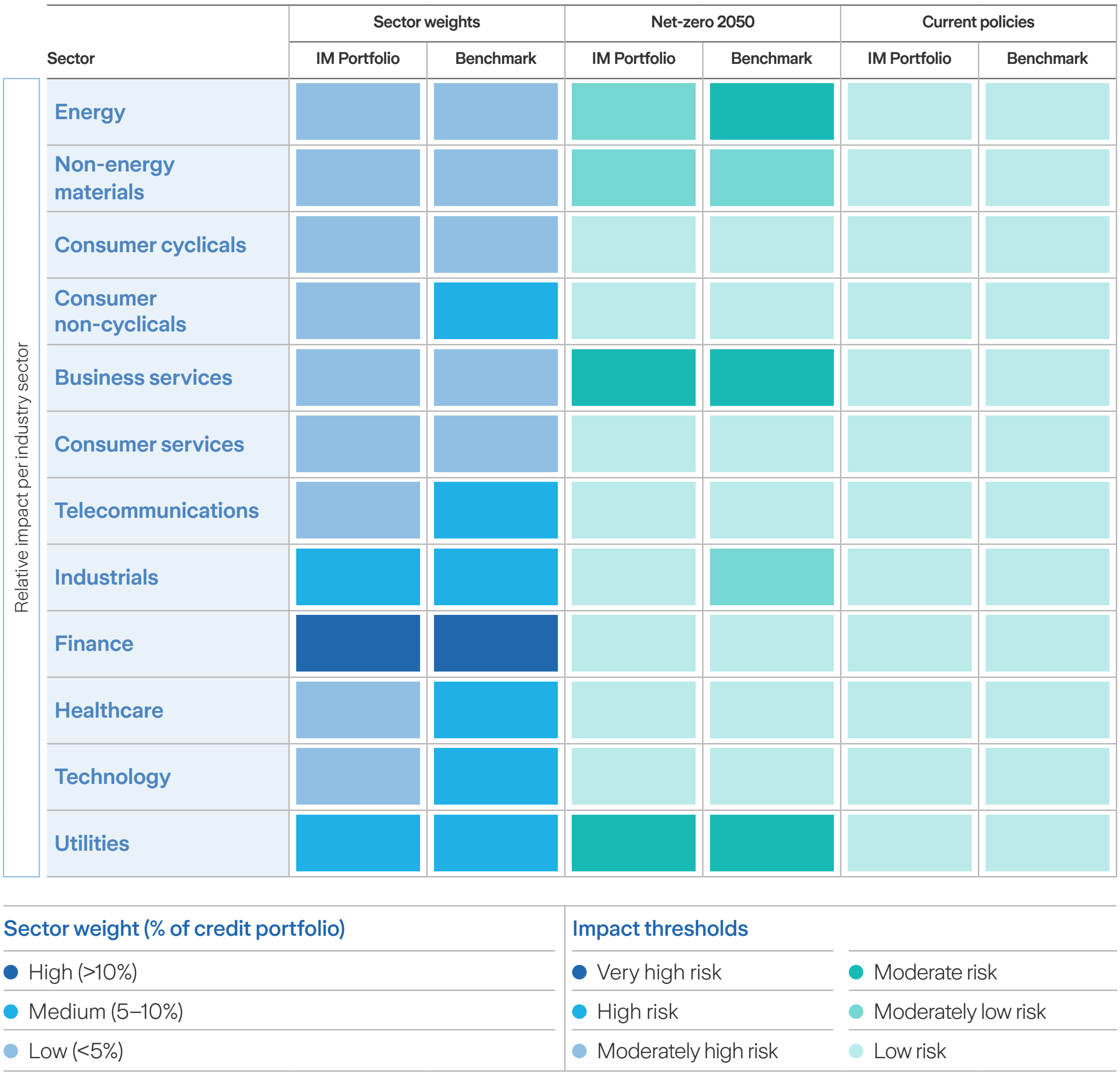
While the overall impact of climate risk on our corporate bond portfolio, based on the third-party model we applied, is fairly limited, we nevertheless consider it prudent to take strategic actions as detailed in the section covering our strategic implications on page 150.

4. Our planet: Drive positive impact (continued)

4.1.6 Portfolio-level climate risk scenario analysis – Investment Management (continued)

Figure 18

Estimated impact on corporate bond portfolio across net-zero 2050 and current policies scenarios in comparison to a well-diversified global benchmark[1]



Real estate: a closer look

The impact from the third-party model on our real estate investments indicates only minor exposure to climate risk. This is confirmed by additional analyses using Zurich's own physical risk models, which cover wind (U.S. tropical cyclone and EU extra-tropical cyclone) and flood (pluvial and fluvial for U.S. und EU) and comprise more than 80 percent of our real estate investments. Zurich's physical risk models will be developed further in 2023 and applied to all real estate investments. As communicated last year, we piloted transition risk assessments by implementing the Carbon Risk Real Estate Monitor (CRREM)[2] methodology. The ability to use CRREM on a dedicated carbon management platform allows us to monitor, report and mitigate transition risks.

More than 80 percent of our real estate investments are in Europe, with an overweight in Switzerland and Germany. Under different climate scenarios, our portfolio is most exposed to rising temperatures in southern Europe. More tenants will rely on electricity to run fans, ventilation and air conditioning systems to stay cool. Retrofitting and constructing smarter and more energy-efficient buildings is therefore a first step to mitigate electricity shortage and higher costs in our properties in Spain, Portugal and Italy.

1 The sector heatmap is calibrated to highlight relative impact per industry sector. Aggregate scenario level impacts are assessed in relation to Zurich's definition of financial materiality.
2 www.crrem.eu

4. Our planet: Drive positive impact (continued)

4.1.6 Portfolio-level climate risk scenario analysis – Investment Management (continued)

As an example of ongoing mitigation efforts, in Milan, Italy, we are repositioning a building with 11,000 square meters through renovation. The building is currently undergoing a renovation phase with the aim to receive a gold-level certification from Leadership in Energy and Environmental Design (LEED). The renovation includes modifying part of the envelope and replacing the existing mechanical system to improve performance and efficiency and bring the building in line with the requirements of the Paris Agreement. Carbon intensity can be reduced by more than 50 percent, significantly reducing the risk of stranding this asset.

Recent research[1] has also found that prime office and residential sectors are most exposed to urban heat islands. The most exposed country to a rise in sea levels is the Netherlands.

Our main focus is the rapid decarbonization of our Swiss portfolio, which still uses mostly oil and gas for heating and producing warm water in residential buildings. To transform this portfolio, we have initiated several strategic investment programs to achieve our 2025 emission reduction target. In addition, we are continuing with our energy optimization project in Switzerland. The project, which started in 2014, has already led to a reduction in carbon emissions of more than 20 percent, compared with our 2010 baseline.

Materiality review of overall investment management portfolio

Overall, the applied model suggests a manageable level of risk across all scenarios and results in a valuation impact of minor materiality accumulated for listed equity, corporate credit and real estate. The applied model identifies relatively more material risk for exposed sectors where these risks are relatively well understood and an increasing body of climate risk-related ESG research provides ongoing insights. We also believe that an early transition to a climate-neutral economy may provide opportunities in a wider variety of business models and industry sectors than the applied model assumes. Our portfolio continues to be well diversified across sectors and geographies and is managed with an ESG integration lens, which includes information about both climate change risks and opportunities.

Our portfolio is also managed to become net-zero by 2050, with the progressing decarbonization successively shielding it from the companies that are lagging in the transition. The analysis supports various hypotheses: earlier-action scenarios materially increase transition risks, but in turn reduce the long-term impacts of physical risks.
Even in a challenging transition risk scenario, the overall negative effect on the listed equity portfolio is moderate and concentrated in sectors that are most CO2e-emission intensive but also play the largest role in actively driving the transition. Emissions in the economy are disproportionally concentrated in a few sectors (utilities, energy, materials, agriculture, forestry and land use) and so, too, are financed emissions in a global equity portfolio. In our listed equity portfolio, 62 percent of financed emissions in the top emitting sectors (building materials, energy, chemicals and utilities) represent only 12 percent of market value as of 2021. However, in-depth analysis of sectors shows that there are also investment opportunities in these sectors, such as renewable energy producers in utilities.

Overall, the risk appears well diversified, though the portfolio requires ongoing monitoring and active management as risks materialize.

Strategic implications for overall investment management portfolio

Our strategic response to carbon risks is our long-term commitment to decarbonize our investment portfolio to net-zero greenhouse gas emissions by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial temperatures. As a founding member of the Net-Zero Asset Owner Alliance (NZAOA), we have set intermediate investment portfolio targets. The work of the NZAOA is collaborative, uniting global investors, civil society leaders and academics in a collective ambition.

Our priorities include:

– Reducing exposure to coal-based business models.

– Enhancing our systematic approach to investee engagement and policy advocacy.

– Implementing the TCFD recommendations.

While increasing the resilience of our portfolio against transition risks, our decarbonization strategy also contributes to limiting the physical risks showcased in the current policies scenario, which may materialize in our portfolio over the long term. Moreover, our new commitment to invest 5 percent of Group total investments in impact investments, including climate solution investments,[2] further underpins our efforts to minimize the long-term impacts of climate change by focusing on proactively deploying capital toward addressing specific, measurable societal and environmental goals.

1 AEW Research Europe, "Next Wave of Physical Climate Risk", September 2022.
2 Assets that provide climate solutions are businesses that drive or underpin substantial reductions in, or the removal of, greenhouse gas emissions.

4. Our planet: Drive positive impact (continued)

4.1.7 Portfolio-level climate risk scenario analysis – own Operations

Own Operations

– In 2022, we conducted an additional assessment to consider climate risks for our workforce around the world. The results of this analysis show that remediating strategies currently in force are sufficient to mitigate climate risk.

Physical risk assessment scope and approach

Approach

We performed a scenario-based assessment of physical risk using a third-party model and data,[1] with quantification performed for 2030 and 2050.

Scenarios used

We conducted an assessment of physical perils to understand exposure level and criticality under two scenarios: net-zero 2050 and delayed transition.

Scope

The assessment considered:

– Offices supporting more than 250 employees (41 office locations).

– All strategic data centers (10 locations).

– Supplier locations including those providing critical services to the Group (focusing on the known service locations) and suppliers that together comprise 75 percent of managed procurement spend (346 locations).

Quantification

The assessment identified the number of employees or percentage of locations (relative to the overall total) exposed to the qualitative hazard levels for our offices, data centers and supplier locations. The qualitative hazard levels are based on specific physical parameters for each peril and include flood, wind, temperature, drought, hail, wildfire, precipitation, thunderstorms (lightning) and coastal flooding.

1 Climate data sourced from Jupiter Intelligence, ClimateScore Global v2.3, Oct. 2021.

4. Our planet: Drive positive impact (continued)

4.1.7 Portfolio-level climate risk scenario analysis – own Operations (continued)

In 2021, in an assessment of potential impacts from climate change, we found our operations and processes to be resilient to the observed impacts. These impacts, on a global scale, resemble climate patterns that already exist today.

Existing business resilience activities were determined to manage physical risks well. These activities focus on protecting and recovering critical business assets and resources of a wide-range of existing and developing risks, including those related to the impacts of climate change.

In 2022, we determined the outputs from the 2021 assessment remain valid and conducted an additional assessment to consider climate risks for our distributed workforce. In response to the COVID-19 pandemic, organizations, including Zurich, have adapted their working practices to keep their employees safe, most notably through increased working from home.

Planning for the continuity of critical business services with a hybrid workforce has, in some ways, increased resilience by adopting more remote work practices. But in other ways, this has added to complexity, given the limited control businesses have over dispersed work locations.

Our analysis of potential climate impacts to our distributed workforce considers the following:

- The incident impacts employee homes but the office remains accessible (e.g., localised flooding in an area where a number of employees live).
- The incident impacts both the homes of the employees and access to the office locations (e.g., rolling power outages across an extended region).

To develop new strategies and assess the potential effectiveness of our existing strategies, we assume the following as part of our analysis:

- Most of our employees live within a 70 kilometer radius of a Zurich office location.
- Hybrid working since the COVID-19 pandemic remains the preferred working option with most employees retaining the ability to work from home and in an office.
- The geographic separation provided by this hybrid working model is already a mitigating measure as an event would need to be widescale to impact all employees.
- Most employees are not wholly reliant on public transport.

Our analysis indicates the in-force remediating strategies are suitable, though the evolution of certain perils in certain areas may require the installation of mobile electricity generators in office locations to maintain use of hard- and software in the event of power disruptions.

As part of our ongoing monitoring of climate risk, we considered the changing nature of our supplier landscape which can lead to changes in our physical risk profile. No material changes were observed. Overall, the existing processes remain sufficient to manage risk exposure.

Ongoing activities related to enhancing our resilience capabilities and improving our third-party governance and oversight will continue to support us in identifying and responding to the ongoing impacts of climate change.

Transition risk exposure is limited given the low-carbon intensity of the operations of the insurance sector and our approach to continuously improve the way we manage operational sustainability risks and opportunities.

4.1.8 Further climate risk scenario analysis

Our climate risk assessment includes consideration of both litigation and reputational risks.

Litigation risk: Though not a focus of our scenario analysis, some current litigation drivers were considered in specific areas of our in-depth analysis. None were identified as a material risk driver in the medium term. We closely monitor developments potentially impacting litigation-related risks and take actions to address them proactively.

Reputational risk: Given our ambitions to address the impacts of climate change, we acknowledge we are under higher public scrutiny and any perceived or real failure to live up to our set objectives and targets could have a particularly significant impact on our reputation. To reduce the risk of failing to deliver our targets, we put controls in place and monitor progress through the governance structures described in Chapter 3 of the integrated sustainability disclosure (see pages 129 to 130).

We believe strong internal focus on delivery, coupled with public disclosure on progress, mitigates this risk.

4. Our planet: Drive positive impact (continued)

4.1.9 Portfolio-level climate risk scenario analysis – conclusion

Our initial scenario-based climate risk assessment has strengthened our understanding of the potential impacts of climate risk on our business. The assessment suggests our customer-focused approach and diversified portfolios, supported by strong risk management practices, provide the resilience and flexibility necessary to be able to adapt to the impacts observed. This has been confirmed by our monitoring of these risks throughout 2022, though we have identified specific areas for further action, mainly in our underwriting and operations. The additional assessments of asset classes in investment management confirms the resilience of our portfolio.

Highly carbon-intensive pockets of our insurance and proprietary investment portfolios experience elevated exposure to transition risk, however we believe our in force thermal coal, oil sands and oil shale exclusion policy allows us to address this exposure whilst aligning with our commitment to a low-carbon future. The adaptive nature of our business resilience program means processes will adapt to changing physical risk profiles ensuring operational resilience.

We caveat these conclusions by acknowledging the hypothetical nature of these scenarios, the uncertainty inherent in scenario modeling over the timeframes considered and the somewhat conservative modeling of physical and transition risk. As the effects of climate change gradually increase over the coming decades, adaptation efforts at the individual, company and state level will increase and provide resilience against expected impacts. This is likely to reduce societal and economic losses, however the details heavily depend on uncertain societal and technological developments. On the other hand, exceeding tipping points, such as accelerated melting of Antarctic ice sheets or permafrost thawing, could lead to large-scale discontinuities in the global climate systems and accelerate the impacts from physical climate risk. We believe our strategy of continually analyzing changing risk profiles and retaining customer focus gives us the flexibility required to maintain our resilience and continue to meet the needs of our customers as climate-related risk profiles evolve.

4. Our planet: Drive positive impact (continued)

Peter Giger
Group Chief Risk Officer

4.2 Governance

TCFD G

The organization's governance around climate-related risks and opportunities.

As outlined in the governance section of the ISD (see pages 129 to 130), sustainability, and, therefore, climate-related topics, are integrated into our existing governance structure. We ensure climate change is discussed with our Board and committees where and when required. In 2022, climate risk was discussed at committee and Board level in relation to the update of the Group's Sustainability framework, sustainability reporting in addition to the regular bi-annual update to the GNSC (including a detailed session on the scenario-based climate risk assessment of Underwriting) and more specific climate risk updates (including climate risk within specific regions). Outcomes of scenario-based climate risk assessments and monitoring are considered as part of strategy setting processes. Further information on sustainability risk and its governance is set out in the risk review (see pages 198 to 229).

4.3 Risk management

TCFD E

The processes used by the organization to identify, assess and manage climate-related risks.

4.3.1 Integration of climate risk within the overall risk management framework

We consider impacts from climate change to be drivers for other risks, such as market or natural catastrophe risks, which are managed within our existing risk management framework. Our approach to managing climate risk is embedded in our multi-disciplinary, Group-wide risk management framework, following the same objectives of informed and disciplined risk taking. The risk management framework is based on a governance process that sets forth clear responsibilities for taking, managing, monitoring and reporting risks. These responsibilities are:

- To identify, assess, manage, monitor and report risks, including climate change, that can have an impact on the achievement of our strategic objectives, the Group applies a proprietary Total Risk Profiling™ methodology. This medium- to long-term (typically one to three years) assessment considers our planning horizon and allows us to classify risks according to their materiality based on the estimated severity and the likelihood of the risk materializing. Further, it supports the definition and implementation of mitigating actions. At Group level, this is an annual process, followed by regular reviews and updates by management.
- To take the longer-term nature of climate change into account, we complement our Total Risk Profiling™ methodology with portfolio-level scenario analysis of climate risk. This provides an outlook on much longer-term risk developments (up to 10 years and even out to 30 years) relevant to our underwriting and investment portfolios, as outlined in the strategy section (see pages 132 to 153). The details of our risk management framework are outlined in the risk review (see pages 198 to 229).

4.3.2 Managing risks from climate-related natural catastrophes

As outlined in the strategy section (see pages 132 to 153), changes in physical risks related to much longer-term[1] impacts of climate change could, over time, impact us through the property-related business via changes in severity and probability of climate-related natural catastrophes. This is, in part, mitigated by the flexible nature of our underwriting portfolio, with contracts that are typically renewed annually. We recognize that there are shorter-term physical risks related to climate change, such as a rise in sea levels, but the science indicates that the greatest changes in physical risks related to climate change will occur over the much longer-term. We have established sophisticated natural catastrophe modeling capabilities to manage our underwriting selection, ensuring accumulations stay within intended exposure limits and assessing the capital requirement due to natural catastrophes. The resulting view of natural catastrophe risk also underpins profitability assessments and strategic capacity allocation and guides the type and quantity of reinsurance we buy. To ensure global consistency, natural catastrophe exposures are modeled in the Group Risk Management function.

Third-party models provide a starting point for the assessment of natural catastrophe risk. However, they are generally built for the market average and need validation and adjustment by specialized teams to reflect the best view of risk. We have been a leader in natural catastrophe model validation since 2005 when we developed our proprietary 'Zurich View' of risk. This gives us nearly two decades of experience in applying a structured and quantitative approach to optimize our risk view. To arrive at the Zurich View, models are adjusted in terms of frequency, severity and event uncertainty.

1 This refers to time periods up to 10 years and even out to 30 years, as mentioned in section 4.3.1.

4. Our planet: Drive positive impact (continued)

4.3.2 Managing risks from climate-related natural catastrophes (continued)

Adjustment factors address potential losses from non-modeled, property-related exposures or secondary perils to the extent not covered by the third-party models. Every catastrophe event provides an opportunity to learn from our own claims experience and the modeling framework provides a place to capture the new insights. We constantly review and expand the scope and sophistication of our modeling and strive to improve data quality by leveraging technology.

We supplement internal know-how with external knowledge (e.g., the Advisory Council for Catastrophes). We are a shareholder in PERILS AG, Switzerland, a catastrophe exposure and loss data aggregation and estimation firm. We are also a member of the open-source initiative Oasis Loss Modeling Framework.

Catastrophe models based on historical data do not capture potential, much longer-term shifts of extreme weather events related to climate change. However, when combined with general circulation models (GCMs), which build representations of the Earth's physical climate systems, catastrophe models can help us understand the risk of future climate conditions. The quality of GCMs continues to evolve as scientific understanding of the Earth's climate systems increases and as progress is made in computing power and artificial intelligence. This science is evolving, and we have strengthened our catastrophe modeling team with dedicated resources to create methodologies to integrate forward-looking aspects into our modeling approach.

4.3.3 Portfolio-level, scenario-based climate risk assessment

Assessments of the resilience of our business model to potential climate risks over much longer periods of time are performed using scenario analysis. To ensure a consistent Group view on potential climate change pathways, scenarios selected for this analysis underpin all assessments Group wide, unless other local regulatory requirements exist. Assessment granularity and timeframes can be tailored to the specific requirements of the assessment. In line with established governance, the ExCo sponsor for Sustainability reviews the outcomes of the climate change scenario analysis, reports key outcomes and agrees actions with the ExCo for Group CEO approval.

The ExCo sponsor for Sustainability reports outcomes and actions to the Board's Governance, Nominations and Sustainability Committee (GNSC). The GNSC makes recommendations to the Board, as required. An integrated modeling approach, leveraging a third-party model, is adopted for the analysis of our underwriting and proprietary investment portfolios to ensure, as much as possible, the consistent use of assumptions. To quantify impacts on Group assets, the model adopts a bottom-up approach to analyze the exposures of businesses and industries to physical and transition risk. To provide a map of vulnerabilities, it uses asset-level data on relevant risk drivers, including carbon emissions, abatement options, exposure to physical risks (including location-based exposure to acute physical risks), exposure to the greening of the economy, dependency on fossil fuels and competitiveness.

The strength of this bottom-up approach is that it provides a coherent framework for analyzing climate change-related risk at the industry and corporate sector level. Given the flexibility of our business model, in both our underwriting and asset portfolios, the static balance sheet approach to scenario-based climate risk assessments is done in the full recognition that the analysis is a theoretical "what if" analysis. It is a useful analysis to stretch management thinking about the much longer-term outlook and to address consistency of disclosures expected through the TCFD framework, but it does not provide insights from an immediate solvency, financial or capacity management perspective.

Data underpinning the assessment of impacts on group assets are used in conjunction with premium and loss data to model impacts on our insurance business in a bespoke process.

4. Our planet: Drive positive impact (continued)

4.3.3 Portfolio-level, scenario-based climate risk assessment (continued)

Figure 19
Underwriting analysis process

1 Develop heatmap

Objectives
- **Assess and prioritize risk channels** using consistent quantitative metrics
- Provide **basis for selecting deep dives**

Method
Criteria for heatmap include:
- **Portfolio importance** (underwriting volumes (GWP) by industry sector, line of business and geography)
- **Demand impact** (sectoral revenue change for physical and transition risks)
- **Expected loss impacts** (transition and physical risks)

2 Conduct deep dives

Objectives
- Assess **impact on underwriting volumes of key sectors, lines of business and geographies due to climate risks in 2030** (relative to the baseline scenario)

Method
- **Impact on demand** due to change in climate-related exposure
- **Impact on expected losses** arising from transition and physical risks

3 Conduct portfolio-level risk assessment

Objectives
- Identify **key risks and opportunities** (for risk management framework and disclosure)
- **Quantification of portfolio-level impact** on underwriting volumes

Method
- Building on analysis in steps one and two, quantify impacts on underwriting volumes in 2030 (relative to baseline) due to climate risks

Data sources and assumptions

- We adopt a static, balance-sheet approach to better allow for the potential much longer-term impacts of climate change to be isolated. This implies quantified impacts assume no strategic reaction from us to the risks identified, and no movements in pricing to adapt to changing conditions.
- Zurich performed scenario analysis for underwriting using a monitoring review based on 2021 premium data and qualitative review of the scenario-based assumptions on sector growth trends. Scenario analysis for investment management has been performed using year-end 2021 financial data with latest available emissions data (mostly 2020). For our own operations, internal physical risk analysis of proprietary and third-party data was used.
- Modeled impacts of acute physical risks on expected losses are, to every extent possible, based on our own natural catastrophe modeling. We work with a third-party model which enables us to search publicly available hazard data by type of hazard. We will expand our in-house modeling to cover all types of physical risks and this will be included in our own catastrophe modeling results.
- While the bottom-up approach adopted by the underlying model facilitates granular analysis of climate change-related risk, the model displays characteristics that present a somewhat conservative view of impacts, namely:
  - The assumption of smooth transitioning, as capital moves from carbon-intensive to low-carbon activities without bottlenecks or frictions (e.g., costs are passed to consumers), leads to a muted 'cost of transition', despite a very steep rise in the price of carbon (toward USD 700 per metric tons CO_2e).
  - The assumption of perfect information, where action is only taken once new policies are in place, omits an important uncertainty effect.
  - Modeling of physical risk considers three acute hazards (coastal flood, inland flood and tropical cyclones), is location based and does not consider supply chain impacts. This means aggregate estimates of physical risk are somewhat limited.[1]

For further details on our risk management process and supporting committees: see the risk review on pages 198 to 229.

1 Additional hazards, modelled as part of Zurich's natural catastrophe modeling, are reflected in the underwriting analysis.

4. Our planet: Drive positive impact (continued)

4.4 Metrics and targets

We use numerous indicators across our underwriting and investment activities, as well as our own operations, to monitor, assess and manage climate-related impacts to, and of, our business. This section outlines the main targets underpinning our climate strategy and lists the key performance indicators (KPIs) we track.

TCFD

"The metrics and targets used to assess and manage relevant climate-related risks and opportunities.

4.4.1 Our targets

Outlined below are the principle targets we have set to align our business activities with the goals of the Paris Agreement. In line with the efforts of the NZAOA, we aim to establish, to the extent permissible by applicable laws and regulations, intermediate, science-based targets for our investment portfolio. Those targets are also described in our roadmaps, which provide a transparent picture of our progress toward set targets and positions.

Target	Definition	Target years	Base year
Reduction of financed emissions	Our emission reduction targets cover both listed equity and corporate bond investments as well as direct real estate investments. By 2025, we aim to: – Reduce the intensity of emissions (scope 1 & 2) of listed equity and corporate bond investments by 25%, in terms of metric tons of CO2e per USD million invested. – Reduce the intensity of emissions of direct real estate investments by 30%, in terms of kilograms of CO2e per square meter.	By 2025 (interim) By 2050 (net-zero)	2019
Engagement targets[1]	We strongly believe that simply divesting from companies with carbon-intensive footprints is less effective than engaging with them to drive the shift to sustainable practices. Many of these companies have the knowledge and engineering capabilities required to make a green transition and harnessing this can benefit sustainability goals. – Engage with companies that produce 65% of portfolio emissions and lack targets aligned with the Paris Agreement. – Require these companies to set targets aligned with the Paris Agreement. – Collaborate with asset managers to highlight best practice for climate-conscious active ownership and work together for a just transition. Over a period of at least two years, we will engage with companies directly and through organizations such as Climate Action 100+ and the NZAOA. Should engagement fail and companies refuse to set targets after due dialogue, we will vote against board members at shareholder meetings and where relevant, as a last resort, will divest.	By 2025	2019
Financing the transition[1]	Our targets for financing climate solutions enhance our existing long-term engagement to provide green financing solutions under our impact investing strategy and also counts investments in green certified buildings. – Increase allocation to investments in climate solutions. – Avoid 5 million metric tons of CO2e emissions per year through impact investments. – Contribute to a market environment that enables a growing pipeline of climate solution investments suitable to institutional investors, based on our experience of building a multi-asset class impact portfolio. In 2022, we set ourselves an additional target to allocate 5% of invested assets to impact investments by 2025.	Ongoing	2019

1 Applies to our investment management portfolio.

4. Our planet: Drive positive impact (continued)

4.4.1 Our targets (continued)

Target	Definition	Target years	Base year
Reduction in operational carbon emissions	Our targets for our own operations[1] against a 2019 baseline as follows: – Total emissions: absolute reduction in all operational emissions of 60% by 2025 (increased from 50%) and 70% by 2029. – Scope 1 & 2: reduction in emissions from the fleet and onsite heating as well as from purchased electricity, heat and steam (e.g., district heating) of 62% by 2025 and 80% by 2029. – Scope 3: reduction in operational emissions resulting from air, rental and rail business travel, employee commuting, strategic data centers, printed paper and waste, as well as indirect energy impacts of 60% by 2025 and 67% by 2029.	By 2025 (interim) By 2029	2019

4.4.2 Our performance metrics

This section highlights the key metrics we use to measure and manage climate-related risks and opportunities. They represent a combination of metrics derived from the SASB and WEF IBC standards expanded with further metrics of our own, in line with guidance on metrics from the TCFD.

Underwriting

TCFD E

Carbon intensity

As a founding member of the NZIA, we intend to report our insurance-associated emissions and to independently set targets as we move toward net-zero within our underwriting book. Referring to the agreed methodology to measure insurance-associated emissions, published by the Partnership for Carbon Accounting Financials (PCAF) in November 2022, we have already started to set a baseline using our underwriting portfolio. We are working through the protocols for target setting announced in January by the NZIA to develop our interim targets and reporting thereof.

SASB E

Revenues from energy efficiency and low-carbon technologies[2]

Our products related to energy efficiency and low-carbon technology, separately priced, amount to USD 155 million of gross written premiums and policy fees in 2022 (USD 121 million in 2021). This is driven mainly by an increase in the number of customers shifting from ICE to EV products across the market. Coupled with the first reporting in 2022 of the approved individual coverage to more exposed individuals solution in occupational accident for truckers and independent service providers.

For more information on all our sustainable solutions, please see section 5.1.1 pages 171 to 174.

Underwriting and Investment Management

Thermal coal, oil sands and oil shale

Our thermal coal, oil sands and oil shale engagement campaign officially ended after a two-year period in June 2021.[3] Fifty-five companies were placed on an engagement status of “ongoing,” as their transition plans require monitoring. Out of these 55 companies, and as of the 2021 reporting cut off, we did the following to understand their progress against their transition plans:

- Added 5 companies to our exclusion screen as we no longer consider the company’s progress against its stated transition plans to be credible.
- Cleared 10 companies, as they were no longer relevant for our policy, due to their decreasing thermal coal businesses.
- For an additional 10 companies the business relationships ended for reasons unrelated to our policy.
- Began monitoring the remaining 30 companies. Though these companies meet the thresholds of our policy, we have elected to maintain ongoing monitoring as they have not explicitly ruled out future increases in use of thermal coal or oil sands. We are now targeting some of these companies under our net-zero engagement campaign.

In line with our thermal coal, oil sands and oil shale policy, we continue to screen new investments and potential customers for involvement in policy-relevant activities. We will not insure or invest in companies that exceed our thresholds and do not have near-term commitments in place to bring themselves below these limits.

1 Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third party vendors are out of scope.
2 Revenues capture gross written premiums and policy fees.
3 www.zurich.com/sustainability/strategy-and-governance/sustainability-risk

4. Our planet: Drive positive impact (continued)

4.2.2 Our performance metrics (continued)

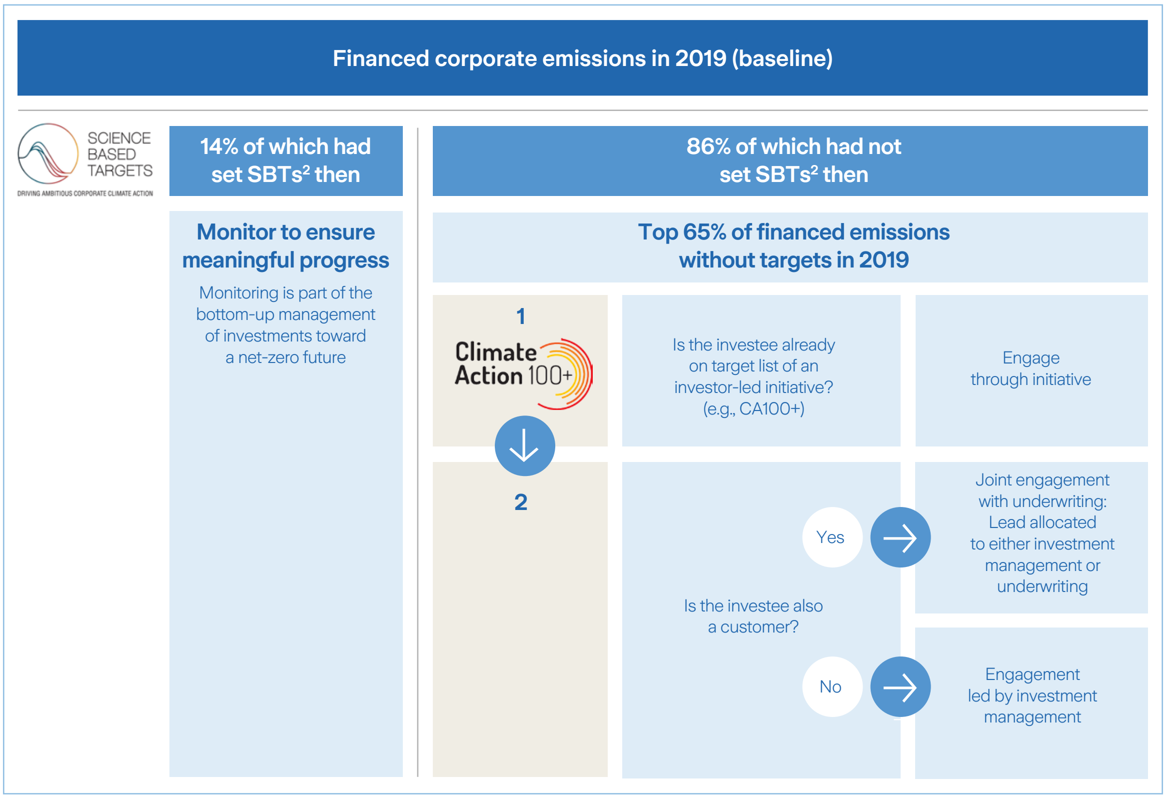
As such, companies will be added to our exclusion screen before any business relationship has been established. This will not impact the amount of divestments or phased-out insurance premiums.

Existing customers and investee companies have the potential to become relevant for our exclusion policy through mergers or divestments. We will continue to monitor for such developments using third-party data sources, however we will not separately report on such cases due to their low impact on our portfolio.

Engagement for the transition

Figure 20

Our engagement approach[1]



1 www.zurich.com/en/sustainability/governance-and-policies/exclusion-policies
2 Science-based targets.

Table 4

Engagement progress

	2022	2021
Engagement started	54%	46%
Engagement not started	11%	19%
= Target	**65%**	**65%**
Started engagements undertaken…		
Collectively	25%	25%
Bilaterally	29%	21%
…with outcome		
Failed[1]	16%	16%
Ongoing	21%	18%
Succeeded[2]	18%	12%

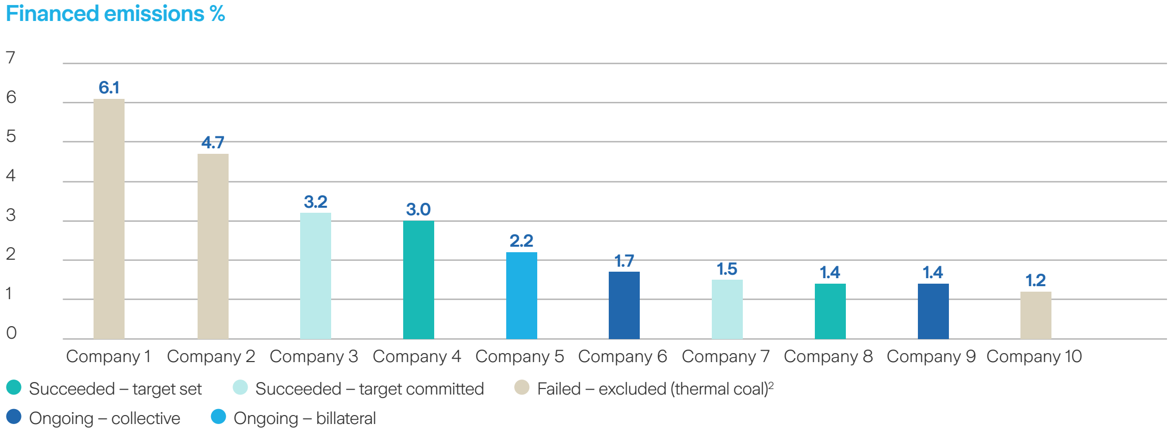
Note: All % corresponding to % of financed emissions in 2019 (baseline) without net-zero targets, cumulative progress since 31.12.2019.
1 Engagement failed under the thermal coal, oil sands and oil shale policy if it became clear the company would neither move under the 30% threshold nor set net-zero targets and was hence excluded; or that a company approached under the net-zero program refuses to set science-based net-zero targets.
2 Engagement succeeded if a company has publicly committed to science-based net-zero targets (under SBTi) or an equivalent scientific verification body.

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

Figure 21

Engagement progress for top 10 emitters without science-based targets (SBTs)[1,2]

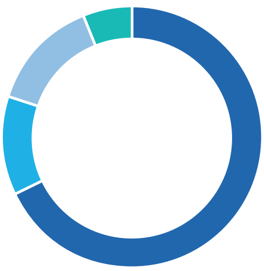


1 Company grouping according to Zurich proprietary methodology, which considers ownership and operational control structures.
2 Failed engagement under thermal coal program means the company was added to the restricted list and hence equity exposure was divested and credit exposure put in run-off.

Figure 22

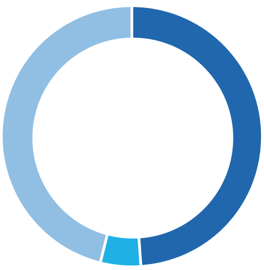
Top 10 emitters without science-based targets (SBTs) by sector and region[1]

Top 10 emitters by sector



Utility	68%
Metal and mining	12%
Government owned, no guarantee	14%
Energy	6%

Top 10 emitters by region



EMEA	49%
Americas	5%
APAC	46%

1 Corresponding to financed emissions in 2019 (baseline data).

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

In 2022, we advanced our bilateral net-zero engagement campaign (as illustrated above in table 4). We focused on companies with heavy emissions to understand the company's current emission intensity and their transition plans. In cases where the company has not yet established such a plan, Zurich will work with the company to set up a transition plan.

Case study

Since 2019, underwriting and investment management have worked together to continuously engage with a customer and investee company that was one of the highest CO2e emitters in both our underwriting and investment management portfolios, mainly due to its coal-fired power generation. At the start of engagement, the company indicated its willingness to transition with a clear plan to switch to renewable energy. Annual meetings supported the continued exchange between Zurich, the customer and investee company and provided evidence that the company was indeed on a science-based reduction pathway as part of its sustainability efforts. The company committed to invest EUR 50 billion by 2030, doubling its installed capacity from renewable energy to 50 gigawatts, making them one of the largest players in the renewable energy market.

In addition to direct company engagement, we also participated in working groups supporting sector and asset manager engagement, bilaterally and as part of the NZAOA asset manager workstream. We contributed to an NZAOA paper outlining how asset owners can engage their asset managers on climate change lobbying. The paper will provide guidelines for the investor community to help them drive greater alignment between the systemic long-term interests of asset owners and the policy engagement and public discourse practices undertaken by Alliance members and their asset managers.

We also engage with our asset managers (individually and as part of the AOA) on topics related to climate change.

These can include:

- Asking asset managers to set their own science-based targets.
- Joining the Net-Zero Asset Manager initiative.
- Becoming a signatory to CA100+.
- Making sure asset managers' active ownership policies (proxy voting and engagement) are suitable for managing climate transition risks and are conducive to climate change mitigation and the transition to a climate-neutral economy.

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

Investment Management

This section presents a progress update on our investment-related targets. Please note that parentheses around percentages or points indicate a reduction.

TCFD

Financed emissions

In 2021, we set intermediate targets for 2025 following the guidance of the AOA for the asset classes of listed equity, corporate bonds and real estate. Since the announcement, we have been working on local objective setting, implementation and data improvements. We have broken down the global portfolio target by local business unit and region. This allows us to capture factors such as local market considerations, sector diversification and past and projected pathways of emissions.

We strongly believe that simply divesting from companies with carbon-intense footprints is less effective than engaging with them to drive the shift to sustainable practices. The findings from our engagement efforts, as described above, will help guide us through portfolio construction and rebalancing actions, benchmark changes and, where relevant and as a last resort, divestments. We aim to reach our targets by phasing out exposures to already restricted names under our thermal coal, oil sands and oil shale policy. Our restricted equity exposure has been divested by the end of 2021 across all local entities (monitored and reviewed periodically), while our corporate credit was either sold or the securities allowed to mature. We are taking portfolio construction actions that allow for potential switches of issuers with a lower CO2e footprint and potential divestments for those cases where no valid transition plans are in place and hence where engagement fails.

Table 5

Assets under Management: corporate portfolio[1]

	In scope AuM 2022 (USDbn)	In scope AuM 2019 (baseline) (USDbn)	Difference (2022 to baseline)
Zurich corporate portfolio	47.7	58.5	(19%)
By investment asset class[2]			
Listed equity	6.4	10.6	(39%)
Corporate bonds	41.2	47.9	(14%)
By region			
APAC	5.0	4.5	12%
EMEA	29.5	38.2	(23%)
Americas	13.2	15.9	(17%)
By sector			
Utilities	4.0	4.4	(9%)
Government-owned company	1.7	2.7	(37%)
Energy	1.9	2.1	(13%)

1 AuM covers companies: listed equities and listed croporate credit.
2 Corporate portfolio has been newly split by listed equity and corporate bond. Prior year data were calculated retrospectively.

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

Table 6

Absolute and relative emissions of the corporate portfolio[1]

	Absolute emissions			Relative emissions			
	Absolute financed emissions 2022 (million metric tons CO2e)[2]	Absolute financed emissions 2019 (baseline) (million metric tons CO2e)	Difference (2022 to baseline)	Relative emission intensity 2022 (metric tons CO2e/1 million market value)	Relative emission intensity 2019 (baseline) (metric tons CO2e/1 million market value)	Difference (2022 to baseline)	Target
Zurich Corporate Portfolio	5.7	7.9	(29%)	119	136	(12%)	(25%)
By investment asset class							
Listed equity	0.5	1.0	(44%)	84	90	(7%)	
Corporate bonds[3]	5.1	7.0	(26%)	125	146	(15%)	
By region							
APAC	1.3	1.8	(27%)	261	400	(35%)	
EMEA	3.2	4.5	(29%)	108	118	(8%)	
Americas	1.2	1.7	(29%)	89	105	(15%)	
By sector							
Utilities[3]	2.2	2.7	(19%)	547	616	(11%)	
Government-owned company	0.9	1.4	(38%)	518	529	(2%)	
Energy[3]	0.7	0.7	9%	383	305	26%	

1 In order to provide a comprehensive overivew, details incl. prior-year data are shown in the appendix.
2 Financed emissions cover scope 1+2 of underlying companies (listed equities and listed corporate credit) attributed with enterprise value methodology and matched based on most recently available emission data.
3 Emission reporting for Zurich-validated green bonds in the Utility and Energy sectors was refined in 2022 to reflect the nature of the financed projects. Please see the green bond validation methodology in our white paper www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/responsible-investment-at-zurich

Since 2019, we have achieved a reduction in the emission intensity of –12 percent. Zurich's absolute financed emissions declined over the same period by –29 percent. This reduction in financed emissions was mainly driven by i) disposals and changes in our portfolio and ii) structural emission reductions of our investee companies. We observe a meaningful drop in emissions from companies in run-off under the coal/oil sands policy due to maturing assets but also active portfolio management.

The reduction of 2020 emissions benefited from the effect of the COVID-19 pandemic, which resulted in the largest-ever decline in global emissions. With economic activities picking up again in 2021 global CO2e emissions have rebounded.[1] As per our methodology, we use the latest available corporate emission data as of January, when portfolio-level financed emissions are calculated on an annual basis. Hence, we see the effect of higher reported emissions from companies, compared with the emissions data available last year, to calculate the financed emissions per year end. Despite this reversing effect, we still see a reduction of emissions from issuers.

However, the large financial market correction experienced in 2022 caused a percentage-decline in the enterprise values of our investee companies, which exceeded the noted decline in financed emissions. This larger drop in enterprise value adversely impacted our financed emission intensity metric, which uses enterprise value as the denominator. For further details on our methodology, please see the box on page 165.

Previous years have demonstrated the need to consider both absolute and relative indicators when measuring the emission performance of portfolios. Relative indicators are sensitive to changes in company valuation, whereas absolute emissions are sensitive to strategic shifts in asset allocation. In the long run, it remains our view that alignment with the NZAOA methodology will provide us with a stable and robust metric describing the trajectory our emission reduction pathway.

1 Global Energy Review: CO2 Emissions in 2021 – Analysis – IEA – March 2022.

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

Table 7

Corporate portfolio with science-based commitments[1]

	% of financed emissions with SBT 2022[1]	% of financed emissions with SBT 2019 (baseline)	Difference (2022 to baseline)	% of financed emissions in run-off under coal/oil sands policy 2022
Zurich Corporate Portfolio	23.3	14.3	63%	8.0
By investment asset class				
Listed equity	25.9	22.6	14%	
Corporate bonds	23.0	13.2	75%	
By region				
APAC	6.5	1.2	462%	31.5
EMEA	35.7	22.9	56%	0.6
Americas	8.2	5.3	57%	1.9
By sector				
Utilities	19.3	14.4	35%	19.6
Government-owned company	27.5	5.4	406%	1.4
Energy	-	-	0%	0.9

1 Committed or set targets under SBTi.

Table 8

Assets under Management: real estate portfolio

	In scope AuM 2021 (USDbn)[1]	In scope AuM 2019 (baseline) (USDbn)	Difference (2021 to baseline)
Zurich global real estate portfolio	11.1	11.7	(5%)
By region[2]			
EMEA	9.4	10.0	(6%)
Americas	1.7	1.7	3%

1 Real estate emissions are only available with a four-quarter lag. Emissions in 2022 will be reported in the 2023 Annual Report. Includes investment portfolio buildings only, as own-use buildings fall under our net-zero program and reporting for our own operations.
2 Direct real estate holdings form the base for the emission reduction targets. There are no applicable figures for the APAC region available.

Table 9

Absolute and relative emissions of the real estate portfolio

	Absolute emissions			Relative emissions			
	Absolute emissions 2021 (metric tons CO2e)[1,2]	Absolute emissions 2019 (baseline) (metric tons CO2e)	Diff (2021 to baseline)	Relative emission intensity 2021 (kg CO2e/sqm)[3]	Relative emission intensity 2019 (baseline) (kg CO2e/sqm)	Diff (2021 to baseline)	Target
Zurich global real estate portfolio[4]	39,362	53,181	(26%)	17.2	21.6	(20%)	(30%)
By region[5]							
EMEA	27,897	41,153	(32%)	18.2	22.9	(21%)	
Americas	11,465	12,028	(5%)	15.3	18.0	(15%)	

1 The CO2 emissions are calculated according to the location-based method. In cases where the data is available or properties use onsite/offsite renewable energies, the market-based methodology is applied.
2 The emission factors are retrieved from the International Energy Agency (IEA, 2020) with exception of Switzerland for local calculation references (Intep, REIDA 2022 and local authorities) which are aligned with IEA.
3 The relative emissions intensity is calculated based on gross floor area (GFA) of the buildings.
4 Real estate emissions are only available with a four-quarter lag. Emissions in 2022 will be reported in the 2023 report. Includes investment portfolio buildings only, as own-use buildings are part of our operational emissions target.
5 Direct real estate holdings form the base for the emission reduction targets. There are no applicable figures for the APAC region available.

For our direct real estate portfolio, we are aiming to reduce our relative emission intensity by 30 percent by 2025, from a 2019 baseline. Our target includes scope 1 and 2 emissions, the so called 'operational emissions.'[1] Since 2019, we have reduced our carbon emissions by 20 percent and are progressing well toward our 2025 target.

Our carbon emissions have decreased by 15.7 percent compared with the results in 2020, even as occupancy levels increased in our buildings due to the easing of COVID-19 restrictions. The decrease was largely due to a higher share of green electricity, which has tripled since 2019, in line with our strategy. We achieved further reductions through energy efficiency initiatives and refurbishment projects.

1 Scope 1 emissions, also known as direct emissions, are defined as emissions from sources that exist "on site" of an asset. These include primarily emissions from onsite heating systems. A common example of Scope 1 emissions for real estate is natural gas and oil burned onsite. Scope 2 emissions are defined as emissions that are related to purchased electricity, heat, steam or cooling. This energy is consumed by the assets but generated offsite.

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

Absolute emissions

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

Relative emissions (intensity)

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

Key

I: Current value of investment on issuer i

EV: Enterprise value of issuer i

C: Carbon emissions* of issuer i

* Carbon emissions = scope 1 and scope 2 emissions

Emission reduction target-setting methodology and scope

Following the release of the NZAOA protocol, we announced our initial set of interim (2025) targets in March 2021. The targets cover the following:

– Listed equity, listed corporate debt and direct real estate.
– Thirty-six percent of our assets under management in the baseline year of 2019.

We chose to calculate corporate-financed emissions and the resulting relative emissions intensity using the protocol's preferred approach, which is based on enterprise value, not revenue.

While a revenue-based carbon intensity measure is a good way to compare companies based on their size and underlying technology, NZAOA members believe the enterprise value approach is a better way to convert a corporation's operational emissions (scope 1+2) into the "financed emissions." This can be attributed to a company's underlying equity and/or debt investors, who are ready to take additional responsibility for these emissions. To calculate corporate financed emissions, we use the following methodology:

– Scope 1+2 emissions in line with the GHG protocol are provided by S&P Trucost.
– Enterprise value is defined as the sum of market capitalization of common stock at fiscal year end, the market capitalization of preferred equity at fiscal year end, and the book values of debt and minorities' interests minus the cash and cash equivalents held by the enterprise. When enterprise value is not available (for example for financial companies) it is substituted with market capitalization. Enterprise value data is provided by S&P Trucost.

Market value is defined as the market value of listed equities and listed corporate debt at fiscal year end.

While all financial data (enterprise value and market value) is calculated as of December 31 of the reporting year, we use the latest available corporate emission data available as of January each year, when portfolio-level financed emissions are calculated on an annual basis. This means that emissions data is systematically lagging. For example, financed emissions for 2022 will be largely based on full-year 2021 emissions data, as full-year 2022 emissions data will only be made available by investees in H1 2024, and tends to flow to data providers via CDP submissions in the fourth quarter of a given year.

To increase transparency and improve the quality of our portfolio, we are aiming to increase the share of green certified buildings in our global real estate portfolio to 30 percent by 2025. We are also working on enhancing the completeness of our data and reported a coverage ratio[1] of 65 percent for 2021.

Table 10
Green certified buildings[1]

	% green certified buildings 2022	% green certified buildings 2021	% green certified buildings 2020	% green certified buildings 2019	Target 2025
Zurich Global Real Estate Portfolio[1]	25%	19%	22%	25%	30%
APAC	0%	-	-	-	
EMEA	27%	20%	23%	28%	
Americas	17%	19%	18%	17%	

1 Market-value weighted and based on balance sheet investments, incl. buildings used by Zurich.

As a founding member of the NZAOA, we apply the NZAOA methodology to listed equity, corporate bonds and direct real estate. Given the importance of sovereign debt for institutional investors, we are currently working with the NZAOA to develop a methodology that allows targets to be expanded to sovereign debt.

TCFD E

Financing the transition 2022
Climate solutions are investments in economic activities that contribute substantially to climate change mitigation or adaptation. These are solutions that reduce greenhouse gases by avoiding emissions and/or by sequestering carbon dioxide already in the atmosphere. Further examples of solutions include investments in climate change adaptation that contribute to enhancing adaptive capacity, strengthen resilience and reduce vulnerability to climate change.

1 The coverage ratio is the gross floor area (GFA) in square meters (m^2) of completed properties for which data is collected as a percentage of the total GFA area in m^2 of all completed properties in the portfolio.

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

Our targets for financing climate solutions enhance our existing long-term engagement to provide green financing solutions under our impact investing strategy and also counts investments in green certified buildings. For further information on our impact investment approach, please see pages 167 to 168.

Table 11
Financing the transition 2022

	2022	2021	2020	2019 (baseline)	Diff (to baseline)	Target
Climate solution investments (USDm)	8,675	8,203	8,054	7,408	17.1%	**upward trend**
of which green impact investments[1]	4,640	5,115	4,424	3,662	26.7%	
of which green certified buildings[2,3]	4,035	3,088	3,631	3,747	7.7%	
Million metric tons CO2e avoided through climate-related impact investments[4]	3.2	4.6	2.9	2.8	13.1%	**5**

1 Values refer to the environmental share of Zurich's impact investments displayed in table 13: Impact investing portfolio.
2 Green certified buildings based on balance sheet investments, incl. buildings used by Zurich.
3 Values refer to the share of green certified buildings of Zurich's global real estate portfolio displayed in table 10: Green certified buildings.
4 Impact numbers for 2021 and following include methodology upgrade, as explained in Zurich's impact measurement methodology paper: www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/zurich-impact-measurement-framework.pdf

Other Responsible Investment KPIs

The following section shows the progress we have made with our responsible investment strategy in 2022 and over the last six years.

Responsible Investment strategy KPIs

Our responsible investment strategy is aimed at successfully managing Zurich's proprietary investment assets, while mitigating costs to the environment and delivering benefits to society. Our strategy is based on three pillars:

- **ESG integration:** integrate ESG factors into the investment process – across asset classes and alongside traditional financial metrics while generating superior risk-adjusted, long-term financial returns.
- **Impact investing:** build an impact investing portfolio that makes a positive contribution to the environment and society, to improve the lives of 5 million people and to help avoid the emission of 5 million metric tons of CO2e per year.
- **Advancing together:** make responsible investment mainstream through collaborative engagement with other industry participants and engaging with policy makers to build markets in which ESG risk is priced efficiently and decarbonization is incentivized.

In 2022, we committed to allocating 5 percent of our proprietary assets to impact investments by 2025. Zurich evaluates impact investments within the context of specific asset classes and creates dedicated strategies for impact investments for each class. We continue to grow our existing global impact investment portfolio and evaluate new prospective opportunities across asset classes to broaden our approach.

Table 12
Investment portfolio managed by responsible investors

	2022	2021	Change	2020	2019	2018
Assets managed by responsible investor[1]	99.6%	99.6%	0pts	99.6%	98.2%	97.5%
Total amount of impact investments (USD millions)	6,328	7,037	(10%)	5,770	4,555	3,790
% of investment portfolio	3.8%	3.3%	13ppts	2.5%	2.2%	1.9%
Investment portfolio (USD millions)[2]	168,478	211,334	(20%)	226,389	204,803	195,472

1 A United Nations supported PRI signatory or asset manager that fulfills our minimum requirements for ESG integration. Please see our responsible investment white paper: www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/responsible-investment-at-zurich
2 Investment portfolio is calculated on a market basis, and is different from the total Group investments reported in the consolidated financial statements, which is calculated on an accounting basis and doesn't include cash and cash equivalents.

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

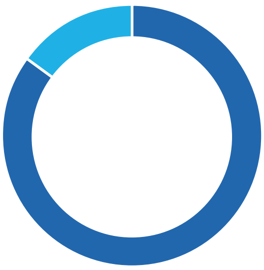
Proxy voting

As part of our active ownership strategy, we require all our managers for listed equities to exercise their voting rights on directly held equities. For our in-house asset management, we ensure that outcomes of engagements are linked to the proxy voting process to form a consistent active-ownership approach. This means that where engagement as part of our net-zero program fails and companies refuse to set targets after due dialogue, we will vote against board members at shareholder meetings.

Figure 23

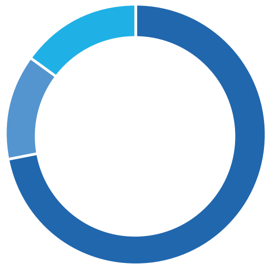
Proxy voting 2022

Our voting activities in 2022



Votes cast	85%
No votes cast	15%

Our voting behavior in 2022



Voted with management	72%
Voted against management	13%
No votes cast	15%

In 2022, we voted 85 percent of our in-scope equity. Close to 80 percent of our equity investments are in scope for proxy voting, please see proxy voting policy for further details. The share of voted equity remains stable when compared to 2021, reflecting last year's successful full roll out of proxy voting to Zurich's externally managed equity portfolios. We measure the votes we cast based on assets under management. Reasons for votes not cast are a combination of portfolio turnover, cost/benefit considerations and voting restrictions (such as demands to vote in person, share blocking or requirements that increase the cost of voting).

Impact investing

Impact investments are investment opportunities that allow us to intentionally target a specific and measurable social or environmental impact. Zurich has set a target to help avoid 5 million metric tons of CO2-equivalent emissions per year, and, separately, make a positive contribution to the lives and livelihoods of 5 million people through its impact investing portfolio. We also committed to investing 5 percent of our proprietary investment portfolio to impact investments by 2025, which will help grow our allocation to climate solutions and investments benefiting society.

We are proud that our impact investment approach won three awards in 2022, recognizing our thought leadership as institutional investor in this area.

In 2022, our impact investing portfolio of USD 6.3 billion helped avoid a total of 3.2 million metric tons of CO2e emissions and benefited 4.7 million people.[1]

1 Please see www.zurich.com/sustainability/customers/investing-responsibly/impact-investment for more details on impact investing approach. Impact numbers for 2021 and following include methodology upgrade, as explained in Zurich's impact measurement methodology paper: www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/zurich-impact-measurement-framework.pdf

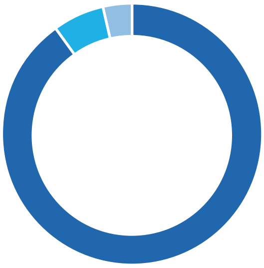
4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

Figure 24

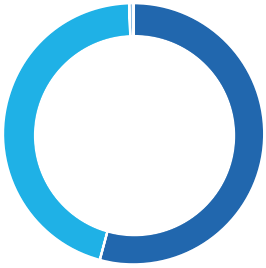
Impact metrics

3.2 million metric tons CO2e emissions avoided



Green, Social and Sustainability bonds	90.1%
Impact private equity	6.4%
Impact infrastructure private debt	3.5%

4.7 million people benefited by positive contribution to the lives and livelihoods



Green, Social and Sustainability bonds	54.4%
Impact private equity	45.3%
Impact infrastructure private debt	0.2%

Impact investing

Table 13

Impact investing portfolio

	2022	2021	Change	2019	2018	2017
Total amount of impact investments (USD millions)	6,328	7,037	(10%)	4,555	3,790	2,830
Total amount of impact investments – environmental share	73%	73%	–	–	–	–
Total amount of impact investments – social share	27%	27%	–	–	–	–
Green, social & sustainability bonds (USD millions)	5,247	5,846	(10%)	3,645	3,104	2,714
Impact private equity (USD millions)	213	211	1%	163	145	116
Impact infrastructure private debt (USD millions)	867	980	(12%)	747	540	–

Advancing together

Responsible investment will only truly have an impact if financial market participants advance together to take this approach mainstream. Supporting collaborative initiatives and working together with other industry participants to advance responsible investment practices forms an integral part of our approach. We have signed the UN-backed PRI as well as the Principles for Sustainable Insurance (PSI) and collaborate with several industry initiatives and research bodies. Most notably, we are a founding member of the NZAOA, as well as the Investor's Leaders Group (ILG), facilitated by the Cambridge Institute for Sustainability Leadership. We co-chaired the Executive Committee of the Green and Social Bond Principles for the first six years after its formation and represent asset owners on the Advisory Board of the Operating Principles for Impact Management. In 2022, we actively participated in 20 membership organizations. Our colleagues spoke about responsible investment at 24 conferences and other industry events around the globe.

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

Own Operations

Please see the table below for progress on Group targets for our own operations against a 2019 baseline. Please note that parentheses around percentages or points indicate a reduction.

TCFD E

Sustainable operations

The Group has set the following targets for its operations against a 2019 baseline:

Table 14

Absolute carbon emissions coming from our own operations[1,2]

Key performance indicator	Unit of measurement	2021	2020	2019 (base year)[1]	2021 change relative to base year	Target reduction 2025	Target reduction 2029
Absolute carbon emissions Absolute reduction in all operational emissions	CO2e (metric tons)	48,555	72,027	180,805	(73%)[2]	60%	70%
Scope 1 + 2 emissions Reduction in emissions from the fleet and onsite heating as well as from purchased electricity, heat and steam (e.g., district heating)	CO2e (metric tons)	21,424	28,262	48,290	(56%)[2]	62%	80%
Scope 3 emissions Reduction in operational emissions resulting from air, rental and rail business travel, employee commuting, strategic data centers, printed paper and waste, as well as indirect energy impact	CO2e (metric tons)	27,131	43,766	132,515	(80%)[2]	60%	67%

1 Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third party vendors are out of scope.
2 During the annual audit of our environmental data 2021 performed in the first half of 2022, a number of data quality improvement opportunities were revealed. Therefore the 2021 results also include restated 2019 and 2020 data.

For details please see: www.zurich.com/sustainability/planet/net-zero-in-operations

In 2021, carbon emissions have continued on a downward trend, extending our overperformance against future targets. This is largely due to the full-year impact of the COVID-19 pandemic and the resulting lockdowns and travel bans. Commuting emissions are the largest source of emissions for Zurich. Commuting data was collected from an all employee global survey conducted in 2020, to understand 2019 commuting behavior. As employees continue to work partly from home, we have once again applied assumptions to the 2019 results. An additional survey was not warranted. Air travel, as the second-largest contributor to Zurich's emissions, has shown real reductions of 91 percent. With our ambition to keep air travel 70 percent below pre-pandemic levels, we intend to maintain the majority of these real reductions in 2022 and onwards even as restrictions on travel from the pandemic are lifted. Fleet emissions declined compared with 2019, in line with a reduction in overall distances travelled and due in part to the transition to more sustainable vehicles.

The most notable emissions reductions unrelated to the COVID-19 pandemic are attributed to progress made with purchasing more renewable power. We have increased the share of renewable power we use to 98 percent in 2021, nearing our 2022 goal of 100 percent.

In 2022, we restated 2019 and 2020 data to try to close coverage gaps and address the findings of the reasonable assurance audit. During the assurance audit on our 2021 data, we agreed, together with the auditors, to make improvements to the quality of a number of data points that only became available after the reporting period closed for the previous year. We focused on solutions to address data in a material manner, however we looked at materiality from a global perspective, from individual emissions categories and from a country perspective. We also found and addressed a system error in the calculation of 2019 commuting emissions. This resulted in an increase to our global base year emissions of approximately 10 percent.

5. Our customers: Their needs are at the heart of everything we do

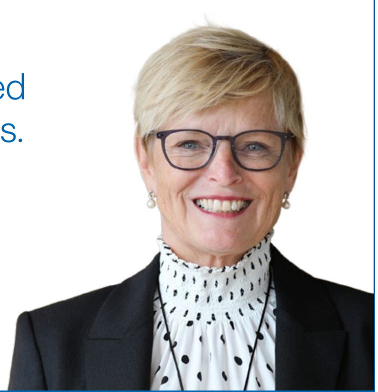
Our customers

Building a brighter future together with our customers.

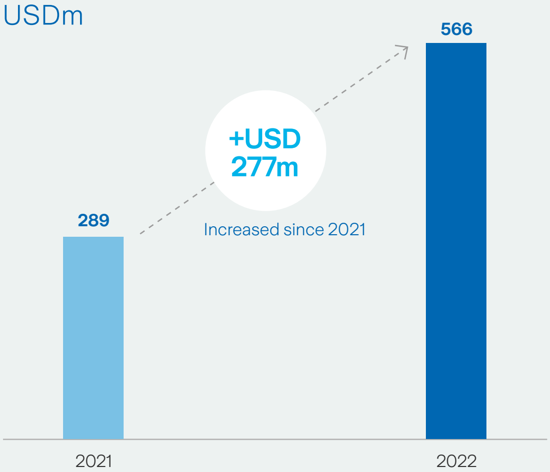
We strive to be a truly customer-led company. In the last six years, we have been making progress toward this goal beginning with our purpose – create a brighter future together, and our brand framework, which defines our values and behaviors as well as our promise to customers, employees, partners and planet. For our customers, this means putting their needs at the heart of everything we do. Throughout our 150-year history, we have proven to be a reliable and trustworthy company in an unstable world, with a long history of using our expertise to care for people and planet. As customer expectations evolve, we will evolve with them to create relevant, innovative products and frictionless customer experiences.

"Customers are at the core of our business. They include individuals, small businesses, mid-sized and large companies, and multinational corporations. We create value for our customers by helping them understand, prevent and protect themselves from risk. At Zurich we continue to take action to build more meaningful relationships with customers.

Conny Kalcher
Group Chief Customer Officer



Revenue from sustainable solutions doubled in 2022
USDm



Customers we've listened to in 2022

1.2m customers

Increase in customer satisfaction since 2021

TNPS[1]
+6.9-point

1 TNPS includes Argentina, Australia – Life, Australia – P&C, Austria, Brazil, Chile, Germany, Hong Kong, Indonesia – Life, Indonesia – P&C, Ireland, Isle of Man, Italy, Japan – Life, Japan – P&C, Luxembourg, Malaysia – Life, Malaysia – P&C, Mexico, Middle East Life, Portugal, Sabadell, Santander, Spain, Switzerland, Turkey, UK and ZNA.

5. Our customers: Their needs are at the heart of everything we do (continued)

5.1 Customer experience and customer-centric solutions

Our vision is to build meaningful relationships with our customers. In 2021, we defined our Customer Experience Strategy, underpinned by a comprehensive set of standards for both retail and commercial insurance customers. These standards provide the quality benchmark for customer experience across the entire organization. By exceeding requirements of local laws and regulations for customer experience, we are better positioned to meet and surpass the expectations of our customers. All country business units have completed, or are undergoing, assessments to measure performance against our customer experience standards before setting action plans for remediation and continued improvement.

The standards cover a range of touchpoints throughout the customer journey (browsing, purchasing, joining, servicing, claiming, renewing etc.) and are set at different levels. These levels are:

- Red line standards, which uphold basic customer expectations beyond regulatory requirements.
- Target standards, which ensure we exceed expectations, for example, ensuring customers can access a simple, plain-language, single-page summary of complex documents or policies.
- Signature standards, which make us unique in the eyes of our customers.

These standards inform initiatives on both a local and Group-wide level, such as offering customers sustainable options (e.g., repair, not replace) and empathy training for front-line employees. Initiatives to improve performance to meet Zurich's customer experience standards are centrally recorded, tracked and mapped against customer KPIs, notably through transactional net promoter scores (TNPS) and relational net promoter scores (RNPS).

5.1.1 Revenues from sustainable solutions

Z E S

Measuring our sustainable solutions through our internal definition

In 2021, we established our own definition of sustainable solutions and measured their associated revenues for the first time. A product/service must undergo a thorough assessment and meet our stringent criteria in order to be classified as a sustainable solution, any new solutions brought forward are approved throughout the year.

The term sustainable solutions refer to insurance products, add-on coverages, investment products and advisory services that are designed or adapted to support activities that generate a positive environmental or social impact and contribute to the mitigation of climate risks.

The table below provides a definition of revenues from sustainable solutions across three categories (environmental, social and investment).

Table 15

Internal definition of revenues from sustainable solutions

Revenues from sustainable environmental solutions	Solutions related to technologies and/or activities that have an impact on reducing greenhouse gases, preserve or enhance biodiversity as well as enable the responsible use of natural resources. These solutions aim to mitigate and support resilience against the adverse impact of environmental related risks on our customers.	Examples include: – Insurance coverage for electric vehicles. – Insurance coverage for carbon mitigation solutions. – Risk prevention services that contribute to more customer awareness and resilience to the adverse impacts of climate change e.g., flood resilience.
Revenues from sustainable social solutions	Solutions that enhance the social or financial inclusion of socially disadvantaged people, or are designed to incentivize healthy lifestyles and safe behavior.	Examples include: – Life protection for customers with existing chronic diseases such as diabetes or cancer. – Life protection policies sold in a bundle with LiveWell. – Micro-insurance for low-income customers, e.g., insurance for smallholder farmers.
Revenues from sustainable investment solutions	Investment products with a focus on sustainability both specific, and not-specific, to environmental and social aspects.	Examples include: – Unit-linked products investing in funds focused on sustainable environmental and social factors, e.g., ESG funds.

5. Our customers: Their needs are at the heart of everything we do (continued)

5.1.1 Revenues from sustainable solutions (continued)

Several products incentivize health, safety, and/or environmentally responsible actions and/or behavior.

We offer retail customers in Austria a 20 percent payback, above the cost of a property restoration after damage, when environmentally friendly materials are used in reconstruction. Our flood resilience toolkit in the UK helps customers reduce the flood risk in their properties. In Ireland, we offer a discount on motor cover to those customers who also own a commuter ticket for travel on public transport.

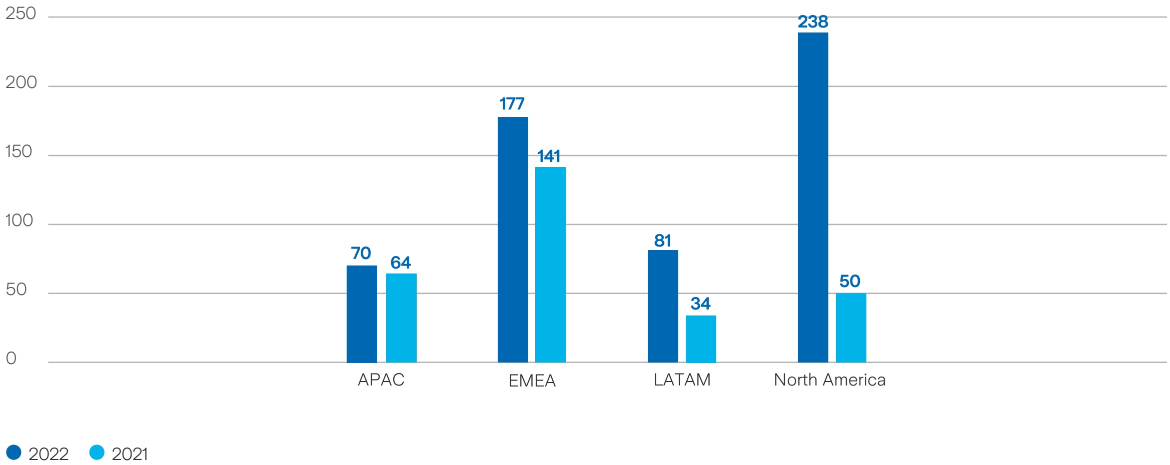
In North America, we cover additional costs that might occur when choosing environmentally friendly alternatives to rebuild property after damage, thereby helping customers rebuild in compliance with existing or emerging green standards.

In Indonesia, we provide health protection for those who would not ordinarily get cover, for example those who have existing health conditions, as well as those who have been diagnosed with dengue, typhoid, pneumonia, diphtheria, and meningitis.

Figure 25

Revenues from sustainable solutions by region

In USD millions



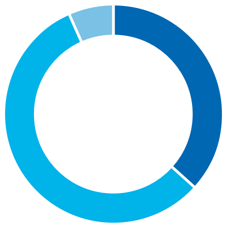
Sustainable solutions meeting our internal criteria generated approximately USD 566 million (0.7 percent of our total gross written premiums and policy fee income) in revenues during 2022 (USD 289 million in 2021), with the largest contributions coming from North America at USD 238 million and EMEA with USD 177 million, providing a percentage increase of 377.3 percent and 25.8 percent, respectively.

EMEA contributed just under a third of the revenues from sustainable solutions in 2022 at 31.3 percent, driven by growth in EV, sustainable energy and unit-linked solutions. North America contributed 42.0 percent of our revenues this year, driven by the first time inclusion of the workers compensation solution for truckers and independent service providers. APAC contributed 12.3 percent of sustainable revenues including both electric vehicle and solutions offered through our LiveWell business. LATAM generated revenues of USD 81 million, contributing 14.4 percent, mainly driven by our individual coverage to more exposed individuals solutions, for example the health solutions covering broken bones and burns for vulnerable customers as well as for health professionals impacted by the COVID-19 pandemic.

5. Our customers: Their needs are at the heart of everything we do (continued)

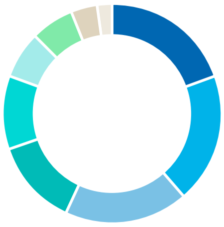
5.1.1 Revenues from sustainable solutions (continued)

Figure 26
Revenues from sustainable solutions by category



The chart on the left shows the breakdown of sustainable revenues by category (environmental, social and investments). Social solutions are now the biggest contributor at 56.9 percent, with environmental solutions at 36.7 percent of sustainable revenues and investment products contributing 6.4 percent.

Figure 27
Revenues from sustainable solutions by product category



The chart above shows the breakdown of revenue by product. The two largest segments come from the electric vehicle and Individual coverage to more exposed individuals products with USD 111 million and USD 109 million respectively, or 19.6 and 19.2 percent of our sustainable revenues. While our workers compensation product for socially disadvantaged customers generated USD 103 million, 18.1 percent of total revenues.

In 2022, there were three product categories that contributed the most to the increase in our sustainable revenues result, namely micro-insurance coverage, EV and workers compensation for socially disadvantaged customers.

Our individual coverage to more exposed individuals solutions are a top revenue generator in 2022, with revenues coming from our new farmers crop coverage against climatic, natural and biological events in LATAM. In addition, revenues from our credit life insurance, which provides cost-effective cover for low-income customers, contributed to the growth in this category.

EV has also seen growth in 2022, reflecting the growing number of drivers choosing to buy EVs over ICE vehicles. Our expansion into e-mobility products, such as coverage for e-bikes, pedelecs and Segways, also contributed to our revenue position in 2022.

Revenues from our workers compensation for socially disadvantaged customers reported for the first time in 2022 contributing USD 103 million to our results. The solution provides workers' compensation for occupational accident to those individual contractors engaging in short-term, temporary work, who would not ordinarily receive it.

5. Our customers: Their needs are at the heart of everything we do (continued)

5.1.1 Revenues from sustainable solutions (continued)

Case study

Electric vehicles

Our approved EV solutions are sold to both retail and commercial customers for vehicles that are 100 percent electric. Although Zurich provides cover for hybrid vehicles, they do not meet our stringent criteria for sustainable revenues and are therefore not included in the above numbers for our sustainability reporting.

As an incentive to our retail customers, in Italy we offer a 50 percent discount on their car insurance if the vehicle is fully electric. Switzerland offers our retail customers a 20 percent discount on their vehicle insurance if the vehicle is electric, including e-vans, -cars and -motorbikes.

In Spain, we extended our standard motor policy to cover the additional needs of our EV retail customers, for example, including coverage for theft of a charging cable or damage done to home charging infrastructure. The roadside assistance product in Spain includes taxi fares should the car battery go flat. In Switzerland, we also cover the loss, theft, misuse and hacking of a charging card or app, including replacement costs.

In Turkey, our liability cover extends to firms in the retail sector who are actively converting light commercial vehicles from diesel to electric.

Sustainable energy

Our sustainable energy products provide coverage for construction of solar and wind power farms. For example, our commercial business in Brazil covers all risks, such as property damage, liability and inland transit. Our retail customers in Switzerland are covered for alternative energy production, for example, geothermal probes and heat pumps, as well as fleet insurance for hydrogen-fueled trucks.

In the commercial business, our energy coverage includes property business in the energy segment, namely property damage, machinery breakdown and business interruption. These policies include the coverage of locations generating electricity from hydro, wind, geothermal and photovoltaic facilities and equipment.

Our household cover in Ireland includes risks associated with solar panel installation and heat pumps, while in Italy, customers who have installed solar panels receive a 50 percent discount on household cover.

As more of our retail customers in Austria install solar panels onto their homes, we developed extensive coverage for solar panel- and solar energy plants, which covers, for example, costs from indirect lightning strikes, malicious attacks, breakdown and negligence, as well as constructional faults, material defects, fabrication defects and the breakdown of safety devices.

5.1.2 Innovating for our customers

We believe insurance is key to facilitating the change required to achieve the low-carbon transition from two perspectives. Firstly, we work with customers and collaborate with public and private organizations to enhance resilience and advocate for solutions to prevent or minimize damage and harm from climate-related perils. Secondly, we develop insurance and risk management solutions for new technologies, business models and approaches that are needed to achieve a climate-neutral economy and provide our expertise to ensure management of the associated risks during implementation. We also use capital markets to search for and fund solutions to many pressing social or environmental issues. Our sustainable revenues provide our customers with innovative solutions, for example one of our Life Insurance products includes additional services to promote a healthy lifestyle, such as therapy, a second medical opinion, a nutritional consultation and health check without any additional costs.

Climate risk solutions

With respect to physical and operational risks potentially impacting our customers, we have expanded our existing natural hazards risk advisory service to include climate change risks. As part of our Climate Change Resilience Services (CCRS), a dedicated team of climate risk experts helps businesses better understand how climate change risk may affect their operations, strategy and financial position and ultimately strengthen their resilience to climate risks. This team not only supports customers in the development of resilience strategies and execution of the necessary measures, but also in various sustainability disclosure initiatives, e.g., TCFD, EU-Taxonomy for sustainable activities, and other regulatory frameworks. The team's approach is science-based and data-driven.

Unit-linked products

In 2022, we continued developing innovative unit-linked ESG solutions and making them available to more of our Life customers. We launched the Swiss Green Bonds Global Fund and articulated our carbon-reduction ambition on both the equity and credit allocations within our Irish multi-asset funds.

5. Our customers: Their needs are at the heart of everything we do (continued)

5.1.2 Innovating for our customers (continued)

The Zurich Carbon Neutral World Equity Fund combines a well-diversified investment in the world equity universe with a low-carbon investment strategy with subsequent carbon-offsetting.[1] The fund seeks an investment strategy in alignment with the 1.5°C target of the Paris Agreement.

Since the launch of the fund, we have seen positive feedback from our customers and distributors. As a result, the fund is now available in eight different countries: Chile, Germany, Italy, Malaysia, Portugal, Spain, Switzerland and the United Arab Emirates. Despite challenging environment for financial markets, net flows into the fund were EUR 86 million with assets under management reaching EUR 253 million as at the end of 2022.

At the same time, we have started working on expanding the carbon-neutral fund range and further strengthening the fund's ESG focus.

Zurich Global Ventures

Additionally, Zurich Global Ventures, an innovation hub that drives the development of a series of independent and multi-faceted insurance-related solutions, was created (2021) with the aim, amongst others, of providing innovative services and product offerings that go beyond traditional insurance coverage and are available across markets globally. The goal is to get closer to our customers by offering a customized, proactive and digital experience that empowers individuals and businesses to be better prepared for the future. These new products and services complement our existing insurance propositions, with the aim of providing our customers with a wide range of solutions that meet their needs.

5.2 Customer attraction and retention

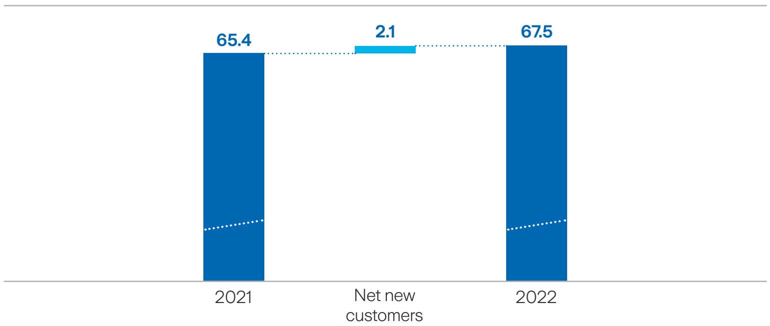
Customer retention rate

Figure 28
Retail – customer retention rate and net new customers 2022

Retail retention rate[2]
(2022)

83%

Net new customers[3]
Customer (m)



Within our insurance business, we continue to see growth in our retail customer base, adding an additional 2.1 million[3] customers in 2022 and growth in our partnership deals. Our ability to continue driving growth here is testament to our constant efforts to build meaningful relationships with our customers and distribution partners. In addition to the customer growth in our retail business, we have also delivered premium growth in our P&C commercial business across all regions within the Group.

1 For the carbon offsetting, Zurich partners with one of the largest REDD+ peat swamp forest projects in the world. REDD+ is a United Nations-backed framework that aims to curb climate change by stopping the destruction of forests. REDD stands for "Reducing Emissions from Deforestation and forest Degradation"; the "+" signifies the role of conservation, sustainable management of forests and enhancement of forest carbon stocks.
2 The customer retention rate is calculated based on retail core customers in the business units mentioned in footnote 3, excluding our affinity partners in Brazil, Germany, Indonesia - P&C and the bank joint ventures with Banco Sabadell and Banco Santander. This exclusion is due to the lower degree of operational control we have on the retention rate of these customers. When calculating the customer retention rate, the attrition of customers in employer-sponsored plans (e.g., life insurance plans) due to turnover (voluntary or involuntary) is not applicable. Additionally, the split between voluntary and involuntary lapse was not made.
3 The number of customers and net new customers are calculated based on retail customers in the following business units: Argentina, Australia Life & P&C, Austria, Brazil, Chile, Ecuador, Germany, Hong Kong, Indonesia Life and P&C, Ireland, Italy, Japan Life and P&C, Mexico, Malaysia, Portugal, Santander, Spain, Switzerland and the UK. To calculate these KPIs, the 2021 numbers have been recalculated to include nine additional countries. New countries in scope are: Argentina, Austria, Chile, Ecuador, Hong Kong, Indonesia Life and GI, Ireland, Mexico, Malaysia and Portugal. Besides extending the scope of countries included, 2021 customer counts were adjusted for reasons including data cleansing and inclusion of portfolios not previously reported.

5. Our customers: Their needs are at the heart of everything we do (continued)

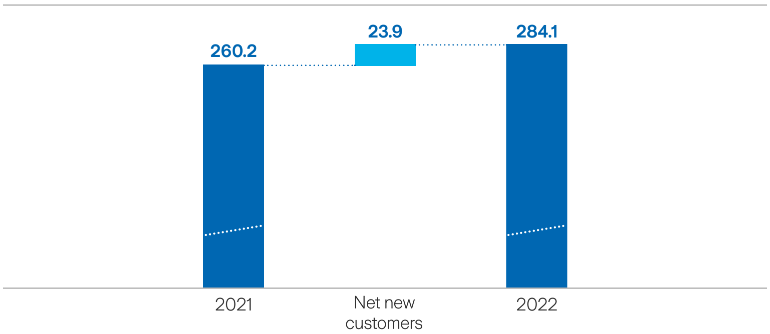
Figure 29

Commercial Insurance – customer retention rate and net new customers 2022[1]

P&C commercial retention rate
(2022)

85%

Net new customers
Customer (k)



Commercial Insurance pursues a customer-focused strategy which saw almost 24,000 net new customers added to the portfolio in 2022. Targeted growth has been achieved in the desired markets whilst delivering a constant and stable customer retention of 85 percent. The 2022 results reinforce our focus on maintaining customer loyalty while continuing to apply underwriting discipline. This consistency is testament to the strong relationships firmly established with our customer and distribution partners across multiple geographies and segments.

Our Corporate Life and Pensions (CLP) business has 31,430 customers globally.[2] CLP enjoys long-term relationships with customers due to its proven relationship management model, with dedicated specialists both locally and globally who focus on our strategic distributor and customer relationships. In addition, in 2022 we made a number of innovations to our products to address the evolving needs of our corporate customers and their employees. One example is the refresh of Australia's Zurich Corporate Care product, which includes Zurich's well-being solution, LiveWell, and has led to an acceleration of new business growth. Finally, CLP is looking to expand its footprint in select markets, for example, in the UK, Zurich launched a new digital portal that caters to brokers who work with SME corporates.

Listening to our customers

Our strong performance across all three segments gives us confidence that we are moving in the right direction to offer products and services that are attractive and relevant to our retail and commercial customers. We continue to evolve our customer experience by listening to and acting on customer feedback through our TNPS programs. We surveyed around 1.2 million customers in 2022 across our business and acted based on their feedback. Actions ranged from small optimizations of processes to more sizeable and cross-functional measures. One example is the improvement of customer experience at our service call center in Spain, which included integration of the customer relationship management (CRM) system for a more personalized service and efficient use of the customer's time. Additionally, new protocols and training for empathetic and clear communication were developed, and monitoring and analysis of customer feedback was improved. This resulted in an improvement of +11 points in our TNPS score for this touchpoint over a period of 10 months in Spain. The combination of these small and large actions across the Group contributed to record levels of customer satisfaction, achieving a 6.9 point increase in our overall TNPS score[3] in 2022.

1 The customer retention rate and number of customers are calculated based on the following business units: Australia, Belgium & Luxemburg, Brazil, Canada, Colombia, Denmark, Finland, France, Germany, Italy, Middle East, the Netherlands, Norway, Russia, Singapore, Spain, Sweden, Switzerland, the UK, the U.S., (ex Crop & Programs & Leisure Travel). When calculating customer retention rate, the attrition of customers in employer-sponsored plans (e.g., life insurance plans) due to turnover (voluntary or involuntary) is not relevant for Commercial Insurance, additionally, the split between voluntary and involuntary lapse was not made. Numbers for 2021 have been recalculated to incorporate the addition of three countries: Brazil, Colombia and Italy in both the customer retention and net new customer KPIs. Besides extending the scope of countries included, 2021 Customer Counts were adjusted for reasons including M&A activity & internal reclassifications across business units.
2 The customer count for CLP is based on the following business units: Australia, Dubai, Hong Kong, cross border from Isle of Man and Luxembourg, international programs (ZGEBS), Switzerland, Spain and the UK.
3 TNPS includes Argentina, Australia - Life, Australia - P&C, Austria, Brazil, Chile, Germany, Hong Kong, Indonesia - Life, Indonesia - P&C, Ireland, Isle of Man, Italy, Japan - Life, Japan - P&C, Luxembourg, Malaysia - Life, Malaysia – P&C, Mexico, Middle East Life, Portugal, Sabadell, Santander, Spain, Switzerland, Turkey, UK and ZNA.

5. Our customers: Their needs are at the heart of everything we do (continued)

5.3 Fair and transparent advice and engagement

In line with our Group's code of conduct, we strive to manage the risks of poor outcomes for our customers and conduct our business in a way that treats them fairly. We acknowledge that they can be exposed to different risks at different stages of the customer journey and believe that clear and transparent communication is critical to mitigate these risks. The Zurich code of conduct provides us with a north star that guides us in ensuring everything we do is held to the highest ethical, legal and professional standards. We have a Global customer-facing conduct framework[1] in place to support strong customer management, including fair communication practices, in all our business units.

Customer-facing conduct (CFC) refers to the activity undertaken to maximize the likelihood of fair and positive outcomes for our customers. The framework is designed to support business units in identifying, evaluating and mitigating the risks related to customer-facing conduct. It also supports developing detective and preventive control activities in existing processes across the customer lifecycle. Group Compliance supports and advises the business to enable effective management of CFC risks in alignment with the changing needs of our customers, new business models and the continued evolution of expectations from regulators and other stakeholders.

Group Compliance independently challenges, monitors and oversees compliance risks to provide assurance to management that the business is compliant with laws, regulations and internal requirements, professional and industry standards, and Zurich's corporate values.

5.3.1 Customer communication

To account for the wide range of products and services we provide across more than 215 countries and territories, our local businesses ensure that our approach to informing customers about our products is fully in line with both regulatory and customer expectations. We have a wide range of product literature available to inform customers about our products and services, including product suitability, policy coverage, cost structures, exclusions, etc. Information on our range of products is available through several channels, including our website, financial intermediaries, email, social media, television, press, digital and print advertising.

5.3.2 Continuously measuring and improving claims handling

Customers purchase insurance to transfer risks. Empathetic and competent claims services are critical to providing good customer service. We strive to put the customer at the heart of everything we do and to make the claims experience transparent, personal and responsive. We are also driving sustainable solutions in our claims handling processes which benefit our customers, people, partners and planet.

Through our TNPS program, we strive to gain a better understanding of how our customers experience different touchpoints of the customer journey. We consider claims handling to be one of the most important steps in customer experience, for which we won an award in 2022.[2] It is the ultimate test of our services. The claims TNPS provides us with feedback on how well we are performing in the eyes of our customers throughout the claim and helps us with insights on specific aspects or drivers that affect their experience. The claims TNPS is calculated for all countries with Retail Insurance presence and a broad set of countries for Commercial Insurance. The claims TNPS score[3] has been maintained in line with 2021 performance despite a challenging year and previous high ratings.

We have established a strong sustainability framework for Claims. This includes defined standards to support our customers, communities, people and partners. Every country has a three-year action plan to achieve the standards set out by the framework. The standards vary from loss prevention and mitigation to re-skilling our workforce. They also include making sustainability a key determining factor in developing future partnerships. We are committed to creating and working with partners to deliver innovative sustainable solutions ranging from growing the circular economy to providing extra support and care to our customers. For example:

In Portugal, we partnered with a company that focuses on repairing, rather than replacing, equipment damaged due to electrical issues with 738 repairs completed in 2022.

In Brazil, we have partnered with our motor repair body shops to certify them with a "Green Seal". This supports local businesses, ensures sustainable practices and raises awareness of sustainable measures that can be put in place, such as reducing water consumption and safe handling of waste (e.g., oil, tires). In 2022, we certified 158 motor repair body shops.

1 www.zurich.com/about-us/corporate-governance/code-of-conduct/we-care-about-our-customers
2 Insurance Post: The British Insurance Awards 2022 "Customer Experience Award": https://www.insuranceawards.com/2022-winners
3 TNPS includes Argentina, Australia - Life, Australia - P&C, Austria, Brazil, Chile, Germany, Hong Kong, Indonesia - Life, Indonesia - P&C, Ireland, Isle of Man, Italy, Japan - Life, Japan - P&C, Luxembourg, Malaysia - Life, Malaysia – P&C, Mexico, Middle East Life, Portugal, Sabadell, Santander, Spain, Switzerland, Turkey, UK and ZNA.

5. Our customers: Their needs are at the heart of everything we do (continued)

5.3.2 Continuously measuring and improving claims handling (continued)

In Indonesia, we focused on increasing the usage of telemedicine services for our out-patient treatment. Our customers recover faster with digital services, as we can respond in a more sustainable and efficient way to their needs. In Australia, our Claims staff have been specifically trained to assist customers in vulnerable situations and are supported by vulnerable customer champions.

Throughout our business, we recognize that customer vulnerability can be temporary, permanent or sporadic and could be related to health, life events (e.g., marriage, divorce, having children), capabilities (e.g., issues related to mental health, physical and mental disabilities), financial resilience and more. Examples range from supporting a customer with dementia by working with their loved ones and offering large font and Braille for visually impaired customers, to supporting a customer with a small business with cash flow problems by providing them with an interim payment as soon as possible.

Another example is Zurich UK's collaboration with the Marine Conservation Society to help preserve Britain's seagrass meadows. For every customer that makes a claim for escape of water or flood damage in a 12 month period starting in August 2022, Zurich will donate to the Marine Conservation Society to recover one square meter of seagrass:

- Initiative will help protect up to 10,000 square meters of seagrass meadow.
- Up to 92 percent of seagrass in the UK has disappeared in the last century.
- Healthy seagrass habitats can absorb around a tenth of the ocean's carbon each year.
- Seagrass is a vital habitat for endangered wildlife, including long-snouted, short-snouted and spiny seahorses.

5.4 Digital confidence and trust

One of our goals is to make people and organizations more resilient by fostering confidence in a digital society. We aim to use this goal to improve customer experience. We are determined to be transparent about data management and Zurich's data protection and privacy policy, as this is a critical factor for customer trust.

During the past year, we also focused on the development of AI solutions and invested in a resilient digital experience, in line with our customer promise.

We frequently educate our employees and senior management on our data protection and privacy policy and our data commitment. Our annual data protection and privacy training was assigned to all employees in 2022, with a global completion rate of 99.8 percent.[1] The completion rate was above 99 percent in all regions. The training highlights the importance of adhering to data protection and privacy policies, observing privacy rights and using personal data in a legal and transparent manner.

In addition, our annual information security awareness training covers a wide range of information security topics relevant to all employees,[2] with a completion rate of 97.1 percent. The completion rate was above 94 percent in all regions. This annual education is supported throughout the year with smaller, supplemental offerings in the form of tip sheets, bite-sized learning campaigns and more. Topics include working remotely and securely and creating strong passwords. Information security awareness training is reviewed and updated annually to remain on top of latest developments with cyber threats and Zurich policies and controls.

5.4.1 Data commitment[3]

We continued our global investment efforts to deliver on our data commitment, which aims to go beyond regulatory compliance.

We made progress across our businesses in the effectiveness, strength and robustness of processes and controls in place to ensure an increased level of transparency on how we collect, use and share personal data.

Through the implementation of our transformation and digitalization initiatives we support: i) proactive customer engagement, informing customers about how their personal data is being used and how consent is being obtained; ii) enhancement management and fulfillment of customer rights; iii) mitigation of risk of a potential misuse of personal data.

1 Reporting excludes Farmers Group Services, joint ventures and Zurich Global Ventures except for Cover-More and Zurich International.
2 Reporting excludes employees of Cover-More. New joiners, employees with long term absence and leavers in 2022 are also not covered in this KPI.
3 Reporting excludes Farmers Group Services, joint ventures and Zurich Global Ventures except for Cover-More and Zurich International.

5. Our customers: Their needs are at the heart of everything we do (continued)

5.4.2 Cybersecurity[1]

Cybercrime continued to proliferate in 2022 along with increased cyber risk associated with geopolitical instability. International law enforcement and government agencies stepped up efforts to aggressively pursue cyber criminals and dismantle their infrastructure, with positive results in slowing the spread of ransomware. However the continued commoditization of malicious cyber capabilities and growth of cyber crimeware-as-a-service have led to accelerated growth of cyber threats.

Against this backdrop, Zurich's investment in a layered defensive approach based on industry best practices and recognized frameworks, along with a continued improvement approach, has yielded success in protecting Zurich's data in line with our data commitment.

We invested in strengthening and enhancing Zurich's cyber defenses and data protection in 2022. This includes:

- Enhanced threat detection and response.
- Automated cyber threat hunting operations.
- Integration of phish simulation performance data with actual phish targeting and response data.
- Protection against service disruption attacks.
- Protection of web applications.
- Introduction of a dedicated cloud configuration management function.
- Proactive, behavior-based models for detecting insider risk.

Our Cyber Fusion Center (CFC) continued to advance automation efforts to address ever-increasing numbers of threat alerts and phishing attempts.

We tripled the capacity of the offensive security Red Team[2] and began continuous, proactive searches for system vulnerabilities and unsecure configurations[3] in our systems.

Since the beginning of 2022, the team has detected and fixed more than 40 potentially critical security issues that could have led to a data breach or adverse impacts on our operations or our customers.

As data privacy and protection continues to be a key concern, and to align with our data commitment, we have expanded our data loss prevention program beyond EMEA to all regions globally. By the end of 2023, we expect to have all Zurich business units and functions fully adopting the Group-managed service or demonstrating equivalent capabilities. We are also adopting the newest technologies available on the market (such as next-generation firewalls, breach attack simulation, endpoint protection and multi-factor authentication) to help detect and remediate sensitive data access issues internally and prevent the loss of sensitive data externally.

We also deployed a new system to better detect software flaws across the information technology environment and provide a streamlined, efficient workflow for correcting them and reporting the results.

We strengthened our governance through the addition of a new assurance process that tests compliance with policies and controls related to cyber and information security. At the beginning of 2023, we will introduce an expanded control framework that adds third party risk, business resilience, data and information governance, and physical security controls to the existing IT controls portfolio.

We are investing in cutting-edge data science tools and processes to analyze the data we receive through the monitoring of our networks and IT systems in order to better detect malicious cyber activities. This allows us to detect hidden patterns in data and build data models to assist in further securing our environment.

We continue our dedication to full transparency concerning information security or cyber events that may result in the loss, exposure or misuse of customer data. We have strict protocols in place to comply with all regulatory notification requirements and will immediately inform and provide full assistance to any customers whose data or data privacy may be impacted, regardless of whether the incident involved Zurich directly or one of our partners.

1 Reporting excludes Farmers Group Services and Zurich Global Ventures, however, Zurich International and Cover-More are included.
2 Team conducts offensive security operations to identify and report vulnerabilities.
3 Misconfigurations are flaws in the way a software environment is configured, security vulnerabilities are flaws in the software itself.

5. Our customers: Their needs are at the heart of everything we do (continued)

5.4.3 Business resilience[1]

As cyber threats continue to evolve, we have enhanced our protective, responsive and recovery capabilities. These help us to deliver critical customer services under operational stress as part of our standards for minimum viable operating environment (MVOE). Highly critical services include email, telephony and the availability of customer, policy and claims data.

In 2022, we deployed a new global platform to support business impact analysis (BIA) and business continuity planning (BCP). Seven countries[2] started using this platform and more countries will adopt it in 2023. In parallel, we enhanced our recovery capabilities beyond traditional disaster recovery to allow restoration of critical IT infrastructure. This will ultimately support the recovery of critical business applications.

We are using our experiences from the COVID-19 pandemic and latest cyber threats, to further enhance our crisis management capabilities with additional readiness procedures, processes and communication tools. This allows for a more effective response to cyber, data and technology events.

We began planning and developing an initial framework to meet new operational resilience regulations, which came into force in Ireland and the UK in December 2021 and March 2022, respectively. We are developing a multi-year road map to implement this framework across the organization to ensure we are ahead of upcoming regulatory requirements and to further enhance our operational resilience.

5.4.4 Ethical use of artificial intelligence (AI)[3]

In 2022, we began to deploy the Zurich AI Assurance Framework – a governance model designed to safeguard the ethical use of AI solutions taking into consideration key requirements of emerging regulations, such as the EU AI Act, UK AI Rulebook, US Algorithmic Accountability Act, and the Monetary Authority Singapore's (MAS) Assessment Methodologies for Responsible Use of AI by Financial Institutions. We aim to implement this framework by the end of 2023.

Particular emphasis is given to developing capabilities (e.g., creation of a global AI use case inventory, an AI risks and impact assessment, a governance checklist for AI solutions) as well as implementing processes, controls and automated tools that ensure Zurich adheres to their ethical AI principles of fairness, transparency and accountability. Building on evolving best practices and guidelines from international governance bodies, such as the Organization for Economic Cooperation and Development (OECD), we made significant progress on the definition of criteria for responsible and robust AI and assessment of AI use cases to mitigate potential risks.

In 2022, we have launched new use cases to enhance the efficiency of our retail and commercial insurance business operations. These included, for example, higher rates of straight-through processing in underwriting, automated motor insurance quotes based on photographs, as well as automated extraction of critical risk data from broker submissions and their integration in underwriting applications. In claims management, new AI use cases included real-time fraud detection in motor insurance and predicting claim severity in workers' compensation. We have scaled up conversational AI in numerous business units to enhance customer experience.

One strategic objective of using AI is to contribute to positive and sustainable societal outcomes, such as financial and social inclusion, affordability of insurance and fair treatment of vulnerable customers. To achieve this goal, we have begun to establish AI ethics committees to provide assurance and guidance on the implementation of AI solutions. These committees provide a holistic, diverse and balanced view on the risks and potential benefits of the AI solutions and its compliance with our ethical AI principles.

1 Reporting excludes Farmers Group Services and Zurich Global Ventures, except for Zurich International.
2 Australia, Austria, Canada, Italy, Mexico, UK and U.S.
3 Reporting excludes Farmers Group Services, joint ventures and Zurich Global Ventures, except for Zurich International and Cover-More.

6. Our employees: Let's grow together

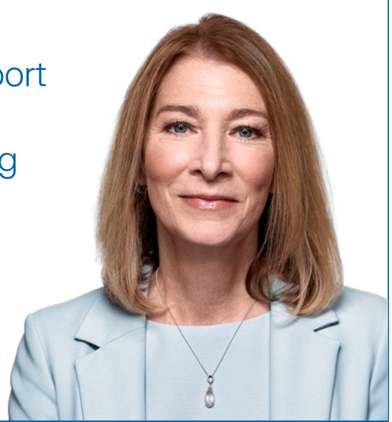
Our employees

We empower our employees to take charge of their careers.

We empower our employees to grow their talents and develop new skills, while refreshing their existing ones. We create a work environment where we embrace diversity and inclusion – not least because diverse minds create more innovation and feed the success of an enterprise. We prioritize employee well-being, supporting people to protect their physical, mental, financial and social well-being, encouraging them to speak up and stay connected.

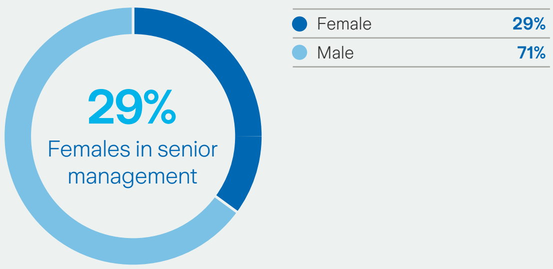
> 'Let's grow together' reflects our aspiration to support employees in their lifelong learning and growth. It invites our people to play an active role in shaping their careers and reinforces the provision of good working conditions and fair, equal compensation, in line with our focus on shaping a sustainable approach to working.

Kathleen Savio
Group Chief Transformation and People Officer

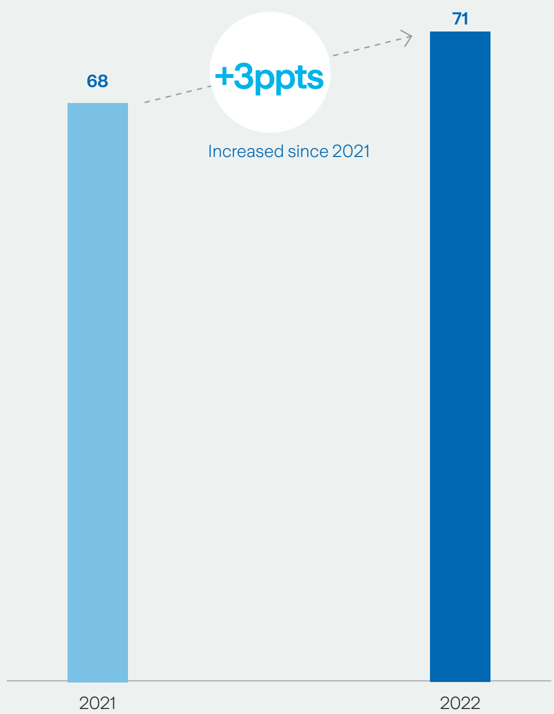


6.1 Attracting talent for a sustainable future
6.2 A safe working environment that supports health and well-being
6.3 An integrated and systematic approach to diversity, equity, inclusion and belonging (DEIB)
6.4 Prevention of bribery and corruption

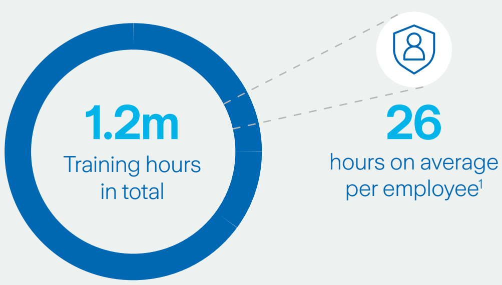
Gender diversity
%



Internal hire rate
%



Training and development



1 Only includes hours tracked centrally on our global learning platform, including physical and digital trainings, as well as mandatory and voluntary trainings. The KPI does not include locally run trainings not recorded in the system.

6. Our employees: Let's grow together (continued)

6.1 Attracting talent for a sustainable future

6.1.1 Attraction and retention of talent

In 2022, our Group headcount increased by 8 percent to 60,936 employees, driven mostly by acquisitions and organic growth. In parallel, we have successfully continued to attract, develop and retain employees with key skills and capabilities to future-proof our organization.

The total Group employee turnover increased to 12.9 percent compared to 11.9 percent in 2021. While the turnover rates are trending downward in APAC and North America, a continued increase can be observed in LATAM. Labor markets in EMEA are becoming more dynamic, resulting in higher turnover rates, although levels remain lower than those in North America, APAC and LATAM. This is partly in line with historical trends and the local market conditions. The total turnover of men and women is at 12.5 percent and 13.1 percent, respectively.

Our NextGen employees, comprising millennials and Generation Z (Gen Z), continue to have a higher voluntary turnover rate compared with other generations. This is also in line with external market trends. As we remain focused on triangulating data from various sources e.g., employee feedback, our aim is to obtain relevant insights to help inform areas for improvement. Moreover, we continue to leverage our NextGen movement to test ideas and strengthen our existing propositions to employees. In Zurich North America (ZNA), we worked closely together with our local NEXT[1] hub following our global employee net promotor score (eNPS) survey. We ran a pulse survey and subsequently conducted focus groups to better understand the needs of this workforce segment. One of the topics frequently discussed was navigating careers at Zurich. As a result, our ZNA Talent Development team designed and implemented a Career Coaching program, which has been well received.

Overall, we leverage the eNPS survey to ask for employee feedback and act upon it. In October 2022, we achieved a score of +54, the highest since the launch of our "Place to Work" survey in 2018, with a Group-wide participation rate of 83 percent.

1 NEXT is a grassroots movement within Zurich promoting intergenerational dialogue. Their goal is to give a voice to new generations to future-proof Zurich.

6. Our employees: Let's grow together (continued)

6.1.1 Attraction and retention of talent (continued)

Table 16

Turnover in 2022[1,2]

WORLD ECONOMIC FORUM S

Dimension	Voluntary turnover (%)	Involuntary turnover (%)	Total turnover (%)
Female[3]	9.0	4.2	13.1
Male	8.3	4.2	12.5
Baby boomers and prior generations (before 1964)	2.3	11.3[4]	13.7
Gen X (1965 – 1980)	5.6	3.0	8.6
millennials (1981 – 1996)	12.4	3.2	15.6
Gen Z (1997 and after)	18.9	5.8	24.7
APAC	12.9	2.0	14.9
Corporate Center	4.3	3.0	7.3
EMEA	5.8	3.7	9.5
Latin America	8.4	6.6	15.0
North America	11.1	4.9	15.9
Career Level A[5]	8.8	4.3	13.2
Career Level B	7.8	3.1	10.9
Career Level C	5.5	3.5	9.0
Career Level D	3.0	5.0	8.1
Career Level E	5.1	4.1	9.2
Total	**8.7**	**4.2**	**12.9**

1 Reporting excludes Bolivia, Chile sales force, Cover-More, temporary employees and interns.
2 Total turnover formula: (number of voluntary leavers + number of involuntary leavers)/average headcount of the selected year. Voluntary turnover refers to employees deciding to leave the company, e.g., for personal reasons. Involuntary turnover refers to cases where the decision to leave is not entirely made by the employee, e.g., retirement and mutual agreement.
3 Gender breakdown excludes employees with no declared gender (0.1 percent of our total workforce).
4 The high involuntary turnover for Baby boomers and prior generations is largely attributed to retirement.
5 Career level breakdown excludes unranked employees (Cover-More, Farmers Management and Germany, covering 26 percent of our total workforce).

Please note that our internal grading system defines the following progression by career level:[1]

- Career level A comprises all entry level and low specialization roles.
- Career level B includes frontline managers and technical staff.
- Career level C includes middle managers and highly specialized technical staff.
- Career level D comprises senior executives and senior experts.
- Career level E incorporates the most senior roles such as country CEOs and other senior business leaders.

Senior management comprises career levels D and E together.

1 The term 'unranked employees' refers to employees in Cover-More , Farmers Management and Germany who are not assigned career levels and are excluded (26 percent of our total workforce).

6. Our employees: Let's grow together (continued)

6.1.1 Attraction and retention of talent (continued)

Table 17

New hires in 2022[1]

Dimension	New hires (#)	New hires (%)
Female[2]	3,780	49.8
Male	3,738	49.3
Baby boomers and prior generations (before 1964)	213	2.8
Gen X (1965–1980)	1,573	20.7
millennials (1981–1996)	4,135	54.5
Gen Z (1997 and after)	1,668	22.0
APAC	1,175	15.5
Corporate Center	207	2.7
EMEA	3,240	42.7[3]
Latin America	1,190	15.7
North America	1,777	23.4
Career Level A	3,691	48.6
Career Level B	3,488	46.0
Career Level C	314	4.1
Career Level D	85	1.1
Career Level E	11	0.1
Total	**7,589**	**100**

1 Reporting excludes Bolivia, unranked employees (Cover-More, Farmers Management and Germany, covering 26 percent of our total workforce), temporary employees, interns and contractors. Internal appointments filled through lateral/vertical career movements are excluded, international transfers are included.
2 Gender breakdown excludes employees with no declared gender (0.1 percent of our total workforce).
3 EMEA represents almost half of our total workforce, excluding Farmers Management, hence this number is in line with our expectations.

We continue to focus on attracting and retaining employees from all generations to build a solid talent pipeline. Candidates continue to demonstrate strong negotiating power in certain markets, thus in order for us to improve our proposition and the overall recruiting experience, we have implemented a candidate survey which provides us with actionable feedback. For example, one of the key insights emphasized the importance of assigning an 'onboarding buddy' to support successful workplace integration which we have implemented in relevant markets.

Our NextGen population continues to grow as Gen Z increasingly enters the workforce. In 2022, 51 percent of our workforce belonged to NextGen, and this segment contributed 77 percent of the new hires. Looking at our new hires by gender, the split between male and female was close to equal, with 49.3 percent vs. 49.8 percent, respectively.

In sync with our focus on Gen Z as a growing segment of our workforce, we continue to place significant focus in supporting our apprenticeship programs globally. As part of this commitment, we launched an "apprenticeship buddy program" which provides our apprentices with the opportunity to connect and collaborate with peers across the Group. To date seven countries and more than 100 apprentices are participating.

6. Our employees: Let's grow together (continued)

6.1.1 Attraction and retention of talent (continued)

Table 18

Internal hires in 2022[1,2]

Dimension[3]	Metric	Career level B	Career level C	Career level D	Career level E	Senior management[4]	Total 2022 – independent of career level	Total 2021 – independent of career level
Female	Internal hires (%)	69.0	84.5	87.0	71.4	86.5	71.8	69.3
Female	External hires (%)	31.0	15.5	13.0	28.6	13.5	28.2	30.7
Male	Internal hires (%)	66.0	86.6	86.5	72.0	85.5	70.7	67.3
Male	External hires (%)	34.0	13.4	13.5	28.0	14.5	29.3	32.7
Total	**Internal hires (%)**	**67.4**	**85.8**	**86.7**	**71.9**	**85.8**	**71.2**	**68.2**
Total	External hires (%)	32.6	14.2	13.3	28.1	14.2	28.8	31.8

1 Reporting excludes Bolivia, unranked employees (Cover-More, Farmers Management and Germany, covering 26 percent of our total workforce). Entry-level roles (career level A) are by nature disproportionally filled with external candidates, therefore not included in the table. Employees that transferred between countries are excluded and employees that have been rehired are included.
2 Internal hire percentage represents the proportion of appointments filled internally (through lateral or vertical career moves) versus through a new external hire.
3 Gender breakdown excludes employees with no declared gender (0.1 percent of our total workforce).
4 Senior management represents the combination of career levels D and E.

We continue to prioritize internal over external hires, which is reflected in the 2022 internal hire rate of 71 percent. This is an increase of 3 percentage points compared to 2021. This figure excludes hires into entry-level roles (career level A) as these positions are, by nature, disproportionally filled by external career starters.

At a senior level, we have strengthened our internal leadership pipeline to support career growth through vertical and lateral moves. This is reflected in our internal hire rate for the senior management population which is at 86 percent. Thus, external hires are mainly focused on bringing in critical skills and continue to diversify the composition of our employee population globally.

6.1.2 Training and development

At Zurich, we invest in the development of our people through mentoring, secondments, part-time assignments and formal learning. Our global learning platform, MyDevelopment, offers more than 18,000 courses, including the full library of LinkedIn Learning. We recognize the importance of offering employees varied learning opportunities in a number of key domains. We have therefore advanced our offering in a number of areas, for example, building managerial and technical skills through access to a total of 13 technical academies.

Our employees spent more than 1.2 million hours on online learning in 2022, resulting in an average of over 26 hours per employee. This represents an increase of 3 hours per employee compared with 2021.[1]

In 2022, we spent more than USD 33 million on training across the Group, an average of USD 728 per employee.[2]

1 In 2022 we adjusted our calculation to include all employees that consumed learning content in the reporting year. In prior years we only considered employees that were active at the end of the reporting year. This resulted in an increase of the employees included into the metric and as a consequence also the hours learned.
2 Reporting excludes Bolivia and unranked employees (Cover-More, Farmers Management and Germany, covering 26 percent of our total workforce). Employees refers to both full-time and part-time employees.

6. Our employees: Let's grow together (continued)

6.1.2 Training and development (continued)

Table 19

Average learning hours in 2022[1,2]

Dimension	Q1 2022 (# hours)	Q2 2022 (# hours)	Q3 2022 (# hours)	Q4 2022 (# hours)	Total 2022 (# hours)	Total 2021 (# hours)
Female[3]	6.6	9.2	10.0	8.6	28.2	25.5
Male	5.4	8.0	8.9	7.4	24.2	20.8
Career Level A	6.2	8.7	12.3	8.7	27.9	22.6
Career Level B	6.1	8.6	8.5	7.4	25.3	22.3
Career Level C	5.9	8.8	8.5	7.5	26.9	28.9
Career Level D	5.3	7.6	6.8	6.4	22.9	23.3
Career Level E	5.6	6.5	7.0	2.7	18.0	16.8
Senior management[4]	5.3	7.6	6.8	6.3	22.7	23.0
Total	6.0	8.6	9.5	8.0	26.2	23.2

1 Reporting excludes Bolivia and unranked employees (Cover-More, Farmers Management and Germany, covering 26 percent of our total workforce).
2 Only includes hours tracked centrally on our global learning platform, including physical and digital trainings, as well as mandatory and voluntary trainings. The KPI does not include locally run trainings not recorded in the system.
3 Gender breakdown excludes employees with no declared gender (0.1 percent of our total workforce).
4 Senior management represents the combination of career levels D and E.

In 2022, we launched various initiatives to continue to shape a culture of learning within Zurich, for example, the 'Customer Mastery Program', which focuses on building customer capabilities across the organization. The 'Digital Mastery Program', helps employees to further develop critical skills and learn new skills related to digital transformation and other technologies. We also continued to focus on developing leadership and managerial excellence through 'Inspiring Trust', our global manager development program, and the 'Brighter Future Together' leadership team program.

Our global commercial insurance academy focuses on building unique and interactive courses tailored to meet the needs of our employees by blending a variety of learning approaches to deliver content and enable the practice and eventual mastery of skills. These programs focus not only on technical proficiency in certain areas, for example, our course in active portfolio management, but also support the mastery of interpersonal skills, such as relationship building and negotiations via our 'Winning in the Market' programs.

6.2 A safe working environment that supports health and well-being

The health, safety and well-being of our employees is a cornerstone of our ambition to be a sustainable employer. We continue to strengthen our credentials in this space by providing guidance and solutions to cultivate a work environment in which employees can thrive. To read more about our global employee well-being framework and initiatives, please see Employee well-being at Zurich.[1]

We support the physical safety of our employees and continue to report a low accident frequency rate of 113 accidents[2] and zero fatalities per almost 110 million working hours. For a more detailed breakdown of the number and rate of fatalities as a result of work-related injury, please see the index tables on our webpage.[3]

6.3 An integrated and systematic approach to diversity, equity, inclusion and belonging (DEIB)

6.3.1 Ratio of compensation to areas of equality

We put a strong focus on maintaining an inclusive and equitable workplace and have implemented measures to monitor progress globally. We have successfully obtained an EDGE[4] certification for several business units across the Group.[5]

Following this, we developed an in-house equal pay for equivalent work (EPEW) methodology to consistently evaluate whether our people are paid equally for the same or similar roles across the Group. This analysis forms part of our yearly remuneration review cycle.

1 www.zurich.com/en/careers/wellbeing
2 Reporting excludes Bolivia.
3 www.zurich.com/sustainability/reporting
4 www.edge-cert.org/
5 As of December 2022, the following business units are EDGE certified: Argentina, Australia, Brazil Chile, Ireland, Mexico, Santander Brazil, Mexico, and Spain. This covers 20 percent of our total employee population.

6. Our employees: Let's grow together (continued)

6.3.1 Ratio of compensation to areas of equality (continued)

In Switzerland, we have voluntarily conducted internal equal pay analysis for many years. Since 2020, it has become mandatory under Swiss law for companies with 100 or more employees to carry out an externally certified equal pay analysis. In accordance with these requirements, relevant data was evaluated by Switzerland's standard analysis tool for equal pay in 2021 and subsequently audited by the Swiss competence center[1] and the Employee Commission. The result positioned the Swiss business unit and Corporate Center well within the tolerance range of +5 percent to –5 percent, and these results were communicated internally to all employees.

Zurich UK publishes pay gap information across multiple dimensions, for example, gender, ethnicity, LGBTQ+ and disability, to support pay transparency. The pay gap indicates the difference in average pay between two employee groups, and is not the same as equal pay for equivalent work, which Zurich UK measures separately. Differences are normally driven by an imbalance of representation at senior levels.[2]

To find out more about equal pay for equivalent work, please see Pay equality at Zurich.[3]

6.3.2 Global DEIB framework

We strive to integrate diversity, equity, inclusion and belonging (DEIB) into everything we do by taking targeted actions to increase and benefit from diversity within the workforce, to ensure equal opportunities and to foster inclusion and belonging.

We continue to invest in our employee resource groups (ERGs) across the organization, in order to foster exchange across functions, geographies, hierarchies and generations. Our women's innovation network (WIN) is our biggest ERG with several thousand members across all continents. With our ERGs, we strive to raise awareness of and promote diversity and inclusion, cultivate a sense of belonging and create social networks to drive cultural change.

To find out more about our efforts to support diversity and inclusion, please see DEIB at Zurich.[4]

Table 20

Ratio of majority vs. minority in 2022[1]

Dimension	Career level A (%)	Career level B (%)	Career level C (%)	Career level D (%)	Career level E (%)	Senior management[2] (%)	Total 2022 – independent of career level (%)	Total 2021 – independent of career level (%)
Female[3]	63.1	47.2	37.8	29.0	24.2	28.7	50.6	50.6
Male	36.8	52.6	62.1	71.0	75.8	71.3	49.3	49.4
Baby boomers and prior generations (before 1964)	9.2	11.0	11.6	13.5	20.0	13.9	10.6	12.1
Gen X (1965–1980)	29.1	39.4	56.2	70.1	78.9	70.6	38.9	40.4
millennials (1981–1996)	45.8	47.2	32.2	16.3	1.1	15.5	44.0	43.0
Gen Z (1997 and after)	15.9	2.3	0.1				6.5	4.6
National[4]	93.9	89.7	83.4	73.7	41.5	71.9	89.5	89.8
Non-National	6.1	10.3	16.6	26.3	58.5	28.1	10.5	10.2

1 Reporting excludes Bolivia, unranked employees (Cover-More, Farmers Management and Germany, covering 26 percent of our total workforce).
2 Senior management represents the combination of career levels D and E.
3 Gender breakdown excludes employees with no declared gender (0.1 percent of our total workforce).
4 This data excludes North America, for additional information on ethnicity in North America, see: www.zurichna.com/knowledge/articles/2020/08/9-actions-on-racial-equity-from-zurich-north-america

1 www.elep.ch/de/diese-unternehmen-sind-dabei/
2 www.zurich.co.uk/sustainability/diversity-and-inclusion#:~:text=Gender%20pay%20gap%20reports,months%20to%205%20April%202022)
3 www.zurich.com/en/careers/our-people/pay-equality
4 www.zurich.com/careers/deib

6. Our employees: Let's grow together (continued)

6.3.2 Global DEIB framework (continued)

At Zurich, we continuously strive to reach gender balance across the organization. As of end of 2022, 50.6 percent of our employee population is female. In addition, we undertake targeted actions and monitor gender representation across multiple dimensions including career levels and generations. We continue to support the development of female talent to accelerate their readiness for leadership positions in the future. Programs such as the connect female sponsorship program in Commercial Insurance or the female acceleration talent initiative in LATAM are just two examples of the many development programs across the Group.

These and other initiatives have helped drive improvements in gender balance between 2017 and 2022, particularly in the most senior career levels D and E. In 2017, the percentage of females in career level D and career level E were 23 percent and 18 percent, respectively. Female employees were representing a combined 22 percent in senior management. At the end of 2022, the proportion of females in career level D increased by 2.5 percentage points to 29.0 percent in 2022, from 26.5 percent in 2021. For career level E the female representation increased with 0.7 percentage points to 24.2 percent in 2022, from 23.5 percent in 2021. Female employees were representing a combined 28.7 percent in senior management in 2022, compared to 26.3 percent in 2021.

Across the Group, we see a tendency for non-national employees to have greater representation at more senior career levels. This can be explained by the movement of seasoned, internal talent to new opportunities across our Group.

6.4 Prevention of bribery and corruption

6.4.1 Group anti-bribery and anti-corruption policy

WORLD ECONOMIC FORUM | G

Given the serious consequences of financial crime, we invest heavily in controls to prevent and detect any bribery or corruption. We have put in place strong and effective controls and we monitor financial, legal and regulatory developments to conduct business in an ethical and compliant manner.

Zurich's Group policy anti-bribery and anti-corruption (Group policy ABC) sets out the minimum requirements with which its subsidiaries worldwide, including Board members and employees, need to comply.

The Group policy ABC requires the appointment of an anti-bribery and corruption officer (ABCO) for each business unit. The ABCO's duty is to monitor compliance with the Group policy ABC and the applicable local anti-bribery and anti-corruption framework. The ABCO also supports business management in maintaining the local framework and reviewing it regularly to ensure that it appropriately addresses bribery and corruption risks in the business unit.

6.4.2 Training and awareness

WORLD ECONOMIC FORUM | G

Fostering a culture of compliance among all our employees is important. To achieve this, it is critical to encourage general awareness and understanding of potential areas of bribery and corruption risk, applicable laws, and our policies.

We frequently educate our employees and Board members[1] on topics related to compliance and ethics. This begins with mandatory code of conduct training.[2] This annual training raises awareness of what it means to do the right thing. It helps employees and managers feel more confident in making ethical decisions in their day-to-day work. Among other topics covered, the training helps employees to spot and report possible bribery and corruption incidents. In 2022, almost all our employees and senior management completed the training, resulting in a global completion rate of 99.97 percent. The completion rate was above 99 percent in all regions.[3]

Employees whose roles expose them to potentially greater bribery and corruption-related risks are also required to undergo enhanced training on how to identify and respond to potential bribery and corruption risks.

Group Compliance develops the training in line with the Group policy ABC and in consideration of local risks, regulations and requirements for each jurisdiction. The training is reviewed on an annual basis to incorporate new developments and requirements. This keeps our employees and management at the forefront of the prevention of bribery and corruption and helps us fulfil our ambition of being a responsible and ethical business.

1 The code of conduct training will be mandatory for Zurich Insurance Group Ltd / Zurich Insurance Company Ltd Board members as of 2023.
2 The code of conduct training includes the topic of anti-bribery and anti-corruption.
3 In 2022, the code of conduct training was shared with Zurich Insurance Group Ltd Board members and various business partners depending on country requirements. Completion for both groups was not centrally tracked.

6. Our employees: Let's grow together (continued)

6.4.3 Protected advice

WORLD ECONOMIC FORUM G

As discussed above, our business and our employees are all subject to our Group policy ABC[1] and code of conduct,[2] and we provide them with training and other resources that aim to prevent and detect misconduct. If employees suspect misconduct, we want them to feel comfortable reporting their concern and feel supported by the organization when doing so.

There are multiple channels for employees to raise concerns, including local line managers and Legal or Compliance functions. They can also use the Zurich Ethics Line (ZEL) to report concerns, either via telephone or online via a web form. The ZEL can also be used by other stakeholders, including external stakeholders, to raise concerns. Reports to the ZEL can be made anonymously. Zurich does not tolerate retaliation against any employee who reports a concern in good faith.

The ZEL is available globally and offers support in local languages. Once a report is received, it is sent to a designated person within Zurich to be reviewed and, if necessary, investigated. If a report of misconduct is substantiated, we will take remedial actions as appropriate, including potential disciplinary action, and if required, referring the matter to the relevant authorities.

1 www.zurich.com/about-us/corporate-governance/compliant-and-ethical-business
2 www.zurich.com/en/about-us/corporate-governance/code-of-conduct/we-care-about-business-integrity

7. Appendix

Table 21
Emissions profile

		In scope AuM 2022 (USDbn)	In scope AuM 2021 (USDbn)	In scope AuM 2020 (USDbn)	In scope AuM 2019 (baseline) (USDbn)	Diff (2022 to baseline)	Absolute financed emissions 2022 (million metric tons CO2e)[1]	Absolute financed emissions 2021 (million metric tons CO2e)	Absolute financed emissions 2020 (million metric tons CO2e)	Absolute financed emissions 2019 (baseline) (million metric tons CO2e)
Zurich Corporate Portfolio		47.7	63.1	64.3	58.5	(19%)	5.7	6.8	8.3	7.9
By investment asset class[3]	Listed equity	6.4	10.5	10.6	10.6	(39%)	0.5	0.7	0.8	1.0
	Corporate bonds	41.2	52.6	53.8	47.9	(14%)	5.1	6.0	7.5	7.0
By region	APAC	5.0	6.0	5.1	4.5	12%	1.3	1.8	1.8	1.8
	EMEA	29.5	40.7	42.5	38.2	(23%)	3.2	3.9	4.8	4.5
	Americas	13.2	16.3	16.7	15.9	(17%)	1.2	1.1	1.6	1.7
By sector	Utilities	4.0	4.8	4.7	4.4	(9%)	2.2	2.9	2.7	2.7
	Government-owned company	1.7	2.2	2.6	2.7	(37%)	0.9	0.8	1.3	1.4
	Energy	1.9	2.5	2.7	2.1	(13%)	0.7	0.8	1.0	0.7

1 Financial emissions cover scope 1+2 of underlying companies (listed equities and listed corporate credit) attributed with enterprise value methodology and matched based on most recently available emission data.
2 Committed or set targets under SBTi.
3 Corporate portfolio has been newly split by listed equity and corporate bond. Data of previous years were calculated retrospectively.

	In scope AuM 2021 (USDbn)	In scope AuM 2020 (USDbn)	In scope AuM 2019 (baseline) (USDbn)	Diff (2021 to baseline)	Absolute emissions 2021 (metric tons CO2e)[4,5]	Absolute emissions 2020 (metric tons CO2e)[4,5]	Absolute Emissions 2019 (baseline) (metric tons CO2e)
Zurich global real estate portfolio[7,8]	11.1	12.5	11.7	(5%)	39,362	50,669	53,181
EMEA	9.4	10.8	10.0	(6%)	27,897	37,244	41,153
Americas	1.7	1.7	1.7	3%	11,465	13,425	12,028

4 The CO2 emissions are calculated according to the location based method. In cases where the data is available or properties use onsite/offsite renewable energies, the market based methodology is applied.
5 The emission factors are retrieved from the International Energy Agency (IEA, 2020) with exception of Switzerland for local calculation references (Intep, REIDA 2022 and local authorities) which are aligned with IEA.
6 The relative emissions intensity is calculated based on gross floor area (GFA) of the buildings.
7 Real estate emissions are only available with a four-quarter lag. 2022 emissions will be reported in the 2023 report. Includes investment portfolio buildings only, as own-use buildings are part of our operational emissions target.
8 Direct real estate holdings form the base for the emission reduction targets. There are no applicable figures for the APAC region available.

7. Appendix (continued)

Diff (2022 to baseline)	Relative emission intensity 2022 (metric tons CO2e/ 1 million market value)	Relative emission intensity 2021 (metric tons CO2e/ 1 million market value)	Relative emission intensity 2020 (metric tons CO2e/ 1 million market value)	Relative emission intensity 2019 (baseline) (metric tons CO2e/ 1 million market value)	Diff (2022 to baseline)	Target	% of financed emissions with SBT 2022[2]	% of financed emissions with SBT 2021	% of financed emissions with SBT 2020	% of financed emissions with SBT 2019 (baseline)	Diff (2022 to baseline)	% of financed emissions in run-off under coal/oil sands policy 2022
(29%)	119	108	128	136	(12%)	(25%)	23.3	19.9	19.5	14.3	63%	8.0
(44%)	84	71	74	90	(7%)		25.9	25.1	27.8	22.6	14%	
(26%)	125	115	139	146	(15%)		23.0	19.3	18.7	13.2	75%	
(27%)	261	292	355	400	(35%)		6.5	1.2	1.6	1.2	462%	31.5
(29%)	108	95	113	118	(8%)		35.7	32.4	31.3	22.9	56%	0.6
(29%)	89	70	98	105	(15%)		8.2	6.1	4.3	5.3	57%	1.9
(19%)	547	600	565	616	(11%)		19.3	16.7	17.9	14.4	35%	19.6
(38%)	518	375	498	529	(2%)		27.5	26.5	24.3	5.4	406%	1.4
9%	383	310	384	305	26%		–	–	–	–	–	0.9

Diff (2021 to baseline)	Relative emission intensity 2021 (kg CO2e/sqm)[6]	Relative emission intensity 2020 (kg CO2e/sqm)[6]	Relative emission intensity 2019 (baseline) (kg CO2e/ sqm)	Diff (2021 to baseline)	Target
(26%)	17.2	20.4	21.6	(20%)	(30%)
(32%)	18.2	21.3	22.9	(21%)	
(5%)	15.3	18.1	18.0	(15%)	

8. Independent assurance report

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Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the Executive Committee of
Zurich Insurance Group Ltd, Zurich

Zurich, March 8, 2023

Independent assurance report

We have been engaged to perform assurance engagements on certain metrics disclosed in the Annual Report 2022 of Zurich Insurance Group Ltd and its subsidiaries (Zurich Insurance Group) for the year ended 31 December 2022 (the Report). Specifically, for the following metrics, contained in the Integrated Sustainability Disclosure of the Annual Report 2022, we were engaged to provide:

- limited assurance on selected environmental, governance and social key performance indicators in the Report (KPIs in scope of limited assurance)
- reasonable assurance on selected environmental key performance indicators in the Report (KPIs in scope of reasonable assurance).

An overview of the KPIs in scope of the limited and reasonable assurance is attached as appendix to our independent assurance report (the Appendix).

Other than as described in the previous paragraph, which sets out the scope of our engagement, we have not conducted assurance procedures on the remaining information contained in the Report and, accordingly, we do not express a conclusion on this information.

Applicable criteria

Zurich Insurance Group defined as relevant criteria (applicable criteria):

- Global Reporting Initiative Standards (GRI) complemented by Zurich Insurance Group's methodology for environmental indicators 2021 for KPIs listed under 'Reasonable assurance' section in the Appendix. A description of the methodology is available under 'Sustainable operations' at: https://www.zurich.com/sustainability/planet/net-zero-in-operations, 'Overview of emissions targets and results'.
- SASB Insurance reporting standard for KPIs listed under 'SASB standard disclosures' section in the Appendix. The guideline is presented on the SASB webpage at: https://www.sasb.org/standards/download/.
- World Economic Forum's (WEF) Metrics of Sustainable Value Creation for KPIs listed under 'WEF IBC metrics' section in the Appendix. The guideline is presented on the WEF webpage at: https://www.weforum.org/stakeholdercapitalism/our-metrics.
- Zurich Insurance Group's own methodology for KPIs listed under 'Disclosures based on Zurich Insurance Group's own methodology' section in the Appendix. A description of the methodology for these performance indicators is included in the relevant sections of the sustainability disclosures as listed in the Appendix.

Responsibility of the management of Zurich Insurance Group

The management of Zurich Insurance Group is responsible for selecting the applicable criteria and collecting and reporting, in all material respects, the KPIs in accordance with the applicable criteria. This responsibility includes designing, implementing, and maintaining internal control with respect to the preparation of the KPIs that are free from material misstatement due to fraud or errors.

8. Independent assurance report (continued)

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Independence and quality assurance
We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies the International Standard on Quality Control 1, *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Our responsibility

Limited assurance:
Our responsibility is to express a conclusion on the KPIs in scope of limited assurance based on the evidence we have obtained.

Reasonable assurance:
Our responsibility is to express an opinion on the KPIs in scope of reasonable assurance based on the evidence we have obtained.

We conducted our limited and reasonable assurance engagement in accordance with the International Standard for Assurance Engagements (ISAE) 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. This standard requires that we plan and perform the engagement to obtain reasonable and limited assurance as to whether the KPIs in the Report; are free from material misstatement, whether due to fraud or error.

Summary of work performed

Limited assurance:
The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in scope than, for a reasonable assurance. Consequently, the level of assurance obtained for a limited assurance is significantly lower than the level of assurance that would have been obtained had we performed a reasonable assurance.

Although we considered the effectiveness of management's internal control when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal control.

Our limited assurance procedures included, amongst others, the following work:
- Assessment of the suitability of the underlying criteria and their consistent application
- Inquiries of Zurich Insurance Group's representatives responsible for collecting, consolidating, and calculating the KPIs to assess the process of preparing the data, the reporting system, the completeness of the data capture and compilation methods as well as internal control to the extent relevant for the limited assurance engagement
- Inspection of the relevant documentation of the systems and processes for compiling, analyzing, and aggregating the KPIs and testing such documentation on a sample basis
- Analytical procedures and inspection of documents on a sample basis with respect to the compilation and reporting of the KPIs

8. Independent assurance report (continued)

- Checks that the calculations have been correctly applied in accordance with the methodologies outlined in the criteria
- Analytical procedures on the Report regarding plausibility and consistency with the KPIs
- Site visits, inquiries, and inspection of documents on a sample basis

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Reasonable assurance:
A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about the KPIs in scope of reasonable assurance. The procedures selected depend on the practitioner's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error, in the KPIs in scope of reasonable assurance. In making those risk assessments, we considered internal control relevant to Zurich Insurance Group's preparation of the KPIs in scope of reasonable assurance.

Our reasonable assurance procedures included, amongst others, in addition to the procedures listed above for the limited assurance engagement, the following work:

- Site visits (physical or virtual) in 10 countries to visually inspect operations, perform inquiries and inspect documents on a sample basis
- Testing, on a sample basis, of underlying source information to check the accuracy of the data
- Identification and testing of assumptions supporting calculations
- Evaluation of the overall presentation, structure and content of the environmental disclosures

We believe that the evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Emphasis of Matter
We draw your attention to the fact that certain KPIs in the Report in scope of the limited and reasonable assurance, as identified in the 'KPIs reported for year 2021' section in the Appendix, are for the year ended 31 December 2021. Our limited assurance conclusion and reasonable assurance opinion are not modified in respect of the matter emphasized.

Conclusion – limited assurance
Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the KPIs in scope of limited assurance have not been prepared, in all material respects, in accordance with the applicable criteria.

Opinion – reasonable assurance
In our opinion, the KPIs in scope of reasonable assurance are prepared and presented, in all material respects, in accordance with the applicable criteria.

Ernst & Young Ltd

Isabelle Santenac
Partner

Mark Veser
Partner

Appendix: Performance indicators in assurance scope

8. Independent assurance report (continued)

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Appendix: Performance indicators in assurance scope

Limited assurance

SASB standard disclosures

- Figure 13: Probable maximum loss by top three peril regions in Section 4.1.3 Natural catastrophe modeling: current exposure to physical risk on page 137, see also FN-IN-450a.1 in SASB index table online at: https://www.zurich.com/sustainability/reporting
- Revenues from energy efficiency and low-carbon technologies in Section 4.4.2 Our performance metrics on page 158, see also FN-IN-410b.1 in SASB index table online (see link above)
- Figure 28: Retail – customer retention rate and net new customers 2022 in section 5.2 Customer attraction and retention on page 175, see also FN-IN-270a.3 in SASB index table online (see link above)
- Figure 29: Commercial Insurance – customer retention rate and net new customers 2022 in section 5.2 Customer attraction and retention on page 176, see also FN-IN-270a.3 in SASB index table online (see link above)

WEF IBC metrics

- Table 16: Turnover in 2022 in Section 6.1.1 Attraction and retention of talent on page 183
- Table 17: New hires in 2022 in Section 6.1.1 Attraction and retention of talent on page 184
- KPIs on training spend in Section 6.1.2 Training and development on page 185
- Table 19: Average learning hours in 2022 in Section 6.1.2 Training and development on page 186
- Table 20: Ratio of majority vs. minority in 20221 in Section 6.3.2 Global DEIB framework on page 187
- KPIs on employees receiving anti-corruption training overall and by region in 2022 in Section 6.4.2. Training and awareness on page 188
- Financial assistance received from the government in WEF IBC index table online, disclosure 'Employment and wealth generation', reference 'Economic contribution' at: https://www.zurich.com/sustainability/reporting

Disclosures based on Zurich Insurance Group's own methodology

- KPI on percentage of managed procurement spend with suppliers in compliance with or exceeding Zurich's Supplier Code of Conduct (SCOC) expectations in Section 2.4.2 Sustainable sourcing on page 126
- Table 2: Charitable cash contributions 2022 figures in Section 2.4.4 Community investment on page 128
- Figure 11: Annual expected loss for top five peril regions in 2022 in Section 4.1.3 Natural catastrophe modeling: current exposure to physical risk on page 136
- Table 4: Engagement progress in Section 4.2.2 Our performance metrics on page 159
- Figure 21: Engagement progress for top 10 emitters without science-based targets (SBTs) in Section 4.4.2 Our performance metrics on page 160
- Figure 22: Top 10 emitters without science-based targets (SBTs) by sector and region in Section 4.4.2 Our performance metrics on page 160
- Table 5: Assets under Management: corporate portfolio in Section 4.4.2 Our performance metrics on page 162
- Table 6: Absolute and relative emissions of the corporate portfolio in Section 4.4.2 Our performance metrics on page 163
- Table 7: Corporate portfolio with science-based commitments in Section 4.4.2 Our performance metrics on page 164
- Table 8: Assets under Management: real estate portfolio in Section 4.4.2 Our performance metrics on page 164

8. Independent assurance report (continued)

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- Table 9: Absolute and relative emissions of the real estate portfolio in Section 4.4.2 Our performance metrics on page 164
- KPI on Coverage ratio real estate portfolio in Section 4.4.2 Our performance metrics on page 165
- Table 10: Green certified buildings in Section 4.4.2 Our performance metrics on page 165
- Table 11: Financing the transition 2022 in Section 4.4.2 Our performance metrics on page 166
- Table 12: Investment portfolio managed by responsible investors in Section 4.4.2 Our performance metrics on page 166
- Figure 23: Proxy voting 2022 in Section 4.4.2 Our performance metrics on page 167
- KPIs on people benefited and emissions avoided through impact investment portfolio in Section 4.4.2 Our performance metrics on page 167
- Figure 24: Impact metrics in Section 4.4.2 Our performance metrics on page 168
- Table 13: Impact investing portfolio in Section 4.4.2 Our performance metrics on page 168
- Figure 25: Revenues from sustainable solutions by region in Section 5.1.1. Revenues from sustainable solutions on page 172
- Figure 26: Revenues from sustainable solutions by category in Section 5.1.1. Revenues from sustainable solutions on page 173
- Figure 27: Revenues from sustainable solutions by product category in Section 5.1.1. Revenues from sustainable solutions on page 173
- KPIs on employees receiving data protection and privacy training in Section 5.4. Digital confidence and trust on page 178
- KPIs on employees receiving information security awareness training in Section 5.4. Digital confidence and trust on page 178
- KPI on total Group headcount in Section 6.1.1 Attraction and retention of talent on page 182
- Table 18: Internal hires in 2022 in Section 6.1.1 Attraction and retention of talent on page 185

Reasonable assurance

GRI Reporting Initiative Standard disclosures

- Table 14: Absolute carbon emissions coming from our own operations in Section 4.4.2 Our performance metrics on page 169

KPIs reported for year 2021

The following KPIs in scope of the limited and reasonable assurance as listed above have been prepared for the year ended 31 December 2021 and represent the most recent information presented in the Report:

- Table 8: Assets under Management: real estate portfolio in Section 4.4.2 Our performance metrics on page 164
- Table 9: Absolute and relative emissions of the real estate portfolio in Section 4.4.2 Our performance metrics on page 164
- KPI on Coverage ratio real estate portfolio in Section 4.4.2 Our performance metrics on page 165
- Table 14: Absolute carbon emissions coming from our own operations in Section 4.4.2 Our performance metrics on page 169

All other KPIs listed in the ‘Limited assurance’ section above are for the year ended 31 December 2022.

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Risk review

War, the energy crisis and financial turbulence meant that risk management once again took center stage in 2022. Our risk review details both Zurich's response to these challenges in – and the overall approach to – risk management throughout the Group.

Message from our Group Chief Risk Officer

> In today’s volatile world, we are all risk managers. As the Group marked its 150-year anniversary, focused risk management continued to be a cornerstone of our success.

Peter Giger
Group Chief Risk Officer

Risk management in a rapidly changing world.

Dear Shareholder

Events in 2022 clearly demonstrated a world where risks increased in dynamism and interconnectivity. It was a year marked by the resurfacing of historic and intertwined challenges previously considered to have been vanquished – war in Europe, high inflation, energy crises and escalating tensions between major geopolitical powers.

Despite the volatile environment, the Group has continued to remain financially robust and operationally resilient to continue to serve our customers. While there are significant external challenges, our solid risk management provides optimism that the Group can continue to build on its success in the years to come.

This position has been reached through diligent and patient preparation, which has allowed us to adapt quickly to identify, assess and manage the threats arising from today’s uncertain and rapidly changing world.

Message from our Group Chief Risk Officer (continued)

Risk management has been at the center of this preparation, equipping all our employees with the right level of information and discipline to continue to actively take risks within the Group's risk appetite and tolerance.

This has been underpinned by a culture, driven by risk management experts, where risk-reward trade-offs are transparent, understood and appropriately managed.

Our integrated Enterprise Risk Management framework has continued to support effective risk identification and assessment to help protect our capital, liquidity, earnings and reputation. This has been supplemented by the ongoing application of our Total Risk Profiling™ methodology, which has helped to maintain our focus on the risks that matter.

Finding solutions for complex challenges

The war in Ukraine and subsequent energy crisis has added to an already difficult backdrop marked by social imbalances, large-scale public debt, cyber warfare and threats to public health. As authorities and societies continue to search for adequate solutions, challenges are heightened by inadequate preparation, competing interests and the consequences of past decisions.

Nowhere has this been more evident than in the struggle to tame high inflation. Governments and central banks are scrambling to respond – only this time without the firepower and levers once available for similar crises in the past. With limited scope to concurrently manage economic and associated societal pressures, the risk of policy error remains high.

Against this backdrop, our expertise and tools, such as dynamic scenario and sensitivity analyses, to assess and proactively manage potential impacts, are more important than ever. We continue to use the output of scenario assessments, to develop, implement and monitor actions for the benefit of our customers, shareholders and other stakeholders.

Sustainability

While the risk landscape becomes ever more complex, climate change remains the overarching challenge to be tackled in today's world. Managing the risks posed by climate change in tandem with the Group's commitment to sustainability, remains a central part of Zurich's risk management approach.

The scale of the challenge we face means a cross-society approach is required. Zurich is playing its part in responding but also aims to inspire action together with its customers and investees by continuing to promote best practices in managing the interconnectivity of environmental, social and governance (ESG) risks.

Strong financial position

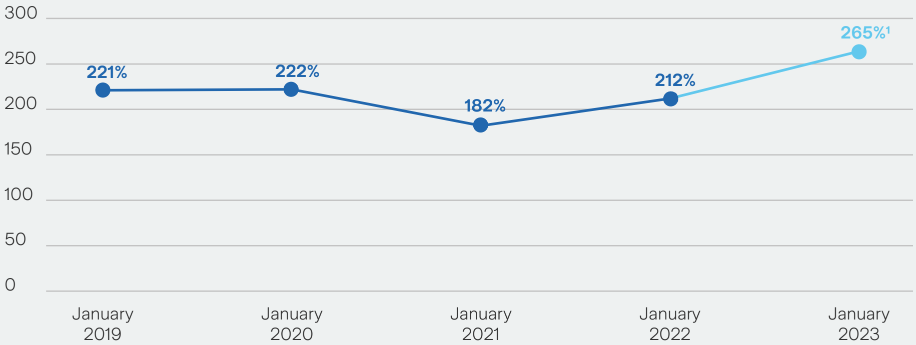
Our financial strength remained at historically strong levels during 2022 (see page 207 for Swiss Solvency Test results). This reaffirms our resilience and ability to continue to support our customers in shaping their future.

Peter Giger
Group Chief Risk Officer

Development of Swiss Solvency Test ratio

The Group Swiss Solvency Test (SST) ratio increased to 265 percent[1] as of January 1, 2023 from 212 percent as of January 1, 2022. The development of the SST ratio in 2022 reflects strong underlying capital generation, portfolio management and a significant rise in interest rates.

SST ratio
in %



1 The SST results as of January 1, 2023 are estimated and may differ from the final SST results, which will be presented in the Financial Condition Report at the end of April 2023.

Analysis of Group total risk capital
in %, as of January 1, 2023

Insurance risk	48%
Market risk, including investment credit risk	50%
Other credit risk	2%

Highlights by risk type

Insurance risk

The Group's insurance risk is diversified by geography, line of business, product and customer, supported by our centralized purchase of reinsurance which led to continued sound insurance outcomes in 2022 in the face of natural catastrophes and the inflationary environment.

Read more:
Pages 210–216

Market risk

Required capital held by the Group for investment risk taking declined during 2022. This is the result of higher interest rates affecting asset and liability market values and a resulting improvement in capital held against any asset-liability mismatch. Financial market volatilities have been stable against prior year while remaining elevated against long-term averages. Market risk has been reduced during the year as a result of the disposal of the Italian Life back book and other actions associated with the German Life back book. The Group's investment portfolio remains well diversified across risk drivers and geographies.

Read more:
Pages 217–223

Other credit risk

Credit Quality remained stable despite challenging macroeconomic and geopolitical conditions.

Read more:
Pages 223–224

Operational risk

Zurich's operational risk management approach enables the Group to focus on high-priority matters under demanding circumstances.

Read more:
Pages 225–226

Risk review

Contents

The risk review information marked 'audited' is an integral part of the consolidated financial statements.

Risk management

Audited

The risk review information marked 'audited' is an integral part of the consolidated financial statements.

Audited

Objectives of risk management

Taking and managing risk is an integral part of the insurance business. Zurich takes risks in order to support the achievement of its strategy and serve its customers in global and local markets. Risk management contributes to enhancing the value of Zurich by embedding disciplined and conscious risk taking, where risk-reward trade-offs are transparent and understood, and risks are appropriately rewarded.

The Group's objectives in managing risks are to:

- Support achievement of its business strategy and objectives, protect capital, liquidity, earnings and reputation by identifying, assessing, responding to, monitoring and reporting risks in line with the Group's risk appetite and tolerance.
- Enable the Board of Directors (the 'Board'), senior management and other stakeholders charged with governance and oversight, to discharge their risk management responsibilities, including risk reporting and external disclosures.
- Support transparency in decision-making processes by providing consistent, reliable and timely risk information.
- Embed a culture of risk awareness and disciplined and informed risk-taking.

Enterprise risk management framework

To achieve its risk management objectives, the Group manages risk according to an established enterprise risk management (ERM) framework. The Group's ERM framework is the structure to manage risks within the organization. It is comprised of six components: risk governance and risk culture, risk appetite and tolerance, risk identification and risk assessment, risk response, risk monitoring, and risk reporting. The Group's ERM framework is documented by both policy and non-policy documents, including the Zurich Risk Policy (ZRP) and related risk policy manuals, and is complemented by training and guidance materials.

The Group's risk appetite and tolerance statement reflects Zurich's willingness and capacity to take risks in pursuit of value creation and sets boundaries within which the businesses act. Zurich protects its capital, liquidity, earnings and reputation by monitoring that risks are taken within agreed risk appetite levels and tolerance limits. The Group regularly assesses and, as far as possible, quantifies material risks to which it is exposed.

The ZRP is a Group policy that articulates Zurich's approach to risks and sets mandatory requirements for risk management throughout the Group. The policy describes the Group's ERM framework and provides a standardized set of risk types. Risk-specific policy manuals provide requirements and procedures to implement the principles in the ZRP.

The Group identifies, assesses, manages, monitors and reports risks that have an impact on the achievement of its business strategy and objectives by applying its proprietary Total Risk Profiling™ methodology. The methodology allows Zurich to assess risks in terms of severity and likelihood, and supports the definition and implementation of mitigating actions. At Group level, this is an annual process, followed by regular reviews and updates by management.

To foster transparency about risk, the Group regularly reports on its risk profile at business, Group, and Board levels. The Group has procedures to refer risk topics to senior management and the Board of Directors in a timely manner.

The Group's solvency position is disclosed on the basis of the Swiss Solvency Test (SST) ratio. The Group's SST internal model is approved by the Swiss Financial Supervisory Authority (FINMA). Zurich's goal is to maintain capital consistent with a 'AA' financial strength rating for the Group, which translates into an SST ratio target of 160 percent or above.

The Group applies the Zurich Economic Capital Model (Z-ECM) as an internal metric. Z-ECM provides a key input into the Group's planning process as an assessment of the Group's economic risk profile.

Risk-based remuneration

Based on the Group's remuneration rules, the Board of Directors designs and structures remuneration arrangements that support the achievement of strategic and financial objectives and do not encourage inappropriate risk-taking.

Group Risk Management's role in respect of remuneration and its interaction with Board committees is described in the remuneration report.

Risk management (continued)

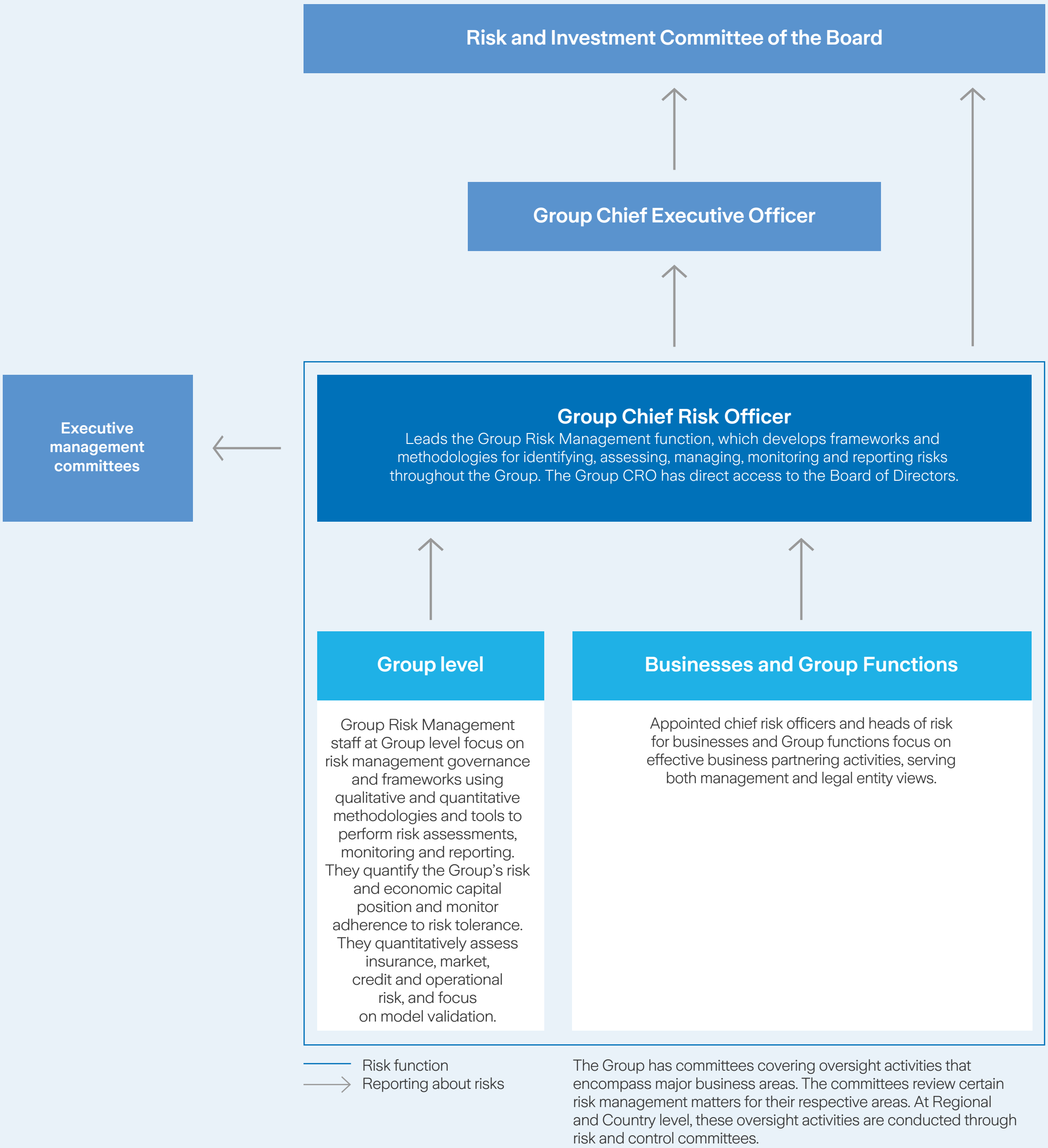
Audited

Risk governance and risk management organization

For information on the Group's overall governance, including the Board of Directors and Group executive level, see the corporate governance report (unaudited).

Risk management organization

The Group Risk Management function is a global function, led by the Group Chief Risk Officer (CRO).



The risk function is independent of the business by being a vertically integrated function. Unless otherwise required by local laws or regulations, chief risk officers and heads of risk report into the Group CRO, except for the Farmers Chief Risk Officer, who has a matrix reporting line to the Group CRO. They independently challenge, support and advise management on business decisions from a risk perspective.

Capital management

Audited

Objectives of capital management

The Group manages capital to maximize long-term value while maintaining financial strength within its 'AA' target range, and meeting regulatory, solvency and rating agency requirements.

As of December 31, 2022, International Financial Reporting Standards (IFRS) shareholders' equity of USD 26.6 billion and subordinated debt of USD 8.9 billion were part of the capital available in the Group's SST available financial resources (AFR). Further adjustments usually include items such as intangible assets, deferred tax assets and liabilities, allowing for discounting of liabilities and the value of in-force business, and market-consistent valuation of external debt according to the methodology under SST.

Zurich strives to simplify the Group's legal entity structure to reduce complexity and increase fungibility of capital.

On January 1, 2023 the Group adopted IFRS 17 'Insurance contracts' and IFRS 9 'Financial Instruments'. For more information including the transitional effects on shareholders' equity, refer to note 2 of the Group's consolidated financial statements.

Capital management framework

The Group's capital management framework forms the basis for actively managing capital within Zurich. The Group uses a number of different capital models, taking into account economic, regulatory, and rating agency constraints. The Group's capital and solvency position is monitored and regularly reported to the Executive Committee (ExCo) and Board of Directors.

Zurich's policy is to allocate capital to businesses earning the highest risk-adjusted returns, and to pool risks and capital as much as possible to operationalize its risk diversification.

The Group's executive management determines the capital management strategy and sets the principles, standards and policies to execute the strategy. Group Treasury and Capital Management executes the strategy.

Capital management program

The Group's capital management program comprises various actions to optimize shareholders' total return and to meet capital needs, while enabling Zurich to take advantage of growth opportunities. Such actions include paying and receiving dividends, capital repayments, share buybacks, issuance of shares, issuance of senior and hybrid debt, securitization and purchase of reinsurance.

The Group seeks to maintain a balance between returns for shareholders and the security that a sound capital position provides, also for our customers. Dividends, share buybacks, and issuances and redemption of debt have a significant influence on capital levels. During 2022, the Group:

- paid a dividend out of retained earnings and capital contribution reserve,
- bought own shares to reduce future dilution from share-based employee compensation plans and to offset expected earnings dilution related to the sale of a legacy traditional life insurance back book in Germany, which is subject to regulatory approval, and
- issued senior and hybrid debt to refinance maturing and callable debt and to early repay hybrid debt, as well as to finance investments in the Group's development.

The Swiss Code of Obligations stipulates that dividends may only be paid out of freely distributable reserves or retained earnings. Apart from what is specified by the Swiss Code of Obligations, Zurich Insurance Group Ltd faces no legal restrictions on dividends it may pay to its shareholders. As of December 31, 2022, the amount of the statutory general legal reserve was more than 50 times the paid-in share capital. The ability of the Group's subsidiaries to pay dividends may be restricted or indirectly influenced by minimum capital and solvency requirements imposed by insurance and other regulators in the countries in which the subsidiaries operate. Other limitations or considerations include foreign exchange control restrictions in some countries, and rating agencies' methodologies.

For more information on issuances and redemptions of debt, see note 18 of the consolidated financial statements. For more information on acquisitions and divestments, see note 5 of the consolidated financial statements.

Risk and solvency assessment

Audited

Regulatory capital adequacy

The Group endeavors to manage its capital so that its regulated entities meet local regulatory capital requirements. In each country in which the Group operates, the local regulator specifies the minimum amount and type of capital that each of the regulated entities must hold in addition to their liabilities. In addition to the minimum capital required to comply with the solvency requirements, the Group aims to hold an adequate buffer under local solvency requirements to ensure regulated subsidiaries can absorb a level of volatility and meet local capital requirements.

Regulatory solvency regimes

Regulatory requirements in Switzerland

The Swiss Solvency Test (SST) adopts a risk-based and total balance sheet approach. Insurance companies are required to provide a market-consistent assessment of the value of their assets and liabilities. Possible changes to these balance sheet positions are modelled over a one-year period to arrive at the total required capital.

Under the SST, insurance companies and insurance groups can apply to use company-specific internal models to calculate risk-bearing and target capital, as well as the SST ratio. The SST ratio must be calculated as per January 1 and submitted to the Swiss Financial Market Supervisory Authority (FINMA). Zurich filed with FINMA an SST ratio of 212 percent (unaudited) as of January 1, 2022. Zurich met the regulatory solvency requirements in Switzerland throughout 2022.

The estimated SST ratio as of January 1, 2023 stands at 265 percent (unaudited). The final SST ratio as of January 1, 2023 will be filed with FINMA by the end of April 2023 and is subject to review by FINMA.

Regulatory requirements in the European Economic Area (EEA)

The main regulatory framework governing the Group's subsidiaries in the EEA is Solvency II. This is a risk-based capital framework which covers capital requirements (pillar 1), governance and risk management (pillar 2) and reporting (pillar 3). All EEA-based legal entities of the Group use the Solvency II standard formula for their pillar 1 requirements with the exception of Zurich Insurance plc (Ireland) that applies an approved internal model. A scheduled review of the Solvency II framework is currently being conducted by the European Insurance and Occupational Pensions Authority (EIOPA) and will entail changes to the standard formula, reporting and introduces new rules around macro-prudential supervision and sustainability. The revised framework is expected to become effective from January 1, 2025.

Regulatory requirements in the UK

The United Kingdom left the EU and the EEA on January 31, 2020 and the transition period ended on December 31, 2020, meaning UK regulations can diverge from Solvency II regulatory requirements. As of December 31, 2022 the UK regulations have not materially diverged. However, a review of the regulations (now called Solvency UK) was completed by the UK government in 2022, and this identified a number of areas where the regulations should be amended to better reflect the UK market. In 2023 and 2024, the PRA and UK HM Treasury will work to enable the UK government's proposals.

Regulatory requirements in the U.S.

In the U.S., required capital is determined to be 'company action level risk-based capital' calculated using the National Association of Insurance Commissioners' risk-based capital model. This method, which builds on statutory accounts, measures the minimum amount of capital for an insurance company to support its overall business operations by taking into account its size and risk profile.

Regulatory requirements in other jurisdictions

Every country has a capital standard for insurance companies. Several jurisdictions (e.g., Brazil and Mexico) have implemented approaches similar to Solvency II.

Risk and solvency assessment (continued)

Swiss Solvency Test (SST) ratio

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.

In 2022, the solvency of the Group has improved by 53 ppts with an estimated SST ratio of 265 percent as of January 1, 2023, well above the Group's SST ratio target of 160 percent. The Group solvency has benefitted from the strong rise in interest rates across all currencies. Strong capital generation and M&A transactions had further positive impact of the ratio.

In the SST ratio calculations as of January 1, 2023, no allowances have been made for the sale of the German traditional life insurance back book which is subject to regulatory approval, however the announced share buy back is accounted for.

SST available financial resources

The Group's AFR are derived from the SST net asset value (NAV). The NAV represents the difference between the market-consistent value of assets and liabilities according to the market-consistent valuation methodology under SST.

During 2022, the Group's AFR reduced by USD 10.1 billion to USD 42.3 billion as of January 1, 2023, compared to USD 52.4 billion as of January 1, 2022. The main drivers of the AFR decrease in 2022 were negative equity and credit market development, USD appreciation and accounting for the announced share buy back and reduction of subordinated debt.

SST target capital

The Group uses an internal risk model to determine the required target capital (TC).

The Group's TC as of January 1, 2023 amounted to USD 18.7 billion, a decrease of USD 9.1 billion compared to USD 27.8 billion as of January 1, 2022, primarily due to a reduction in market risk following the interest rates raise and USD appreciation against major currencies.

Table 1

Group Swiss Solvency Test (SST) ratio and underlying components

in USD billions	**January 1, 2023**[1]	January 1, 2022
Total risk capital	19.1	24.3
Other effects on target capital (TC)[2]	(4.9)	(2.2)
Market value margin (MVM)	4.5	5.7
TC	18.7	27.8
TC minus MVM	**14.2**	**22.1**
Available financial resources (AFR)	42.3	52.4
AFR minus MVM	**37.7**	**46.7**
Group SST ratio	**265%**	**212%**

1 The SST results as of January 1, 2023 are estimated and may differ from the final SST results, which will be presented in the Financial Condition Report at the end of April 2023.
2 Other effects are expected business development over the forecasting horizon, additional business costs and FINMA requirements.

Risk and solvency assessment (continued)

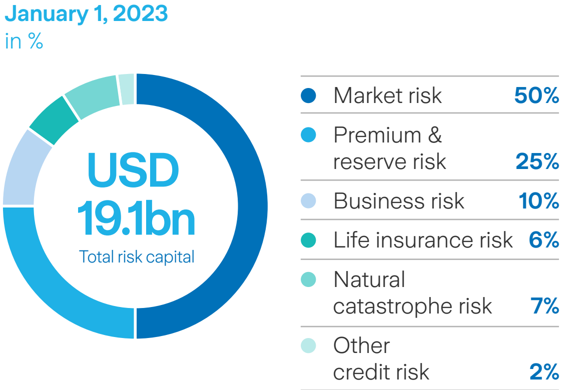
Total risk capital by risk type

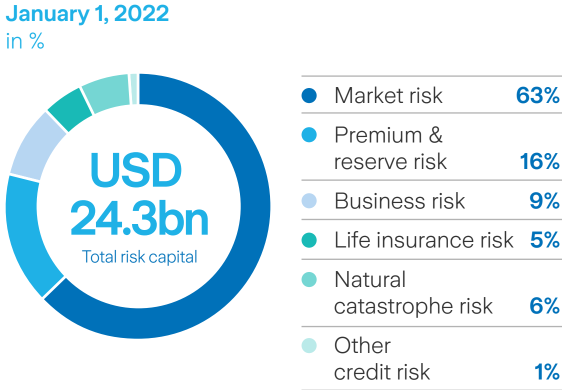
The chart below shows the total risk capital, split by risk type, as of January 1, 2023 and as of January 1, 2022. As of January 1, 2023, the largest components of total risk are market risk and premium and reserve risk, comprising 50 percent and 25 percent of the total risk capital, respectively.

The decrease in total risk capital as of January 1, 2023 compared to January 1, 2022, follows a reduction in market risk, mainly due to the substantially higher interest rate environment and appreciation of the USD against major currencies. Other risk types benefitted from the higher interest rate environment to a smaller degree.

In absolute terms premium and reserve risk remained largely unchanged, however, in relative terms its contribution to the total risk capital has increased to 25% as of January 1, 2023 compared to 16% as of January 1, 2022, following the reduction in market risk and the overall reduction of the total risk capital.

Total risk capital, split by risk type





Sensitivity and scenario analysis

The Group evaluates sensitivities to, and stress scenarios on, the SST ratio, and assesses results relative to Zurich's risk appetite and tolerance. The sensitivities and stress scenarios in the chart below capture two key risks to the Group: market risk and insurance risk.

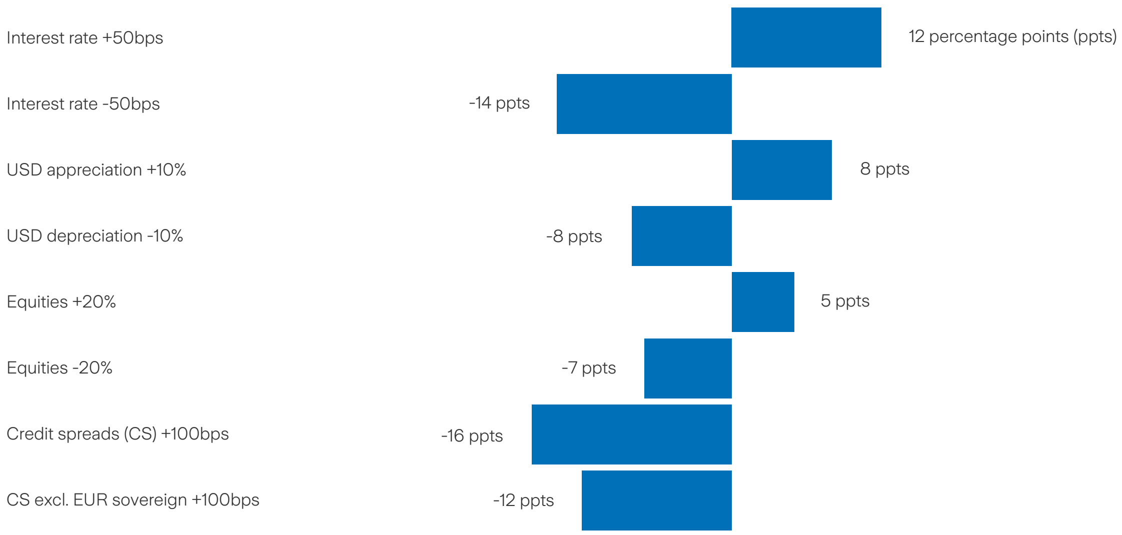
Market risk sensitivities show the estimated impact on the Group's SST ratio of a half percentage-point (50 basis points, or bps) increase or decrease in yield curves, a 10 percent appreciation or depreciation in the U.S. dollar, a 20 percent rise or decline in all stock markets, and a 100 bps increase in credit spreads, with and without euro-denominated sovereign bonds. The sensitivities are considered as separate but instantaneous shocks. They are a best estimate and non-linear, for example, a change to the size of the market movement could result in disproportionally higher (or lower) impact on the SST ratio depending on the prevailing market conditions at the time.

For insurance risk, the chart shows the three largest natural catastrophe events to which the Group is exposed. Insurance risk scenarios are defined as events that have a small probability of occurring but could, if realized, negatively affect the Group's AFR. The impact of insurance-specific scenarios on the target capital is not taken into account.

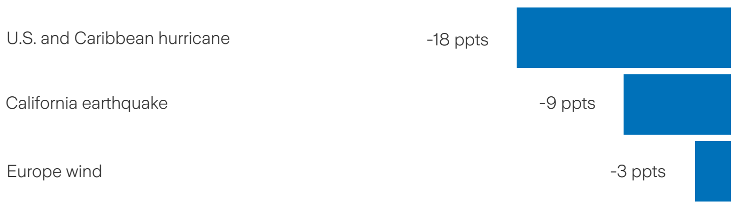
Risk and solvency assessment (continued)

SST sensitivities and scenarios
as of October 1, 2022[1]

Impact on the SST ratio from sensitivities to financial market conditions:[2]



Impact on the SST ratio due to property and casualty risk-specific scenarios:[3]



1 Base ratio and sensitivities are calculated post Italian back book transaction completed in the fourth quarter of 2022.
2 Sensitivities are best estimate and reflect the impact on the pension plans in the UK. For the interest rate sensitivities, shocks are applied to the liquid part of the yield curve. Credit spreads (CS) include mortgages, including and excluding euro sovereign spreads. CS sensitivities of available capital include changes to the volatility adjustment applied to interest rate curves.
3 The insurance risk-specific scenarios relate to natural catastrophe events that are estimated on a modeled 250-year net aggregate loss (equivalent to a 99.6 percent probability of non-exceedance).

Audited

Insurance financial strength rating

The Group has interactive relationships with three global rating agencies: S&P Global Ratings (S&P), Moody's, and AM Best. The insurance financial strength rating (IFSR) of the Group's main operating entity, Zurich Insurance Company Ltd (ZIC), is an important element of Zurich's competitive position, while the Group's credit ratings also affect the cost of debt capital.

On January 13, 2023, Moody's changed ZIC's rating outlook from Aa3 stable to positive, positioning the company as one of the first European insurers to approach the Aa2 level.

According to Moody's, "the change in outlook to positive reflects Zurich's improved profitability that has become stronger and less volatile, supported by a more balanced business mix with reduced risk in its commercial insurance business and diminished exposure to interest rate and credit risk expected on completion of its life insurance back-book sales."

As of January 2023, the IFSR of ZIC was rated 'AA/Stable' by S&P Global Ratings, 'Aa3/positive by Moody's, and 'A+ (Superior)/Stable' by AM Best. The AM Best ICR was 'aa–/positive'.

Analysis by risk type

Audited

Insurance risk

Insurance risk is the risk of deviations in the timing, frequency or severity of insured events from that expected, leading to loss, including adverse change in the value of insurance liabilities (Life and Property & Casualty (P&C)). This may result from inherent uncertainty of insured events or losses, inadequate or ineffective underwriting or accumulation management, inappropriate product development, pricing, claims management, reserving or reinsurance. The profitability of insurance business is also susceptible to business risk in the form of unexpected changes in expenses, policyholders' behavior, and fluctuations in new business volumes. Zurich manages insurance risk through:

- Specific underwriting and claims standards and controls.
- Robust reserving processes.
- External reinsurance.

Property & Casualty (P&C) insurance risk

P&C insurance risk arises from coverage provided for motor, property, liability, special lines and worker injury. It comprises premium and reserve risk, catastrophe risk, and business risk. Premium and reserve risk covers uncertainties in the frequency of the occurrence of the insured events as well as in the severity of the resulting claims. Catastrophe risk predominantly relates to uncertainty around natural catastrophes. Business risk for P&C predominantly relates to unexpected increases in the expenses relating to claims handling, underwriting, and administration.

Management of Property & Casualty (P&C) insurance risk

The Group's underwriting strategy takes advantage of the diversification of P&C risks across lines of business, customers and geographic regions. Zurich defines Group-wide governance for insurance risk including for new products. Underwriting discipline is a fundamental part of managing insurance risk. The Group sets limits on underwriting capacity and delegates authority to individuals based on their specific expertise and sets appropriate underwriting and pricing guidelines. Technical reviews assure that underwriters perform within authorities and adhere to underwriting policies.

P&C insurance reserves are regularly estimated, reviewed and monitored by qualified and experienced actuaries at local, regional and Group levels. To arrive at their reserve estimates, the actuaries take into consideration, among other things, the latest available facts, trends and patterns of loss payments. Inflation is a key challenge globally, with various factors including supply chain constraints and increased energy costs having an impact on insurance losses. Inflation is monitored with insights feeding into actuarial reserving models and Zurich's underwriting processes and pricing, and the implications of a continuing high inflation environment and mitigating actions are a key focus area. The Group's existing risk management and governance processes continue to monitor and respond to the developing environment.

To ensure a common understanding of business insights and new trends for reserve analysis, financial plans, underwriting and pricing decisions, the Group has established a culture of continuous cross-functional collaboration. For this, underwriting, actuarial (pricing and reserving), claims, finance, sales and distribution, risk engineering and risk management contribute to quarterly meetings at local and Group level.

Zurich's Emerging and Sustainability Risk Committee – with cross-functional expertise from core insurance functions such as underwriting, claims and risk management – identifies, assesses and recommends actions for emerging risks.

Governance is in place to ensure appropriate focus on top-line targets and profitability. Reinsurance is deployed to help manage insurance risk. Group Risk Management also provides independent assurance through risk reviews.

The Group is exposed to losses that could arise from natural and man-made catastrophes. The main concentrations of risks arising from such potential catastrophes are regularly reported to executive management.

Analysis by risk type (continued)

Audited

Natural catastrophes

The Group uses third-party models, adjusted to Zurich's view, to manage its underwriting, ensure accumulations stay within intended exposure limits and assess the capital requirement due to natural catastrophes. Consistent with this view on natural catastrophes, Zurich performs profitability assessments and strategic capacity allocations, and chooses the type and quantity of reinsurance it buys.

To ensure global consistency, exposures to natural catastrophes are modeled by a dedicated Group function. Potential losses from property, motor and marine policies with material exposure in hazard-prone geographical areas are probabilistically modeled, as well as worker injury policies with material exposure in U.S. seismic zones. Losses for other lines of business are estimated based on adjustments to these modeled results. Risk modeling mainly addresses weather-induced perils such as wind, flood, tornado, and hail, and geological-induced perils such as earthquake. The most important peril regions for natural catastrophes are U.S. and Caribbean hurricane, California earthquake and European windstorm. The Group has internal modelling capabilities for pandemics.

Zurich regularly reviews and expands the scope and sophistication of its modeling and strives to improve data quality. Zurich continues to invest in a diversified, multi-vendor-based catastrophe modeling ecosystem and in expanding its catastrophe research and development capabilities to complement existing expertise in natural catastrophe risk management (e.g., risks relating to climate change).

Zurich supplements internal know-how with external knowledge (e.g., the Advisory Council for Catastrophes) and is a shareholder of PERILS AG, Switzerland, a catastrophe exposure and loss data aggregation and estimation firm. Zurich is also a member of the open-source initiative, Oasis Loss Modelling Framework.

Man-made catastrophes

Man-made catastrophes include events such as industrial accidents, terrorism and cyber attacks. For terrorism, worker injury and property risk exposures are analyzed to identify areas with significant risk concentration. Other lines of business are assessed, although the potential exposure is not as significant. A vendor-provided catastrophe model is used to evaluate potential exposures in every major U.S. city. The Group's analysis for the P&C business has shown that its exposures outside of North America are lower, in a large part due to government-provided pools. Outside the modeled areas, exposure concentrations are identified in Zurich's Risk Exposure Data Store (REDS). Exposure concentrations for location-based man-made scenarios, other than terrorism, are also identified in REDS, for example, industrial explosions at global ports.

The Group uses third-party models to manage its underwriting and accumulations for cyber and casualty catastrophe risks. The Group actively monitors and manages its cyber exposure and continues to refine products to ensure their appropriateness. Improving modeling capabilities and data quality for cyber and casualty catastrophe risks are key focus areas.

Concentration of Property & Casualty (P&C) insurance risk

The Group defines concentration risk in the P&C business as the risk of exposure to increased losses associated with inadequately diversified portfolios. Concentration risk for a P&C insurer may arise due to a concentration of business written within a geographical area or of underlying risks covered.

Tables 2.a and 2.b show the Group's concentration of risk within the P&C business by region and line of business based on direct written premiums before reinsurance. P&C premiums ceded to reinsurers (including retrocessions) amounted to USD 10.3 billion and USD 9.2 billion for the years ended December 31, 2022 and 2021, respectively. Reinsurance programs are managed on a global basis, and therefore, the net premium after reinsurance is monitored on an aggregated basis. Inflation is driving exposure and rate increases in short tail lines, particularly in North America.

Analysis by risk type (continued)

Audited

Property & Casualty business – Direct written premiums and policy fees by line of business – current period

Table 2.a

in USD millions, for the year ended December 31, 2022	Motor	Property	Liability	Special lines	Worker injury	Total
Europe, Middle East & Africa	4,288	5,317	2,774	2,635	391	15,406
North America	1,871	8,873	3,783	2,712	2,794	20,033
Other regions	1,949	1,701	476	1,684	174	5,984
Total	**8,108**	**15,891**	**7,033**	**7,032**	**3,358**	**41,423**

Property & Casualty business – Direct written premiums and policy fees by line of business – prior period

Table 2.b

in USD millions, for the year ended December 31, 2021	Motor	Property	Liability	Special lines	Worker injury	Total
Europe, Middle East & Africa	4,423	5,336	2,828	2,532	406	15,526
North America	1,728	7,226	3,388	2,540	2,417	17,299
Other regions	1,823	1,634	466	1,401	165	5,489
Total	**7,974**	**14,196**	**6,682**	**6,473**	**2,988**	**38,314**

Analysis of sensitivities for Property & Casualty (P&C) risks

Tables 3.a and 3.b show the sensitivity of net income before tax and the sensitivity of net assets, using the Group effective income tax rate, as a result of adverse development in the net loss ratio by one percentage point. The sensitivities do not indicate the probability of such an event and do not consider any non-linear effects of reinsurance. Based on the assumptions applied in the sensitivity analysis in tables 3.a and 3.b, each additional percentage-point increase in the loss ratio would have a linear impact on net income before tax and net assets. The Group also monitors insurance risk by evaluating extreme scenarios, taking into account the non-linear effects of reinsurance contracts.

Insurance risk sensitivity for the Property & Casualty business – current period

Table 3.a

in USD millions, for the year ended December 31, 2022	Europe, Middle East & Africa	North America	Asia Pacific	Latin America	Reinsurance	Total
+1% in net loss ratio						
Net income before tax	(137)	(130)	(27)	(20)	(1)	(314)
Net assets	(108)	(102)	(21)	(16)	(1)	(247)

Insurance risk sensitivity for the Property & Casualty business – prior period

Table 3.b

in USD millions, for the year ended December 31, 2021	Europe, Middle East & Africa	North America	Asia Pacific	Latin America	Reinsurance	Total
+1% in net loss ratio						
Net income before tax	(137)	(112)	(25)	(19)	(1)	(295)
Net assets	(106)	(87)	(19)	(14)	(1)	(227)

Analysis by risk type (continued)

Audited

Life insurance risk

The risks associated with life insurance include:

Life liability risk

– Mortality risk – when, on average, the death incidence among policyholders is higher than expected.
– Longevity risk – when, on average, annuitants live longer than expected.
– Morbidity risk – when, on average, the incidence of disability due to sickness or accident among policyholders is higher than expected, or recovery from disability is lower than expected.

Life business risk

– Policyholder behavior risk – when, on average, policyholders discontinue or reduce contributions, or withdraw benefits prior to the maturity of contracts at a rate that is different from expected.
– Expense risk – when expenses incurred in acquiring and administering policies are higher than expected.
– New business risk – when volumes of new business are insufficient to cover fixed acquisition expenses.

Market risk

– Market risk – the risk associated with the Group's balance sheet positions where the value or cash flow depends on financial markets, which is analyzed in the 'market risk, including investment credit risk' section.

Credit risk

– Credit risk – the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations, which is analyzed in the 'market risk, including investment credit risk' and 'other credit risk' sections.

Management of Life insurance risk

The Group's Life underwriting results are based on the assumptions relating to life insurance risks. The actual experience may differ to that expected at the time of writing the business. For example, mortality could be either higher or lower than expected due to an unexpectedly harsh or benign flu season.

To understand the potential impact of experience differing from expectations, Zurich uses models to perform sensitivity analyses. The impact of changing the assumptions is considered under different scenarios across the risk types and products. Changes relating to absolute level and trend development in assumptions are considered by product category. For example, Zurich looks at the impact of an increase in morbidity rates for protection products or changes in the level and trend of longevity for annuity products. These analyses assist in understanding how sensitive the business is to changes in various assumptions and where there are benefits of having a diversified portfolio of risks and products. Changes in the same assumption can have a positive impact on one product and a negative impact on another. For example, people living longer than expected may have a positive impact on products that offer life cover, as claims are then paid later than expected, but could have a negative impact on annuity products as payments are made for longer than expected. At Zurich, the Life liability risks are managed through established processes with requirements described in the Zurich Risk Policy.

The Group has local product development and approval committees and a Group-level committee to review potential new life products that could significantly increase or change the nature of the risks or introduce new risks. The Group also regularly reviews the continued suitability and the potential risks of existing life products open to new business to ensure sustainability of the business.

Product pricing involves setting assumptions relating to life insurance risks. Local teams have responsibility for the pricing of the products in line with the experience and emerging trends observed in each market. The emerging experience is regularly monitored and compared against expectations. Where permitted, premiums are adjusted for factors such as age, gender, and smoker status to reflect the corresponding risks. Policy terms and conditions and disclosure requirements are designed to mitigate the risk arising from non-standard and unpredictable risks that could result in a severe financial loss.

The underwriting process forms an important part of risk management and risk selection for life insurance risks. This process is supported through setting standards in the Zurich Risk Policy and providing support through additional underwriting guidelines.

Analysis by risk type (continued)

Audited

Where required and appropriate, life insurance risks are also managed using reinsurance.

Unit-linked products are designed to reduce much of the market and credit risk associated with the Group's traditional business offerings. Risks that are inherent in these products are largely passed on to the policyholder, although a portion of the Group's management fees is linked to the value of funds under management, and hence is at risk if fund values decrease. Contracts may have minimum guaranteed death benefits where the sum at risk depends on the fair value of the underlying investments. Other life insurance liabilities include traditional life insurance products, such as protection and life annuity products.

Protection products (including disability products) provide benefits linked to policyholders' life and health and mainly carry mortality and morbidity risks. Changes in medical treatments and lifestyle changes are among the most significant factors that could result in earlier or more claims than expected or customers claiming for longer than expected. Disability, when defined in terms of the ability to perform an occupation, could also be affected by adverse economic conditions. This impact could come through, for example, an increase in claims relating to mental health conditions triggered by an economic downturn.

Life annuity products provide benefits that are paid to the customer either for a selected number of years, or until they die. Therefore, these products carry longevity risk as people living longer than expected can have a material impact on these products. Medical advances and improved social conditions that lead to increased longevity are significant risk drivers for these products. Annuitant (beneficiary) mortality assumptions include allowance for future mortality improvements. The trends in mortality improvements are monitored to ensure that changes in experience are considered. The exposure to longevity risk at a Group level is measured regularly and compared against the limit set by the Group.

The Group is exposed to risks posed by policyholder behavior and fluctuating expenses. These are mitigated by designing products that, as closely as possible, match revenue and expenses associated with the contract.

The Group is also exposed to investment and surrender risks related to bank-owned life insurance contracts sold in the U.S. These risks have reduced significantly in recent years as several significant policies have switched into less risky investment divisions. See heading 'Other Loans' in note 6 of the consolidated financial statements for additional information.

In the past, low interest rates have led to an increase in both Life business risks and Life liability risks (especially longevity risk). While interest rates have recently risen, the level of interest rates remains an important factor in the evaluation of insurance risks.

Furthermore, interest rate guarantees (with concentration in traditional guaranteed business in Germany and Switzerland, and variable annuity business in the U.S. containing minimum guaranteed death benefits) expose Zurich to financial losses that may arise as a result of adverse movements in interest rates. These guarantees are managed through a combination of asset-liability management and hedging.

The Group has a dynamic hedging strategy to reduce the investment risk associated with the closed book of variable annuitants written by its U.S. subsidiary Zurich American Life Insurance Company. This exposure has fallen substantially as a result of several policy buyback programs since 2015.

Higher than expected inflation could affect Life insurance business through, for example, customer affordability issues and reduced demand. The expenses to administer Life insurance business could be higher than expected, leading to higher product expense loads. This could result in a combination of higher customer premiums and reduced profitability. Potential actions to manage the effects of higher-than-expected inflation include assumption updates, customer behavior monitoring, product reviews and design and customer retention initiatives.

Diversification across regions and businesses, as shown in table 4 below, contributes to reducing the impacts of the risks associated with the Life business described above.

Concentration of Life insurance risk

The Group defines concentration risk in the Life business as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets or obligations. Concentration risk for a life insurer may arise with respect to investments in a geographical area, economic sector, or individual issuers, or due to a concentration of business written within a geographical area, of a product type, or of underlying risks covered.

Analysis by risk type (continued)

Audited

Table 4 shows the Group's concentration of risk within Life by geographic region and line of business based on reserves for life insurance on a net of reinsurance basis. The life insurance reserves also include policyholder surplus reserves with a loss absorbing capacity[1], predominantly in Germany in the amount of USD 2.5 billion in 2022 (2021: USD 9.5 billion) and in the UK in the amount of USD 0.3 billion in 2022 (2021: USD 0.5 billion). The net movement in reserves in Germany in 2022 is mainly related to an agreement entered into by the Group to sell the legacy traditional life insurance back book, which is subject to regulatory approval (see note 5 of the consolidated financial statements). The reduction in net unit-linked insurance contract reserves stems largely from the negative performance of the underlying funds and foreign exchange rate movements. The Group's exposure to life insurance risks varies significantly by geographic region and line of business and may change over time. See note 8 of the consolidated financial statements for additional information on reserves for insurance contracts.

1 Policyholder surplus reserves with loss-absorbing capacity refer to funds allocated to the policyholders that can be used by the shareholders, and which, under certain conditions, may require regulatory approval.

Table 4

Reserves, net of reinsurance, by region

in USD millions, as of December 31	Unit-linked insurance contracts		Other life insurance liabilities		Total reserves	
	2022	2021	**2022**	2021	**2022**	2021
Life						
Europe, Middle East & Africa	39,777	51,005	43,895	78,194	83,672	129,199
of which:						
United Kingdom	11,605	15,700	3,600	4,116	15,205	19,816
Germany	17,415	22,757	9,670	38,155	27,085	60,912
Switzerland	1,025	1,148	15,534	17,069	16,559	18,216
Italy	4,351	4,071	2,948	3,227	7,299	7,297
Ireland	52	976	1,547	2,052	1,599	3,028
Spain	501	602	8,841	11,428	9,342	12,031
Zurich International	4,451	5,298	230	235	4,680	5,532
Rest of Europe, Middle East & Africa	378	454	1,526	1,913	1,904	2,367
North America	12,187	11,749	1,391	1,297	13,578	13,046
Asia Pacific	644	703	4,139	4,467	4,782	5,170
Latin America	16,012	13,516	5,738	5,068	21,750	18,585
Group Reinsurance	–	–	10	9	10	9
Eliminations	–	–	(7)	(6)	(7)	(6)
Subtotal	68,619	76,973	55,166	89,030	123,785	166,003
Other businesses	**3,458**	**5,551**	**10,006**	**10,411**	**13,465**	**15,961**
Total	**72,078**	**82,524**	**65,173**	**99,440**	**137,250**	**181,965**

Reinsurance for Property & Casualty (P&C) and Life businesses

The Group's objective in purchasing reinsurance is to provide market-leading capacity for customers while protecting the balance sheet, supporting management of earnings volatility, and achieving capital efficiency. In addition, it supports the Group Underwriting strategy and risk appetite. The Group follows a centralized reinsurance purchasing strategy for both P&C and Life, and bundles programs, where appropriate, to benefit from diversification and economies of scale. In support of the Group's empowerment-based management model and to align risk-bearing capacities between the Group and individual country operations, internal reinsurance applies to all externally reinsured lines of business. The Group has specific facultative property and casualty reinsurance facilities to actively manage and reduce potential claims-recovery risks on facultative cessions and to support the strategy on operational excellence.

The Group structures and aligns its external reinsurance protection to its capital position to achieve an optimal risk-return ratio. This includes participation in the underlying risks through self-retentions in line with the risk appetite of each line of business. The cession rate for P&C was 23.7 percent (14.7 percent excluding captives, unaudited) as of December 31, 2022 and 23.0 percent (14.2 percent excluding captives, unaudited) as of December 31, 2021. The cession rate for Life was 9.3 percent as of December 31, 2022 and 10.8 percent as of December 31, 2021.

The Group uses traditional and collateralized reinsurance markets to protect itself against extreme single events, multiple event occurrences across regions, and increased frequency of events.

Analysis by risk type (continued)

Audited

The Group participates in the underlying risks through its retention and through its co-participation in excess layers. The Group reviews its reinsurance programs on an annual basis to reflect its risk appetite and market conditions. In 2022, the Group purchased:

- Several regional catastrophe treaties.
- A global property catastrophe treaty which was renewed on April 1, 2022, for a further three years
- A global aggregate catastrophe treaty

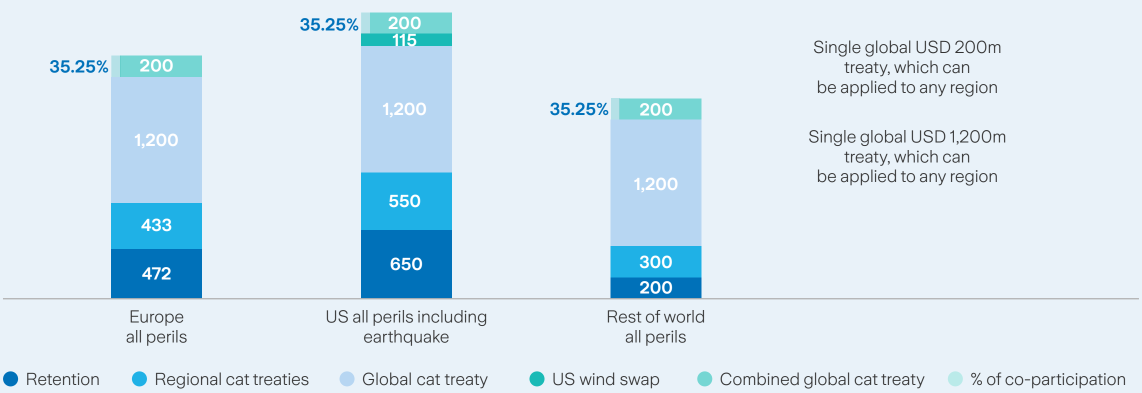
All natural catastrophe reinsurance treaties are on a loss-occurrence basis, except for the global aggregate catastrophe treaty, which operates on an annual aggregate basis.

In addition to these covers, the Group has a bilateral risk swap, and various line of business-specific risk treaties. These covers are reviewed continuously and are subject to change in the future.

To complement existing treaties, the Group purchases catastrophe reinsurance specific to life insurance for its exposure to natural and man-made catastrophes.

The reinsurance market continues to be challenging with reinsurers continuing to increase rates across most regions and lines of business. Property catastrophe and property per risk treaties are under the most pricing pressure. While reinsurance capacity has broadly been available, reinsurers are actively differentiating the best and most sophisticated insurance companies through their deployment of capacity. Strategic partnerships and long-term relationships continue to provide an effective path for Zurich to execute on its reinsurance strategy.

Catastrophe reinsurance treaties
in USD millions



Global aggregate cat treaty

– Global aggregate cat treaty renewed on January 1, 2022; US treaties renewed per April 1 2022; Global all perils cat treaty renewed on April 1, 2022 for a three year period; International & Europe all perils cat treaty renewed July 1, 2022. Please note: the retention and regional limit of the European CAT treaty are defined in EUR denomination (EUR390m exceeding EUR425m), these figures have been converted into USD using the currency exchange rate as at March 30, 2022.
– The USD 200m cover is the combined global occurrence & aggregate all perils cat treaty presiding over the global all perils cat treaty (plus over the US wind swap on the US windstorm tower). This cover can be used only once, either for aggregated losses or for an individual occurrence/event.

Analysis by risk type (continued)

Audited

Market risk, including investment credit risk

Market risk relates to the possibility of loss of value due to changes in financial market conditions. Risk factors include:

- Equity market price changes.
- Real estate market price changes.
- Interest rate changes.
- Credit and swap spread changes.
- Defaults of issuers.
- Changes in currency exchange rates.

The Group manages the market risk of assets relative to liabilities on an economic total balance sheet basis. This is done to achieve the maximum risk-adjusted excess return on assets relative to the liability benchmark, while also taking into account the Group's risk tolerance and local regulatory constraints.

The Group has policies and limits to manage market risk and keep its strategic asset allocation in line with its risk capacity. Zurich centrally manages certain asset classes to control aggregation of risk and provides a consistent approach to constructing portfolios and selecting external asset managers. It diversifies portfolios, investments and asset managers, and regularly measures and manages market risk exposure. The Group defines limits on concentration of investments in single issuers and certain asset classes, as well as the degree to which asset interest rate sensitivities may deviate from liability interest rate sensitivities. The Group regularly reviews its capacity to hold illiquid investments.

The Asset/Liability Management Investment Committee reviews and monitors the Group strategic asset allocation and tactical boundaries, and monitors Group asset/liability exposure. The Group oversees the activities of local asset/liability management investment committees and regularly assesses market risks at both Group and local business levels. The economic effect of potential extreme market moves is regularly examined and considered when setting the asset allocation.

Risk assessment reviews include the analysis of the management of interest rate risk for each major maturity bucket and adherence to the aggregate positions with risk limits. The Group follows processes to manage market risks and to analyze market risk hotspots. Actions to mitigate risks are taken, if necessary, to manage fluctuations affecting asset/liability mismatch and risk-based capital.

The Group may use derivative financial instruments to mitigate market risks arising from changes in currency exchange rates, interest rates and equity prices, from credit quality of assets, and from commitments to third parties. The Group enters into derivative financial instruments mostly for economic hedging purposes and, in limited circumstances, the instruments may also meet the definition of an effective hedge for accounting purposes.

In compliance with Swiss insurance regulation, the Group's policy prohibits speculative trading in derivatives, meaning a pattern of so-called 'in-and-out trading' activity without any reference to an underlying position. The Group addresses the risks arising from derivatives through a stringent policy that requires approval of a derivative program before transactions are initiated, and by subsequent regular monitoring by Group Risk Management of open positions and annual reviews of derivative programs.

For more information on the Group's investment result, including impairments and the treatment of selected financial instruments, see note 6 of the consolidated financial statements. For more information on derivative financial instruments and hedge accounting, see note 7 of the consolidated financial statements.

Analysis by risk type (continued)

Audited

Risk from equity securities and real estate

The Group is exposed to risks from price fluctuations on equity securities and real estate. These could affect the Group's liquidity, reported income, economic surplus and regulatory capital position. Equity risk exposure includes common stocks (including equity unit trusts), private equity, common stock portfolios backing participating-with-profit policyholder contracts, and equities held for employee benefit plans. Exposure to real estate risk includes direct holdings in property and property company shares and funds. Returns on unit-linked contracts, whether classified as insurance or investment contracts, may be exposed to risks from equity and real estate, but these risks are borne by policyholders. The Group is however indirectly exposed to market movements from unit-linked contracts with respect to both earnings and economic capital; market movements affect the amount of fee income earned when the fee income level is dependent on the valuation of the asset base. Therefore, the value of in-force business for unit-linked business can be negatively affected by adverse movements in equity and real estate markets.

The Group manages its risks related to equity securities and real estate as part of the overall investment risk management process and applies limits as expressed in policies and guidelines. Specifically, Zurich limits holdings in equities, real estate and alternative investments. To realize an optimal level of risk diversification, the strategy for equities is defined through a composite of market benchmark indices. The Group has the capability and processes in place to change the exposure to key equity markets via the use of derivatives or purchase or sale of securities within a short time frame.

For additional information on equity securities and investment property, see note 6 of the consolidated financial statements.

Risk from interest rates and credit spreads

Interest rate risk is the risk of an adverse economic impact resulting from changes in interest rates, including changes in the shape of yield curves. Yield curve changes affect the value of interest rate-sensitive investments and derivatives as well as the fair value of insurance liabilities. Other balance sheet items, such as liability investment contracts, debt issued by the Group, commercial and residential mortgages, employee benefit plans, loans and receivables, are also affected.

The Group manages credit spread risk, which is the variation in economic value due to changes in the level or the volatility of credit spreads over the risk-free interest rate. Movements of credit spreads are driven by several factors including changes in expected default probability, default losses, risk premium, liquidity and other effects.

Returns on unit-linked contracts, whether classified as insurance or investment contracts, are at the risk of the policyholder; however, the Group is exposed to fluctuations in interest rates and credit spreads insofar as they affect the amount of fee income earned if the fee income level is dependent on the valuation of the asset base.

Analysis by risk type (continued)

Audited

Analysis of market risk sensitivities for interest rate, equity and credit spread risks

Group investment sensitivities

The gross economic market risk sensitivities of the fair value of IFRS Group investments before tax as of 2022 was negative USD 3.2 billion (negative USD 6.1 billion as of 2021) for a 50 basis points (bps) increase in interest rates. For a 50 bps decrease in interest rates, the sensitivity was USD 3.5 billion in 2022 (USD 6.7 billion as of 2021). For a 10 percent decline in equity markets, Group investments drop in value by USD 0.9 billion in 2022 compared with USD 1.3 billion as of 2021. A 100 bps increase in credit spreads resulted in a decrease of USD 3.5 billion in 2022 compared with USD 6.2 billion as of 2021. When compared to prior year, higher interest rates, implementation of market risk mitigation actions, and the disposal of Life back books have reduced the Group's exposure to a drop in interest rates.

The following describes limitations of the Group investment sensitivities. Group sensitivities show the effects of a change of certain risk factors, while other assumptions remain unchanged. The interest rate scenarios assume a parallel shift of all interest rates in the respective currencies. They do not take account of the possibility that interest rate changes might differ by rating class; these are disclosed separately as credit spread risk sensitivities.

The sensitivity analysis is based on economic assets, and not on shareholders' equity or net income as set out in the consolidated financial statements. The sensitivities only cover Group investments and do not cover insurance or other liabilities. The equity market scenarios assume a concurrent movement of all stock markets. The sensitivity analysis does not take account of actions that might be taken to mitigate losses. Actions may involve changing the asset allocation, for example through selling and buying assets. Sensitivity calculations do not assign a probability to the scenario considered. The sensitivities do not indicate a probability of such events occurring in the future. They do not necessarily represent the Group's view of expected future market changes.

In addition to the gross sensitivities, management uses sensitivities and stress scenarios to assess the impact of market movements on the Group's net assets. For more information on sensitivities see 'Group economic net asset sensitivities' (unaudited), below.

Group economic net asset sensitivities

The following section presents the sensitivities of Group economic net assets under Swiss Solvency Test (SST) assumptions with respect to certain standard financial market scenarios.

The net asset impact – the difference between the impact on Group investments and liabilities – represents the economic risk related to changes in market risk factors to which the Group is exposed. Tables 5, 6 and 7 show the estimated economic market risk sensitivities of the net asset impact. Positive values represent an increase in the net assets, and values in parentheses represent a decrease. Mismatches in changes in value of assets relative to liabilities represent an economic risk to the Group.

In determining the sensitivities, investments and liabilities are fully re-valued under the given scenarios. Each instrument is re-valued separately, taking relevant product features into account. Non-linear valuation effects, where they exist, are reflected in the calculations. The sensitivities are shown before tax.

The basis of the presentation for tables 5, 6, and 7 is an economic valuation represented by the fair value of Group investments. IFRS insurance liabilities are discounted at risk-free market rates to reflect the present value of insurance liability cash flows and other liabilities, for example, own debt. The Group uses FINMA allowed risk-free curves for discounting. In the sensitivities, own debt does not include subordinated debt, which Zurich considers available to protect policyholders in a worst-case scenario.

The basis of presentation for the Life business to financial market movements uses replicating portfolios calibrated according to the methodology and cashflow models approved by FINMA. The replicating portfolios are portfolios of assets that replicate the cash flows or present values of the life insurance liabilities under stochastic scenarios from the local life valuation models. They are calibrated to match dependencies of life insurance liabilities on financial market developments in respect of interest rates, equity and property. The options and guarantees of the underlying life insurance liabilities are captured through the inclusion of options in the replicating portfolios.

Sensitivities are shown split by segment and for economic net assets net of minority interest. The heading 'Rest of the business' includes Farmers, Group Finance and Operations and Non-Core Businesses. No allowance has been made in the economic asset sensitivities for the sale of the German traditional life insurance back book, which is subject to regulatory approval.

Analysis by risk type (continued)

Analysis of economic sensitivities for interest rate risk

Table 5 shows the estimated net impact before tax of a 50 basis point (bps) increase or decrease in yield curves after consideration of hedges in place, as of December 31, 2022 and 2021.

Table 5

Economic interest rate sensitivities[1]

in USD millions, as of December 31	2022	2021
50 bps increase in the interest rate yield curves		
Property & Casualty	(127)	(98)
Life	(165)	(340)
Rest of the business	(34)	(31)
Economic net assets net of minority interest	(278)	(441)
50 bps decrease in the interest rate yield curves		
Property & Casualty	93	45
Life	66	239
Rest of the business	26	96
Economic net assets net of minority interest	138	354

Analysis of economic sensitivities for equity risk

Table 6 shows the estimated net impact before tax from a 10 percent decline in stock markets, after consideration of hedges in place, as of December 31, 2022 and 2021.

Table 6

Economic equity price sensitivities[1]

in USD millions, as of December 31	2022	2021
10% decline in stock markets		
Property & Casualty	(552)	(664)
Life	(307)	(542)
Rest of the business	(82)	(100)
Economic net assets net of minority interest	(936)	(1,299)

Analysis of economic sensitivities for credit spread risk

Table 7 shows the estimated net impact before tax from a 100 basis point increase in corporate credit spreads, as of December 31, 2022 and 2021. The sensitivities apply to all fixed-income instruments, excluding government, supranational and similar debt securities. For the Life business, the loss-absorbing capacity of liabilities for losses on credit spreads are not included, as they are not modeled in the replicating portfolios.

Table 7

Economic credit spread sensitivities[1]

in USD millions, as of December 31	2022	2021
100 bps increase in credit spreads		
Property & Casualty	(1,348)	(1,725)
Life	(2,454)	(3,989)
Rest of the business	(372)	(534)
Economic net assets net of minority interest	(4,066)	(6,095)

1 Limitations of the economic sensitivities: same limitations apply for Group investment sensitivities, except for the above sensitivities, which are based on economic net assets including liability representation; neither the impact of the UK pension plan nor the volatility adjustment on the insurance liabilities have been considered.

Analysis by risk type (continued)

Audited

Risks from defaults of counterparties

Debt securities

The Group is exposed to credit risk from third-party counterparties where the Group holds securities issued by those entities. Default risk is controlled by Group counterparty concentration risk limits which aim to keep the size of potential losses to an acceptable level.

Table 8

Debt securities by rating of issuer

as of December 31	2022		2021	
	USD millions	**% of total**	USD millions	% of total
Rating				
AAA	21,858	21.1%	28,339	19.5%
AA	29,020	28.0%	44,358	30.6%
A	19,554	18.9%	25,346	17.5%
BBB	27,903	26.9%	41,255	28.4%
BB and below	5,002	4.8%	5,411	3.7%
Unrated	327	0.3%	375	0.3%
Total	**103,664**	**100.0%**	**145,084**	**100.0%**

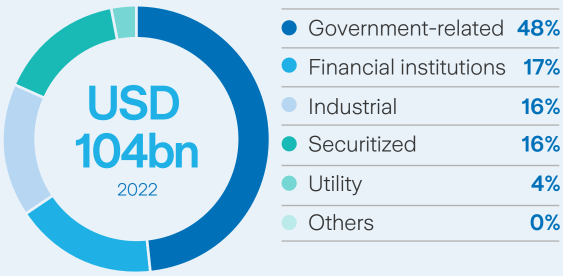
Table 8 shows the credit risk exposure of debt securities, by credit rating. The reduction of the debt securities balance is due to market movements (e.g., higher interest rates, widened credit spreads and appreciation of the U.S. dollar) and the accounting re-classification of the German traditional life insurance back book (see note 5 of the consolidated financial statements).

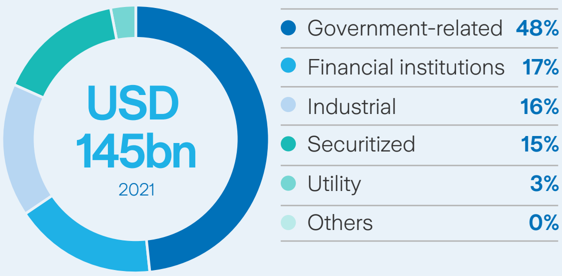
As of December 31, 2022, 94.9 percent of the Group's debt securities was investment grade and 21.1 percent was rated 'AAA.' As of December 31, 2021, 96.0 percent of debt securities was investment grade and 19.5 percent was rated 'AAA.'

Exposure level limits are in place and are based on default and recovery rates. Limits tighten progressively for lower-rated exposures. Where the Group identifies investments that are expected to trigger limit breaches, appropriate mitigating actions are implemented.

The risk-weighted average credit rating of the Group's debt securities portfolio is 'A–' in 2022, unchanged from 2021.

Debt securities – credit risk concentration by industry
in %, as of December 31





As of December 31, 2022, the largest concentration in the Group's debt securities portfolio was government related at 48 percent of all debt securities. In all other categories, a total of USD 21.6 billion (40 percent) was secured. As of December 31, 2021, 48 percent of the Group's debt portfolio was invested in government-related securities. In all other categories, a total of USD 28.6 billion (38 percent) was secured.

The second-largest concentration in the Group's debt securities portfolio is financial institutions, comprising investments mainly in banking, finance companies and insurance.

Analysis by risk type (continued)

Audited

Cash and cash equivalents

To reduce credit concentration, settlement and operational risks, the Group limits the amount of cash that can be deposited with a single counterparty. The Group also maintains an authorized list of acceptable cash counterparties.

Cash and cash equivalents amounted to USD 7.6 billion as of December 31, 2022 and USD 8.7 billion as of December 31, 2021. The risk-weighted average rating of the overall cash portfolio was 'A–' as of December 31, 2022 and 'A–' as of December 31, 2021. The ten largest bank exposures represent 52 percent of the total cash and cash equivalents amount, of which the risk-weighted average rating was 'A' as of December 31, 2022 and 'AA–' as of December 31, 2021.

Mortgage loans and other loans

Mortgage loans amounted to USD 5.5 billion as of December 31, 2022 and USD 6.1 billion as of December 31, 2021. The Group's largest mortgage loan portfolios are held in Switzerland (USD 2.9 billion) and in Germany (USD 0.9 billion); these are predominantly secured against residential property but also include mortgages secured by commercial property. The Group invests in mortgages in the U.S. (USD 0.5 billion); these are mainly participations in large mortgage loans secured against commercial property.

The credit risk arising from other loans is assessed and monitored together with the debt securities portfolio. As of December 31, 2022, USD 0.7 billion were rated as 'AAA' (21 percent) compared with USD 3.7 billion as of December 31, 2021; USD 0.0 billion as 'AA' (0 percent) compared with USD 1.0 billion as of December 31, 2021; USD 1.2 billion as 'A' (36 percent) compared with USD 1.2 billion as of December 31, 2021; USD 1.5 billion as 'BBB' and below (44 percent) compared with USD 1.2 billion as of December 31, 2021; and USD 0.0 billion as unrated (0 percent) compared with USD 0.0 billion as of December 31, 2021.

Derivatives

The replacement value of outstanding derivatives represents a credit risk to the Group. These instruments include interest rate and cross-currency swaps, forward contracts and purchased options. A potential exposure could also arise from possible changes in replacement values. The Group regularly monitors credit risk exposures arising from derivative transactions. Outstanding positions with external counterparties are managed through an approval process embedded in derivative programs.

To limit credit risk, derivative financial instruments are executed with counterparties rated 'BBB' or higher as per Zurich Risk Policy requirements. The Group's standard practice is to only transact derivatives with those counterparties for which the Group has in place an ISDA Master Agreement, with a Credit Support Annex. This mitigates credit exposures from over-the-counter transactions due to close-out netting and requires the counterparty to post collateral when the derivative position exceeds an agreed threshold. The Group further mitigates credit exposures from derivative transactions by using exchange-traded or centrally cleared instruments whenever possible. From September 1, 2022, the Group was in scope of the initial margin requirements for over-the-counter (OTC) derivatives.

Risk from currency exchange rates

Currency risk is the risk of loss resulting from changes in exchange rates. The Group operates internationally and therefore is exposed to the financial impact of changes in the exchange rates of various currencies. The Group's presentation currency is the U.S. dollar, but its assets, liabilities, income and expenses are denominated in many currencies, with significant amounts in euro, Swiss franc, British pound and U.S. dollar. On entity balance sheets a currency mismatch may cause a balance sheet's net asset value to fluctuate, either through income or directly through equity. The Group manages this risk by matching foreign currency positions on entity balance sheets within prescribed limits. Residual entity mismatches are reported centrally to make use of the netting effect across the Group. Zurich hedges these residual entity mismatches within an established limit through a central balance sheet. For information on net gains/losses on foreign currency transactions included in the consolidated income statements, see note 1 of the consolidated financial statements. The monetary currency risk exposure on entity balance sheets is considered immaterial.

Differences arise when functional currencies are translated into the Group's presentation currency, the U.S. dollar. The Group applies net investment hedge accounting to protect against the impact that changes in certain exchange rates might have on selected net investments.

Table 9 shows the sensitivity of total IFRS equity to changes in exchange rates for the main functional currencies to which the Group is exposed. Positive values represent an increase in the value of the Group's total equity. See notes 1, 3 and 7 of the consolidated financial statements for additional information on foreign currency translation and transactions.

Analysis by risk type (continued)

Audited

Sensitivity of the Group's total IFRS equity to exchange rate fluctuations

Table 9

in USD millions, as of December 31	2022	2021
10% increase in		
EUR/USD rate	260	309
GBP/USD rate	65	330
CHF/USD rate	11	520
BRL/USD rate	103	96
AUD/USD rate	320	373
JPY/USD rate	94	107
Other currencies/USD rates	478	493

The sensitivities show only the effects of a change in the exchange rates, while other assumptions remain unchanged. The sensitivity analysis does not consider management actions that might be taken to mitigate such changes. The sensitivities do not indicate a probability of such events occurring in the future. They do not necessarily represent Zurich's view of expected future market changes. While table 9 shows the effect of a 10 percent increase in currency exchange rates, a decrease of 10 percent would have the converse effect.

Other credit risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations. See section 'risks from defaults of counterparties' for market risk-related asset categories. The Group's exposure to other credit risk is derived from the following main categories of assets:

- Reinsurance assets.
- Receivables.

The Group's objective in managing credit risk exposures is to maintain them within parameters that reflect the Group's strategic objectives, and its risk appetite and tolerance. Sources of credit risk are assessed and monitored, and the Group has policies to manage specific risks within various subcategories of credit risk. To assess counterparty credit risk, the Group uses ratings assigned by external rating agencies, qualified third parties, such as asset managers, and internal rating assessments. If the ratings of external rating agencies differ, the Group generally applies the lowest, unless other indicators justify an alternative, which may be an internal credit rating.

The Group actively uses collateral to mitigate credit risks. Underlying credit risks are managed independently from the collateral. The Group has limits and quality criteria to identify acceptable letter of credit providers. Letters of credit enable Zurich to limit the risks embedded in reinsurance, captives, deductible programs, trade credit and surety.

The Group has counterparty limits which are regularly monitored. Exposure to counterparties' parent companies and subsidiaries is aggregated to include reinsurance assets, investments, derivatives, and certain insurance products. Group aggregate concentration limits and relevant exception approvals are monitored in line with risk policy requirements.

On-balance sheet exposures are the main source of credit risk. Off-balance sheet credit exposures are related primarily to certain insurance products, reinsurance and collateral used to protect underlying credit exposures on the balance sheet. The Group has no material amount of off-balance sheet exposures related to undrawn loan commitments as of December 31, 2022. See note 22 of the consolidated financial statements for undrawn loan commitments.

Analysis by risk type (continued)

Audited

Credit risk related to reinsurance assets

The Group's Corporate Reinsurance Security Committee oversees the credit quality of cessions and reinsurance assets. The Group typically only cedes new business to authorized reinsurers with a minimum rating of 'A–.' Of the exposure ceded to reinsurers that are rated below 'A–' or are not rated, 60 percent was collateralized as of December 31, 2022 and 54 percent as of December 31, 2021. Of the exposure ceded to reinsurers that are rated below 'A–' or are not rated, 57 percent was ceded to captive insurance companies in 2022, and 66 percent in 2021.

Reinsurance assets included reinsurance recoverables (the reinsurers' share of reserves for insurance contracts) of USD 25.7 billion and USD 25.7 billion, and receivables arising from ceded reinsurance of USD 1.9 billion and USD 1.6 billion as of December 31, 2022 and 2021, respectively, gross of allowance for impairment. Reserves for potentially uncollectible reinsurance assets amounted to USD 117 million as of December 31, 2022 and USD 119 million as of December 31, 2021. The Group's policy on impairment charges takes into account both specific charges for known situations (e.g., financial distress or litigation) and a general, prudent provision for unanticipated impairments.

Reinsurance assets in table 10 are shown before taking into account collateral such as cash or bank letters of credit and deposits received under ceded reinsurance contracts. Unsecured reinsurance assets shown are after deducting collateral. Bank issuing letters of credit for the benefit of Zurich are, on average, 'A' rated. The value of the collateral received amounts to USD 10.9 billion and USD 10.6 billion as of December 31, 2022 and 2021, respectively.

Table 10 shows reinsurance assets and unsecured reinsurance assets split by rating.

Table 10

Reinsurance assets and unsecured reinsurance assets by rating of reinsurer and captive

as of December 31	2022				2021			
	Reinsurance assets		Unsecured reinsurance assets		Reinsurance assets		Unsecured reinsurance assets	
	USD millions	% of total	USD millions	% of total	USD millions	% of total	USD millions	% of total
Rating								
AAA	13	0.1%	13	0.1%	26	0.1%	26	0.2%
AA	7,681	28.0%	6,981	42.0%	8,267	30.3%	7,525	45.2%
A	13,408	48.7%	6,619	39.9%	11,461	42.1%	5,630	33.8%
BBB	2,928	10.7%	1,475	8.9%	3,604	13.2%	1,642	9.9%
BB	544	2.0%	241	1.5%	652	2.4%	324	1.9%
B and below	175	0.6%	60	0.4%	206	0.8%	77	0.5%
Unrated	2,731	9.9%	1,199	7.2%	3,020	11.1%	1,416	8.5%
Total	**27,480**	**100.0%**	**16,588**	**100.0%**	**27,236**	**100.0%**	**16,640**	**100.0%**

Credit risk related to receivables

The largest amount of the Group's credit risk exposure to receivables is related to third-party agents, brokers and other intermediaries. The Group has policies and standards to manage and monitor credit risk related to intermediaries.

The Group reports internally on Group past-due receivable balances and strives to keep the balance of past-due positions as low as possible.

Receivables from ceded reinsurance are part of reinsurance assets and managed accordingly. See notes 15 and 24 of the consolidated financial statements for additional information on receivables.

Analysis by risk type (continued)

Audited

Operational risk

Operational risk is the risk of financial loss, adverse reputational, legal or regulatory impact, resulting from inadequate or failed processes, people, systems or from external events, including external fraud, catastrophes, or failure in outsourcing arrangements. Zurich has a framework to identify, assess, manage, monitor, and report operational risk within the Group. Within this framework, the Group:

- Uses a scenario-based approach to assess, model and quantify the capital required for operational risk for business units under extreme circumstances. This approach allows information to be compared across the Group and highlights the main scenarios contributing to the capital required under Zurich Economic Capital Model (Z-ECM).
- Documents and reviews operational events exceeding a threshold determined by the Zurich Risk Policy. Remedial action is taken to avoid the recurrence of such operational events.
- Conducts risk assessments where operational risks are identified for key business areas. Risks identified and assessed to be above a certain threshold must have a risk response. Risk mitigation plans are documented and tracked on an ongoing basis. In the assessments, the Group uses sources of information such as the Total Risk Profiling™ process, internal control assessments, and audit findings, as well as scenario modeling and operational event data.

The Group has specific processes and systems in place to focus on high-priority operational matters such as managing information security and business resilience (see sub-section 'risk focus specific to digital transformation'), as well as combating fraud.

Preventing, detecting and responding to fraud are embedded in Zurich's business processes. Both claims and non-claims fraud are included in the common framework for assessing and managing operational risks. For Zurich's internal model calculations, claims fraud is part of insurance risk and non-claims fraud is part of operational risk.

Risk focus specific to digital transformation

Digital and technological advances have not only created a wide spectrum of benefits for society but also amplified the associated risks. Organizations are realigning their operations, forging new third-party relationships and putting data at the heart of their decision-making and analysis. All of this is happening at a rapid pace and against a backdrop of an increasingly hostile cyber threat landscape. In order to succeed, organizations need to be able to assess and understand the risks inherent in this changing environment and ensure that they are managed appropriately.

On a regular basis, the Group assesses and monitors exposure to defined information security and cyber, third-party and business resilience risk scenarios through key risk indicators (KRIs) to effectively focus on actions and adequate resource allocation.

Data risk

The strategic relevance of data as a business asset is rising at a rapid pace and the risks associated with data management are becoming more and more prominent. Preventing risks such as data losses and privacy breaches and assessing and monitoring the potential misuse of data and losses triggered by failures in data management remain in focus. Specifically, appropriate governance of data for business purposes and decision-making processes, including automation, machine-learning techniques and other advanced technologies, remains a priority. As Zurich strives to inspire confidence in a digital society with its data commitment, assurance on the ethical use of advanced technologies is provided from a risk management perspective for the protection and privacy of data of our customers and other stakeholders.

The relevance of technological risks, such as cyber risk, is rapidly increasing across all data-driven industries. Exposure to these risks has grown in lockstep with the significant rise in digital services provided directly to customers and the increasing prevalence of digital ecosystems and cloud solutions in today's interconnected world.

Third-party risk

Outsourcing and engagement with third parties introduces risks relevant to the delivery of our strategy, such as data loss or disclosure, disruption to critical customer services and regulatory compliance. Digitalization has accelerated the complexity and changes to the Group's third-party ecosystem. The Group addresses risks associated with third-party engagements along its supply and value chain. Applying a consistent Group-wide approach to third-party governance is among Zurich's key priorities.

Analysis by risk type (continued)

Business resilience risk

Zurich, along with the rest of the insurance industry, is going through a period of transformation in order to meet changing customer and regulatory expectations. In addition, increasing automation of processes, development of advanced analytics capabilities, and fragmented supply chains have contributed to an increasingly complex operating environment. In response to these challenges, and to better protect the interests of stakeholders, the Group continues to evolve its business resilience capability through a number of ongoing initiatives in relation to the protection and recovery of critical services and enhancing transparency around any associated risks such as pandemics, technology failure, and potential supply chain/power interruptions.

Risk management and internal controls

The Group considers internal controls to be essential for managing operational risk. The Board has overall responsibility for the Group's risk management and internal control frameworks. The objectives of the Group's internal control system are to provide reasonable assurance that Zurich's consolidated financial statements and disclosures are materially correct, support reliable operations, and ensure legal and regulatory compliance. The internal control system is designed to mitigate rather than eliminate risks that could impact the achievement of business objectives.

The Group promotes risk awareness and understanding of controls through communication and training. Risk management and internal control systems are designed at Group level and implemented across the Group. Management, as the first line of defense, is responsible for identifying, evaluating and managing risk, and designing, implementing and maintaining internal controls. Testing effectiveness of relevant internal controls by the first line of defense, with second line oversight, also forms part of the control life cycle.

Key processes and controls in the organization are subject to review and challenge by all three lines of defense. The second and third lines of defense regularly report on observations, conclusions and recommendations that arise from their independent reviews of internal controls. Control issues of Group-level significance and associated mitigation actions are reported regularly to the Audit Committee of the Board. The Risk and Investment Committee of the Board reviews the effectiveness of the Group's risk management system, including the Group's risk tolerance and enterprise-wide risk governance framework, in accordance with the charter for each committee.

The Group's Disclosure Committee, chaired by the Head of Group Financial Accounting and Reporting, reviews the accuracy, completeness and timeliness and compliance with legal and regulatory requirements of external disclosures and the effectiveness of the respective internal controls. The conclusions result in a recommendation to the Group Chief Financial Officer to release the disclosures to the Audit Committee of the Board, who may then challenge the disclosures further. The Board reviews and approves the announcement of the results and the annual report before they are made public.

Analysis by risk type (continued)

Audited

Liquidity risk

Liquidity risk is the risk that an entity within the Group may not have sufficient liquid financial resources to meet its obligations when they fall due or would have to incur excessive costs to do so. Zurich's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under normal conditions and in times of stress. To achieve this, the Group assesses, monitors and manages its liquidity needs on an ongoing basis.

Group-wide liquidity management policies and specific guidelines govern how entities plan, manage and report their entity liquidity and include regular stress tests for all major legal entities and branches within the Group. The stress tests use a standardized set of internally defined stress events, and are designed to provide an overview of the potential drain on liquidity should the Group have to recapitalize entity balance sheets. Similar guidelines apply at the Group level, and detailed liquidity forecasts are regularly conducted, based on entities' input and the Group's forecasts. As part of its liquidity management, the Group maintains sufficient cash and cash equivalents and high-quality, liquid investment portfolios to meet outflows under expected and stressed conditions.

The Group also maintains internal liquidity sources that cover the potential liquidity needs within the Group, including those that might arise in times of stress. The Group takes into account the amount, availability and speed at which these sources can be accessed. The Group has access to diverse funding sources to cover contingencies, including asset sales, external debt issuance and making use of committed borrowing facilities or letters of credit. The Group maintains a range of maturities for external debt securities. A potential source of liquidity risk is the effect of a downgrade of the credit rating of the Group. This could affect the Group's commitments and guarantees, potentially increasing liquidity needs. This risk – and mitigating actions that might be employed – are assessed on an ongoing basis within the Group's liquidity framework.

The Group regularly analyzes the liquidity of the investment assets and ensures that the liquidity of assets stays in line with liquidity requirements. In 2022, the Group's holdings in illiquid assets were within its capacity.

For more information on debt obligation maturities, see note 18 of the consolidated financial statements, and for information on commitments and guarantees, see note 22 of the consolidated financial statements.

The Group's ongoing liquidity monitoring includes regular reporting to the executive management and quarterly reporting to the Risk and Investment Committee of the Board, covering aspects such as the Group's actual and forecast liquidity, possible adverse scenarios that could affect the Group's liquidity and possible liquidity needs from the Group's main subsidiaries, including under conditions of stress.

For more information on the Group's other financial liabilities, see note 16 of the consolidated financial statements. See note 6 of the consolidated financial statements for information on the maturity of debt securities.

The Group has committed to contribute capital to subsidiaries and third parties that engage in making investments in direct private equity and private equity funds. Commitments may be called by the counterparty during the term of the investment (generally three to five years) and must be funded by the Group on a timely basis. See note 22 of the consolidated financial statements for more information.

Analysis by risk type (continued)

Audited

Strategic risk and risks to the Group's reputation

Strategic risk

Zurich defines strategy as the long-term plan of action designed to allow the Group to achieve its goals and aspirations based on Zurich's purpose and values.

Strategic risks can arise from:

- Inadequate risk-reward assessment of strategic plans.
- Improper execution of strategic plans.
- Unexpected changes to underlying assumptions, including those about the external environment.

The Group works to manage risks associated with strategic business decisions through its risk assessment processes and tools, including the Total Risk Profiling™ process. As part of the annual assessment of strategic risks, the Executive Committee assesses potential risks from both external and internal factors, looking at the current year and beyond. The Executive Committee members define actions to respond as appropriate and review changes to the key risks and their status of actions at least quarterly.

The Group evaluates the risks of merger and acquisition (M&A) transactions both from a quantitative and a qualitative perspective. The Group conducts risk assessments of M&A transactions to evaluate risks specifically related to integrating acquired businesses.

Risks to the Group's reputation

Risks include acts or omissions by the Group or any of its employees that could damage the Group's reputation or lead to a loss of trust among its stakeholders. Every risk type has potential consequences for Zurich's reputation. Effectively managing each risk type supports preventing adverse reputational outcomes.

The Group aims to preserve its reputation by:

- Adhering to applicable laws and regulations.
- Following the core values and principles of the Group's code of conduct that promote integrity and good business practice.
- Living up to its sustainability commitments.

The Group centrally manages certain aspects of risk to reputation, for example, communications, through functions with the appropriate expertise. Potential risks to Zurich's reputation are included in its risk assessment processes and tools, including the Total Risk Profiling™ process.

Sustainability risk

Zurich's ambition is to be one of the most responsible and impactful businesses in the world. Trends like globalization, the mobility of talent and funds, shifting geopolitics, reskilling for a digital workplace, demographics, and climate change all pose immensely complex social issues.

Sustainability means doing business today in a way that safeguards the future of our company and our society. Sustainability risks and opportunities emanate both from effects that environmental, social and governance (ESG) challenges have on the company, as well as from how the company handles its positive or negative impact on ESG issues. To protect against financial and reputational impacts, both perspectives are included in the identification and assessment of sustainability issues.

Climate change, as one of the most complex risks facing society today, is intergenerational, international and interdependent. As a global insurer, Zurich faces risks from climate change and discloses its climate risk in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD).

Sustainability topics associated with ESG challenges are also becoming more complex and interconnected as a result of these trends. Insurers are increasingly becoming agents of change and playing a more impactful role in addressing sustainability risk.

Zurich works with its customers and investee companies to support responsible and sustainable business practices while promoting best practices in managing ESG risks. The Group has policies in place that define the sustainability positions for which Zurich has no underwriting or investment appetite. Zurich continuously works to develop relevant products and services that help solve the most pressing societal and environmental issues of today.

Analysis by risk type (continued)

Sustainability risk approach

To support the Group's businesses in applying its purpose and values, as well as mitigating reputational risk impacts, Zurich has established a systematic and integrated approach to identifying, assessing and recommending action on potential risk and opportunity areas from a sustainability perspective across all the Group's activities, in particular in investment management and underwriting.

This is a three-step process:

- Issue identification: Identify relevant issues to be considered within the risk assessment process by monitoring channels such as media, social media, information from non-governmental organizations and Zurich's businesses.
- Risk assessment: Assess issues related to public commitments, the role of insurance underwriting, market exposure and materiality. The Group Chief Executive Officer approves position statements, recommended business actions, and reputational management considerations.
- Implementation: Implement mitigation actions, including managing reputational impacts locally in the businesses. Mobilize expert support available across the Group and escalate as necessary, according to governance procedures.

Zurich applies these steps across portfolios based on stated thresholds and verified data. Wherever possible, Zurich engages and works together with customers on the margins of Zurich's thresholds to ensure responsible and sustainable business practices. This engagement may be short, or in some cases, last up to two years, depending on which part of the renewal cycle customers are in and the time required for them to demonstrate credible progress on ESG issues.

Clear roles and responsibilities, starting with the Board of Directors of Zurich Insurance Group Ltd and Zurich management, support effective oversight and action with respect to climate change and other sustainability risks.

Zurich has a highly cash-generative business model, which supports a clear and attractive dividend policy. Our proposition to investors is based on our resilient business model, clear strategy and our responsible and impactful business.

Financial review

Message from our Group Chief Financial Officer

> The results demonstrate the successful conclusion of the 2020 to 2022 strategic cycle, with the Group delivering the highest profits since 2007. Our business units delivered these growing operating earnings despite volatile financial markets and inflationary trends. The Group's diverse global business together with its strong balance sheet position us well for the next cycle.

Dear Shareholder

Our full year 2022 results showed another strong performance across all businesses. Business operating profit (BOP) increased 12 percent with a BOPAT ROE of 15.7 percent for the year. Net income attributable to shareholders (NIAS) amounted to USD 4.6 billion. Reflecting this performance, and management's expectations of further improvements over the next strategic cycle, the Board will propose a CHF 24 per share dividend.

Successful strategy execution

Over the 2020 to 2022 cycle, the Group continued to execute on its key strategic priority to focus on the customer, further increasing customer satisfaction and net customer growth. The Group also strengthened the Farmers business through a targeted acquisition in the U.S. and made strong progress against its target to further optimize its capital allocation through the sale of Life back books in Europe.

2020–2022 financial targets

Target: >14.0%
BOPAT ROE[1]
15.7%
FY 2022

Target: >USD 11.5bn
Cumulative cash remittances
USD 12.4bn
FY 2020 to FY 2022

SST solvency target: 160% or above
Estimated SST ratio[2]
265%
FY 2022

Target: ≥5%
Earnings per share growth in USD[3]
5.1%
Compound annual growth rate (CAGR) FY 2022 versus FY 2019

1 Business operating profit after tax return on equity, excluding unrealized gains and losses.
2 Estimated Swiss Solvency Test (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.
3 Adjusted for the impact of losses on disposal in the second half of 2022. 3.6% on a diluted basis, as reported.

Message from our Group Chief Financial Officer (continued)

A strong performance across all businesses

Property & Casualty (P&C) showed further progress with a BOP increase of 14 percent in another year of elevated natural catastrophe events. Gross written premiums grew 14 percent on a like-for-like[1] basis with strong growth in our commercial and retail insurance business supported by continuing price increases of 6 percent over the year.

The combined ratio remained at a strong level of 94.3 percent versus the prior year. Higher earned rate and margin expansion in the commercial business as well as lower catastrophe and weather-related claims were offset by the inflationary environment experienced within the retail business. Favorable prior year development of 2.0 percent was in line with the upper end of the indicated 1–2 percent range, demonstrating the strength of the Group's reserves.

The Group's Life business delivered another excellent performance, reflecting the success of the Group's strategy to focus on protection and unit-linked business. Life BOP increased 8 percent in the year despite adverse financial market volatility and unfavorable currency movements due to U.S. dollar appreciation against other major currencies.

The Farmers Exchanges[2] showed continued progress resulting in gross written premium growth of 9 percent, benefiting from the inclusion of the MetLife business as well as rate-driven growth. Farmers BOP increased 18 percent over the prior year period driven by a 13 percent increase in BOP at Farmers Management Services due to higher fee-based income and a strong improvement in the Farmers Life BOP compared with the prior year.

Robust balance sheet and higher cash generation

The Group remains committed to making the best use of capital. The Group's balance sheet remained very strong with the Swiss Solvency Test (SST)[2] ratio at an estimated 265 percent, well above the Group's target of 160 percent or above.

Conversion of earnings into distributable cashflow resulted in USD 4.6 billion of cash remittances over the year driven both by operational earnings and remittances of excess capital from previously retained earnings. Cumulative cash remittances of USD 12.4 billion in the 2020–2022 period were well above the target of more than USD 11.5 billion.

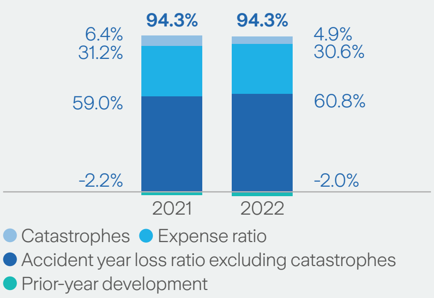
Dividend proposal of CHF 24

In line with our dividend policy, the Board proposes a 9 percent dividend increase to CHF 24 per share.

George Quinn
Group Chief Financial Officer

Property & Casualty (P&C)

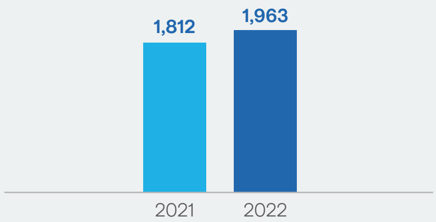
Combined ratio
%



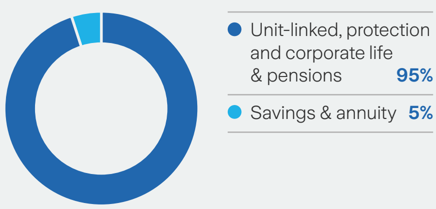
Like-for-like GWP growth
%[1]

Life

Business operating profit
in USD millions

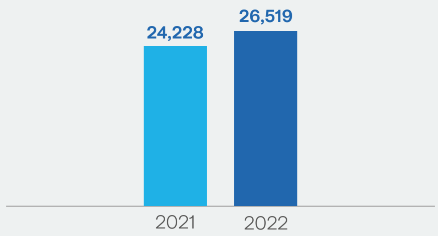


2022 APE product mix
%



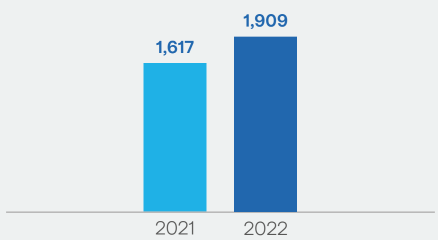
Farmers Exchanges[2]

GWP
in USD millions



Farmers

Farmers BOP
in USD millions



1 In local currency and after adjusting for closed acquisitions and disposals.
2 The Farmers Exchanges are owned by the policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchange as attorney-in-fact and receives fees for its services.
3 Estimated Swiss Solvency Test (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.

Financial overview

Contents

The information contained within the financial overview is unaudited and is based on the consolidated results of the Group for the years ended December 31, 2022 and 2021. All amounts are shown in U.S. dollars and rounded to the nearest million unless otherwise stated, with the consequence that the rounded amounts may not always add up to the rounded total. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts. This document should be read in conjunction with the annual results 2022 of the Group and in particular with its consolidated financial statements for the year ended December 31, 2022.

In addition to the figures stated in accordance with International Financial Reporting Standards (IFRS), the Group uses business operating profit (BOP), new business metrics and other performance indicators to enhance the understanding of its results. Details of these additional measures are set out in the separately published glossary. These should be viewed as complementary to, and not as substitutes for, the IFRS figures. For a reconciliation of BOP to net income attributable to shareholders (NIAS), see note 27 (table 27.4) of the audited consolidated financial statements for the year ended December 31, 2022.

Certain comparatives have been revised as a result of reclassifications and other adjustments. For details refer to note 1 of the audited consolidated financial statements.

Financial overview (continued)

Financial highlights

in USD millions, for the years ended December 31	2022	2021	Change[1]
Business operating profit	**6,451**	5,742	12%
Net income attributable to shareholders	**4,603**	5,202	(12%)
P&C business operating profit	**3,554**	3,121	14%
P&C gross written premiums and policy fees	**43,335**	40,123	8%
P&C combined ratio	**94.3%**	94.3%	0.0 pts
Life business operating profit	**1,963**	1,812	8%
Life gross written premiums, policy fees and insurance deposit	**25,890**	28,353	(9%)
Life new business annual premium equivalent (APE)[2]	**3,555**	3,824	(7%)
Life new business margin, after tax (as % of APE)[2]	**24.8%**	29.1%	(4.3 pts)
Life new business value, after tax[2]	**761**	959	(21%)
Farmers business operating profit	**1,909**	1,617	18%
Farmers Management Services management fees and other related revenues	**4,490**	4,265	5%
Farmers Management Services managed gross earned premium margin	**6.6%**	6.6%	0.0 pts
Farmers Life new business annual premium equivalent (APE)[2]	**80**	78	2%
Average Group investments[3]	**167,714**	203,121	(17%)
Net investment result on Group investments[3]	**4,133**	7,085	(42%)
Net investment return on Group investments[3,4]	**2.5%**	3.5%	(1.0 pts)
Total return on Group investments[3,4]	**(11.2%)**	(0.8%)	(10.4 pts)
Shareholders' equity	**26,634**	37,881	(30%)
Swiss Solvency Test ratio[5]	**265%**	212%	54 pts
Return on common shareholders' equity (ROE)[6]	**14.1%**	16.4%	(2.3 pts)
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)[6]	**15.7%**	14.0%	1.7 pts

1 Parentheses around numbers represent an adverse variance.
2 New business value and new business margin are calculated after the effect of non-controlling interests, whereas APE is presented before non-controlling interests.
3 Including investment cash.
4 Calculated on average Group investments.
5 Estimated Swiss Solvency Test (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.
6 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.

Overall Group business operating profit (BOP) increased in 2022, up 12 percent compared with 2021, registering improvement across almost all operating segments. Growth came from a strong underlying performance driven by increasing premiums and lower natural catastrophe losses in Property & Casualty, solid underlying performance, management actions and improved COVID-19 claims experience in Life and the increased Farmers BOP following a higher premium base of the Farmers Exchanges.

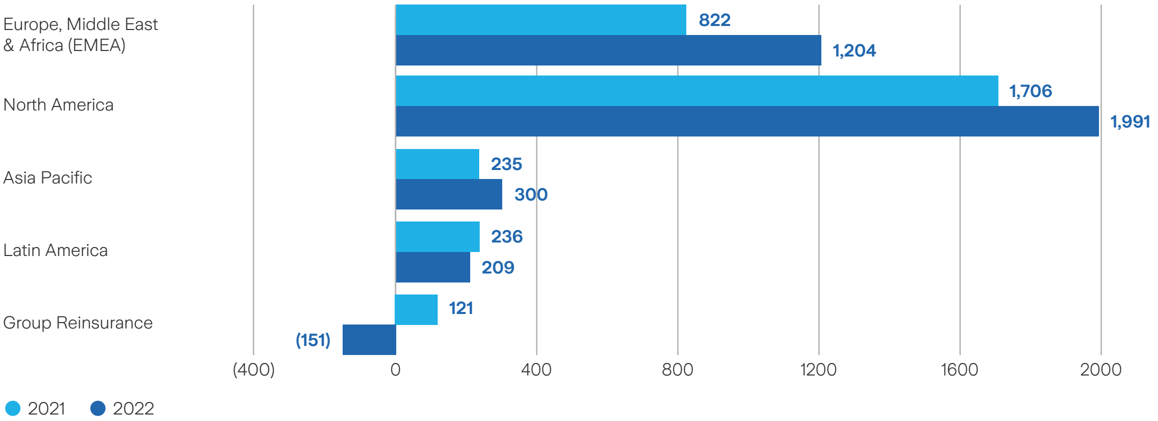
Net income attributable to shareholders (NIAS) decreased by 12 percent in 2022, mostly attributable to adverse mark-to-market effects impacting profit or loss.

Operating update

Property & Casualty (P&C)

in USD millions, for the years ended December 31	2022	2021	Total Change
Gross written premiums and policy fees	43,335	40,123	8%
Net earned premiums and policy fees	31,433	29,461	7%
Insurance benefits and losses, net of reinsurance	20,009	18,593	(8%)
Net underwriting result	1,807	1,681	7%
Net investment result	1,793	1,731	4%
Business operating profit	**3,554**	**3,121**	**14%**
Loss ratio	63.7%	63.1%	(0.5 pts)
Expense ratio	30.6%	31.2%	0.6 pts
Combined ratio	**94.3%**	**94.3%**	**0.0 pts**

P&C business operating profit (BOP)
in USD millions, for the years ended December 31



Gross written premiums in Property & Casualty (P&C) rose 8 percent in 2022. All regions reported strong underlying growth supported by higher premium rates of 6 percent on average, partially offset by adverse currency developments.

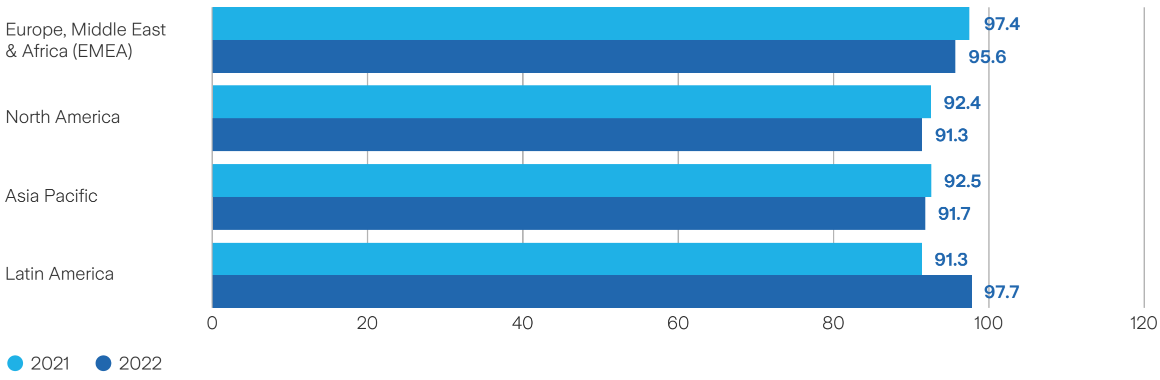
Business operating profit rose 14 percent to USD 3.6 billion. The improvement was driven by higher prices feeding into the result, supporting increasing premiums and a consistently strong combined ratio.

The net investment result increased by USD 62 million compared with the prior year, driven by improvements in net investment income of USD 148 million following higher reinvestment yields, partially offset by realized capital losses of USD 44 million compared with gains of USD 42 million in the prior year period.

The contribution of other items, which include the net non-technical result and non-controlling interests, improved by USD 256 million compared with the previous year, mainly reflecting gains from real estate transactions, positive impact due to improving interest rates as well as favorable currency movements.

Operating update (continued)

P&C combined ratio
%, for the years ended December 31



The combined ratio of 94.3 percent for 2022 was unchanged compared with the prior-year period. While the loss ratio deteriorated by 0.6 percentage points to 63.7 percent, the expense ratio improved by 0.6 percentage points to 30.6 percent.

In EMEA, the combined ratio improved by 1.8 percentage points, mainly due to significantly lower catastrophe losses compared with prior year. This is partially offset by an uptick in retail motor inflation during the second half of 2022 and an increased loss experience in the UK compared with a very favorable prior year performance.

In North America, the combined ratio improved by 1.0 percentage points, mainly driven by a lower loss ratio, which benefited from the earn through of rate increases and lower catastrophe losses, partially offset by a strong increase in crop insurance volumes which experienced slightly elevated levels of claims.

The Asia Pacific combined ratio improved 0.8 percentage points, mainly driven by a reduction of the loss ratio due to favorable experience and a rebound in the travel business.

The Latin America combined ratio was 6.4 percentage points higher than in the previous year, mainly due to the inflationary environment affecting the loss ratio.

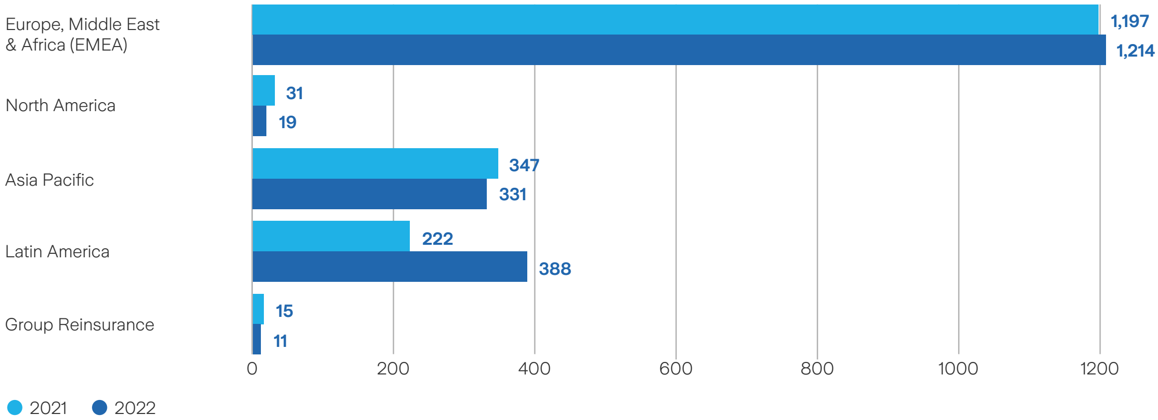
Operating update (continued)

Life

in USD millions, for the years ended December 31	**2022**	2021	Change
Insurance deposits	12,923	14,357	(10%)
Gross written premiums and policy fees	12,966	13,995	(7%)
Net investment income on Group investments	2,916	2,987	(2%)
Insurance benefits and losses, net of reinsurance	7,331	8,863	17%
Business operating profit	**1,963**	**1,812**	**8%**
Net policyholder flows[1]	4,749	6,002	(21%)
Assets under management[2]	231,976	295,007	(21%)
Total reserves for life insurance contracts, net of reinsurance, and liabilities for investment contracts (net reserves)[3]	180,852	234,475	(23%)

1 Net policyholder flows are defined as the sum of gross written premiums and policy fees and deposits, less policyholder benefits.
2 Assets under management comprise balance sheet Group investments and unit-linked investments plus assets that are managed by third parties, on which fees are earned.

Life business operating profit (BOP)
in USD millions, for the years ended December 31



The Group's Life business delivered a business operating profit of USD 2.0 billion for 2022 which was 8 percent higher than in the prior-year period, driven by solid underlying performance, management actions and improved COVID-19 claims experience, more than offsetting unfavorable foreign exchange and market movements.

In EMEA, business operating profit improved by 1 percent to USD 1.2 billion on a reported basis. This was supported by the absence of COVID-19 claims, which amounted to USD 76 million in 2021. Adjusted for COVID-19 claims and the disposal of the Italian life back book, BOP was 1 percent below the previous year, with growth in local currencies offset by adverse currency movements. The result also reflects the impact of adverse market movements, mainly related to accelerated amortization of deferred acquisition costs which were more than offset by the favorable impact of management actions.

In Latin America, BOP rose 75 percent to USD 388 million on a reported basis. This was driven by higher investment income, profitable growth and a reduction of COVID-19 claims to USD 10 million in 2022 from USD 115 million in 2021.

In Asia Pacific, BOP decreased by 5 percent to USD 331 million on a reported basis. In 2022, the business recorded USD 46 million of COVID-19 claims, mainly driven by hospitalization benefits in Japan, whereas no material COVID-19 impact was recorded in 2021. Adjusting for COVID-19 claims, BOP increased 7 percent, as the net favorable impact of assumption updates, reserve releases and underlying growth was only partially offset by adverse currency movements.

Operating update (continued)

In North America, which excludes Farmers Life, BOP declined by USD 12 million due to unfavorable assumption updates. COVID-19 claims did not have a material impact, in line with the prior year.

Net inflows of USD 4.7 billion were 21 percent lower than in the prior year on a reported basis, driven primarily by EMEA which reported net outflows in the second half of 2022.

Assets under management (AuM) decreased 21 percent in 2022 to USD 232 billion. Net inflows increased AuM by around 2 percent. The announced sale of a German legacy life insurance back book led to the reclassification of USD 21 billion of AuM into assets held for sale. Unfavorable financial market movements and adverse currency movements further reduced AuM by USD 35 billion and USD 12 billion, respectively.

NBV, APE and NBM by segment

in USD millions, for the years ended December 31	New business value, after tax (NBV)[1]		New business annual premium equivalent (APE)[2]		New business margin, after tax (as % of APE) (NBM)[3]	
	2022	2021	**2022**	2021	**2022**	2021
Europe, Middle East & Africa (EMEA)	557	668	2,130	2,465	27.1%	28.6%
North America	9	24	108	120	8.4%	19.8%
Asia Pacific	49	103	206	198	24.1%	52.7%
Latin America	146	164	1,111	1,041	20.7%	25.5%
Total	**761**	**959**	**3,555**	**3,824**	**24.8%**	**29.1%**

1 New business value is calculated on embedded value principles net of non-controlling interests.
2 APE is shown gross of non-controlling interests.
3 New business margin is calculated using new business value as a percentage of APE based on figures net of non-controlling interests for both metrics.

In 2022, Life new business annual premium equivalent (APE) increased 1 percent on a like-for-like basis. Growth was driven by higher sales in capital efficient savings and protection products. On a reported basis, APE declined 7 percent, with local currency growth offset by U.S. dollar appreciation against other major currencies.

In EMEA, APE sales reduced by 3 percent on a like-for-like basis, compared with 2021. This was primarily driven by a reduction of low-margin individual savings in Spain and a slowdown of unit-linked sales in the second half of 2022, partially offset by growth in corporate savings in Switzerland.

APE sales in Latin America increased 8 percent on a like-for-like basis, driven by growth in protection in the Zurich branded businesses.

In North America, APE sales decreased 10 percent on a like-for-like basis, driven by underwriting actions implemented in the second half of the year.

In Asia Pacific, APE sales increased by 14 percent on a like-for-like basis, driven by growth in the second half of 2022, benefiting from higher protection sales in Japan and Australia.

The new business margin (NBM) remained attractive at 24.8 percent, down from 29.1 percent in the previous year. The lower margin reflects the impact of modelling and assumption updates, a less favorable product mix within Zurich's preferred lines, as well as adverse economic variances mainly related to higher discount rates. This resulted in new business value (NBV) of USD 761 million, 15 percent below the prior-year period on a like-for-like basis.

Operating update (continued)

Farmers

in USD millions, for the years ended December 31	**2022**	2021	Change
Farmers Management Services (FMS)	1,735	1,534	13%
Farmers Re	6	(1)	nm
Farmers Life	168	84	nm
Total business operating profit	**1,909**	**1,617**	**18%**

Farmers Management Services (FMS) business operating profit increased 13 percent compared with the prior year. This was mainly driven by growth in the premium base of the Farmers Exchanges, up 9 percent compared with 2021, benefiting from the inclusion of the acquired MetLife U.S. P&C business.

Farmers Life business operating profit of USD 168 doubled compared with USD 84 in 2021, driven by an improved mortality experience related to COVID-19 and favorable actuarial assumptions updates, partially offset by negative market impacts on the amortization of deferred acquisition costs.

Farmers Re reported a business operating profit of 6 million in 2022 compared with a loss of USD 1 million in 2021, driven by higher investment income and an improved combined ratio.

Effective December 31, 2022, Farmers Re increased its participation in the Farmers Exchanges' all lines quota share treaty from 1.75% to 8.50%.

Farmers Exchanges

The Farmers Exchanges are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as attorney-in-fact and receives fees for its services.

Financial information about the Farmers Exchanges is proprietary to the Farmers Exchanges, but is provided to support an understanding of the performance of Farmers Group, Inc. and Farmers Re.

in USD millions, for the years ended December 31	**2022**	2021	Change
Gross written premiums	26,519	24,228	9%
Gross earned premiums	25,842	23,689	9%

Gross written premiums of the Farmers Exchanges increased by 9 percent in 2022 compared with the prior year, benefiting from the inclusion of the acquired MetLife business as well as rate-driven growth in the Business Insurance, Farmers Specialty and Farmers Home businesses.

Operating update (continued)

Group Functions and Operations

in USD millions, for the years ended December 31	2022	2021	Change
Holding and Financing	(446)	(445)	(0%)
Headquarters	(292)	(311)	6%
Zurich Global Ventures[1]	(42)	(49)	14%
Total business operating profit	**(780)**	**(806)**	**3%**

1 Includes Zurich Global Employee Benefit Solutions, new ventures and initiatives.

Group Functions and Operations reported net expenses of USD 780 million compared with USD 806 million in the prior year. This was mainly driven by a reduction in expenses at Headquarters.

Non-Core Businesses

in USD millions, for the years ended December 31	2022	2021	Change
Zurich Legacy Solutions	(158)	(48)	nm
Other run-off	(36)	46	nm
Total business operating profit	**(195)**	**(1)**	**nm**

The Group's Non-Core Businesses, which comprise run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported an operating loss of USD 195 million. The result was mainly driven by negative market impacts and reserve strengthening on run-off portfolios.

Financial update

Balance sheet review

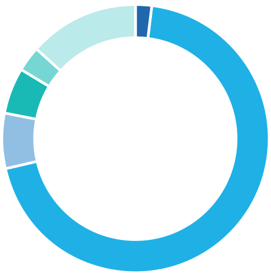
Total assets and liabilities:

The total assets of the Group stood at USD 378 billion in 2022 compared with USD 436 billion in 2021, mainly driven by the decrease in valuation of the Group and unit-linked investments due to higher interest rates and market conditions, and a decrease in cash and cash equivalents, which reflects the dividend payment made in 2022. Investment property valuation increased by USD 728 million, driven by revaluation to reflect latest market conditions and completion of construction projects.

The completion of the acquisition of the network of Financial Advisors of the Deutsche Bank Group by the Group through its subsidiary Zurich Italy Bank S.p.A increased the goodwill by USD 211 million.

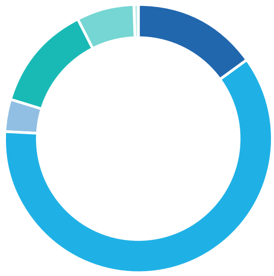
The Group also reclassified about USD 857 million of assets and liabilities as held for sale reflecting the sale of the German Life back book (subject to regulatory approvals) and other capital optimization actions. These factors, including a reduction in liabilities related to insurance reserves and redemption of debt, also drove a decrease in the total liabilities for the Group to USD 349 billion in 2022 from USD 397 billion in 2021.

Group assets
Total assets as of December 31, 2022
(in USD millions)



Cash and cash equivalents	**7,560**
Total investments	**262,614**
Reinsurers' share of liabilities	**25,667**
Deferred policy acquisition costs	**20,711**
Intangible assets	**11,515**
Other assets	**49,715**

Group liabilities and equity
Total liabilities and equity as of December 31, 2022
(in USD millions)



Liabilities for investment contracts	**57,456**
Liabilities for insurance contracts	**229,755**
Debt	**13,970**
Other liabilities	**48,688**
Shareholders' equity	**26,634**
Non-controlling interests	**1,279**

Shareholders' equity:

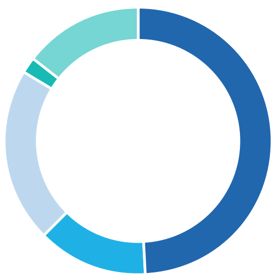
The shareholders' equity of the Group of USD 26.6 billion decreased USD 11.2 billion from USD 37.9 billion at year-end 2021, primarily due to the net unrealized losses on investment compared to net unrealized gains at year-end 2021, unfavorable currency movements and the payment of the Group dividend of USD 3.5 billion, which were partially offset by net income attributable to shareholders of USD 4.6 billion. Net unrealized losses on Group investments included in shareholders' equity were USD 6.8 billion pre-tax, compared to net unrealized gains of USD 4.1 billion at year-end 2021, driven by adverse market conditions.

Treasury and capital management

The Group's balance sheet remains very strong, as demonstrated by S&P and Moody's financial strength ratings for the Zurich Insurance Company Ltd of AA with a stable outlook and Aa3 with a positive outlook (per January 13, 2023). In addition, as of December 31, 2022, the Group's estimated SST ratio[1] remained very strong at 265 percent.

During the year the Group saw net cash remittances of USD 4.6 billion, resulting in a cumulative USD 12.4 billion for the period 2020–2022, exceeding the USD 11.5 billion target over this period. The level of remittances has been driven by both operational earnings and capital released as a result of the Group's efforts to extract capital from its operating businesses.

Net cash remittances by business
for the year ended December 31, 2022
(in USD millions)



Property & Casualty	**3,191**
Life	**854**
Farmers	**1,365**
Non-Core Businesses	**120**
Group Functions and Operations	**(926)**

1 Estimated Swiss Solvency Test (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.

Financial update (continued)

Significant transactions in 2022

Sale of legacy traditional life insurance back book in Germany to Viridium

On June 24, 2022 the Group agreed to sell its legacy traditional life insurance back book in Germany to Viridium Holding AG (Viridium), a leading specialist in the management of life insurance portfolios (run-off) in Germany. The transaction includes the transfer of approximately USD 20 billion of net reserves, mainly related to annuity and endowment products underwritten more than five years ago. The sale will further reduce capital intensity and exposure to interest rates and reduces capital required to protect against volatility. The sale is subject to regulatory approvals and will not change the contractual obligations to customers and distribution partners. The sale is expected to close in Q4 2023.

Sale of Italian life and pensions back book to GamaLife

On January 2, 2022 the Group announced that its subsidiary Zurich Investments Life S.p.A. agreed to sell part of its life and pension back book, composed of both traditional and unit-linked policies, to the Portuguese insurance company GamaLife – Companhia de Seguros de Vida, S.A. The transaction transferred USD 9.5 billion of net reserves transferred to GamaLife. The transaction will positively impact the Group's Swiss Solvency Test ratio and increase the Group's liquidity by approximately USD 200 million. The transaction closed on November 30, 2022.

Acquisition of Deutsche Bank Financial Advisors network

On October 14, 2022, the Group through its subsidiary Zurich Italy Bank S.p.A. completed the acquisition of the network of Financial Advisors of the Deutsche Bank Group in Italy. The terms of the agreement provide for the transfer of a business unit consisting of approximately 1,085 financial advisors, 97 employees and EUR 16.5 billion of assets under management. The acquisition allows Zurich in Italy to further develop its financial and insurance distribution network in the Italian market.

The preliminary opening balance sheet is presented within Note 5 of the consolidated financial statements.

Financial update (continued)

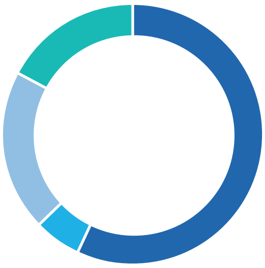
Being a responsible taxpayer

As part of Zurich's tax strategy, the Group strives to manage tax costs- and control-associated risks for the benefit of its customers, employees, shareholders and for society as a whole. The Group employs rigorous tax accounting and reporting oversight. The location of Group subsidiaries and affiliated companies is driven by business reasons and not the avoidance of tax. The Group's consolidated result includes only a very limited number of companies located in low or nil tax rate jurisdictions and in all cases these carry out operative insurance, reinsurance, and asset management activities.

Total tax contributions reflect Zurich's economic contribution to the economy in taxes – the direct and indirect taxes paid by Zurich ('tax borne by the shareholders') and those taxes that Zurich is legally obligated to collect on behalf of tax administrations ('tax collected'):

Taxes borne by shareholders

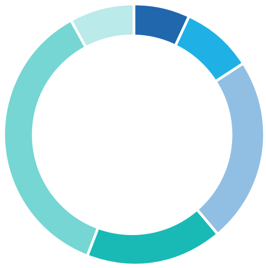
Total 2021: USD 2.2bn
(All numbers based on IFRS, excluding deferred income tax)



Shareholder income tax	57%
Stamp duty and other taxes	6%
Employer social security	20%
Irrecoverable VAT	17%

Taxes collected

Total 2021[1]: USD 6.6bn
(All numbers based on IFRS, excluding deferred income tax)



Employer social security	7%
Policyholder income and other taxes	9%
Other taxes (incl. withholding tax)	23%
Payroll tax	17%
Premium tax	36%
VAT declared	8%

See more details on our tax strategy in our Sustainability pages at www.zurich.com/en/sustainability.

The shareholders' effective tax rate decreased to 20.6 percent for the period ended December 31, 2022 compared with 23.0 percent for the same period of 2021. The decrease was driven primarily by favorable developments in the geographical profit mix as the U.S. businesses performed strongly as well as favorable tax audit outcomes in Europe.

1 The total tax contribution for 2022 will be reported in Zurich's tax strategy report, which will be published in Q2 2023.

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Message from our Group Chief Investment Officer

> In the difficult market conditions of 2022, the composition of our investment portfolio continued to demonstrate stability, retained a high-quality profile and continued to be well-diversified across regions and industries. At the same time, Zurich delivered on its responsible investment goals for the year and set further ambitions.

Dear Shareholder

In 2022, we saw the legacy and imbalances from the COVID-19 pandemic shape the economic and financial market landscape. Three themes stood out over the course of 2022: persistently higher inflation, unprecedented central bank tightening and, of course, the tragic invasion of Ukraine. Unusually, the three key financial asset classes of equities, credit and government bonds all closed the year substantially lower.

Strong household balance sheets in many developed economies, as a result of the dramatic government support measures during the pandemic, combined with very strong employment conditions, fueled demand and inflation. The energy shock from the war further accelerated the rise in prices, with European natural gas surging from EUR 60 per kilowatt hour to EUR 340 by late summer, as talk of rationing and blackouts in Europe gained traction.

Message from our Group Chief Investment Officer (continued)

With inflation well above central bank targets and accelerating, central banks embarked on a dramatic tightening campaign at the start of the year, recovering lost ground and moving rates toward restrictive territory. U.S. mortgage rates doubled and housing activity in many developed economies slowed markedly. Global growth moderated over the course of the year, falling below its long-term average. This was exacerbated by China's zero-COVID-19 policy before a surprising about-face in the closing weeks of 2022.

A high-quality portfolio

During 2022, the composition of our investment portfolio continued to demonstrate stability and benefit from a conservative exposure to credit risk. Zurich's portfolio retained its high-quality profile with 95 percent in fixed income securities rated BBB and above. Our investment portfolio also continues to be well diversified across regions and industries.

Stable net investment income

In a difficult market environment, our 2022 net investment income remained stable at USD 5.1 billion compared with the prior year. Equity and fixed-income markets mostly showed negative returns during 2022. Realized capital gains and losses (including impairments) for the year resulted in a loss of USD 951 million, mainly from fixed-income and equity securities. This was partially offset by derivative and real estate revaluation gains.

The net investment result for 2022 was USD 4.1 billion. While the total returns for assets and liabilities were negative in 2022, Zurich's assets have outperformed its liabilities. The associated market risk consumption declined during 2022.

Financing climate solutions

Despite a challenging market environment, Zurich delivered on its responsible investment ambition during 2022 and set further one. We plan to invest 5 percent of our proprietary investment portfolio to impact investments by 2025. We aim to achieve this target by growing our existing global impact investment portfolio and identifying new prospective opportunities across asset classes to broaden our approach.

In 2022, we increased our investments in climate solutions by 6 percent to USD 8.7 billion. These investments provide green financing solutions under our impact investing strategy and also count as investments in green certified buildings. Our green impact investing assets, for example solar and wind farms, have helped avoid 3.2 million metric tons of CO2-equivalent emissions in 2022. We are proud that our impact investment approach won three awards in 2022, recognizing our leadership as an institutional investor in this area.

We strongly believe that simply divesting from companies with carbon-intense footprints is less effective than engaging with them to drive the shift to sustainable practices. On that journey with our investee companies, we have already engaged with 54 percent of emitters of financed emissions that have not set science-based targets, and we require these companies to set targets aligned with the Paris Agreement.

Since 2019, we have achieved a reduction in the emission intensity of our portfolio of 12 percent. This reduction in financed emissions was mainly driven by disposals and changes to our portfolio as well as structural emission reductions of our investee companies. We have observed a meaningful drop in emissions from companies in run-off under our coal and oil sands policy due to maturing assets and active portfolio management.

Since the launch of the Zurich Carbon Neutral World Equity Fund, we have seen positive feedback from our customers and distributors. As a result, the fund is now available in eight different countries: Chile, Germany, Switzerland, United Arab Emirates, Italy, Portugal, Spain and Malaysia. Despite the challenging environment for financial markets, net flows into the fund were positive during 2022, benefiting from continued customer interest.

Stephan van Vliet
Group Chief Investment Officer

Total investments[1], 2022
%

Credit, private debt	44.4%
Government and government guaranteed	31.7%
Real estate	9.6%
Cash	5.8%
Equities	3.8%
Mortgages	2.7%
Hedge funds, private equity	2.1%

1 Market value of the investment portfolio (economic view).

Rating of credit, private debt securities, 2022
%

AAA	19.1%
AA	12.9%
A	27.2%
BBB	33.8%
Non-investment grade	7.0%
Unrated	0.0%

Credit and private debt securities per segment, 2022
%

Non-financial credit	31.3%
Financial credit	23.8%
Municipals, agencies, state credit	16.2%
Other	14.5%
Asset backed securities	9.2%
Covered bonds	5.0%

Consolidated financial statements

Contents

Consolidated financial statements (continued)

Consolidated income statements

in USD millions, for the years ended December 31	Notes	**2022**	2021
Revenues			
Gross written premiums		56,118	53,185
Policy fees		2,730	2,592
Gross written premiums and policy fees		58,848	55,777
Less premiums ceded to reinsurers		(11,747)	(10,970)
Net written premiums and policy fees		47,101	44,806
Net change in reserves for unearned premiums	10	(2,569)	(1,776)
Net earned premiums and policy fees		44,532	43,031
Farmers management fees and other related revenues	26	4,490	4,265
Net investment income on Group investments		5,084	5,047
Net capital gains/(losses) and impairments on Group investments		(951)	2,038
Net investment result on Group investments	6	4,133	7,085
Net investment result on unit-linked investments		(12,405)	14,388
Net gains/(losses) on divestment of businesses	5	(288)	(185)
Other income		1,286	1,283
Total revenues		41,750	69,867
Benefits, losses and expenses			
Insurance benefits and losses, gross of reinsurance	10	34,576	34,470
Less ceded insurance benefits and losses	10	(6,372)	(6,186)
Insurance benefits and losses, net of reinsurance	10	28,204	28,284
Policyholder dividends and participation in profits, net of reinsurance	10	(11,791)	15,195
Underwriting and policy acquisition costs, net of reinsurance	10	9,873	9,213
Administrative and other operating expense	12	8,665	8,794
Interest expense on debt		434	469
Interest credited to policyholders and other interest		403	591
Total benefits, losses and expenses		35,787	62,546
Net income before income taxes		5,962	7,321
of which: Attributable to non-controlling interests		457	332
Income tax (expense)/benefit	17	(1,040)	(1,895)
attributable to policyholders	17	239	(275)
attributable to shareholders	17	(1,279)	(1,621)
of which: Attributable to non-controlling interests		(137)	(109)
Net income after taxes		**4,923**	**5,425**
attributable to non-controlling interests		319	223
attributable to shareholders		4,603	5,202
in USD			
Basic earnings per share	19	31.01	34.99
Diluted earnings per share	19	30.77	34.66
in CHF			
Basic earnings per share	19	29.59	31.98
Diluted earnings per share	19	29.36	31.68

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Consolidated statements of comprehensive income

in USD millions, for the years ended December 31

	Net income attributable to shareholders	Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges
2021			
Comprehensive income for the period	5,202	(2,031)	(114)
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		(669)	(67)
Reclassification to income statement (before tax, foreign currency translation effects and allocation to policyholders)		(1,714)	(54)
Reclassification to retained earnings		–	–
Deferred income tax (before foreign currency translation effects)		451	22
Foreign currency translation effects		(98)	(15)
2022			
Comprehensive income for the period	4,603	(10,650)	(277)
Details of movements during the period			
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		(13,379)	(259)
Reclassification to income statement (before tax, foreign currency translation effects and allocation to policyholders)		424	(65)
Reclassification to retained earnings		–	–
Deferred income tax (before foreign currency translation effects)		2,478	61
Foreign currency translation effects		(173)	(14)

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Cumulative foreign currency translation adjustment	Total other comprehensive income recycled through profit or loss	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income not recycled through profit or loss	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Total comprehensive income attributable to non-controlling interests	Total comprehensive income
(1,088)	(3,234)	(19)	885	865	(2,368)	2,834	45	2,878
(1,081)	(1,817)	8	886	895	(922)			
(7)	(1,775)	–	–	–	(1,775)			
–	–	(13)	–	(13)	(13)			
–	472	(15)	(34)	(49)	423			
	(114)	–	33	33	(81)			
(1,418)	(12,345)	7	258	265	(12,080)	(7,477)	218	(7,258)
(1,409)	(15,048)	10	164	173	(14,874)			
(8)	351	–	–	–	351			
–	–	–	–	–	–			
–	2,538	(2)	(39)	(42)	2,497			
	(187)	–	134	134	(53)			

Consolidated financial statements (continued)

Consolidated balance sheets

Assets

in USD millions, as of December 31	Notes	**2022**	2021
Assets:			
Cash and cash equivalents		**7,560**	**8,698**
Total Group investments	6	140,625	190,959
Equity securities		13,130	18,578
Debt securities		103,664	145,084
Investment property		14,798	14,070
Mortgage loans		5,497	6,106
Other loans		3,444	7,053
Investments in associates and joint ventures		92	68
Investments for unit-linked contracts		121,989	142,470
Total investments		**262,614**	**333,429**
Reinsurers' share of liabilities for insurance contracts	8	25,667	25,680
Deposits made under reinsurance contracts		960	444
Deferred policy acquisition costs	11	20,711	20,446
Deferred origination costs	11	431	441
Receivables and other assets	15	21,768	19,951
Deferred tax assets	17	2,179	1,198
Assets held for sale[1]	5	22,152	11,626
Property and equipment	13	2,225	2,436
Attorney-in-fact contracts	14	2,650	2,650
Goodwill	14	4,420	4,344
Other intangible assets	14	4,445	4,484
Total assets		**377,782**	**435,826**

1 As of December 31, 2022, the Group had USD 22.1 billion of assets held for sale based on agreements signed to sell portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft and Zurich Insurance plc (Spain Medical Malpractice and UK Employers' Liability portfolios) (see note 5). In 2021, the Group had USD 11.6 billion of assets held for sale portfolios of Zurich International Life Limited, Zurich Investments Life S.p.A. and Zurich Insurance plc (Spain Medical Malpractice and UK Employers' Liability portfolios) (see note 5).

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Liabilities and equity

in USD millions, as of December 31	Notes	2022	2021
Liabilities			
Liabilities for investment contracts	9	57,456	68,855
Deposits received under ceded reinsurance contracts		857	970
Deferred front-end fees		4,560	5,124
Liabilities for insurance contracts	8	229,755	272,707
Obligations to repurchase securities		1,069	1,381
Other liabilities[1]	16, 22	18,017	16,009
Deferred tax liabilities	17	2,889	5,151
Liabilities held for sale[2]	5	21,295	11,351
Senior debt	18	5,071	5,327
Subordinated debt	18	8,899	9,782
Total liabilities		**349,868**	**396,656**
Equity			
Share capital	19	11	11
Additional paid-in capital	19	1,158	1,449
Net unrealized gains/(losses) on available-for-sale investments		(6,980)	3,670
Cash flow hedges		134	411
Cumulative foreign currency translation adjustment		(10,824)	(9,633)
Revaluation reserve		272	265
Retained earnings		42,863	41,707
Shareholders' equity		26,634	37,881
Non-controlling interests		1,279	1,289
Total equity		**27,914**	**39,170**
Total liabilities and equity		**377,782**	**435,826**

1 Includes restructuring provisions, litigation and regulatory provisions and other provisions (see note 16).
2 As of December 31, 2022, the Group had USD 21.3 billion of liabilities held for sale based on agreements signed to sell portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft and Zurich Insurance plc (Spain Medical Malpractice and UK Employers' Liability portfolios) (see note 5). In 2021, the Group had USD 11.4 billion of liabilities held for sale portfolios of Zurich International Life Limited, Zurich Investments Life S.p.A and Zurich Insurance plc (Spain Medical Malpractice and UK Employers' Liability portfolios) (see note 5).

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Consolidated statements of cash flows

in USD millions, for the years ended December 31	**2022**	2021
Cash flows from operating activities		
Net income attributable to shareholders	4,603	5,202
Adjustments for:		
Net (gains)/losses on divestment of businesses	288	185
(Income)/expense from equity method accounted investments	4	4
Depreciation, amortization and impairments of fixed and intangible assets	804	849
Other non-cash items	(125)	(374)
Underwriting activities:	(10,693)	16,033
Liabilities for insurance contracts, gross	(3,206)	9,485
Reinsurers' share of liabilities for insurance contracts	(234)	(336)
Liabilities for investment contracts	(5,720)	7,676
Deferred policy acquisition costs	(886)	(889)
Deferred origination costs	(22)	(38)
Deposits made under assumed reinsurance contracts	(521)	56
Deposits received under ceded reinsurance contracts	(104)	79
Investments:	12,307	(17,857)
Net capital (gains)/losses on total investments and impairments	14,609	(14,918)
Net change in derivatives	(477)	432
Net change in money market investments	90	728
Sales and maturities		
Debt securities	51,589	42,492
Equity securities	53,190	53,695
Other	7,517	9,489
Purchases		
Debt securities	(54,925)	(48,985)
Equity securities	(51,407)	(51,580)
Other	(7,879)	(9,211)
Net changes in sale and repurchase agreements	(266)	615
Movements in receivables and payables	(2,055)	(2,059)
Net changes in other operational assets and liabilities	644	(75)
Deferred income tax, net	(434)	646
Net cash provided by/(used in) operating activities	5,079	3,167

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

in USD millions, for the years ended December 31	2022	2021
Cash flows from investing activities		
Additions to tangible and intangible assets	(572)	(576)
Disposals of tangible and intangible assets	54	155
(Acquisitions)/disposals of equity method accounted investments, net	–	(38)
Acquisitions of companies, net of cash acquired	(328)	(2,446)
Divestments of companies, net of cash divested	155	16
Dividends from equity method accounted investments	–	2
Net cash provided by/(used in) investing activities	(691)	(2,886)
Cash flows from financing activities		
Dividends paid	(3,767)	(3,534)
Net movement in treasury shares	(770)	(455)
Issuance of debt	2,551	2,664
Repayment of debt	(3,067)	(740)
Lease principal repayments	(220)	(227)
Net cash provided by/(used in) financing activities	(5,273)	(2,292)
Foreign currency translation effects on cash and cash equivalents	(290)	(386)
Change in cash and cash equivalents[1]	(1,174)	(2,396)
Cash and cash equivalents as of January 1	9,330	11,726
Total cash and cash equivalents as of December 31	**8,155**	**9,330**
of which: Cash and cash equivalents	7,560	8,698
of which: Unit-linked[2]	596	632
Other supplementary cash flow disclosures[3]		
Other interest income received	4,927	4,676
Dividend income received	1,439	1,737
Other interest expense paid	(890)	(955)
Income taxes paid	(1,469)	(1,486)

1 The movement for the period ended December 31, 2022 includes USD 51 million of cash and cash equivalents reclassified to assets held for sale, which has been recognized in net changes in other operational assets and liabilities (see note 5).
2 These amounts are included within 'Investments for unit-linked contracts' on the balance sheet.
3 These amounts are primarily included in the operating activities of the cash flow statement.

Cash and cash equivalents

in USD millions, as of December 31	2022	2021
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	7,119	8,663
Cash equivalents	1,036	667
Total	**8,155**	**9,330**

For the periods ended December 31, 2022 and 2021, cash and cash equivalents held to meet local regulatory requirements were USD 407 million and USD 376 million, respectively.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Consolidated statements of changes in equity

in USD millions

	Share capital	Additional paid-in capital
Balance as of December 31, 2020 as previously reported	11	1,438
Issuance of share capital	–	–
Dividends to shareholders	–	–
Share-based payment transactions	–	12
Treasury share transactions	–	–
of which: share buy-back program	–	–
Change in ownership interests with no loss of control	–	–
Cumulative foreign currency translation adjustment due to hyperinflation	–	–
Reclassification from revaluation reserves	–	–
Total comprehensive income for the period, net of tax	–	–
Net income	–	–
Net unrealized gains/(losses) on available-for-sale investments	–	–
Cash flow hedges	–	–
Cumulative foreign currency translation adjustment	–	–
Revaluation reserve	–	–
Net actuarial gains/(losses) on pension plans	–	–
Net changes in capitalization of non-controlling interests	–	–
Balance as of December 31, 2021	11	1,449
Balance as of December 31, 2021 as previously reported	11	1,449
Issuance of share capital	–	–
Dividends to shareholders[1]	–	(233)
Share-based payment transactions	–	(58)
Treasury share transactions	–	–
of which: share buy-back program[2]	–	–
Change in ownership interests with no loss of control	–	–
Cumulative foreign currency translation adjustment due to hyperinflation[3]	–	–
Reclassification from revaluation reserves	–	–
Total comprehensive income for the period, net of tax	–	–
Net income	–	–
Net unrealized gains/(losses) on available-for-sale investments[4]	–	–
Cash flow hedges	–	–
Cumulative foreign currency translation adjustment	–	–
Revaluation reserve	–	–
Net actuarial gains/(losses) on pension plans	–	–
Net changes in capitalization of non-controlling interests	–	–
Balance as of December 31, 2022	**11**	**1,158**

1 As approved by the Annual General Meeting on April 6, 2022, the dividend of CHF 22 per share was paid out of the capital contribution reserve and retained earnings on April 12, 2022 (see note 19).
2 On August 11, 2022, it was announced that Zurich Insurance Group Ltd intends to repurchase up to CHF 1.8 billion of its registered shares under the public share buyback program. The program will run from November 21, 2022 until December 29, 2023. As of December 31, 2022, 829,830 shares had been bought back (see note 19).
3 Current year effect of IAS 29 'Financial Reporting in Hyperinflationary Economies'.
4 Net unrealized gains/(losses) on available-for-sale-investments have been impacted by recent adverse market events.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Net unrealized gains/(losses) on available-for-sale investments	Cash flow hedges	Cumulative foreign currency translation adjustment	Revaluation reserve	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
5,701	526	(8,698)	284	39,016	38,278	1,568	39,846
–	–	–	–	–	–	–	–
–	–	–	–	(3,199)	(3,199)	(335)	(3,534)
–	–	–	–	(54)	(42)	–	(42)
–	–	–	–	(146)	(146)	–	(146)
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	153	–	(10)	143	12	155
–	–	–	–	13	13	–	13
(2,031)	(114)	(1,088)	(19)	6,087	2,834	45	2,878
–	–	–	–	5,202	5,202		
(2,031)	–	–	–	–	(2,031)		
–	(114)	–	–	–	(114)		
–	–	(1,088)	–	–	(1,088)		
–	–	–	(19)	–	(19)		
–	–	–	–	885	885		
–	–	–	–	–	–	–	–
3,670	411	(9,633)	265	41,707	37,881	1,289	39,170
3,670	411	(9,633)	265	41,707	37,881	1,289	39,170
–	–	–	–	–	–	–	–
–	–	–	–	(3,287)	(3,521)	(247)	(3,767)
–	–	–	–	(39)	(97)	–	(97)
–	–	–	–	(415)	(415)	–	(415)
–	–	–	–	(397)	(397)	–	(397)
–	–	–	–	–	–	–	–
–	–	227	–	36	263	21	285
–	–	–	–	–	–	–	–
(10,650)	(277)	(1,418)	7	4,861	(7,477)	218	(7,258)
–	–	–	–	4,603	4,603		
(10,650)	–	–	–	–	(10,650)		
–	(277)	–	–	–	(277)		
–	–	(1,418)	–	–	(1,418)		
–	–	–	7	–	7		
–	–	–	–	258	258		
–	–	–	–	–	–	(3)	(3)
(6,980)	**134**	**(10,824)**	**272**	**42,863**	**26,634**	**1,279**	**27,914**

Consolidated financial statements (continued)

Zurich Insurance Group Ltd and its subsidiaries (collectively the Group) is a provider of insurance products and related services. The Group operates in Europe, Middle East & Africa (EMEA), North America, Latin America and Asia Pacific through subsidiaries, as well as branch and representative offices.

Zurich Insurance Group Ltd, a Swiss corporation, is the holding company of the Group and its shares are listed on the SIX Swiss Exchange. Zurich Insurance Group Ltd was incorporated on April 26, 2000, in Zurich, Switzerland. It is recorded in the Commercial Register of the Canton of Zurich under its registered address at Mythenquai 2, 8002 Zurich.

On February 8, 2023, the Board of Directors of Zurich Insurance Group Ltd authorized these consolidated financial statements for issue. These financial statements will be submitted for approval to the Annual General Meeting of Shareholders to be held on April 6, 2023.

1. Basis of presentation

General information

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law. Where IFRS does not contain clear guidance governing the accounting treatment of certain transactions, including those that are specific to insurance and reinsurance products, IFRS permits reference to another comprehensive body of accounting principles that uses a similar conceptual framework. The Group's accounting policies for insurance and reinsurance contracts are therefore based on those developed by the Group before the adoption of IFRS 4 in areas where IFRS 4 did not include specific requirements. Before the adoption of IFRS 4 on January 1, 2005, the Group typically applied U.S. GAAP pronouncements issued by the Financial Accounting Standards Board (FASB) on insurance and reinsurance contracts. Any changes to such pronouncements subsequent to this adoption are not reflected in the Group's accounting policies. In case of business combinations, the Group may decide to maintain the local statutory treatment if this does not distort the fair presentation of the financial position of the Group. If significant, the impact of such cases would be described elsewhere in the notes to these consolidated financial statements.

The accounting policies applied by the reportable segments are the same as those applied by the Group. The Group accounts for inter-segment revenues and transfers as if the transactions were with third parties at current market prices. Dividends, realized capital gains and losses as well as gains and losses on the transfer of net assets are eliminated within the segment, whereas all other intercompany gains and losses are eliminated at Group level. In the consolidated financial statements, inter-segment revenues and transfers are eliminated.

Certain amounts recorded in the consolidated financial statements reflect estimates and assumptions made by management about insurance liability reserves, investment valuations, interest rates and other factors.

The Group continues to closely monitor and deal with the evolution of the COVID-19 pandemic, though most of the impacts on the Group's business are known and reflected in management's best estimates.

During 2022, most economies saw a continued rise in inflation further intensified by the war in Ukraine. Central banks have responded by tightening monetary policy, triggering a significant sell-off in equity and bond markets. Investment valuation and interest rates incorporate these market conditions as of December 31, 2022, and recoverability of intangible assets has been tested where the value of these intangible assets, including goodwill, is sensitive to prevailing market conditions. For more information on investments and fair value, please see note 6 and 23, respectively. For more information on intangible assets, please see note 14. The Group's exposure to Russia and Ukraine through its property & casualty operations and its investments portfolio is immaterial.

In 2022, following the announcement of the sale of its legacy traditional life insurance back book in Germany, the Group reclassified the related assets and liabilities as held for sale. Under IFRS 5, insurance assets and liabilities are not required to be remeasured upon reclassification. Upon reclassification, the Group considered the fact that the transaction is expected to close in 2023, after the Group will have adopted IFRS 17 retrospectively.

The Group considers various factors to determine whether an economy in a country where a foreign operation is situated is hyperinflationary. Any material translation adjustments resulting from initial application of the hyperinflationary accounting is recognized directly in equity.

Consolidated financial statements (continued)

The following balances are generally considered to be non-current: equity securities, investment property, investments in associates and joint ventures, deferred policy acquisition costs on life insurance contracts, deferred tax assets, property and equipment, goodwill, other intangible assets and deferred tax liabilities.

The following balances are mixed in nature (including both current and non-current portions): debt securities, mortgage loans, other loans, reinsurers' share of liabilities for insurance contracts, deposits made under assumed reinsurance contracts, deferred origination costs, other assets, reserves and investments for unit-linked contracts, liabilities for investment contracts, deposits received under ceded reinsurance contracts, deferred front-end fees, reserves for losses and loss adjustment expenses, reserves for unearned premiums, future life policyholder benefits, policyholder contract deposits and other funds, other liabilities, senior and subordinated debt and assets and liabilities held for sale.

Maturity tables have been provided for the following balances: debt securities (table 6.4), derivative assets and derivative liabilities (table 7.1), reserves for insurance contracts (tables 8.9a and 8.9b), liabilities for investment contracts (tables 9.3a and 9.3b), finance lease receivables (table 13.6), operating lease payments to be received (table 13.7), other financial liabilities (table 16.2), lease liabilities (table 16.3), outstanding debt (table 18.2) and future benefit payments for major pension plans (table 20.6).

All amounts in the consolidated financial statements, unless otherwise stated, are shown in U.S. dollars, rounded to the nearest million with the consequence that the rounded amounts may not add to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

Table 1 summarizes the principal exchange rates used for translation purposes. Net gains/(losses) on foreign currency transactions included in the consolidated income statements were USD (137) million and USD (158) million for the years ended December 31, 2022 and 2021, respectively. Foreign currency exchange forward and swap gains/(losses) included in these amounts were USD (410) million and USD (56) million for the years ended December 31, 2022 and 2021, respectively.

Table 1

Principal exchange rates

USD per foreign currency unit	Consolidated balance sheets at end-of-period exchange rates		Consolidated income statements and cash flows at average exchange rates	
	12/31/22	12/31/21	**12/31/22**	12/31/21
Euro	1.0684	1.1373	1.0538	1.1831
Swiss franc	1.0813	1.0969	1.0482	1.0941
British pound	1.2049	1.3539	1.2372	1.3758
Brazilian real	0.1894	0.1793	0.1940	0.1856
Australian dollar	0.6797	0.7272	0.6950	0.7515
Japanese yen	0.0076	0.0087	0.0077	0.0091

Consolidated financial statements (continued)

2. New accounting standards and amendments to published accounting standards

Standards, amendments and interpretations effective or early-adopted as of January 1, 2022, and relevant for the Group's operations

Table 2.1 shows new accounting standards or amendments to, and interpretations of, standards relevant to the Group that have been implemented for the financial year beginning January 1, 2022, with no impact on the Group's financial position or performance. Amendments resulting from the annual improvements to IFRS Standards 2018–2020 have no impact on the Group's financial statements.

Table 2.1

Standard/ Interpretation		Effective date
Amended standards		
IFRS 3	Reference to Conceptual Framework	January 1, 2022
IAS 16	Property, Plant and Equipment: Proceeds before Intended Use	January 1, 2022
IAS 37	Onerous Contracts – Cost of Fulfilling a Contract	January 1, 2022

Standards, amendments and interpretations issued that are not yet effective or adopted by the Group

Table 2.2 shows new accounting standards or amendments to, and interpretations of, standards relevant to the Group, which are not yet effective or adopted by the Group.

Table 2.2

Standard/ Interpretation		Effective date
New standards/interpretations		
IFRS 9	Financial Instruments	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023
Amended standards		
IFRS 17	Initial Application of IFRS 17 and IFRS 9 – Comparative Information	January 1, 2023
IAS 1	Disclosure of Accounting Policies	January 1, 2023
IAS 8	Definition of Accounting Estimates	January 1, 2023
IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
IAS 1	Non-current Liabilities with Covenants	January 1, 2024

IFRS 17 'Insurance Contracts' and IFRS 9 'Financial Instruments'

IFRS 17 'Insurance Contracts' provides a comprehensive guidance on accounting for (re-)insurance contracts and investment contracts with discretionary participation features and has a significant impact on accounting for (re-) insurance contracts, including changes to the presentation of the insurance revenue and insurance service result. For long-duration life insurance contracts, IFRS 17 requires a significant change to actuarial modeling as granular cash flow projections, and regular updates of all assumptions will be required resulting in either profit or loss volatility or affecting 'contractual service margin (CSM)'. CSM is presented as a separate component of the insurance liability representing unearned profits from in-force contracts. IFRS 17 further introduces a risk adjustment for non-financial risk, a separate component of the insurance liability covering uncertainty in the amount and timing of future cash flows. Thus, the insurance liabilities will be composed of the current best estimate present value of future cash flows (PVFCF), risk adjustment and CSM.

IFRS 17 introduces different measurement models in calculating (re-)insurance contract liabilities reflecting the different extents of policyholder participation in investment or insurance entity performance: non-participating or indirect participating (general model or the building block approach (BBA)) and direct participating (variable fee approach (VFA)). For short-duration contracts, IFRS 17 permits a simplified approach (premium allocation approach (PAA)), which can be applied to contracts that have a coverage period of 12 months or less or for which such simplification would produce a measurement of the liability for remaining coverage that would not differ materially from the one that would be produced applying the BBA. The simplification allows the liability for remaining coverage to be measured primarily based on premium received, less earned premium and unamortized acquisition cash flows, rather than to be disaggregated into PVFCF, risk adjustment and CSM. The liability for incurred claims is measured consistently with the BBA, whereby all the incurred claims are subject to discounting and risk adjustment.

IFRS 17 will also affect the presentation of the revenue from insurance contracts, which will no longer include gross written premium or investment components. Furthermore, the insurance revenue and insurance service expenses will be presented gross of reinsurance, with the reinsurance result included in the net expenses from reinsurance contracts held. The (re-)insurance contract liabilities are subject to discounting; the unwind of the discount will be part of the (re-)insurance finance income or expenses, rather than insurance service result. For the majority of its in-force (re-)insurance contracts, except for unit-linked insurance contracts, the Group will apply the option in IFRS 17 to disaggregate the (re-)insurance finance income or expense between profit or loss and other comprehensive income (OCI). Under this option, the unwind of discount in profit or loss is based on locked-in discount rates and the difference in valuation due to changes in discount rates is presented in OCI.

The Group will apply bottom-up discount rates for most groups of (re-)insurance contracts. Bottom-up discount rates are constructed using risk-free rates, plus an illiquidity premium, where applicable. Risk-free rates are determined by reference to the market interest rates (either swap rates or yields of highly liquid sovereign securities) in the currency of the respective (re-)insurance contract liabilities. Whenever the duration of the liabilities exceeds the liquid part of the yield curve in the respective currency (the last liquid point), the risk-free interest rate is extrapolated to converge towards a long-term rate (the ultimate forward rate) using widely accepted extrapolation techniques (Smith-Wilson algorithm). The illiquidity premium is determined by reference to observable market spreads for illiquid instruments (e.g., corporate debt, etc.) adequately corrected to remove credit risk.

The Group will estimate the risk adjustment using a confidence level approach taking into account the Group's internal view of the level of capital required in order to continue operating on a going concern basis based on the Group's target Swiss Solvency Test (SST) ratio. The risk adjustment is calibrated as the value at risk (VaR) at the defined target confidence level minus the expected value of the future cash flows using the simulations of the distribution of the future cash flows. This distribution is based on the SST framework and model, with a few modifications considering the different purpose of the IFRS 17 risk adjustment. Separate target confidence levels will apply to the distribution of cash flows of long-duration (predominantly life) and short-duration (predominantly non-life) (re-)insurance contracts. We expect the confidence levels to fall within the following ranges: 74 – 79% for short-duration and 90 – 95% for long-duration (re-)insurance contracts. The Group will disaggregate the change in the risk adjustment for non-financial risk between the insurance service result and (re-)insurance finance income or expenses, and the latter between profit or loss and OCI, so that the movement in risk adjustment resulting from changes in discount rates is presented in OCI.

The Group will allocate the CSM at the end of the reporting period based on the underlying coverage units. The coverage units represent the quantity of (re-)insurance contract services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided under a contract and its expected coverage period. The sum assured (or annuity) in force is considered as the main driver for determining coverage units for insurance service under BBA. Whenever the Group provides both insurance service and investment-related or investment-return service to the policyholders, the coverage units are appropriately weighted to reflect both services to allocate the CSM over the current and remaining coverage period, whereby the assets under management (or equivalent) are considered as the main driver for determining coverage units for investment-related or investment-return service. The CSM allocated to coverage units provided in the period will be recognized in profit or loss.

As IFRS 17 is applied retrospectively, the Group determined the transition approach at a group of insurance contracts level, depending on availability of reasonable and supportable historic information. The selected transition approach affected the measurement of the CSM on initial adoption of IFRS 17:

- Fully retrospective approach – the CSM is based on initial assumptions when groups of contracts were incepted and rolled forward to the date of transition as if IFRS 17 had always been applied;
- Modified retrospective approach – the CSM is calculated using modifications allowed by IFRS 17 taking into account the actual pre-transition fulfilment cash flows; and
- Fair value approach – the CSM at transition is calculated as the difference between the fair value of a group of contracts, without the consideration of the demand deposit floor requirement, and the respective fulfilment cash flows measured at the transition date.

When a fully retrospective approach was considered impracticable due to lack of historical data or application of hindsight, the Group chose between a modified retrospective approach or a fair value approach. The Group applied a retrospective transition approach whenever practical, with more than 80 percent of CSM of groups of (re-)insurance contracts following either a full retrospective or modified retrospective approach.

In applying the modified retrospective and fair value approach for certain groups of non-life and life (re-)insurance contracts prior to the transition date, the Group used the modifications allowed under IFRS 17, such as grouping contracts issued more than 1 year apart into a single group for measurement purposes or applying interest rates as at transition date and setting the cumulative amount of (re-)insurance finance income or expenses recognized in other comprehensive income to nil.

Consolidated financial statements (continued)

IFRS 9 'Financial Instruments' introduces a classification and measurement concept for financial assets that is based on the contractual cash flow characteristics and the holding intent. Under IFRS 9, all equity securities and fund investments, and some debt instruments will be measured at fair value through profit or loss when the characteristics of the contractual cash flows from such instruments are not solely payments of principal and interest (SPPI) on the principal amount outstanding. Though IFRS 9 introduces an option to account for some equity securities at fair value through other comprehensive income (OCI) with no recycling of gains or losses through profit or loss, the Group does not intend to make material use of this option. The debt instruments that are not measured at fair value through profit or loss will be measured at fair value with changes in fair value recorded in OCI, if held under the standard business model to collect contractual cash flows and for sale, or at amortized cost, if part of selected portfolios that are held to collect contractual cash flows. Furthermore, IFRS 9 introduces a requirement to recognize expected credit losses for financial assets carried at amortized cost or at fair value, with changes in fair value recognized in OCI.

Though overall profit or loss volatility is expected to increase under IFRS 9, the measurement approach for direct participating contracts in IFRS 17 allows such volatility to be largely absorbed in the measurement of insurance liabilities with an option to reflect the effect of any asset-liability mismatch in shareholders' equity (OCI). Therefore, the Group decided to defer the full implementation of IFRS 9 until IFRS 17 becomes effective to better align the measurement approaches for the financial assets held and the (re-)insurance contract liabilities where appropriate. Based on the analysis performed as of December 31, 2015, the Group was eligible to apply the temporary exemption from the adoption of IFRS 9 for reporting entities that have not previously applied any version of IFRS 9 and whose activities are predominantly related to insurance, as the predominance ratio reflecting the share of liabilities connected with insurance to total liabilities exceeded 90 percent. No reassessment of eligibility was required during subsequent annual periods up to and including 2022 as there was no significant change in the activities performed by the Group. We refer to the Annual Report 2016 for further details on the eligibility assessment. The Group presents additional disclosures of indicative effects from adoption of IFRS 9 required by IFRS 4 'Applying IFRS 9 with IFRS 4' during the period of deferral in note 24.

Preliminary effects of the transition to IFRS 17 on January 1, 2022

In order to adopt IFRS 17 and IFRS 9 in the consolidated financial statements, a joint IFRS 17 and IFRS 9 Group Implementation Program sponsored by the Group Chief Financial Officer has been operating since 2017. The Program made significant progress in 2022 to ensure operational readiness and financial analysis for the opening balance sheet reporting as of the transition date of January 1, 2022, which is the starting point for the comparative period information required by IFRS 17.

The Group adopts IFRS 17 retrospectively, and restates the comparative period of 2022; however, no restatement will be performed for the effects of the initial application of IFRS 9. IFRS 17 allows a transition option that permits an entity to apply a classification overlay for IFRS 9 in the comparative period presented on initial application of IFRS 17. The Group applies this IFRS 9 classification overlay for selected asset portfolios backing direct participating insurance contracts which are accounted for at amortized cost under the current accounting framework but are expected to be accounted for at fair value with changes in fair value recorded in other comprehensive income (OCI) under IFRS 9. Furthermore, derivatives that have been previously designated as hedging instruments in effective cash flow hedge relationships, which hedge reinvestment risk from underlying assets backing direct participating contracts, are no longer presented as hedging derivatives. These derivatives are part of underlying items held for direct participating contracts. With the adoption of IFRS 17, these derivatives are presented as trading derivatives with the unrealized gains/losses included in the measurement of direct participating contracts under IFRS 17. Expected credit loss requirements have not been adopted as part of the overlay approach.

At the transition date, the Group classified, recognized and measured its in-force business as if IFRS 17 had always been applied. The Group recognized and measured assets for insurance acquisition cash flows as if IFRS 17 had always been applied, except that the recoverability assessment was not applied before the transition date. The Group also derecognized previously reported balances (e.g., deferred acquisition costs, present value of future profits, deferred front-end fees) that would not have existed if IFRS 17 had always been applied and recognized any resulting net difference in equity.

Furthermore, the Group reclassified all rights and obligations arising from portfolios of (re-)insurance contracts, such as (1) (re-)insurance contract liabilities and liabilities for investment contracts with discretionary participation features, (2) policyholder loans that are highly interrelated with the insurance contracts, (3) (re-)insurance-related receivables or payables and (4) insurance acquisition cash flows, to be presented as (re-)insurance contract assets/liabilities. Portfolios of insurance contracts issued are presented separately from portfolios of reinsurance contracts held.

Consolidated financial statements (continued)

The Group assessed that the majority of its non-life (re-)insurance contracts issued and reinsurance contracts held in force as of the transition date is eligible for the application of PAA and applied PAA measurement for such contracts under IFRS 17. Due to their short-term nature, such in-force contracts typically applied the fully retrospective transition approach. However, for contracts that have expired prior to the transition date, for which no eligibility assessment for the application of PAA has been performed, the Group applied BBA with certain permissible transition modifications. The use of these modifications resulted in the measurement of the liability for incurred claims under modified retrospective or fair value approach using discount rates as at transition date. As the Group already applies best estimate reserving under its current accounting policies, the implementation of IFRS 17 is not expected to have a major impact on non-life nominal reserves. The effect of onerous groups of contracts is not material for the Group's consolidated financial statements.

The Group further assessed that a significant portion of its life insurance liabilities (including unit-linked insurance liabilities and certain life insurance contracts involving policyholder participation in Switzerland, Germany, Italy and Austria) qualify as direct participating contracts under IFRS 17 and are eligible for the application of the VFA measurement model. The optional exemption from the annual cohort requirement for such contracts is not applicable to the Group. For the direct participating contracts, excluding unit-linked insurance contracts, the Group applied the modified retrospective approach. Under IFRS 17, the measurement of such contracts uses the fair value of the underlying items and fulfilment cash flows at transition date, adjusted for actual amounts charged and paid in the past, to derive the transition CSM balance. Another large proportion of the life insurance liabilities including term life, whole-of-life and universal life contracts follows the BBA. The Group applied the modified retrospective or the fair value approach to the extent it was impracticable to apply the fully retrospective approach using the modifications allowed under IFRS 17. The Group also issues short-term life insurance contracts that are eligible for the application of PAA for which fully retrospective approach is applied.

Table 2.3 provides an overview of the Group's consolidated balance sheet line items (as presented in the 2021 Annual Report) that are affected by the transition to IFRS 17 and the expected consolidated balance sheet line items upon adoption of IFRS 17. It further reflects the effect of IFRS 9 overlay on the Group's consolidated balance sheet as of January 1, 2022.

Consolidated financial statements (continued)

Table 2.3

Transition effect of IFRS 17 and IFRS 9 overlay for balance sheet items impacted

in USD million, as of	December 31, 2021 (as reported)	Items derecognized	Items reclassified	IFRS 17 remeasurement	IFRS 9 overlay	January 1, 2022 (as restated)
(Re-)insurance related assets under IFRS 4:						
Deposits made under reinsurance contracts	444	–	(444)	–	–	–
Deferred policy acquisition costs	20,446	(14,491)	(5,955)	–	–	–
Deferred origination costs	441	–	(441)	–	–	–
Other intangible assets, including PVFP	4,484	(375)	(251)	–	–	3,858
Total (re-)insurance related assets (IFRS 4)	25,814	(14,867)	(7,090)	–	–	3,858
(Re-)insurance related assets under IFRS 17:						
Reinsurance contract assets (formerly, “Reinsurers’ share of liabilities for insurance contracts”)	25,680	–	(4,156)	(1,315)	–	20,209
Insurance contract assets	–	–		720	–	720
Total (re-)insurance related assets (IFRS 17)	25,680	–	(4,156)	(595)	–	20,929
Investments under IFRS 9:						
Debt securities	145,084	–	–	–	5,245	150,329
Other loans	7,053	–	(647)	–	(3,878)	2,529
Other assets:						
Receivables and other assets	19,951	–	(11,221)	–	–	8,731
Deferred tax assets	1,198	–	–	711	–	1,909
Assets held for sale	11,626	–	–	(122)	–	11,504
Transition effects on assets	**236,407**	**(14,867)**	**(23,113)**	**(6)**	**1,368**	**199,788**
(Re-)insurance related liabilities under IFRS 4:						
Liabilities for investment contracts	68,855	–	(8,425)	–	–	60,430
Deposits received under ceded reinsurance contracts	970	–	(970)	–	–	–
Deferred front-end fees	5,007	(5,007)		–	–	–
Deferred origination fees	117	–	(117)	–	–	–
Total (re-)insurance related liabilities (IFRS 4)	74,949	(5,007)	(9,512)	–	–	60,430
(Re-)insurance related liabilities under IFRS 17:						
Insurance Contract Liabilities (formerly, “Liabilities for insurance contracts”)	272,707	–	(12,387)	2,322	–	262,642
Reinsurance contract liabilities		–		150	–	150
Total (re-)insurance related liabilities (IFRS 17)	272,707		(12,387)	2,472	–	262,792
Other liabilities:						
Other liabilities	16,009	–	(1,214)	–	–	14,795
Deferred tax liabilities	5,151			(2,248)	–	2,903
Liabilities held for sale	11,351	–		39	–	11,389
Transition effects on liabilities	**380,166**	**(5,007)**	**(23,113)**	**263**	**–**	**352,310**
Transition effects on shareholders’ equity	**–**	**(9,859)**	**–**	**(270)**	**1,368**	**(8,762)**

The transition effects on assets and liabilities of USD 8.8 billion reflected against the shareholder’s equity as of January 1, 2022 was primarily driven by a decrease of USD 9.9 billion for the Life businesses offset by an increase of USD 0.8 billion for the Property & Casualty businesses and USD 0.3 billion for other segments. The net transition impact to shareholder’s equity consisted of the following offsetting effects:

- Recognition of future profits for contracts accounted for under the BBA and VFA (CSM) as an explicit liability (negative effect);
- Recognition of the shareholders’ share of unrealized capital gains from underlying investments within liabilities for direct participating contracts under the VFA (negative effect);
- Recognition of a separate risk adjustment for non-financial risk (negative effect);
- Derecognition of deferred acquisition costs and front-end fees under IFRS 4 (negative effect);
- Application of discounting to non-life reserves that were not previously discounted (positive effect);
- Application of best estimate rather than locked-in assumptions for life insurance liabilities (positive effect).

Due to the current market movements and the increase in interest rates during 2022, we observed a significant reduction in unrealized gains from debt securities (see note 6), which contributed to the reduction in IFRS 4 shareholders’ equity. The effect on IFRS 17 shareholder’s equity is much less pronounced due to offsetting effects between asset and liability valuations. Therefore, the estimated difference between the IFRS 4 and IFRS 17 shareholder’s equity reduced by USD 6.0 billion from USD 8.8 billion as of the transition date to USD 1.8 billion at June 30, 2022.

Consolidated financial statements (continued)

The transition to IFRS 17 also resulted in the recognition of a CSM of USD 14.4 billion (pre-tax), predominantly relating to direct participating contracts and term life products, and a risk adjustment of USD 3.9 billion. The Group does not expect significant changes in the business operating profit as a result from the transition to IFRS 17.

Preliminary effects of the transition to IFRS 9 on January 1, 2023

The transition to IFRS 9 on January 1, 2023 is expected to impact shareholders' equity mainly due to the following effects that will be recognized in opening retained earnings on transition to IFRS 9:

- Unrealized gains/losses from equity securities that were previously recognized in OCI;
- Unrealized gains/losses from debt securities that do not pass the solely payments of principle and interest test and will be accounted for at fair value through profit or loss under IFRS 9;
- Unrealized gains/losses from debt instruments that were previously accounted for at fair value through profit or loss under the fair value option but will be held under the business models 'held to collect contractual cash flows' or 'held to collect contractual cash flows and for sale' under IFRS 9.

The Group does not expect significant changes to the business operating profit as a result of the application of IFRS 9.

At the date of publication of these consolidated financial statements, the Group continues the preparation of the comparative period financial information based on IFRS 17 for the year ended December 31, 2022, which will be followed by transition to IFRS 9. At this date, it was not practicable to reliably quantify the effects of IFRS 17 and IFRS 9 for the year ended December 31, 2022.

Interest rate benchmark reform (including Phase 2 amendments to IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The ongoing market-wide reform targets replacement of some interbank offered rates (IBORs) with alternative reference rates (ARRs). To ensure an orderly transition to ARRs, the Group launched a cross-functional IBOR transition working group that has analyzed the exposure and defined mitigating actions, for example, by adhering to the ISDA fallback protocols for derivatives, amending terms and conditions of new debt issuances and entering into bilateral negotiations with counterparties.

During 2022, JPY, CHF, GBP LIBOR and EONIA (Euro Overnight Index Average) settings were officially decommissioned with no major impact for the Group as most of the exposures indexed on those reference rates were already transitioned to new ARRs. During the second half of the year, given the developments in market liquidity, the Group decided to transition to the Secured Overnight Financing Rate (SOFR) for USD LIBOR exposures. For EUR exposure, EURIBOR is still the dominant reference rate, but the Group continues to monitor market readiness and liquidity metrics for potential transition to €STR (Euro short-term rate) in 2023. The reform has not resulted in changes to the Group risk management strategy.

The IASB addressed the financial reporting implications of the IBOR reform through IFRS amendments, which were fully adopted by the Group on January 1, 2020. Specifically, the phase 2 amendments introduce a practical expedient to account prospectively for a change in the basis for determining the contractual cash flows of a financial instrument attributable to the replacement of IBORs with ARR and relieve from specific hedge accounting requirements. Overall, the IBOR reform has no material effect on the Group's financial statements and the effectiveness of the Group's hedging relationships.

Other standards, amendments and interpretations shown in table 2.2 are expected to have no, or an insignificant, impact on the Group's financial position or performance.

Consolidated financial statements (continued)

3. Summary of significant accounting policies

Significant accounting policies applied in these consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated. Other accounting policies are presented as part of the respective note disclosures.

a) Consolidation principles

The Group's consolidated financial statements include the assets, liabilities, equity, revenues, expenses and cash flows of Zurich Insurance Group Ltd and its subsidiaries. A subsidiary is an entity that Zurich Insurance Group Ltd either directly or indirectly controls. The results of subsidiaries acquired are included in the consolidated financial statements from the date of acquisition. The results of subsidiaries that have been divested during the year are included up to the date control ceased. All intra-Group balances, profits and transactions are eliminated.

Changes in ownership interests in a subsidiary that do not result in a change in control are recorded within equity.

Non-controlling interests are shown separately in equity, consolidated income statements, consolidated statements of comprehensive income and consolidated statements of changes in equity, as well as related disclosures.

The consolidated financial statements are prepared as of December 31 based on individual company financial statements at the same date. In some cases, information is included with a time lag of up to three months. The resulting effect on the Group's consolidated financial statements is not material.

b) Foreign currency translation and transactions

Foreign currency translation

Due to the Group's economic exposure to the U.S. dollar (USD), the presentation currency of the Group's consolidated financial statements is USD. Many Group companies have a different functional currency, being that of the respective primary economic environment in which these companies operate. Assets and liabilities are translated into the presentation currency at end-of-period exchange rates, while income statements and statements of cash flows are translated at average exchange rates for the period. The resulting foreign currency translation differences are recorded directly in other comprehensive income (OCI) as cumulative translation adjustment (CTA).

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the date of the transaction or, for practical reasons, a weighted average rate, if exchange rates do not fluctuate significantly. Foreign currency monetary items and foreign currency non-monetary items that are carried at fair value are translated at end-of-period exchange rates. The resulting foreign currency translation differences are recorded in income, except for the following:

- Foreign currency translation differences that are recognized in OCI in conjunction with the recognition of unrealized gains or losses on available-for-sale investments; and
- Foreign currency translation differences arising on monetary items that form part of net investments in foreign operations, as well as foreign currency translation differences arising from monetary items that are designated as hedging instruments in a qualifying net investment hedge relationship, are included directly in OCI as CTA.

Hyperinflation

The Group considers various factors to determine whether an economy in a country where a foreign operation is situated is hyperinflationary, including the cumulative three-year inflation rate. If an economy becomes hyperinflationary, the financial statements of foreign operations with the functional currency of the hyperinflationary economy are restated to reflect the current purchasing power at the end of the reporting period using the official consumer price indices commonly used in the respective country. The restatement includes all balance sheet amounts that are not expressed in terms of the measuring unit current at the balance sheet date and items of comprehensive income for the current year by applying the change in the price index from the dates when the items of income and expense were originally recorded. The restated financial statements of a foreign operation are translated into the Group's presentation currency at closing rates. Any translation adjustment resulting from initial application of the hyperinflationary accounting is recognized directly in equity.

c) Insurance contracts and investment contracts with discretionary participating features (DPF)

Classification

Contracts issued that transfer significant insurance risk to the Group and obligations arising from investment contracts with DPF are accounted for as insurance contracts.

Consolidated financial statements (continued)

The Group also issues products containing embedded options that entitle the policyholder to switch all or part of the current and future invested funds into another product issued by the Group. Where this results in the reclassification of an investment product to a product that meets the definition of an insurance contract, the previously held reserve and the related deferred origination costs are reclassified and are accounted for in accordance with the accounting policy that is to be applied to the new product on a prospective basis. As a consequence, no gain or loss is recognized when a contract is reclassified from an investment to an insurance contract.

Once a contract has been classified as an insurance contract, no reclassification can subsequently be made.

Premiums

Property & Casualty

Premiums from the sale of property & casualty products are generally recorded when written and are recognized as revenue in relation to the insurance coverage provided. The unearned premium reserve represents the portion of the premiums written related to the unexpired coverage period.

Life insurance

Premiums from traditional life insurance contracts, including participating contracts and annuity policies with life contingencies, are recognized as revenue when they are due from the policyholder. For single premium and limited pay contracts, premiums are recognized as revenue when due, with any excess profit deferred and recognized in income in a constant relationship to the insurance in-force or, for annuities, the amount of expected benefit payments.

Amounts collected as premiums from investment-type insurance contracts such as universal life, unit-linked and unitized with-profits contracts are generally reported as deposits. Revenue from these contracts consists of policy fees for the cost of insurance, administration and surrenders during the period. Front-end fees charged to the customer at inception, particularly for single premium contracts, are deferred and recognized over the estimated life of the contracts following the same pattern that is applied to deferred acquisition costs and addressed below. Regular fees charged to the customer periodically (monthly, quarterly or annually) either directly or by making a deduction from invested funds are billed in advance and recognized on a straight-line basis over the period in which the service is rendered. Fees charged at the end of the period are accrued over the service period as a receivable and are offset against the financial liability when charged to the customer.

Cash flows from certain universal life-type contracts in the Group's Spanish operations are recognized as gross written premiums and insurance benefits and losses and not as deposits.

Reserves for losses and loss adjustment expenses

Losses and loss adjustment expenses are charged to income as incurred. Reserves for losses and loss adjustment expenses represent estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Any changes in estimates are reflected in the results of operations in the period in which estimates are changed. The Group does not discount its loss reserves, other than for claims with payment patterns which are fixed and reasonably determinable, and claims in economies determined to be hyperinflationary where inflation constitutes a significant input in the reserving process.

Reserves for life benefits

Future life policyholder benefits represent the estimated future benefit liability for traditional life insurance policies and include the value of accumulated declared bonuses or dividends that have vested to policyholders.

The reserves for life benefits for participating traditional life insurance policies are calculated using a net level premium valuation method based on actuarial assumptions taking into account guaranteed mortality benefits and interest rates.

The reserves for life benefits for other traditional life insurance policies are calculated using a net level premium valuation method based on actuarial assumptions including mortality, persistency, expenses and investment return, plus a margin for adverse deviations. These assumptions are locked in at inception and are regularly assessed as part of the liability adequacy testing over the period of the contract.

Policyholder contract deposits represent the estimated policy benefits for investment-type insurance contracts invested in non-unit-linked funds. This liability comprises the accumulation of premiums received, less charges, plus declared policyholder dividends.

Some insurance contracts and investment contracts with DPF offered by the Group contain benefit features for which the amount and timing of declaration and payment are at the discretion of the Group. Where that discretion has not been exercised, the total amount expected to be allocated to policyholders as required by local insurance regulation or contractual provisions is included in the policyholder other funds.

Consolidated financial statements (continued)

Unrealized gains or losses arising on the revaluation of available-for-sale assets are recorded directly in OCI in accordance with the Group's accounting policy for such assets. Where these assets are related to life insurance, corresponding adjustments to the reserves for life benefits and related assets are also recognized directly in OCI.

Reserves for unit-linked contracts are based on the fair value of the financial instruments backing those contracts less any fees and assessments charged to the policyholders. The related assets for unit-linked insurance contracts are designated at fair value through profit or loss in order to reduce measurement inconsistencies.

For products containing guarantees in respect of minimum death benefits (GMDB), retirement income benefits (GRIB) and/or annuitization options (GAO), additional liabilities are recorded in proportion to the receipt of the contracted revenues which are subject to a liability adequacy test taking into account policyholder behavior and current market conditions.

For products managed on a dynamic basis using derivative hedging strategies, an option in IFRS 4 is used to measure insurance liabilities using current financial and non-financial assumptions to better reflect the way that these products are managed. Financial assets related to these liabilities are designated at fair value through profit or loss.

Deferred acquisition costs (DAC)

Costs that vary with and are directly related to the acquisition of new and renewal business, including for example commissions and certain underwriting and policy issue expenses, are deferred and subsequently amortized over a defined period. Such costs are presented on balance sheet net of commissions paid to reinsurers in respect of business ceded.

Property & Casualty

DAC for property & casualty contracts is amortized over the period in which the related premiums are earned.

Life insurance

DAC for traditional participating life insurance contracts is amortized based on estimated gross margins expected to be realized over the life of the contract. Estimated gross margins are updated for actual and anticipated future experience and discounted using the latest revised interest rate for the remaining benefit period. Resulting deviations are reflected in income.

DAC for other traditional life insurance and annuity contracts is amortized over the life of the contracts, based on expected premiums. Expected premiums are estimated at the date of policy issue for application throughout the life of the contract unless a premium deficiency subsequently occurs.

DAC for investment-type insurance contracts such as universal life, unit-linked and unitized with-profits contracts is amortized based on estimated gross profits expected to be realized over the life of the contract. Estimated gross profits are updated for actual and anticipated future experience and discounted using either the interest rate in effect at the inception of the contracts or the latest revised interest rate for the remaining benefit period, depending on whether crediting is based on the policyholder's or on the reporting entity's investment performance. Resulting deviations are reflected in income.

Unamortized DAC for life insurance contracts accrues interest at a rate consistent with the related assumptions for reserves.

For traditional participating and investment-type life insurance contracts, DAC is adjusted for the impact of unrealized gains/(losses) on allocated investments that are recorded in OCI.

Liability adequacy tests

Liability adequacy tests are performed annually for groupings of contracts determined in accordance with the Group's manner of acquiring, servicing and measuring the profitability of its insurance contracts.

Property & Casualty

For property & casualty contracts, unearned premiums are tested to determine whether they are sufficient to cover related expected losses, loss adjustment expenses, policyholder dividends, unamortized DAC and maintenance expenses, using current assumptions and considering anticipated investment returns. If a premium deficiency is identified, the DAC asset for the respective grouping of contracts is written down by the amount of the deficiency. If, after writing down the DAC asset to nil, a premium deficiency still exists for the respective grouping of contracts, then an additional reserve is established for the amount of the remaining deficiency.

Life insurance

For life insurance contracts, the carrying amount of the existing reserve for life benefits, including any deferred front-end fees, reduced by the unamortized balance of DAC or present value of future profits of acquired insurance contracts (PVFP), is compared with the reserve for life benefits, calculated using revised assumptions for actual and anticipated experience as of the valuation date. If a deficiency is identified, the DAC or PVFP for the respective grouping of contracts is written down by the amount of the deficiency. If, after writing down the DAC or PVFP to nil, a deficiency still exists for the respective grouping of contracts, the reserve for life benefits is increased by the amount of the remaining deficiency.

Reinsurance

The Group's insurance subsidiaries cede risk in the normal course of business to limit the potential for losses arising from certain exposures. Reinsurance does not relieve the originating insurer of its liability. Certain Group insurance companies assume reinsurance business as part of their normal business.

Reinsurance contracts that do not transfer significant insurance risk are accounted for using the deposit method.

A deposit asset or liability is recognized based on the premium paid or received, less any explicitly identified premiums or fees to be retained by the ceding company. Interest on deposits is accounted for using the effective interest rate method. Future cash flows are estimated to calculate the effective yield, and revenues and expenses are recorded as interest income or expense. Reinsurance deposit assets or liabilities also include funds deposited or held by the Group under assumed or ceded reinsurance contracts, respectively, when funds are retained by the reinsured under the terms of the contract.

Reinsurance is recorded gross in the consolidated balance sheet. Reinsurance assets include balances expected to be recovered from reinsurance companies for ceded paid and unpaid losses and loss adjustment expenses, ceded unearned premiums and ceded future life policy benefits. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for the liabilities associated with the underlying insurance contracts.

Reinsurance assets are assessed for impairment on a regular basis and impairment losses, if any, are recorded in the same manner as for loans and receivables.

d) Liabilities for investment contracts (without DPF)

Investment contracts are those contracts that do not transfer significant insurance risk. The Group issues investment contracts without fixed terms (unit-linked) and investment contracts with fixed and guaranteed terms (fixed interest rate).

Unit-linked investment contracts

These represent portfolios maintained to meet the specific investment objectives of policyholders who bear the credit, market and liquidity risks related to the investments. The liabilities are carried at fair value, which is determined by reference to the underlying financial assets. Changes in fair value are recorded in income. The related assets for unit-linked investment contracts are designated at fair value through profit or loss in order to reduce measurement inconsistencies.

The services provided by the Group under such contracts are investment management and policy administration services that are provided over time and are not contingent on meeting specified performance criteria. Fees from such services are recognized ratably over the service period as policy fee revenue except where such fees are charged in connection with contract origination in which case such fees are recognized as contract liabilities (included within deferred front-end fees). The costs to fulfill the services over time are generally recognized as incurred, except the costs of acquiring new investment contracts with investment management services, such as commissions and other incremental expenses directly related to the issuance of each new contract. Such fees enhance the resources that will be used to satisfy future performance obligations and – to the extent recoverable – are capitalized as contract assets (deferred origination costs, DOC) and amortized in line with the revenue generated by providing investment management services. See note 11 for further information.

Investment contracts at amortized cost

Liabilities for investment contracts with fixed and guaranteed terms are measured at amortized cost using the effective interest rate method. Transaction costs are included in the calculation of the effective yield. As of each reporting date, the Group re-estimates the expected future cash flows and re-calculates the carrying amount of the financial liability by computing the present value of estimated future cash flows using the original effective interest rate for the financial liability. Any adjustment is immediately recognized in income.

Consolidated financial statements (continued)

e) Group investments excluding derivative financial instruments

Group investments are accounted for at either (a) fair value through OCI; (b) fair value through profit or loss; or (c) amortized cost. The Group continues to apply the requirements in IAS 39 'Financial Instruments: Recognition and Measurement' until implementation of IFRS 9 'Financial Instruments' on January 1, 2023 (see note 2).

The majority of Group investments are accounted for at fair value through OCI (available-for-sale financial assets) and include debt and equity securities as well as fund investments. Such assets are carried at fair value, with changes in fair value recognized in OCI, until the securities are either sold or impaired. Interest income determined using the effective interest method and dividend income from financial assets at fair value through OCI is included in net investment income. The cumulative unrealized gains or losses recorded in OCI are net of cumulative deferred income taxes, certain related life policyholder liabilities and deferred acquisition costs. When available-for-sale financial assets are sold, impaired or otherwise disposed of, the cumulative gains or losses are reclassified from OCI to income as net capital gains/(losses) on investments and impairments.

Group investments at fair value through profit or loss include debt and equity securities backing certain life insurance contracts with participation features, and financial assets evaluated on a fair value basis. The designation of these assets at fair value through profit or loss eliminates or significantly reduces a measurement inconsistency that would otherwise arise from measuring assets or recognizing the gains and losses on these assets on a different basis to the liabilities.

Group investments at amortized cost include debt securities for which the Group has the positive intention and ability to hold to maturity (held-to-maturity financial assets) as well as mortgage and other loans (loans and receivables). Such investments are carried at amortized cost using the effective interest rate method, less any charges for impairment. When an impairment is determined to have occurred, the carrying amount of held-to-maturity investments and loans and receivables is reduced through the use of an allowance account, and the movement in the impairment allowance is recognized in income as an impairment loss.

The Group recognizes regular purchases and sales of financial assets on the trade date, which is the date on which the Group commits to purchase or sell the asset.

Realized and unrealized gains and losses arising from changes in the fair value are recognized in income, within net capital gains/(losses) on investments and impairments, in the period in which they arise. Interest income determined using the effective interest method and dividend income from financial assets at fair value through profit or loss is included in net investment income.

Group investments include investment property accounted for at fair value through profit or loss. Rental income from investment property is recognized on a straight-line basis over the lease term and included in net investment income along with rental operating expenses for investment property recognized on an accrual basis.

Group investments include the following in cash and cash equivalents: cash on hand, deposits held at call with banks, cash collateral received and other highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible into cash and are subject to an insignificant risk of change in fair value. Cash and cash equivalents are stated at current redemption value.

Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that loss events have occurred that negatively affect the estimated future cash flows of a financial asset or a group of financial assets. The evaluation of whether a financial asset is impaired requires significant judgment (see note 4).

f) Derivative financial instruments and hedge accounting

Derivative financial instruments, except those designated under a qualifying cash flow or net investment hedge relationship, are carried at fair value on the balance sheet with changes in fair value recognized in income. Centrally cleared and over-the-counter derivative transactions subject to daily cash variation margin payments are typically presented net of cash collateral, with any excess of cash paid or received included as a receivable or a payable on the balance sheet.

Consolidated financial statements (continued)

Derivative financial instruments that qualify for hedge accounting

Derivative financial instruments are used by the Group to economically hedge risks. In limited circumstances derivative financial instruments are designated as hedging instruments for accounting purposes in:

- Fair value hedges, which are hedges of the exposure to changes in the fair value of a recognized asset or liability.
- Cash flow hedges, which are hedges of the exposure to variability in cash flows attributable to a particular risk either associated with a recognized asset or liability, or a highly probable forecast transaction that could affect profit or loss.
- Net investment hedges, which are hedges of a net investment in a foreign operation.

All hedge relationships are formally documented, including the risk management objectives and strategy for undertaking the hedge. At inception of a hedge and on an ongoing basis, the hedge relationship is formally assessed to determine whether the hedging instruments are expected to be (prospective assessment) and have been (retrospective assessment) highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk. If the qualifying criteria for the application of hedge accounting are no longer met, the hedge relationship is discontinued prospectively, in which case the hedging instrument and the hedged item are then subsequently reported independently in accordance with the respective accounting policy.

The accounting treatment of a qualifying hedge relationship is further described in note 7.

g) Attorney-in-fact (AIF) contracts

The AIF contracts reflect the ability of the Group to generate future revenues through Farmers Group Inc. (FGI) based on the FGI's relationship with the Farmers Exchanges. The Farmers Exchanges are not owned by FGI, a wholly owned subsidiary of the Group. In determining that these relationships have an indefinite useful life, the Group took into consideration the organizational structure of inter-insurance exchanges, under which subscribers exchange contracts with each other and appoint an attorney-in-fact to provide non-claims services, and the historical AIF relationship between FGI and the Farmers Exchanges. The value of the AIF contracts is tested for impairment at least annually.

The services provided by FGI under such contracts are non-claims services including risk selection, preparation and mailing of policy documents and invoices, premium collection, management of the investment portfolios and certain other administrative functions. The multiple performance obligations covered by the consideration received are considered to be a series with the same pattern of transfer; therefore, the performance obligations are not separated. The revenue for the services provided includes Farmers management fee, membership fees and revenues for ancillary services. Farmers management fees are determined as a percentage of gross premiums earned by the Farmers Exchanges and recognized ratably over the period the services are provided. Membership fees are one-time fees charged at the time of the policy issuance that do not cover a distinct performance obligation. Such fees are recognized as revenue over the expected life of the customer relationship. The incremental costs incurred in connection with the customer setup activity are recognized as an asset and subsequently amortized using the same pattern as the related revenue. The revenue for ancillary services includes remuneration for services provided that are not covered by Farmers management fees where FGI acts as a principal. Typically, these services are provided over time, so that the revenue is also recognized over time. See note 26 for further information.

h) Goodwill

Goodwill on the acquisition of subsidiaries is capitalized and tested for impairment annually, or more frequently if there are indications of impairment. For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGUs) based on the level at which management monitors operations and makes decisions related to the continuation or disposal of assets and operations. If goodwill has been allocated to a CGU and an operation within that unit is disposed of, the carrying amount of the operation includes attributable goodwill when determining the gain or loss on disposal.

i) Other intangible assets

Other intangible assets typically have finite lives and are carried at cost, less accumulated amortization and impairments. Such assets are generally amortized using the straight-line method over their useful lives and reviewed for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Present value of future profits from acquired insurance contracts (PVFP)

An intangible asset representing the PVFP arises from the acquisition of life insurance businesses. Such an asset is amortized over the expected life of the acquired contracts, following the same principles as for DAC. The carrying value of the PVFP asset is tested periodically for impairment as part of the liability adequacy test for insurance contracts.

Consolidated financial statements (continued)

Distribution agreements

Distribution agreements may have useful lives extending up to 30 years, estimated based on the period of time over which they are expected to provide economic benefits, but for no longer than the contractual term, after taking into account all economic and legal factors such as stability of the industry, competitive position and the period of control over the assets.

Software

Costs associated with research and maintenance of internally developed computer software are expensed as incurred. Costs incurred during the development phase are capitalized. Software under development is tested for impairment annually.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into use.

The useful lives of computer software licenses and capitalized internal software development costs generally range from three to five years. In limited circumstances, capitalized software development costs may be amortized over a period of up to 10 years, taking into account the effects of obsolescence, technology, competition and other economic and legal factors.

j) Employee benefits

Share-based compensation and cash incentive plans

The Group operates long-term incentive plans that are accounted for as equity-settled share-based compensation plans. The fair value of these incentive plans is determined at the grant date and is recognized as an expense in income over the vesting period, with a corresponding increase recorded in additional paid-in capital.

Subsequently, depending on the underlying performance metrics, the Group revises its estimates of the number of shares that are expected to be issued and recognizes the impact of the revision, if any, in income with a corresponding adjustment to additional paid-in capital. However, no subsequent adjustment is made after the vesting date. See note 21 for further information.

Retirement benefits

The Group operates various post-employment benefit plans for its employees worldwide, which include defined benefit and defined contribution pension plans, and other post-employment benefits, such as medical care and life insurance.

Contributions to defined contribution plans are recorded as an expense in the period in which the economic benefit from the employees' service was received.

Defined benefit plan obligations and current service costs are determined annually by qualified actuaries using the projected unit credit method. The defined benefit liability represents the present value of defined benefit obligation at the end of the reporting period less the fair value of plan assets with changes from remeasurements recorded in OCI. If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the recognition of the resulting net asset is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Group's expense related to these plans is accrued over the employees' service periods based on the actuarially determined cost for the period. Net interest and service costs are determined using the spot rate approach. Actuarial gains and losses are recognized, in full in the period in which they occur, in OCI. Past service costs, which result from plan amendments and curtailments, are recognized in income when the plan amendment or curtailment occurs (which is the date from which the plan change is irrevocable) and the date on which a constructive obligation arises. Settlement gains or losses are recognized in income when the settlement occurs. See note 20 for further information.

Other post-employment benefits

Other post-employment benefits, such as medical care and life insurance, are also provided for certain employees and are primarily funded internally. Similar to defined benefit plans, the cost of such benefits is accrued over the service period of the employees based on the actuarially determined cost for the period. See note 20 for further information.

k) Leases

The Group is typically acting as a lessee in property, car or equipment leases. Furthermore, the Group is acting as a lessor in leases of investment property.

When acting as a lessee, the Group recognizes a right-of-use asset and a corresponding lease liability at the lease commencement date when the leased asset is available for use by the Group. The lease liability is measured at the present value of the lease payments due over the lease term, discounted using the Group's incremental borrowing rate. Any options to extend or terminate a lease that the Group is reasonably certain to exercise are included in the lease term. The right-of-use asset is initially recognized at an amount equal to the lease liability adjusted for lease prepayments made or lease incentives received, initial direct costs and any estimated costs to dismantle or restore the leased asset.

The right-of-use asset is depreciated over the shorter of the leased asset's useful life or the lease term on a straight-line basis. The right-of-use asset is included in 'Property and equipment' and disclosed separately in note 13. The carrying amount of the lease liability is increased to reflect the unwinding of the discount so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period and is reduced by the lease payments made during the period. Lease payments include fixed payments and variable payments that depend on a non-leveraged index or a rate. Lease liabilities are included within 'Other Liabilities.'

The Group records short-term leases and leases of low-value assets as an expense on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are comprised of hardware and smaller office equipment. The lease expense is included in 'Administrative and other operating expense.'

When acting as a lessor of investment property in an operating lease, the Group follows the accounting policy in paragraph e).

4. Critical accounting judgments and estimates

The application of certain accounting policies requires critical accounting estimates that involve discretionary judgments and the use of assumptions which are susceptible to change due to inherent uncertainties. Because of the uncertainties involved, actual results could differ significantly from the assumptions and estimates made by management. Such critical accounting estimates are of significance to insurance reserves and deferred acquisition costs, the determination of fair value for financial assets and liabilities, impairment charges, deferred taxes and employee benefits.

a) Reserves for insurance contracts and deferred acquisition costs

Property & Casualty

The Group is required to establish reserves for payment of losses and loss adjustment expenses that arise from the Group's property & casualty products. These reserves represent the expected ultimate cost to settle claims occurring prior to, but still outstanding as of, the balance sheet date. The Group establishes its reserves by product line, type and extent of coverage and year of occurrence. There are two categories of loss reserve: reserves for reported losses and reserves for incurred but not reported (IBNR) losses. Additionally, reserves are held for loss adjustment expenses, which contain the estimated legal and other expenses expected to be incurred to finalize the settlement of the losses.

The Group's reserves for reported losses and loss adjustment expenses are based on estimates of future payments to settle reported claims. The Group bases such estimates on the facts available at the time the reserves are established. These reserves are generally established on an undiscounted basis to recognize the estimated costs of bringing pending claims to final settlement. The reserve calculation takes into account inflation, as well as other factors that can influence the amount of reserves required, some of which are subjective and some of which are dependent on future events. In determining the level of reserves, the Group considers historical trends and patterns of loss payments, pending levels of unpaid claims and types of coverage. In addition, court decisions, economic conditions and public attitudes may affect the ultimate cost of settlement and, as a result, the Group's estimation of reserves. Between the reporting and final settlement of a claim circumstances may change, which may result in changes to established reserves. Items such as changes in law and interpretations of relevant case law, results of litigation, changes in medical costs, as well as costs of vehicle and home repair materials and labor rates can substantially impact ultimate settlement costs. Accordingly, the Group reviews and re-evaluates claims and reserves on a regular basis. Amounts ultimately paid for losses and loss adjustment expenses can vary significantly from the level of reserves originally set.

The Group establishes IBNR reserves, to recognize the estimated cost of losses for events which have already occurred but which have not yet been notified. These reserves are established to recognize the estimated costs required to bring such claims to final settlement. As these losses have not yet been reported, the Group relies upon historical information and statistical models, based on product line, type and extent of coverage, to estimate its IBNR liability. The Group also uses reported claim trends, claim severities, exposure growth and other factors in estimating its IBNR reserves. These reserves are revised as additional information becomes available and as claims are actually reported.

The time required to learn of and settle claims is an important consideration in establishing the Group's reserves. Short-tail claims, such as those for motor and property damage, are normally reported soon after the incident and are generally settled within months. Long-tail claims, such as bodily injury, pollution, asbestos and product liability, can take years to develop and additional time to settle. For these claims, information concerning the event, such as the required medical treatment for bodily injury claims and the required measures to clean up pollution, may not be readily available. Accordingly, the reserving analysis of long-tail lines of business is generally more difficult and subject to greater uncertainties than for short-tail claims.

Since the Group does not establish reserves for catastrophes in advance of the occurrence of such events, these events may cause volatility in the levels of its incurred losses and reserves subject to the effects of reinsurance recoveries. This volatility may also be contingent upon political and legal developments after the occurrence of the event.

The Group uses a number of accepted actuarial methods to estimate and evaluate the amount of reserves recorded. The nature of the claim being reserved for and the geographic location of the claim influence the techniques used by the Group's actuaries. Additionally, the Group's Corporate Center actuaries perform periodic reserve reviews of the Group's businesses throughout the world. Management considers the results of these reviews and adjusts its reserves for losses and loss adjustment expenses, where necessary.

Life insurance

The reserves for future life policyholder benefits and policyholder contract deposits and other funds contain a number of assumptions regarding mortality or longevity, lapses, surrenders, expenses, discount rates and investment returns. These assumptions can vary by country, year of policy issuance and product type and are determined with reference to past experience adjusted for new trends, current market conditions and future expectations. As such the liabilities for future life policyholder benefits and policyholder contract deposits may not represent the ultimate amounts paid out to policyholders. For example:

- The estimated number of deaths determines the value of the benefit payments. The main source of uncertainty arises because of the potential for pandemics and wide-ranging lifestyle changes, such as changes in eating, smoking and exercise habits, which could result in earlier deaths for age groups in which the Group has significant exposure to mortality risk.
- For contracts that insure the risk of longevity, such as annuity contracts, an appropriate allowance is made for people living longer. Continuing improvements in medical care and social conditions could result in further improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.
- Under certain contracts, the Group has offered product guarantees (or options to take up product guarantees), including fixed minimum interest rate or mortality rate returns. In determining the value of these options and/or benefits, estimates have been made as to the percentage of contract holders that may exercise them. Changes in investment conditions could result in significantly more contract holders exercising their options and/or benefits than has been assumed.
- Estimates are made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.
- Assumptions are determined with reference to current and historical customer data, as well as industry data. Interest rate assumptions reflect expected earnings on the assets supporting the future policyholder benefits. The information used by the Group's qualified actuaries in setting such assumptions includes, but is not limited to, pricing assumptions, available experience studies and profitability analysis.

Deferred policy acquisition costs and the present value of future profits (PVFP) are recognized on balance sheet only to the extent that they are recoverable from future policy income which also depends on the above assumptions. Recoverability is tested at contract inception and subsequently on a regular basis with reference to current expectations of future profits or margins.

See note 8 for further information on liabilities for insurance contracts and note 11 for deferred policy acquisition costs. Also refer to the insurance risk section of the risk review.

b) Fair value measurement

In determining the fair values of investments in debt and equity instruments traded on exchanges and in over-the-counter (OTC) markets, the Group makes extensive use of independent, reliable and reputable third-party pricing providers and only in rare cases places reliance on valuations that are derived from internal models.

In addition, the Group's policy is to ensure that independently sourced prices are developed by making maximum use of current observable market inputs derived from orderly transactions and by employing widely accepted valuation techniques and models. When third-party pricing providers are unable to obtain adequate observable information for a particular financial instrument, the fair value is determined either by requesting selective non-binding broker quotes or by using internal valuation models.

Valuations can be subject to significant judgment, especially when the fair value is determined based on at least one significant unobservable input parameter; such items are classified within level 3 of the fair value hierarchy. See notes 6, 7 and 23 for further information regarding the estimate of fair value.

Consolidated financial statements (continued)

c) Impairment of assets

Financial assets

A financial asset is considered impaired if there is objective evidence of impairment as a result of one or more occurred loss events that have an impact on the estimated future cash flows of the financial asset.

The evaluation of whether an available-for-sale debt security is impaired requires analysis of the credit standing of a particular issuer and involves management judgment. When assessing impairment of available-for-sale debt securities, the Group places emphasis on issuer specific factors, such as significant financial difficulty, default or delinquency on interest or principal payments. A credit rating downgrade, worsened liquidity or decline in fair value below the weighted-average cost is not by itself considered a loss event, but rather incorporated in the impairment analysis along with other available information.

The Group determines that there is objective evidence of impairment of an available-for-sale equity security, if at the reporting date:

- its fair value is below the weighted-average cost by an amount significantly exceeding the volatility threshold determined quarterly for the respective equity market (such as North America, Asia Pacific, UK, Switzerland and other European countries); or
- its fair value has been below the weighted-average cost for a prolonged period of 24 consecutive months or longer.

Goodwill and attorney-in-fact (AIF) contracts

Goodwill is allocated to a cash generating unit (CGU) as outlined in note 3. The Group has defined the CGUs according to regions, separating Property & Casualty (P&C), Life businesses and other (see note 27). The CGUs which carry the majority of goodwill and AIF contracts are presented in table 4.

For goodwill impairment testing, the Group estimates the recoverable amount based on the value-in-use of the CGU.

Value-in-use is determined using the present value of estimated future cash flows expected to be generated from the CGU. Cash flow projections are based on business plan projections, which are approved by management, typically covering a three-year period or, if appropriate and adequately justified, a longer period, which may be necessary to more accurately represent the nature of the cash flows used to test the goodwill. Cash flows beyond this period are extrapolated using, among others, estimated perpetual growth rates, which typically do not exceed the expected inflation of the geographical areas in which the cash flows supporting the goodwill are generated. If cash flows are generated in different geographical areas with different expected inflation rates, weighted averages are used. The discount rates applied reflect the respective risk-free interest rate adjusted for the relevant risk factors to the extent they have not already been considered in the underlying cash flows.

The discount rates used in the recoverable amount calculations for developed markets are based on the weighted average cost of capital and consider government bond rates which are further adjusted for equity risk premium, appropriate beta and leverage ratio. In emerging markets, discount rates are based on the U.S. dollar discount rate, taking into account inflation differential expectations and country risks. All input factors to the discount rates are based on observable market data.

Table 4 sets out for the major CGUs the applied discount rates and the perpetual nominal growth rates beyond the projection period that depend on expectations about country-specific growth rates and inflation as of the date of valuation, as well as the value of goodwill and AIF contracts as of December 31, 2022.

Table 4

Discount and perpetual growth rates for goodwill and AIF contracts for major CGUs

	Business	in USD millions	Discount rates in % 2022	Discount rates in % 2021	Perpetual nominal growth rate in % 2022	Perpetual nominal growth rate in % 2021
Farmers	Farmers	3,888	9.4	9.2	2.0	2.2
North America	P&C	350	9.3	9.0	2.0	2.2
Europe, Middle East & Africa	P&C	313	8.9	8.3	2.0	1.8
Asia Pacific	P&C	781	9.8	9.0	2.1	1.8
Asia Pacific	Life	1,120	10.0	9.1	2.1	2.0
Latin America	P&C	316	21.1	17.8	8.0	6.0
Latin America	Life	74	17.0	15.4	5.6	4.4

The recoverable amount of goodwill remains contingent on future cash flows and other assumptions, particularly discount rates and the perpetual growth rate. If the estimated future cash flows and other assumptions deviate significantly from the Group's current outlook, there is a risk that the goodwill is impaired.

Quantitative sensitivity tests have been performed for all CGUs by applying a reasonably possible change to each of the key assumptions to capture potential future variations in market conditions: a decrease in cash flows of up to 20 percent, an increase in the discount rate of 1.0 percentage point and a decrease in the perpetual growth rate of 1.0 percentage point. Under each individual scenario, reasonably possible changes in key assumptions did not impair goodwill and AIF contracts.

Distribution agreements

Qualitative analyses have been performed on distribution agreements, typically comprising an analysis of the current financial performance or any change in the conditions in the agreement and environment that would indicate an impairment. No impairment was identified.

See notes 3, 6, 13, 14 and 15 for further information on impairment of assets.

d) Deferred taxes

Deferred tax assets are recognized if sufficient future taxable income, including income from the reversal of existing taxable temporary differences and available tax planning strategies, is available for realization. The utilization of deferred tax assets arising from temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their tax bases depends on the generation of sufficient taxable profits in the period in which the underlying asset or liability is recovered or settled. If applicable tax law acknowledges different types of expenses to be tax deductible, deferred tax assets are only recognized if they give rise to deductions against the same type of taxable income. The utilization of deferred tax assets arising from unused tax losses or tax credits depends on the generation of sufficient taxable profits before the unused tax losses or tax credits expire. As of each balance sheet date, management evaluates the recoverability of deferred tax assets and, if it is considered probable that all or a portion of the deferred tax asset will not be utilized, then a valuation allowance is recognized.

See note 17 for further information on deferred taxes.

e) Employee benefits

The Group provides defined benefit plans and other post-employment plans. In assessing the Group's liability for these plans, critical judgments include estimates of mortality rates, rates of employment turnover, disability, early retirement, discount rates, future salary and pension increases and increases in long-term health care costs. Discount rates for significant plans are based on a yield-curve approach. The Group sets the discount rate by creating a hypothetical portfolio of high-quality corporate bonds for which the timing and amount of cash flows approximate the estimated payouts of the defined benefit plan. These assumptions may differ from actual results due to changing economic conditions, higher or lower withdrawal rates, or longer or shorter life spans of participants. These differences may result in variability of pension income or expense recorded in future years.

See note 20 for further information on employee benefits.

5. Acquisitions and divestments

Transactions in 2022

Acquisitions

Deutsche Bank Italian Financial Advisors network acquisition

On August 4, 2021, Zurich Insurance Company Ltd reached an agreement to acquire the network of Financial Advisors of the Deutsche Bank Group in Italy. The terms of the agreement provide for the transfer of a business unit, mainly active in the financial advisory and investment products offering and distribution, consisting of approximately 1,085 financial advisors, 97 employees and EUR 16.5 billion of assets under management. The acquisition allows Zurich in Italy to further develop its financial and insurance distribution network in the Italian market. On October 14, 2022, the Group, through its subsidiary Zurich Italy Bank S.p.A., completed the acquisition for USD 328 million.

Table 5.1 shows the preliminary opening balance sheet line items as of the acquisition date, representing the fair value of tangible and intangible assets.

Table 5.1

DB Italian Financial Advisors network balance sheet as of the acquisition date

in USD millions, as of October 14, 2022	Total
Cash and cash equivalents	1,092
Total investments	78
Receivables and other assets	79
Property and equipment	21
Goodwill	211
Software	1
Other intangible assets	136
Assets acquired	**1,617**
Other liabilities	76
Deposits (only for banks)	1,214
Liabilities acquired	**1,289**
Net assets acquired	328
Cash consideration	**328**

Divestments

Held for sale

As of December 31, 2022, the total assets and liabilities reclassified to held for sale were USD 22.1 billion and USD 21.3 billion, respectively, as per transactions below.

Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft

On June 24, 2022, Zurich Group agreed to sell its legacy traditional life insurance back book in Germany to Viridium Holding AG (Viridium), a leading specialist in the management of life insurance portfolios (run-off) in Germany. The transaction includes the transfer of approximately USD 20 billion of net reserves, mainly related to annuity and endowment products underwritten more than five years ago. The sale is subject to regulatory approvals and will not change the contractual obligations to customers and distribution partners. As of December 31, 2022, assets and liabilities reclassified to held for sale were USD 20.8 billion and USD 20 billion, respectively.

Spain Medical Malpractice portfolio

On December 9, 2021, Zurich Insurance plc entered into an agreement to sell its legacy medical malpractice portfolio in Spain ('Spain Medical Malpractice portfolio'). The transaction is subject to regulatory and court approvals and is expected to be completed in 2024. As of December 31, 2022, assets and liabilities reclassified to held for sale were USD 101 million and USD 101 million, respectively.

UK Employers' liability portfolio

On December 14, 2018, Zurich Insurance plc entered into an agreement with Catalina Holdings (Bermuda) Ltd and certain of its subsidiaries to transfer a portfolio of pre-2007 United Kingdom legacy employers' liability policies to Catalina Worthing Insurance Limited ('UK Employers' Liability portfolio'), subject to regulatory and court approvals. With effect from January 1, 2022, the UK Employers' Liability portfolio was transferred to Zurich Insurance Company Ltd, UK Branch, under a Part VII transfer together with the rights and obligations of Zurich Insurance plc under the agreement. The transfer to Catalina Worthing Insurance Limited is expected to be completed in 2025. As of December 31, 2022, assets and liabilities reclassified to held for sale were USD 1.2 billion and USD 1.2 billion, respectively.

Consolidated financial statements (continued)

Divested

Joint Stock Company Insurance Company 'Zurich' (Zurich Russia)

On May 19, 2022, Zurich Insurance Group agreed to sell its business in Russia to 11 members of the unit's team. Under its new owners, the business will operate independently under a different brand, while Zurich will no longer conduct business operations in Russia. The sale of Zurich Russia was completed on July 8, 2022, with a pre-tax loss of USD 30 million recognized in profit or loss.

Zurich Investments Life S.p.A. portfolio

On January 2, 2022, Zurich Investments Life S.p.A. agreed to sell part of its life and pension back book, composed of both traditional and multi-class products, to the Portuguese insurance company GamaLife – Companhia de Seguros de Vida, S.A. On November 30, 2022, the Group completed the sale with a pre-tax loss of USD 337 million, of which USD 144 million was recognized already as of December 31, 2021, in profit or loss.

Zurich International Life portfolio

On December 22, 2020, Zurich International Life Limited (ZILL) entered into an agreement with Monument Re Limited to sell the closed book portfolio of ZILL's Singapore long-term life insurance business. On November 1, 2022, the Group completed the sale with a pre-tax loss of USD 32 million recognized in profit or loss.

Transactions in 2021

Acquisitions

MyPolicy Group

On May 18, 2021, the Group acquired a 19.99 percent share in Project Policy Bidco Limited, the owner of MyPolicy Limited, a UK usage-based insurance managing general agent, and Minerva. Science Limited. As part of the acquisition, Zurich contributed Bright Box Hong Kong Limited and its subsidiaries as well as USD 10 million in cash. The investment is valued at USD 28 million. As a result of the transaction, the Group recognized a USD 33 million loss on sale of Bright Box Hong Kong Limited.

MetLife Property and Casualty business

On December 11, 2020, Zurich Insurance Group Ltd (Zurich) subsidiary Farmers Group, Inc. (FGI) and Farmers Exchanges announced the acquisition of MetLife's property and casualty (P&C) business in the U.S. for a purchase price of USD 3.96 billion. The acquisition successfully closed on April 7, 2021, and the acquired P&C business has since been rebranded to Farmers Workplace Solutions (FWS). As part of the transaction in effect, FGI acquired MetLife P&C's management and administrative-related assets and liabilities to conduct its responsibilities as attorney-in-fact of the Farmers Exchanges and the Farmers Exchanges' underlying insurance business. Zurich contributed USD 2.44 billion through FGI and the Farmers Exchanges, USD 1.52 billion. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services. Attorney-in-fact services primarily include risk selection, preparation and mailing of policy documents and invoices, premium collection, management of the investment portfolios and certain other administrative and managerial functions. Fees for these services are primarily determined as a percentage of gross premiums earned by the Farmers Exchanges. Ancillary services primarily include information technology, brand advertising and certain distribution-related services that are not covered under the attorney-in-fact contracts for which FGI acts as a principal in arranging for those services to the Exchanges.

The acquisition gives the Farmers Exchanges a truly nationwide presence and access to new distribution channels. This includes a 10-year exclusive distribution agreement through which the Farmers Exchanges are offering their personal lines products on MetLife's industry-leading U.S. Group Benefits platform, which reaches 3,800 companies and 37 million employees.

Table 5.2 shows the updated opening balance sheet line items as of the acquisition date, representing the fair value of tangible and intangible assets. Goodwill was increased by USD 133 million in the second half of 2021 due to adjustments to the purchase price allocation, based on the finalization of certain tax contingencies associated with the acquisition.

Consolidated financial statements (continued)

Table 5.2

MetLife P&C balance sheet as of the acquisition date

in USD millions, as of April 7, 2021	Total
Receivables and other assets	8
Property and equipment	1
Goodwill[1]	418
Attorney-in-fact contracts	1,625
Software	153
Other intangible assets	375
Assets acquired	**2,580**
Other liabilities	9
Deferred tax liabilities[1]	126
Liabilities acquired	**135**
Net assets acquired	2,444
Cash consideration	**2,444**

1 Includes deferred tax adjustments of USD 133 million.

Management fees and other related revenues generated and net income after taxes for the period April 7, 2021 to December 31, 2021, were USD 473 million and USD 55 million, respectively. Calculating these items for the full year was deemed impractical. The Group incurred transaction-related costs of approximately USD 20 million, the majority of which were incurred in 2021.

Consolidated financial statements (continued)

6. Group investments

Group investments are those for which the Group bears part or all of the investment risk. They also include investments related to investment contracts with discretionary participation features. Net investment result on Group investments includes returns on investment-related cash, which is included in cash and cash equivalents on the consolidated balance sheets.

Table 6.1

Net investment result on Group investments

in USD millions, for the years ended December 31	Net investment income		Net capital gains/(losses) and impairments		Net investment result		of which impairments	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Investment cash	8	2	–	–	8	2	–	–
Equity securities	415	488	93	1,844	508	2,332	(249)	(39)
Debt securities	4,019	3,886	(1,773)	(31)	2,246	3,855	(40)	(13)
Investment property[1]	453	474	623	520	1,076	994	–	–
Mortgage loans	159	151	(2)	(1)	156	150	(2)	(1)
Other loans	327	329	33	5	360	333	21	7
Investments in associates and joint ventures	(4)	(4)	(27)	(10)	(31)	(14)	(27)	(10)
Derivative financial instruments	–	–	101	(290)	101	(290)	–	–
Investment result, gross, on Group investments	5,377	5,326	(951)	2,038	4,425	7,363	(296)	(57)
Investment expenses on Group investments	(292)	(279)	–	–	(292)	(279)	–	–
Investment result, net, on Group investments	**5,084**	**5,047**	**(951)**	**2,038**	**4,133**	**7,085**	**(296)**	**(57)**

1 Rental operating expenses for investment property amounted to USD 134 million and USD 150 million for the years ended December 31, 2022 and 2021, respectively.

Table 6.2

Details of Group investments by category

as of December 31	**2022**		2021	
	USD millions	**% of total**	USD millions	% of total
Equity securities:				
Fair value through profit or loss	3,540	2.5	4,571	2.4
Available-for-sale	9,590	6.8	14,008	7.3
Total equity securities	13,130	9.3	18,578	9.7
Debt securities:				
Fair value through profit or loss	6,386	4.5	7,181	3.8
Available-for-sale	94,440	67.2	136,005	71.2
Held-to-maturity	2,838	2.0	1,897	1.0
Total debt securities	103,664	73.7	145,084	76.0
Investment property	14,798	10.5	14,070	7.4
Mortgage loans	5,497	3.9	6,106	3.2
Other loans	3,444	2.4	7,053	3.7
Investments in associates and joint ventures	92	0.1	68	0.0
Total Group investments	**140,625**	**100.0**	**190,959**	**100.0**

Investments with a carrying value of USD 5.6 billion and USD 6.3 billion are held to meet local regulatory requirements as of December 31, 2022 and 2021, respectively.

Consolidated financial statements (continued)

Details of debt securities by category

Table 6.3

in USD millions, as of December 31	Fair value through profit or loss 2022	Fair value through profit or loss 2021	Available-for-sale 2022	Available-for-sale 2021	Held-to-maturity 2022	Held-to-maturity 2021	Total 2022	Total 2021
Debt securities:								
Government and supra-national bonds	2,912	3,156	42,882	64,441	2,769	1,798	48,563	69,395
Corporate securities	3,025	3,533	38,354	55,757	69	99	41,448	59,389
Mortgage and asset-backed securities	449	492	13,204	15,808	–	–	13,653	16,300
Total debt securities	**6,386**	**7,181**	**94,440**	**136,005**	**2,838**	**1,897**	**103,664**	**145,084**

Debt securities maturity schedule

Table 6.4

in USD millions, as of December 31	Fair value through profit or loss 2022	Fair value through profit or loss 2021	Available-for-sale 2022	Available-for-sale 2021	Held-to-maturity 2022	Held-to-maturity 2021	Total 2022	Total 2021
Debt securities:								
< 1 year	900	733	5,567	6,513	880	35	7,348	7,281
1 to 5 years	2,049	1,974	29,891	34,135	831	820	32,772	36,929
5 to 10 years	1,442	1,671	20,593	29,097	657	536	22,692	31,304
> 10 years	1,545	2,312	25,184	50,452	470	506	27,199	53,270
Subtotal	5,937	6,689	81,236	120,197	2,838	1,897	90,011	128,784
Mortgage and asset-backed securities:								
< 1 year	1	1	17	20	–	–	18	20
1 to 5 years	118	110	1,234	1,039	–	–	1,352	1,149
5 to 10 years	107	127	2,596	2,188	–	–	2,704	2,315
> 10 years	223	254	9,357	12,562	–	–	9,580	12,816
Subtotal	449	492	13,204	15,808	–	–	13,653	16,300
Total	**6,386**	**7,181**	**94,440**	**136,005**	**2,838**	**1,897**	**103,664**	**145,084**

The analysis in table 6.4 is provided by contractual maturity. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Investment property

Table 6.5

in USD millions	Total 2022	Total 2021
As of January 1	14,070	14,749
Additions and improvements	887	866
Acquisitions/(divestments)	3	(379)
Disposals	(256)	(908)
Market value revaluation	586	454
Transfer from/to assets held for own use	3	29
Transfer to assets held for sale	(35)	(22)
Foreign currency translation effects	(459)	(718)
As of December 31	**14,798**	**14,070**

Investment property consists of investments in commercial, residential and mixed-use properties primarily located in Germany, U.S. and Switzerland.

Consolidated financial statements (continued)

Net unrealized gains/(losses) on Group investments included in equity

Table 6.6

in USD millions, as of December 31	Total 2022	2021
Equity securities: available-for-sale	231	2,329
Debt securities: available-for-sale	(10,877)	9,549
Other	101	498
Gross unrealized gains/(losses) on Group investments	(10,545)	12,376
Less amount of unrealized gains/(losses) on investments attributable to:		
Life policyholder dividends and other policyholder liabilities	1,740	(6,444)
Life deferred acquisition costs and present value of future profits	232	(887)
Deferred income taxes	1,660	(940)
Non-controlling interests	67	(23)
Total[1]	**(6,846)**	**4,081**

1 Net unrealized gains/(losses) on Group investments include net gains arising on cash flow hedges of USD 134 million and USD 411 million as of December 31, 2022 and 2021, respectively.

Securities lending, repurchase and reverse repurchase agreements

Table 6.7

in USD millions, as of December 31	2022	2021
Securities lending agreements		
Securities lent under securities lending agreements[1]	1	4
Collateral received for securities lending[2]	1	5
of which: Non-cash collateral[3]	1	5
Repurchase agreements		
Securities sold under repurchase agreements[4]	1,081	1,390
Obligations to repurchase securities	1,069	1,381

1 The Group's counterparties had the right to sell or repledge, in the absence of default, assets pledged as collateral with a fair value of USD 1 million and USD 4 million as of December 31, 2022 and 2021, respectively. The majority of these assets were debt securities.
2 Of which, USD 1 million and USD 5 million of securities lending reinvested collateral assets as of December 31, 2022 and as December 31, 2021, respectively.
3 The Group had the right to sell or repledge, in the absence of default by its counterparties, securities received as collateral with a fair value of USD 1 million and USD 5 million as of December 31, 2022 and 2021, respectively.
4 The Group's counterparties had the right to sell or repledge, in the absence of default, assets pledged as collateral with a fair value of USD 0 million and USD 352 million as of December 31, 2022 and 2021, respectively. The majority of these assets were debt securities.

Under the terms of securities lending or repurchase agreements, the Group retains substantially all the risks and rewards of ownership of the transferred securities, and also retains contractual rights to the cash flows from these securities. These securities are therefore not derecognized from the Group's consolidated balance sheet. Cash received as collateral is recorded as an asset, and a corresponding liability is established. Interest expense is charged to income using the effective interest rate method over the life of the agreement.

Under a reverse repurchase agreement, the securities received are not recognized on the Group's consolidated balance sheet, as long as the risk and rewards of ownership have not been transferred to the Group. The cash delivered by the Group is derecognized and a corresponding receivable is recorded within receivables and other assets. Interest income is recognized in income using the effective interest rate method over the life of the agreement.

Consolidated financial statements (continued)

7. Group derivative financial instruments and hedge accounting

The Group uses derivative financial instruments mainly for economic hedging purposes to mitigate risks. Such risks result from changes in interest rates, equity prices and exchange rates. Derivative financial instruments with a positive fair value are reported in receivables and other assets (see note 15) and those with a negative fair value are reported in other liabilities (see note 16).

Table 7.1 shows the fair value and notional amounts for all group derivatives as of December 31, 2022 and 2021 separated by risks. While these notional amounts express the extent of the Group's involvement in derivative transactions, they do not, however, represent the amounts at risk.

Maturity profile of notional amounts and fair values of Group derivative financial instruments

Table 7.1

in USD millions, as of December 31	2022						2021		
	Maturity by notional amount								
	< 1 year	1 to 5 years	> 5 years	**Notional amounts**	**Positive fair values**	**Negative fair values**	Notional amounts	Positive fair values	Negative fair values
Interest rate contracts[1]	1,664	8,528	3,244	13,436	508	(956)	17,857	738	(296)
Equity contracts	957	342	587	1,887	35	(16)	2,522	57	(65)
Foreign exchange contracts	20,023	579	130	20,732	222	(195)	18,808	143	(171)
Total Group derivative financial instruments	**22,645**	**9,449**	**3,961**	**36,054**	**766**	**(1,167)**	**39,186**	**938**	**(532)**
Thereof exchange-traded	414	4	–	418	9	–	511	1	(3)
Thereof OTC	22,231	9,444	3,961	35,636	756	(1,167)	38,676	937	(529)

1 Include USD 1.2 billion and USD 1.8 billion notional related to derivatives which are centrally cleared for as of December 31, 2022, and 2021, respectively. Please note that derivatives centrally cleared that are not designated under qualifying hedge accounting relationship are presented net of corresponding variation margin payments under 'Amounts due from investment brokers' (see note 15) and 'Amounts due to investment brokers' (see note 16) as of December 31, 2022 and 2021, respectively.

Interest rate contracts

Interest rate contracts are used to hedge risks from changes in interest rates and to manage asset liability mismatches. Whenever possible the Group enters into exchange-traded contracts, which are standardized and regulated. Furthermore, because of the structure of the exchanges, exchange-traded contracts are not considered to carry counterparty risk. Over-the-counter (OTC) contracts are otherwise entered into and comprised of swaps and swaptions.

Equity contracts

Equity contracts are entered into, either on a portfolio or on a macro level, to protect the fair value of equity investments against a decline in equity market prices or to manage the risk return profile of equity exposures. Short positions are always covered and sometimes used to mitigate hedging costs.

Foreign exchange contracts

Swaps and forward contracts are used to hedge the Group's foreign currency exposures and to manage balance sheet mismatches.

Credit contracts

The Group may from time to time enter into credit contracts. Credit contracts are credit default swaps entered into either on a portfolio or on a macro level to limit market risks arising from the investment portfolios against a change in credit spreads or to manage the risk return profile of the credit exposures. As of December 31, 2022, the Group does not hold credit default swaps.

Other contracts

Other contracts predominantly include stable value products (SVPs) issued to insurance company separate accounts in connection with certain life insurance policies (Bank Owned Life Insurance (BOLI) and Company Owned Life Insurance (COLI)) with an account value of USD 11.0 billion and USD 11.3 billion as of December 31, 2022 and 2021, respectively, and with a market value of the underlying investments of USD 9.9 billion and USD 11.3 billion as of December 31, 2022 and 2021, respectively (not included in the table above). The Group includes the likelihood of surrender as one of the input parameters to determine the fair value of the SVPs, which was nil as of December 31, 2022 and 2021.

Consolidated financial statements (continued)

In certain circumstances, derivative financial instruments meet the requirements of an effective hedge for accounting purposes. Where this is the case, hedge accounting may be applied. Financial information for these instruments is set out in table 7.2.

Table 7.2

Notional and fair values of Group hedge accounting derivative financial instruments

in USD millions, as of December 31			2022			2021
	Notional principal amounts	**Positive fair values**	**Negative fair values**	Notional principal amounts	Positive fair values	Negative fair values
Fair value hedge:						
Interest rate contracts	–	–	–	426	11	–
Foreign currency contracts	407	–	(61)	430	7	(55)
Total fair value hedges	**407**	**–**	**(61)**	**856**	**18**	**(55)**
Cash flow hedge:						
Interest rate contracts[1]	3,521	229	(705)	3,396	490	(108)
Foreign currency contracts	740	49	(7)	794	52	(28)
Total cash flow hedges	**4,261**	**278**	**(712)**	**4,190**	**542**	**(136)**
Net investment hedge:						
Foreign currency contracts	2,713	26	(1)	1,932	1	(8)
Total net investment hedges	**2,713**	**26**	**(1)**	**1,932**	**1**	**(8)**

1 Include USD 326 million and USD 347 million notional related to derivatives which are centrally cleared for as of December 31, 2022, and 2021, respectively (amount for 2021 has been restated).

Fair value hedges

In November 2022, the interest rate swaps to protect the Group against changes in interest rate exposure of debt issued under fair value hedge was discontinued. As from the date of the hedge discontinuation, the hedge adjustment of USD 29 million has been incorporated into the debt's carrying amount and is being amortized through profit or loss through the recalculated effective interest rate over the remaining life of the debt issued.

Information on debt issuances previously designated as hedged items in fair value hedge relationships is set out in note 18.

The Group also has fair value hedge relationships consisting of cross currency swaps and forwards to protect the Group from foreign currency fluctuations of certain fixed income securities and hybrid equity securities denominated in currencies other than the functional currency of the reporting entity.

Forward bonds are used to hedge the fair value of bonds against interest rates movements.

Changes in the fair value of the derivative financial instruments designated as fair value hedges and changes in the fair value of the hedged item in relation to the risk being hedged are both recognized in income.

Consolidated financial statements (continued)

Table 7.3 sets out gains and losses arising from fair value hedges:

Table 7.3

Gains/(losses) arising from fair value hedges

in USD millions, for the years ended December 31	2022	2021
Gains/(losses)		
on hedging instruments[1]	(29)	(5)
on hedged items attributable to the hedged risk	33	5

1 Excluding current interest income or expense, which is recognized as an offset on the same line as the interest expense or income of the hedged item

Cash flow hedges

Designated cash flow hedges, such as interest rate swaptions and forwards, are used to protect the Group against variability of future cash flows due to changes in interest rates associated with expected future purchases of debt securities required for certain life insurance policies. The effective portion of the gains and losses on these swaptions is initially recognized in OCI. Subsequently, the gains or losses will be recycled to profit or loss within net investment income on Group investments over the period to December 31, 2036. The gains and losses related to the ineffective portion of these hedges are recognized immediately in income within net capital gains/(losses) on investments and impairments.

The Group also uses interest rate swaps and cross currency swaps for cash flow hedging to protect against the exposure to variability of cash flows attributable to interest rate and currency risk. The hedging instrument is measured at fair value, with the effective portion of changes in its fair value recognized in OCI. The effective portion, related to spot rate changes in the fair value of the hedging instrument, is reclassified to profit or loss within administrative and other operating expense as an offset to foreign currency revaluation on the underlying hedged debt securities. The ineffective portion of the change in fair value is recognized in net capital gains/(losses) and impairments.

The net change of gains/(losses) deferred in OCI on derivative financial instruments designated as cash flow hedges was USD 926 million and USD 338 million before tax for the years ended December 31, 2022 and 2021, respectively.

The Group recognized gains/(losses) of USD 31 million and USD 36 million in the consolidated income statements within net investment income on Group investments for the years ended December 31, 2022 and 2021, respectively. The Group also recognized net gains of USD 32 million and USD 26 million within administrative and other operating expense for the years ended December 31, 2022 and 2021, respectively, as an offset to the foreign currency revaluation on the underlying hedged items.

A nil amount for the years ended December 31, 2022 and 2021, was recognized in net capital gains/(losses) and impairments due to hedge ineffectiveness. The IBOR Reform did not impact the effectiveness of the Group's hedging relationships and it is not expected to have any material impact in the future (see note 2).

Consolidated financial statements (continued)

Net investment hedges

The Group applies net investment hedge accounting to protect against the effects of changes in exchange rates in its net investments in foreign operations.

Measurement of hedge effectiveness is based on changes in forward rates. Gains and losses on the designated hedging derivative and non-derivative financial instruments related to the effective portion of the hedge are recognized in OCI together with the translation gains and losses on the hedged net investment. The accumulated gains and losses in OCI are reclassified to income on disposal or partial disposal of the foreign operation.

The net change of gains/(losses) deferred in OCI were USD (41) million and USD (69) million before tax for the years ended December 31, 2022 and 2021, respectively as a result of a hedge relationship by foreign exchange forwards and swaps.

The Group has also designated certain debt issuances as hedging instruments on a non-derivative net investment hedge relationship. The notional amount of these financial instruments was USD 12 billion and USD 11 billion for the years ended December 31, 2022 and 2021, respectively. The net gains/(losses) deferred in OCI were USD 187 million and USD 171 million before tax for the years ended December 31, 2022 and 2021, respectively.

Information on debt issuances designated as hedging instruments in a net investment hedge relationship is set out in note 18.

Ineffectiveness of net investment hedges of USD 21 million was recognized in foreign currency translation in administrative and other operating expenses for the years ended December 31, 2022. No ineffectiveness was recognized as of December 31, 2021.

Derivative financial instruments: offsetting of financial assets and liabilities

Table 7.4 shows the net asset and liability position of Group derivative financial instruments subject to enforceable master netting arrangements and collateral agreements. Master netting arrangements are used by the Group to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations. These arrangements commonly create a right of offset that becomes enforceable and affects the realization or settlement of individual financial assets and financial liabilities only following a specified event of default or other circumstances which would not be expected to arise in the normal course of business.

Table 7.4[1]

Group derivative financial instruments subject to enforceable master netting arrangements and collateral agreements

in USD millions, as of December 31	Derivative assets		Derivative liabilities	
	2022	2021	**2022**	2021
Netting recognized on the balance sheet				
Gross amounts of financial assets and liabilities[2]	767	963	(1,167)	(532)
Cash collateral (received)/pledged that are set off[3]	(3)	(25)	–	–
Net amount recognized presented in the balance sheet	**763**	**937**	**(1,167)**	**(532)**
Netting potential not recognized on the balance sheet				
Related amounts not offset	(112)	(27)	108	30
Cash collateral (received)/pledged[3]	(612)	(791)	337	268
Non-cash collateral (received)/pledged	(7)	(6)	709	72
Net amount[4]	**32**	**113**	**(8)**	**(163)**

1 In 2022, the Group changed the presentation of table 7.4 to reflect derivative financial instruments subject to enforceable master netting and other collateral agreements in accordance with best market practices as well SASB disclosures requirements.
2 Includes USD 49.4 million and USD 0 million of derivative assets and USD 24.8 million and USD 22.0 million of derivative liabilities centrally cleared before netting against variation margin as of December 31, 2022 and 2021, respectively.
3 Includes USD 48.9 million and USD 25.4 million of cash collateral for derivative assets as well as USD 0 million and USD 22 million of cash collateral for derivatives liabilities centrally cleared reflected through central counterparty (CCP) as of December 31, 2022 and 2021, respectively.
4 Includes USD 0.4 million and USD (0.6) million of total potential exposure to centrally cleared derivatives as of December 31, 2022 and 2021, respectively.

Consolidated financial statements (continued)

8. Liabilities for insurance contracts and reinsurers' share of liabilities for insurance contracts

Liabilities for insurance contracts

Table 8.1

in USD millions, as of December 31	Gross		Ceded		Net	
	2022	2021	**2022**	2021	**2022**	2021
Reserves for losses and loss adjustment expenses	63,560	63,577	(14,640)	(14,578)	48,920	48,998
Reserves for unearned premiums	22,124	19,909	(4,245)	(3,887)	17,879	16,022
Future life policyholder benefits	50,275	73,977	(3,758)	(4,096)	46,517	69,881
Policyholder contract deposits and other funds	16,849	28,052	(3,063)	(3,159)	13,786	24,893
Reserves for unit-linked insurance contracts	72,078	82,524	–	–	72,078	82,524
Other insurance liabilities	4,869	4,668	–	(1)	4,869	4,667
Total liabilities for insurance contracts[1]	**229,755**	**272,707**	**(25,706)**	**(25,722)**	**204,049**	**246,985**

1 Total liabilities for insurance contracts ceded are gross of allowances for uncollectible amounts of USD 39 million and USD 41 million as of December 31, 2022 and 2021, respectively.

Discounted reserves for losses and loss adjustment expenses

Table 8.2

in USD millions, as of December 31	Gross		Ceded		Net	
	2022	2021	**2022**	2021	**2022**	2021
Reserves for losses and loss adjustment expenses	63,560	63,577	(14,640)	(14,578)	48,920	48,998
of which: Discounted reserves	3,210	3,312	(41)	(45)	3,169	3,267
Discount effect	1,335	1,051	(15)	(18)	1,320	1,033
Undiscounted reserves for losses and loss adjustment expenses	64,895	64,627	(14,655)	(14,596)	50,240	50,031
of which: Undiscounted amount of discounted reserves	4,545	4,362	(56)	(63)	4,490	4,300
Average discount rate	6.7%	3.2%	1.3%	1.7%	6.7%	3.3%

Development of reserves for losses and loss adjustment expenses

Table 8.3

in USD millions	Gross		Ceded		Net	
	2022	2021	**2022**	2021	**2022**	2021
As of January 1	63,577	63,327	(14,578)	(14,375)	48,998	48,951
Losses and loss adjustment expenses incurred:						
Current year	26,317	24,631	(5,363)	(5,231)	20,954	19,400
Prior years	(455)	(961)	(76)	361	(531)	(600)
Total incurred	25,863	23,670	(5,439)	(4,870)	20,423	18,800
Losses and loss adjustment expenses paid:						
Current year	(9,634)	(8,821)	1,020	969	(8,614)	(7,852)
Prior years	(14,644)	(13,581)	4,242	3,825	(10,402)	(9,756)
Total paid	(24,278)	(22,401)	5,262	4,794	(19,016)	(17,607)
Interest effects of discounted reserves	64	163	(1)	(4)	63	159
Acquisitions/(divestments) and transfers[1]	106	155	(112)	(327)	(6)	(171)
Foreign currency translation effects	(1,771)	(1,337)	228	204	(1,542)	(1,133)
As of December 31	**63,560**	**63,577**	**(14,640)**	**(14,578)**	**48,920**	**48,998**

1 In 2022, net reserves decreased by USD 6 million following the sale of the Joint Stock Company Insurance Company (Zurich Russia) (see note 5). In 2021, the Group reclassified USD 145 million of net reserves to assets and liabilities held for sale of Zurich Insurance plc (Spain Medical Malpractice portfolio) (see note 5).

The Group establishes loss reserves, which are estimates of future payments of reported and unreported claims for losses and related expenses, with respect to insured events that have occurred. Reserving is a complex process dealing with uncertainty, requiring the use of informed estimates and judgments. Any changes in estimates or judgments are reflected in the results of operations in the period in which estimates and judgments are changed.

Significant delays may occur in the notification and settlement of claims, and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the balance sheet date. The reserves for losses and loss adjustment expenses are determined on the basis of the information available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

For the year ended December 31, 2022, the decrease of USD 78 million in net reserves for losses and loss adjustment expenses is mainly the result of foreign exchange-related reserve decreases partially offset by an increase in reserves driven by large losses in Europe, Middle East and Africa (EMEA), portfolio growth in Asia Pacific and reinsurance recoveries received.

Net favorable reserve development emerged from reserves established in prior years amounting to USD 531 million mainly related to the following:

- In EMEA, favorable prior year development of USD 172 million driven by retail motor and commercial property and specialties;
- In North America, favorable prior year development of USD 271 million driven by specialties and workers' injury.

For the year ended December 31, 2021, the increase of USD 47 million in net reserves for losses and loss adjustment expenses is the result of an increase in reserves following natural catastrophe losses in North America including the Texas freeze event and Hurricane Ida and also in EMEA being offset by foreign exchange-related reserve decreases.

Net favorable reserve development emerged from reserves established in prior years amounting to USD 600 million mainly related to the following:

- In EMEA, favorable prior year development of USD 143 million driven by retail motor;
- In North America, favorable prior year development of USD 509 million driven by workers' injury.

Consolidated financial statements (continued)

Development of insurance losses, net

Table 8.4

in USD millions, as of December 31	2013	2014	2015	2016	2017	2018	2019	2020	2021	**2022**
Gross reserves for losses and loss adjustment expenses (undiscounted)	68,312	64,472	62,971	62,254	66,715	62,187	60,384	64,492	64,627	64,895
Reinsurance recoverable (undiscounted)	(10,993)	(9,770)	(9,231)	(9,796)	(11,092)	(11,561)	(12,161)	(14,398)	(14,596)	(14,655)
Initial net reserves for losses and loss adjustment expenses	57,319	54,703	53,739	52,458	55,623	50,627	48,223	50,094	50,031	50,240
Cumulative paid as of:										
One year later	*(13,301)*	*(12,576)*	*(11,690)*	*(10,994)*	*(11,586)*	*(10,831)*	*(9,921)*	*(9,756)*	*(10,402)*	
Two years later	*(21,002)*	*(19,460)*	*(18,562)*	*(17,808)*	*(18,277)*	*(16,727)*	*(15,594)*	*(15,762)*		
Three years later	*(26,021)*	*(24,475)*	*(23,590)*	*(22,540)*	*(22,606)*	*(20,805)*	*(20,187)*			
Four years later	*(29,851)*	*(28,105)*	*(27,106)*	*(25,764)*	*(25,662)*	*(24,258)*				
Five years later	*(32,509)*	*(30,667)*	*(29,569)*	*(28,012)*	*(28,135)*					
Six years later	*(34,426)*	*(32,375)*	*(31,167)*	*(29,818)*						
Seven years later	*(35,728)*	*(33,639)*	*(32,509)*							
Eight years later	*(36,687)*	*(34,655)*								
Nine years later	*(37,573)*									
Cumulative Change in Reserves:										
One year later	*(59)*	*149*	*(479)*	*(326)*	*(674)*	*(583)*	*(408)*	*(600)*	*(531)*	
Two years later	*(139)*	*(25)*	*(1,106)*	*(1,043)*	*(1,516)*	*(1,429)*	*(1,073)*	*(1,206)*		
Three years later	*(72)*	*(438)*	*(1,666)*	*(1,996)*	*(2,372)*	*(2,017)*	*(1,567)*			
Four years later	*(214)*	*(823)*	*(2,402)*	*(2,920)*	*(3,027)*	*(2,725)*				
Five years later	*(576)*	*(1,382)*	*(3,257)*	*(3,487)*	*(3,778)*					
Six years later	*(1,041)*	*(2,046)*	*(3,663)*	*(4,190)*						
Seven years later	*(1,539)*	*(2,344)*	*(4,153)*							
Eight years later	*(1,827)*	*(2,752)*								
Nine years later	*(1,952)*									
Net undiscounted reserves reestimated[1]:										
One year later	*57,259*	*54,852*	*53,260*	*52,131*	*54,949*	*50,044*	*47,815*	*49,494*	*49,500*	
Two years later	*57,180*	*54,677*	*52,633*	*51,415*	*54,108*	*49,197*	*47,150*	*48,888*		
Three years later	*57,246*	*54,265*	*52,073*	*50,462*	*53,251*	*48,610*	*46,656*			
Four years later	*57,105*	*53,880*	*51,337*	*49,538*	*52,597*	*47,901*				
Five years later	*56,743*	*53,321*	*50,482*	*48,971*	*51,845*					
Six years later	*56,278*	*52,657*	*50,076*	*48,268*						
Seven years later	*55,780*	*52,359*	*49,586*							
Eight years later	*55,492*	*51,951*								
Nine years later	*55,367*									
Cumulative (deficiency)/ redundancy of net reserves	1,952	2,752	4,153	4,190	3,778	2,725	1,567	1,206	531	
Cumulative (deficiency)/ redundancy as a percentage of initial net reserves	3.4%	5.0%	7.7%	8.0%	6.8%	5.4%	3.2%	2.4%	1.1%	
Gross reserves reestimated	64,954	60,803	57,948	56,806	62,565	59,592	59,742	62,815	64,172	
Cumulative (deficiency)/ redundancy of gross reserves[2]	3,358	3,670	5,023	5,448	4,150	2,595	641	1,677	455	
Cumulative (deficiency)/ redundancy as a percentage of initial gross reserves	4.9%	5.7%	8.0%	8.8%	6.2%	4.2%	1.1%	2.6%	0.7%	

1 Undiscounted amounts starting 2016, prior years are shown discounted.
2 In 2020, changes to incurred gross prior year losses and loss adjustment expenses relate largely to business with limited net impact to the Group such as liabilities related to captive business, development in losses related to 2017 catastrophe events that are substantially reinsured, and participation in large claims related to business where the Group retains only a portion of the overall loss.

Consolidated financial statements (continued)

Table 8.4 presents changes in the historical reserves for losses and loss adjustment expenses, net of reinsurance, that the Group established in 2013 and subsequent years. Reserves are presented by financial year, not by accident year. The reserves (and the development thereof) are for all accident years in that financial year. The top line of the table shows the estimated gross reserves for unpaid losses and loss adjustment expenses as of each balance sheet date, which represents the estimated amount of future payments for losses incurred in that year and in prior years. The cumulative paid portion of the table presents the cumulative amounts paid through each subsequent year in respect of the reserves established at each year end. Similarly, the cumulative change in reserves section details the cumulative changes in loss reserves at the end of each financial year. The net undiscounted reserves reestimated portion of the table shows the reestimation of the initially recorded reserve as of each succeeding year end. Reserve development is shown in each column. Changes to estimates are made as more information becomes known about the actual losses for which the initial reserves were established. The cumulative deficiency or redundancy is equal to the initial net reserves less the liability reestimated as of December 31, 2022. It is the difference between the initial net reserve estimate and the last entry of the diagonal in the net undiscounted reserves reestimated portion of the table. Conditions and trends that have affected the development of reserves for losses and loss adjustment expenses in the past may or may not necessarily occur in the future, and accordingly, conclusions about future results cannot be derived from the information presented in table 8.4.

The Group has considered asbestos, including latent injury, claims and claims expenses in establishing the reserves for losses and loss adjustment expenses. The Group continues to be advised of indemnity claims asserting injuries from asbestos. Coverage and claim settlement issues, such as determination that coverage exists and the definition of an occurrence, together with increased medical diagnostic capabilities and awareness have often caused actual loss development to exhibit more variation than in other lines of business. Such claims require specialized reserving techniques and the uncertainty of the ultimate cost of these types of claims has tended to be greater than the uncertainty related to standard lines of business.

Net reserves for losses and loss adjustment expenses for asbestos amounted to USD 109 million and USD 124 million for the years ended December 31, 2022 and 2021, respectively.

Development of future life policyholder benefits

Table 8.5

in USD millions	Gross		Ceded		Net	
	2022	2021	**2022**	2021	**2022**	2021
As of January 1	73,977	83,958	(4,096)	(4,256)	69,881	79,703
Premiums	11,379	12,653	(1,480)	(1,717)	9,899	10,937
Claims	(9,787)	(10,902)	1,125	1,324	(8,662)	(9,578)
Fee income and other expenses	(4,824)	(4,341)	577	451	(4,247)	(3,890)
Interest and bonuses credited to policyholders	1,214	1,634	(52)	(73)	1,162	1,561
Changes in assumptions	(19)	14	(1)	–	(19)	14
Acquisitions/(divestments) and transfers[1]	(17,728)	(3,411)	–	11	(17,728)	(3,399)
Increase/(decrease) recorded in other comprehensive income	(1,085)	(1,135)	–	–	(1,085)	(1,135)
Foreign currency translation effects	(2,852)	(4,494)	169	163	(2,683)	(4,331)
As of December 31	**50,275**	**73,977**	**(3,758)**	**(4,096)**	**46,517**	**69,881**

1 The 2022 net movement is mainly related to an agreement entered into by Zurich Investments Life S.p.A to sell part of its life and pension back book (see note 5) and an agreement entered into by Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft to sell its legacy traditional life insurance book (see note 5). The 2021 net movement is mainly related to an agreement entered into by Zurich Investments Life S.p.A. to sell part of its life and pension back book (see note 5).

Long-duration contract liabilities included in future life policyholder benefits result primarily from traditional participating and non-participating life insurance products. Short-duration contract liabilities are primarily accident and health insurance products.

Future life policyholder benefits are generally calculated by a net premium valuation. In terms of U.S. dollars, the weighted average discount rate used in the calculation of future life policyholder benefits is 2.1 percent and 2.2 percent as of December 31, 2022 and 2021, respectively.

The amount of policyholder dividends to be paid is determined annually by each life insurance subsidiary. Policyholder dividends include life policyholder share of net income and unrealized appreciation of investments that are required to be allocated by the insurance contract or by local insurance regulations. Experience adjustments related to future policyholder benefits and policyholder contract deposits vary according to the type of contract and the country. Investment, mortality and morbidity results may be passed through by experience credits or as an adjustment to the premium mechanism, subject to local regulatory provisions.

Consolidated financial statements (continued)

The net impact of changes in assumptions on future life policyholder benefits by type of assumption is shown in table 8.6.

Effect of changes in assumptions for future life policyholder benefits

Table 8.6

in USD millions, for the years ended December 31	2022	2021
Interest rates	(8)	5
Investment return	(24)	9
Expense	(2)	1
Morbidity	40	3
Longevity	(24)	(2)
Lapses	6	(1)
Other	(6)	(3)
Net impact of changes in assumptions	**(19)**	**12**

Policyholder contract deposits and other funds gross

Table 8.7

in USD millions, as of December 31	2022	2021
Universal life and other contracts	14,481	14,571
Policyholder dividends	2,368	13,482
Total	**16,849**	**28,052**

Development of policyholder contract deposits and other funds

Table 8.8

in USD millions	Gross		Ceded		Net	
	2022	2021	2022	2021	2022	2021
As of January 1	28,052	31,497	(3,159)	(3,236)	24,893	28,261
Premiums	1,232	1,334	(58)	(69)	1,174	1,264
Claims	(1,312)	(1,308)	253	261	(1,058)	(1,047)
Fee income and other expenses	(431)	(485)	10	–	(421)	(485)
Interest and bonuses credited to policyholders	510	1,125	(109)	(115)	401	1,009
Acquisitions/(divestments) and transfers[1]	(1,580)	–	–	–	(1,580)	–
Increase/(decrease) recorded in other comprehensive income	(8,359)	(2,602)	–	–	(8,359)	(2,602)
Foreign currency translation effects	(1,263)	(1,508)	–	–	(1,263)	(1,508)
As of December 31	**16,849**	**28,052**	**(3,063)**	**(3,159)**	**13,786**	**24,893**

1 The 2022 net movement is mainly related to an agreement entered into by Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft to sell its legacy traditional life insurance book (see note 5).

Consolidated financial statements (continued)

Tables 8.9a and 8.9b provide an analysis of the expected maturity profile of reserves for insurance contracts, net of reinsurance, based on expected cash flows without considering the surrender values as of December 31, 2022 and 2021. Reserves for unit-linked insurance contracts amounting to USD 72 billion and USD 83 billion as of December 31, 2022 and 2021, respectively, are not included, as policyholders can generally surrender their contracts at any time, at which point the underlying unit-linked assets would be liquidated. Risks from the liquidation of unit-linked assets are largely borne by the policyholders of unit-linked contracts.

Table 8.9a

Expected maturity profile for reserves for insurance contracts, net of reinsurance – current period

in USD millions, as of December 31, 2022	**Reserves for losses and loss adjustment expenses**	**Future life policyholder benefits**	**Policyholder contract deposits and other funds**	**Total**
< 1 year	14,790	11,489	1,635	27,914
1 to 5 years	18,407	7,067	1,597	27,071
5 to 10 years	5,834	4,467	1,835	12,136
10 to 20 years	4,307	4,518	2,170	10,995
> 20 years	5,582	18,976	6,549	31,107
Total	**48,920**	**46,517**	**13,786**	**109,223**

Table 8.9b

Expected maturity profile for reserves for insurance contracts, net of reinsurance – prior period

in USD millions, as of December 31, 2021	Reserves for losses and loss adjustment expenses	Future life policyholder benefits	Policyholder contract deposits and other funds	Total
< 1 year	15,176	14,704	1,817	31,697
1 to 5 years	18,008	13,674	2,173	33,855
5 to 10 years	5,748	11,306	2,589	19,643
10 to 20 years	4,427	8,791	2,649	15,868
> 20 years	5,639	21,406	15,665	42,709
Total	**48,998**	**69,881**	**24,893**	**143,772**

Consolidated financial statements (continued)

9. Liabilities for investment contracts

Liabilities for investment contracts

Table 9.1

in USD millions, as of December 31	2022	2021
Unit-linked investment contracts	50,991	60,930
Investment contracts (amortized cost)	769	837
Investment contracts with DPF	5,696	7,088
Total	**57,456**	**68,855**

Unit-linked investment contracts issued by the Group are recorded at a value reflecting the returns on investment funds which include selected equities, debt securities and derivative financial instruments. Policyholders bear the full risk of the returns on these investments.

The value of financial liabilities at amortized cost is based on a discounted cash flow valuation technique. The initial valuation of the discount rate is determined by the current market assessment of the time value of money and risk specific to the liability.

Development of liabilities for investment contracts

Table 9.2

in USD millions	2022	2021
As of January 1	68,855	69,507
Premiums	5,990	7,054
Claims	(5,614)	(6,812)
Fee income and other expenses	(430)	(478)
Interest and bonuses credited to policyholders	(5,666)	7,912
Acquisitions/(divestments) and transfers[1]	800	(4,394)
Increase/(decrease) recorded in other comprehensive income	(1,095)	(504)
Foreign currency translation effects	(5,384)	(3,430)
As of December 31	**57,456**	**68,855**

1 As of December 31, 2022, the net carrying amount of liabilities previously held for sale decreased by USD 800 million compared to the amount of USD 4.4 billion that had been reclassified as of December 31, 2021, based on agreements to sell part of the life and pension back book of Zurich Investments Life S.p.A (see note 5).

Consolidated financial statements (continued)

Tables 9.3a and 9.3b provide an analysis of investment contract liabilities according to maturity, based on expected cash flows as of December 31, 2022 and 2021. The undiscounted contractual cash flows for investment contract liabilities are USD 57 billion as of December 31, 2022 and USD 69 billion as of December 31, 2021. Liabilities for unit-linked investment contracts amounted to USD 51 billion and USD 61 billion as of December 31, 2022 and 2021, respectively. Policyholders of unit-linked investment contracts can generally surrender their contracts at any time, leading the underlying assets to be liquidated. Risks arising from liquidation of unit-linked assets are borne by the policyholders. Certain non-unit-linked contracts also allow for surrender of the contract by the policyholder at any time. Liabilities for such contracts amounted to USD 333 million and USD 416 million as of December 31, 2022 and 2021, respectively. The Group actively manages the Life in-force business to improve persistency and retention.

Table 9.3a

Expected maturity profile for liabilities for investment contracts – current period

in USD millions, as of December 31, 2022	**Liabilities related to unit-linked investment contracts**	**Liabilities related to investment contracts (amortized cost)**	**Liabilities related to investment contracts with discretionary participation features**	**Total**
< 1 year	3,423	563	368	4,354
1 to 5 years	7,627	82	1,421	9,131
5 to 10 years	8,244	47	603	8,895
10 to 20 years	6,567	46	744	7,358
> 20 years	25,129	30	2,559	27,719
Total	**50,991**	**769**	**5,696**	**57,456**

Table 9.3b

Expected maturity profile for liabilities for investment contracts – prior period

in USD millions, as of December 31, 2021	Liabilities related to unit-linked investment contracts	Liabilities related to investment contracts (amortized cost)	Liabilities related to investment contracts with discretionary participation features	Total
< 1 year	4,142	615	267	5,025
1 to 5 years	9,204	83	1,863	11,151
5 to 10 years	10,317	51	736	11,104
10 to 20 years	8,605	50	977	9,632
> 20 years	28,661	37	3,245	31,944
Total	**60,930**	**837**	**7,088**	**68,855**

Consolidated financial statements (continued)

10. Gross and ceded insurance revenues and expenses

Table 10.1

Insurance benefits and losses

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2022	2021	**2022**	2021	**2022**	2021
Losses and loss adjustment expenses	25,863	23,670	(5,439)	(4,870)	20,423	18,800
Life insurance death and other benefits	8,713	10,800	(933)	(1,316)	7,780	9,484
Total insurance benefits and losses	**34,576**	**34,470**	**(6,372)**	**(6,186)**	**28,204**	**28,284**

Table 10.2

Policyholder dividends and participation in profits

in USD millions, for the years ended December 31	**2022**	2021
Change in policyholder contract deposits and other funds	232	794
Change in reserves for unit-linked insurance contracts	(6,521)	6,834
Change in liabilities for investment contracts – unit-linked	(5,799)	7,598
Change in liabilities for investment contracts – other	140	187
Change in unit-linked liabilities related to UK capital gains tax	157	(219)
Total policyholder dividends and participation in profits	**(11,791)**	**15,195**

Table 10.3

Underwriting and policy acquisition costs

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2022	2021	**2022**	2021	**2022**	2021
Amortization of deferred acquisition costs	7,989	7,116	(817)	(763)	7,172	6,353
Amortization of deferred origination costs	59	67	–	–	59	67
Commissions and other underwriting and acquisition expenses[1]	3,247	3,354	(605)	(561)	2,642	2,793
Total underwriting and policy acquisition costs	**11,295**	**10,537**	**(1,422)**	**(1,324)**	**9,873**	**9,213**

1 Net of additions related to deferred acquisition and origination costs.

Table 10.4

Change in reserves for unearned premiums

in USD millions, for the years ended December 31	Gross		Ceded		Net	
	2022	2021	**2022**	2021	**2022**	2021
Change in reserves for unearned premiums	**3,033**	**2,023**	**(464)**	**(248)**	**2,569**	**1,776**

Consolidated financial statements (continued)

11. Deferred policy acquisition costs and deferred origination costs

Table 11.1

Development of deferred policy acquisition costs

in USD millions	Property & Casualty		Life		Other businesses[1]		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
As of January 1	6,359	5,984	12,201	12,248	1,886	1,789	20,446	20,021
Acquisition costs deferred	5,983	5,395	1,642	1,749	423	202	8,048	7,347
Amortization	(5,419)	(4,839)	(1,555)	(1,359)	(185)	(139)	(7,160)	(6,337)
Impairments	–	(2)	(2)	(118)	–	–	(2)	(120)
Amortization (charged)/credited to other comprehensive income	–	–	1,141	268	150	32	1,291	300
Acquisitions/(divestments) and transfers[2]	–	–	(920)	2	–	–	(919)	2
Foreign currency translation effects	(163)	(179)	(830)	(588)	–	1	(993)	(766)
As of December 31	**6,759**	**6,359**	**11,677**	**12,201**	**2,274**	**1,886**	**20,711**	**20,446**

1 Net of eliminations from inter-segment transactions.
2 In 2022, the movement in Life is mainly related to an agreement entered into by Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft to sell its legacy traditional life insurance book (see note 5). In 2021, the movement in Life of USD 2 million is related to an agreement entered by Zurich International Life Limited to sell an insurance portfolio of USD 3 million, offset by an agreement with GamaLife – Companhia de Seguros de Vida S.A. to sell an insurance portfolio of USD 5 million (see note 5).

Table 11.2

Development of deferred origination costs

in USD millions	**2022**	2021
As of January 1	441	426
Origination costs deferred	81	105
Amortization	(59)	(67)
Acquisitions/(divestments) and transfers	(1)	2
Foreign currency translation effects	(30)	(25)
As of December 31	**431**	**441**

Consolidated financial statements (continued)

12. Expenses

Table 12 shows expenses by functional area and by type of expense.

Table 12

Expenses

in USD millions, for the years ended December 31	**2022**	2021
Administrative and other operating expenses	8,665	8,794
Underwriting and policy acquisition costs, net of reinsurance	9,873	9,213
Claims handling expenses[1]	2,461	2,515
Investment expenses	377	365
Total	**21,375**	**20,887**
of which:		
Personnel and other related costs	6,701	6,691
Building and infrastructure costs	472	526
Brand and marketing expenses	636	694
Commissions (net of DAC)	7,558	7,260
Premium taxes (net of DAC)	643	601
Asset and other non-income taxes	80	42
IT expenses	2,023	2,046
Outsourcing and professional services	2,086	2,047
Foreign currency translation	137	158
Other	1,037	823
Total	**21,375**	**20,887**

1 Included within losses and loss adjustment expenses (see table 10.1).

Consolidated financial statements (continued)

13. Property and equipment

Buildings held for own use and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss. Generally, these assets are depreciated on a straight-line basis to profit or loss over the following estimated useful lives:

- buildings 25 to 50 years;
- furniture and fixtures 5 to 10 years;
- computer equipment 3 to 6 years;
- other equipment 6 to 10 years (or determined by the term of lease).

Land held for own use is carried at cost less any accumulated impairment loss.

The right-of-use asset is measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated over the shorter of the leased asset's useful life or the lease term on a straight-line basis.

Table 13.1

Property and equipment overview

in USD millions, as of December 31	Real Estate		Equipment		Total	
	2022	2021	**2022**	2021	**2022**	2021
Right-of-use	1,303	1,412	47	59	1,349	1,471
Owned and subject to operating lease	436	501	439	464	876	965
Total	**1,739**	**1,912**	**486**	**523**	**2,225**	**2,436**

Table 13.2

Property and equipment – current period

in USD millions	Real Estate			Equipment			Total		
	Owned	Right-of-use	Total	Owned	Right-of-use	Total	Owned incl. operating lease	Right-of-use	Total
Gross carrying value as of January 1, 2022	**571**	**2,533**	**3,104**	**1,349**	**103**	**1,452**	**1,920**	**2,636**	**4,556**
Less: accumulated depreciation/impairments	(70)	(1,121)	(1,191)	(885)	(44)	(929)	(955)	(1,165)	(2,120)
Net carrying value as of January 1, 2022	**501**	**1,412**	**1,912**	**464**	**59**	**523**	**965**	**1,471**	**2,436**
Additions and improvements	22	55	76	105	14	119	127	68	195
Lease modifications	–	42	42	–	–	–	–	42	42
Depreciation and impairments	(11)	(175)	(187)	(107)	(19)	(126)	(118)	(194)	(312)
Acquisitions/(divestments) and transfers	(61)	14	(47)	(8)	(5)	(13)	(69)	10	(59)
Foreign currency translation effects	(14)	(45)	(59)	(14)	(3)	(17)	(29)	(47)	(76)
Net carrying value as of December 31, 2022	**436**	**1,303**	**1,739**	**439**	**47**	**486**	**876**	**1,349**	**2,225**
Plus: accumulated depreciation/impairments	93	1,188	1,281	881	51	932	974	1,239	2,213
Gross carrying value as of December 31, 2022	**529**	**2,490**	**3,020**	**1,320**	**97**	**1,418**	**1,850**	**2,588**	**4,437**

Consolidated financial statements (continued)

Property and equipment – prior period

Table 13.3

in USD millions	Real Estate			Equipment			Total		
	Owned	Right-of-use	Total	Owned	Right-of-use	Total	Owned incl. operating lease	Right-of-use	Total
Gross carrying value as of January 1, 2021	**661**	**2,637**	**3,298**	**1,394**	**94**	**1,488**	**2,055**	**2,731**	**4,785**
Less: accumulated depreciation/impairments	(134)	(1,029)	(1,163)	(871)	(46)	(918)	(1,005)	(1,075)	(2,081)
Net carrying value as of January 1, 2021	**527**	**1,608**	**2,135**	**523**	**47**	**570**	**1,050**	**1,655**	**2,705**
Additions and improvements	96	76	172	92	35	127	188	111	299
Lease modifications	–	(17)	(17)	–	–	–	–	(16)	(16)
Depreciation and impairments	(8)	(200)	(208)	(120)	(20)	(140)	(129)	(220)	(348)
Acquisitions/(divestments) and transfers	(97)	(7)	(104)	(14)	(3)	(17)	(111)	(10)	(121)
Foreign currency translation effects	(17)	(49)	(66)	(16)	(1)	(17)	(33)	(49)	(82)
Net carrying value as of December 31, 2021	**501**	**1,412**	**1,912**	**464**	**59**	**523**	**965**	**1,471**	**2,436**
Plus: accumulated depreciation/impairments	70	1,121	1,191	885	44	929	955	1,165	2,120
Gross carrying value as of December 31, 2021	**571**	**2,533**	**3,104**	**1,349**	**103**	**1,452**	**1,920**	**2,636**	**4,556**

Lessee – lease expenses and income

Table 13.4

in USD millions, for the years ended December 31	**2022**	2021
Lease expenses[1]		
Interest expense on lease liabilities[2]	37	43
Short-term lease expenses	8	12
Low-value asset lease expenses	27	30
Lease income		
Income from subleasing right-of-use assets	9	14

1 Total cash outflow for leases amounts to USD 291 million and USD 312 million as of December 31, 2022 and 2021, respectively, excluding future cash outflows due to extension & termination options of USD 1.9 billion and USD 2.0 billion as of December 31, 2022 and 2021, respectively.
2 Included in 'Interest credited to policyholders and other interest.'

Consolidated financial statements (continued)

Table 13.5

Lessor – finance lease and operating lease income

in USD millions, for the years ended December 31	2022	2021
Finance lease		
Selling profit/(loss)	–	(2)
Interest income on finance lease receivables	64	66
Total	**64**	**64**
Operating lease		
Operating lease income – property and equipment	4	9
Operating lease income – investment property	590	626
Total	**595**	**635**

Table 13.6

Maturity schedule – finance lease receivable

in USD millions, as of December 31			2022			2021
	Carrying value	Unearned interest	Undiscounted cash flows	Carrying value	Unearned interest	Undiscounted cash flows
< 1 year	40	3	43	113	9	122
1 to 2 years	103	3	105	30	9	39
2 to 3 years	34	2	36	95	7	102
3 to 4 years	36	7	43	25	3	29
4 to 5 years	29	5	34	27	7	33
> 5 years	294	259	553	229	162	391
Total	**534**	**280**	**814**	**518**	**197**	**715**

Table 13.7

Maturity schedule – operating lease payments to be received

in USD millions, as of December 31	Undiscounted cash flows	
	2022	2021
< 1 year	483	494
1 to 2 years	366	347
2 to 3 years	313	289
3 to 4 years	238	245
4 to 5 years	205	198
> 5 years	865	978
Total	**2,468**	**2,550**

Consolidated financial statements (continued)

14. Attorney-in-fact contracts, goodwill and other intangible assets

Table 14.1

Intangible assets by business – current period

in USD millions, as of December 31, 2022	Attorney-in-fact contracts	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Property & Casualty	–	1,760	–	696	827	163	3,446
Life	–	1,413	281	1,391	46	163	3,294
Farmers	2,650	1,237	57	–	469	309	4,723
Group Functions and Operations	–	10	–	–	43	–	53
Net carrying value	**2,650**	**4,420**	**338**	**2,087**	**1,385**	**636**	**11,516**

Table 14.2

Intangible assets by business – prior period

in USD millions, as of December 31, 2021	Attorney-in-fact contracts	Goodwill	PVFP	Distribution agreements	Software	Other	Total
Property & Casualty	–	1,820	–	714	798	167	3,499
Life	–	1,277	344	1,471	51	23	3,166
Farmers	2,650	1,237	32	–	500	347	4,766
Group Functions and Operations	–	9	–	–	37	–	47
Net carrying value	**2,650**	**4,344**	**375**	**2,185**	**1,387**	**537**	**11,478**

Table 14.3

Intangible assets – current period

in USD millions	Attorney-in-fact contracts	Goodwill	PVFP	Distribution agreements	Software[1]	Other	Total
Gross carrying value as of January 1, 2022	2,650	4,617	2,555	4,021	5,258	683	19,785
Less: accumulated amortization/impairments	–	(274)	(2,180)	(1,836)	(3,871)	(147)	(8,307)
Net carrying value as of January 1, 2022	2,650	4,344	375	2,185	1,387	537	11,478
Additions and acquisitions	–	212	–	58	370	152	793
Divestments and transfers[2]	–	(6)	(66)	(10)	(7)	–	(89)
Amortization[3]	–	–	(24)	(90)	(321)	(50)	(484)
Amortization charged to other comprehensive income	–	–	67	–	–	–	67
Impairments	–	–	–	(3)	(5)	–	(8)
Foreign currency translation effects	–	(130)	(15)	(52)	(40)	(4)	(241)
Net carrying value as of December 31, 2022	**2,650**	**4,420**	**338**	**2,087**	**1,385**	**636**	**11,516**
Plus: accumulated amortization/impairments	–	256	1,856	1,870	4,053	185	8,219
Gross carrying value as of December 31, 2022	2,650	4,677	2,193	3,956	5,438	821	19,735

1 For the year ended December 31, 2022, Farmers Group, Inc. has USD 1.3 billion of fully amortized software, which is still in use.
2 PVFP divestment of USD 66 million is related to Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft, which agreed to sell its legacy traditional life insurance back book (see note 5).
3 Amortization of distribution agreements is included within underwriting and policy acquisition costs.

As of December 31, 2022, intangible assets related to non-controlling interests were USD 34 million for present value of future profits (PVFP) of acquired insurance contracts, USD 841 million for distribution agreements, USD 9 million for software, USD 39 million for goodwill and USD 1 million for other intangible assets.

In 2022, as a result of the acquisition of the network of Financial Advisors of the Deutsche Bank Group in Italy, intangible assets increased by USD 348 million, of which USD 211 million is goodwill, USD 1 million is software and USD 136 million is other intangible assets (see note 5).

Consolidated financial statements (continued)

Intangible assets – prior period

Table 14.4

in USD millions	Attorney-in-fact contracts	Goodwill	PVFP	Distribution agreements	Software[1]	Other	Total
Gross carrying value as of January 1, 2021	1,025	4,412	2,649	4,273	5,030	340	17,730
Less: accumulated amortization/impairments	–	(323)	(2,236)	(1,885)	(3,810)	(131)	(8,385)
Net carrying value as of January 1, 2021	1,025	4,089	413	2,388	1,221	209	9,345
Additions and acquisitions	1,625	418	–	81	529	375	3,029
Divestments and transfers	–	(19)	–	–	(20)	–	(39)
Amortization[2]	–	–	(41)	(107)	(288)	(39)	(475)
Amortization charged to other comprehensive income	–	–	26	–	–	–	26
Impairments	–	(5)	–	–	(16)	(4)	(25)
Foreign currency translation effects	–	(140)	(23)	(177)	(38)	(4)	(382)
Net carrying value as of December 31, 2021	**2,650**	**4,344**	**375**	**2,185**	**1,387**	**537**	**11,478**
Plus: accumulated amortization/impairments	–	274	2,180	1,836	3,871	147	8,307
Gross carrying value as of December 31, 2021	2,650	4,617	2,555	4,021	5,258	683	19,785

1 For the year ended December 31, 2021, Farmers Group, Inc. has USD 1.3 billion of fully amortized software, which is still in use.
2 Amortization of distribution agreements is included within underwriting and policy acquisition costs.

As of December 31, 2021, intangible assets related to non-controlling interests were USD 41 million for present value of future profits (PVFP) of acquired insurance contracts, USD 888 million for distribution agreements, USD 9 million for software, USD 43 million for goodwill and USD 2 million for other intangible assets.

In 2021, as a result of the acquisition of MetLife's property and casualty (P&C) business in the U.S., intangible assets increased by USD 2,571 million, of which USD 1,625 million is Attorney-in-fact relationships, USD 418 million is goodwill, USD 153 million is software and USD 375 million is other intangible assets (see note 5).

The Group performs quantitative tests of goodwill recoverability annually during the third quarter by applying a reasonably possible change to each of the key assumptions to capture potential future variations in market conditions: a decrease in cash flows of up to 20 percent, an increase in the discount rate of 1.0 percentage point and a decrease in the perpetual growth rate of 1.0 percentage point. Under each individual scenario, reasonably possible changes in key assumptions did not impair goodwill and attorney-in-fact (AIF) contracts. The Group's quantitative tests support the carrying value of the goodwill in these CGUs.

Consolidated financial statements (continued)

15. Receivables and other assets

Receivables and other assets

Table 15

in USD millions, as of December 31	2022	2021
Financial assets		
Group derivative assets	766	938
Unit-linked derivative assets	69	12
Receivables from policyholders	3,534	3,364
Receivables from insurance companies, agents and intermediaries	6,566	5,950
Receivables arising from ceded reinsurance	1,891	1,633
Reverse repurchase agreements	649	–
Amounts due from investment brokers[1]	1,195	1,128
Other receivables	2,284	2,053
Allowance for impairments[2]	(314)	(300)
Accrued premiums	1,186	1,054
Accrued investment income[3]	1,108	1,398
Assets for defined benefit plans[4]	415	603
Other financial assets	245	190
Non-financial assets		
Current income tax receivables	1,008	974
Prepaid expenses	791	554
Other non-financial assets	374	400
Total receivables and other assets	**21,768**	**19,951**

1 Includes USD 0 million and USD 22 million of cash variation margin payments related to derivatives which are centrally cleared as of December 31, 2022 and 2021, respectively (see note 7).
2 Includes receivables arising from ceded reinsurance of USD 78 million and USD 78 million as of December 31, 2022 and 2021, respectively.
3 Accrued investment income on the unit-linked investments amounts to USD 93 million and USD 82 million as of December 31, 2022 and 2021, respectively.
4 See note 20.

Receivables are carried at notional amounts and are generally settled within one year. The notional and fair value amounts are not significantly different.

Consolidated financial statements (continued)

16. Other liabilities

Other liabilities

Table 16.1

in USD millions, as of December 31	2022	2021
Other financial liabilities		
Group derivative liabilities	1,167	532
Unit-linked derivative liabilities	28	21
Amounts due to agents & intermediaries	992	789
Liabilities for cash collateral received for securities lending	–	–
Amounts due to investment brokers[1]	980	1,145
Bank deposits[2]	1,356	1
Collateralized bank financing for structured lease vehicles	44	124
Liabilities for defined benefit plans[3]	1,203	1,759
Other liabilities for employee benefit plans	121	142
Lease liabilities	1,701	1,878
Accrued liabilities	2,625	2,527
Other financial liabilities	6,049	5,445
Other non-financial liabilities		
Current income tax payables	721	622
Provisions[4]	755	748
Other non-financial liabilities	273	277
Total other liabilities	**18,017**	**16,009**

1 Includes USD 48.1 million and USD 0.6 million of fair value of centrally cleared derivatives net of corresponding cash variation margin as of December 31, 2022 and 2021, respectively (see note 7).
2 Increased to USD 1.4 billion as a result of the acquisition of Deutsche Bank Italian Financial Advisors network (see note 5).
3 See note 20.
4 Include restructuring provisions, litigation and regulatory provisions and other provisions (see table 16.4 for further details).

Table 16.2 shows the maturity schedule of other financial liabilities excluding liabilities for defined benefit plans and lease liabilities as of December 31, 2022 and 2021. The allocation to the time bands is based on the expected maturity date for the carrying value and the earliest contractual maturity for the undiscounted cash flows.

Maturity schedule – other financial liabilities

Table 16.2

in USD millions, as of December 31	2022		2021	
	Carrying value	**Undiscounted cash flows**	Carrying value	Undiscounted cash flows
< 1 year	13,027	13,031	10,430	10,438
1 to 2 years	44	45	50	52
2 to 3 years	131	162	16	19
3 to 4 years	13	13	82	100
4 to 5 years	5	5	38	39
> 5 years	144	275	110	238
Total	**13,363**	**13,530**	**10,727**	**10,886**

Maturity schedule – lease liabilities

Table 16.3

in USD millions, as of December 31	2022		2021	
	Carrying value	**Undiscounted cash flows**	Carrying value	Undiscounted cash flows
< 1 year	192	227	225	263
1 to 2 years	173	206	193	228
2 to 3 years	165	194	163	194
3 to 4 years	144	170	157	185
4 to 5 years	119	142	133	158
> 5 years	908	1,115	1,006	1,288
Total	**1,701**	**2,054**	**1,878**	**2,316**

Consolidated financial statements (continued)

Provisions

Table 16.4

in USD millions	Restructuring provisions		Litigation and regulatory provisions[1]		Other provisions		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
As of January 1	93	167	150	142	504	584	748	893
Provisions made during the period	67	50	100	16	273	334	440	401
Increase of provisions set up in prior years	10	12	14	4	8	9	32	25
Provisions used during the period	(45)	(118)	(50)	(52)	(311)	(257)	(407)	(427)
Provisions reversed during the period	(6)	(13)	(9)	(8)	(58)	(54)	(73)	(75)
Foreign currency translation effects	(4)	(4)	(4)	12	(13)	(56)	(21)	(47)
Net changes due to acquisitions/divestments	–	–	(3)	–	40	(32)	37	(32)
Other changes	–	(1)	–	35	–	(23)	(1)	11
As of December 31	**115**	**93**	**198**	**150**	**443**	**504**	**755**	**748**

1 See note 22 for further information on legal, compliance and regulatory developments.

Consolidated financial statements (continued)

17. Income taxes

Income tax expense – current/deferred split

Table 17.1

in USD millions, for the years ended December 31	**2022**	2021
Current	1,474	1,250
Deferred	(434)	646
Total income tax expense/(benefit)	**1,040**	**1,895**

Expected and actual income tax expense

Table 17.2

in USD millions, for the years ended December 31	**Rate**	**2022**	Rate	2021
Net income before income taxes		5,962		7,321
less: income tax (expense)/benefit attributable to policyholders		239		(275)
Net income before income taxes attributable to shareholders		6,201		7,046
Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	20.0%	1,240	20.0%	1,409
Increase/(reduction) in taxes resulting from:				
Tax rate differential in foreign jurisdictions		123		(102)
Tax exempt and lower taxed income		(211)		(150)
Non-deductible expenses		146		139
Tax losses not recognized		104		64
Prior year adjustments and other		(123)		260
Actual income tax expense attributable to shareholders	**20.6%**	**1,279**	**23.0%**	**1,621**
plus: income tax expense/(benefit) attributable to policyholders		(239)		275
Actual income tax expense	17.4%	1,040	25.9%	1,895

Table 17.2 sets out the factors that cause the actual income tax expense to differ from the expected expense computed by applying the Swiss statutory tax rate of 20.0 percent, which is the rate applicable in the jurisdiction where the ultimate parent company is resident.

The UK tax reform had an adverse impact on the Group's shareholder income tax position in 2021, which is included in the line 'Prior year adjustments and other'.

The Group is required to record taxes on policyholder earnings for life insurance policyholders in certain jurisdictions. Accordingly, the income tax expense or benefit attributable to these life insurance policyholder earnings is included in income tax expense. In certain jurisdictions an accrual for future policy fees that will cover the tax charge is included in insurance benefits and losses.

Taxes paid by certain of the Group's life insurance businesses are based on the investment result, and it is normal practice for certain of the Group's businesses to recover from policyholders the taxes attributable to their share of the investment result. While the relevant insurance businesses have the contractual right to charge policyholders for the taxes attributable to their share of the investment result, the obligation to pay the tax authority rests with the company and therefore the full amount of tax including the portion attributable to policyholders is accounted for as income tax. Income tax expense, therefore, includes an element attributable to policyholders.

Consolidated financial statements (continued)

Deferred tax assets/(liabilities) analysis by source

Table 17.3

in USD millions, as of December 31	2022 Assets	2022 Liabilities	2021 Assets	2021 Liabilities
Gross deferred tax				
Deferred acquisition and origination costs	88	(976)	89	(578)
Depreciable and amortizable assets	288	(188)	209	(150)
Life policyholders' benefits and deposits[1]	249	(43)	237	(5)
Unrealized (gains)/losses on available-for-sale investments and cash flow hedges	882	(94)	44	(82)
Accruals and deferred income	148	(8)	50	(12)
Reserves for losses and loss adjustment expenses	409	(59)	157	(38)
Reserves for unearned premiums	892	(2)	622	(2)
Deferred front-end fees	83	–	3	–
Pensions and other employee benefits	503	(277)	427	(77)
Other assets/liabilities	482	(278)	331	(81)
Tax loss carryforwards	557	–	432	–
Gross deferred tax assets/(liabilities) before valuation allowance	4,580	(1,925)	2,601	(1,025)
Valuation allowance	(477)	–	(379)	–
Gross deferred tax assets/(liabilities) after valuation allowance	4,104	(1,925)	2,223	(1,025)
Deferred tax assets	**2,179**		**1,198**	
Gross deferred tax				
Deferred acquisition and origination costs	47	(2,140)	63	(2,762)
Depreciable and amortizable assets	792	(2,394)	766	(2,442)
Life policyholders' benefits and deposits[1]	1,303	(1,257)	1,538	(1,296)
Unrealized (gains)/losses on available-for-sale investments and cash flow hedges	1,386	(579)	283	(1,249)
Accruals and deferred income	98	(75)	189	(78)
Reserves for losses and loss adjustment expenses	272	(712)	401	(741)
Reserves for unearned premiums	135	(87)	290	(114)
Deferred front-end fees	516	–	649	–
Pensions and other employee benefits	412	(385)	415	(422)
Other assets/liabilities	720	(1,176)	661	(1,427)
Tax loss carryforwards	450	–	450	–
Gross deferred tax assets/(liabilities) before valuation allowance	6,133	(8,804)	5,705	(10,531)
Valuation allowance	(217)	–	(325)	–
Gross deferred tax assets/(liabilities) after valuation allowance	5,915	(8,804)	5,380	(10,531)
Deferred tax liabilities		**(2,889)**		**(5,151)**
Net deferred tax liabilities		**(710)**		**(3,953)**

1 Includes reserves for unit-linked contracts.

The Group's deferred tax assets and liabilities are recorded by its tax-paying entities throughout the world, which may include several legal entities within each tax jurisdiction. Legal entities are grouped as a single taxpayer only when permitted by local legislation and when deemed appropriate. The first column of table 17.3 includes single taxpayers with a net deferred tax asset position and the second column includes single taxpayers with a net deferred tax liability position.

As of December 31, 2022 and 2021, the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates and interests in joint ventures, for which deferred tax liabilities have not been recognized, amount to approximately USD 15 billion and USD 26 billion, respectively. In the remote likelihood that these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

Consolidated financial statements (continued)

Table 17.4

Development of net deferred tax liabilities

in USD millions	2022	2021
As of January 1	(3,953)	(3,822)
Net change recognized in the income statement	434	(646)
Net change recognized in equity	2,497	423
Net changes due to acquisitions/(divestments)	5	(99)
Foreign currency translation effects	308	190
As of December 31	**(710)**	**(3,953)**
attributable to policyholders	(289)	(756)
attributable to shareholders	(421)	(3,197)

The net deferred tax liabilities related to non-controlling interests amounted to USD 77 million and USD 118 million as of December 31, 2022 and 2021, respectively.

Table 17.5

Development of deferred income taxes included in equity

in USD millions	2022	2021
As of January 1	(137)	(585)
Net unrealized (gains)/losses on available-for-sale investments	2,478	451
Cash flow hedges	61	22
Revaluation reserve	(2)	(15)
Net actuarial (gains)/losses on pension plans	(39)	(34)
Foreign currency translation effects	(1)	25
As of December 31	**2,359**	**(137)**

Table 17.6

Tax loss carryforwards and tax credits

in USD millions, as of December 31	2022	2021
For which deferred tax assets have been recognized, expiring		
< 5 years	11	7
5 to 20 years	85	75
> 20 years or with no time limitation	1,890	721
Subtotal	1,986	803
For which deferred tax assets have not been recognized, expiring		
< 5 years	157	181
5 to 20 years	337	225
> 20 years or with no time limitation	1,911	2,245
Subtotal	2,405	2,651
Total	**4,391**	**3,454**

The average tax rates applicable to tax losses for which a deferred tax asset has not been recognized are 24.0 percent and 25.0 percent as of December 31, 2022 and 2021, respectively.

In addition, for deductible temporary differences of USD 386m and USD 152m as of December 31, 2022 and 2021, respectively, deferred tax assets have not been recognized.

The recoverability of the deferred tax asset for each taxpayer is based on the taxpayer's ability to utilize the deferred tax asset. This analysis considers the projected taxable income to be generated by the taxpayer, as well as its ability to offset the deferred tax asset against deferred tax liabilities.

Management assesses the recoverability of the deferred tax asset carrying values based on future years' taxable income projections and believes the carrying values of the deferred tax assets as of December 31, 2022, to be recoverable.

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18. Senior and subordinated debt

Senior and subordinated debt

Table 18.1

in USD millions, as of December 31		2022	2021
Senior debt			
Zurich Insurance Company Ltd	3.375% EUR 500 million notes, due June 2022[1,2]	–	572
	1.875% CHF 100 million notes, due September 2023[1]	110	114
	1.750% EUR 500 million notes, due September 2024[1,2]	540	579
	0.500% CHF 350 million notes, due December 2024[1]	379	384
	0.510% CHF 120 million loan, due December 2024	–	132
	1.500% CHF 150 million notes, due July 2026[1]	173	179
	0.750% CHF 200 million notes, due October 2027[1]	216	219
	1.000% CHF 200 million notes, due October 2028[1]	217	220
	1.500% EUR 500 million notes, due December 2028[1,2]	531	565
	1.125% CHF 400 million notes, due July 2029[1]	433	–
	0.000% CHF 200 million notes, due August 2031[1]	216	219
	0.100% CHF 250 million notes, due August 2032[1]	271	275
Zurich Holding Comp. of America Inc	2.300% USD 400 million notes, due February 2030[1]	400	400
Zurich Finance (Australia) Limited	3.477% AUD 350 million notes, due May 2023[1]	238	254
	4.770% AUD 200 million loan, due July 2027	136	145
	5.324% AUD 200 million notes, due September 2029[1]	136	–
	4.500% AUD 375 million notes, due July 2038[1]	268	288
Zurich Finance (Ireland) DAC	2.250% USD 200 million notes, due December 2031[1,2]	200	200
	1.625% EUR 500 million notes, due June 2039[1,2]	533	567
	Euro Commercial Paper Notes, due in less than 12 months	75	–
Other	Various debt instruments	–	14
Senior debt		5,071	5,327
Subordinated debt			
Zurich Insurance Company Ltd	4.750% USD 1 billion perpetual capital notes, first callable January 2022[1,2]	–	1,000
	4.250% EUR 500 million notes, due October 2043, first callable October 2023[1,2]	534	1,135
	4.250% USD 300 million notes, due October 2045, first callable October 2025[1,2]	300	299
	5.625% USD 1 billion notes, due June 2046, first callable June 2026[1,2]	998	998
	3.500% EUR 750 million notes, due October 2046, first callable October 2026[1,2,3]	770	861
	5.125% USD 500 million notes, due June 2048, first callable June 2028[1,2]	499	499
	4.875% USD 500 million notes, due October 2048, first callable October 2028[1,2]	499	498
	2.750% EUR 500 million notes, due February 2049, first callable February 2029[1,2]	530	564
	1.500% CHF 300 million notes, due May 2052, first callable February 2032[1]	323	–
Zurich Finance (Ireland) DAC	1.875% EUR 750 million notes, due September 2050, first callable June 2030[1,2]	797	848
	3.000% USD 1.75 billion notes, due April 2051, first callable January 2031[1,2]	1,746	1,746
	3.500% USD 500 million notes, due May 2052, first callable February 2032[1,2]	499	499
	5.125% GBP 1 billion notes, due November 2052, first callable August 2032[1,2]	1,192	–
	1.600% EUR 200 million notes, due December 2052, first callable September 2032[1,2]	213	227
Zurich Finance (UK) plc	6.625% GBP 450 million perpetual notes, first callable October 2022[1]	–	608
Subordinated debt		8,899	9,782
Total senior and subordinated debt		**13,970**	**15,109**

1 Issued under the Group's Euro Medium Term Note Programme (EMTN Programme).
2 These bonds are part of a qualifying net investment hedge to hedge the foreign currency exposure.
3 The Group has discontinued the fair value hedges previously applied to hedge the interest rate exposure.

Consolidated financial statements (continued)

None of the debt instruments listed in table 18.1 were in default as of December 31, 2022 or December 31, 2021.

To facilitate the issuance of debt, the Group has in place a Euro Medium Term Note Program (EMTN Program) allowing for the issuance of senior and subordinated notes up to a maximum of USD 18 billion. All issuances under this program are either issued or guaranteed by Zurich Insurance Company Ltd. The Group has also issued debt outside this program.

Debt issued is recognized initially at fair value of the consideration received, net of transaction costs incurred, and subsequently carried at amortized cost using the effective interest rate method, unless fair value hedge accounting is applied.

Maturity schedule of outstanding debt

Table 18.2

in USD millions, as of December 31	2022		2021	
	Carrying value	**Undiscounted cash flows**	Carrying value	Undiscounted cash flows
< 1 year	956	1,957	2,195	2,646
1 to 2 years	919	1,308	1,649	2,021
2 to 3 years	300	684	1,095	1,401
3 to 4 years	1,942	2,306	299	604
4 to 5 years	352	636	2,038	2,281
5 to 10 years	8,700	9,645	5,977	6,760
> 10 years	801	916	1,856	2,018
Total	**13,970**	**17,453**	**15,109**	**17,731**

Debt maturities reflect original contractual dates, taking early redemption options into account. For call/redemption dates, see table 18.1. The total notional amount of debt due in each period is not materially different from the total carrying value disclosed in table 18.2. Undiscounted cash flows include interest and principal cash flows on debt outstanding as of December 31, 2022 and 2021. Floating interest rates are assumed to remain constant as of December 31, 2022 and 2021. The aggregated cash flows are translated into U.S. dollars at end-of-period rates.

Development of debt arising from financing activities

Table 18.3

in USD millions	Total	
	2022	2021
As of January 1	15,109	13,777
Issuance of debt recognized in cash flows	2,551	2,664
Repayment of debt recognized in cash flows	(3,067)	(740)
Changes in fair value	(39)	(12)
Other changes	(6)	(14)
Foreign currency translation effects	(577)	(565)
As of December 31	**13,970**	**15,109**

19. Shareholders' equity, dividends and earnings per share

Share capital

Table 19.1

	Share capital in CHF	Number of shares	Par value in CHF
Issued share capital			
As of December 31, 2020	15,046,017	150,460,167	0.10
New shares issued from contingent capital in 2021	–	–	
As of December 31, 2021	15,046,017	150,460,167	0.10
New shares issued from contingent capital in 2022	–	–	
As of December 31, 2022	**15,046,017**	**150,460,167**	**0.10**
Authorized, contingent and issued share capital			
As of December 31, 2021	22,935,926	229,359,259	0.10
As of December 31, 2022	22,935,926	229,359,259	0.10

The following information related to authorized share capital and contingent share capital is specified in articles 5bis and 5ter of the Articles of Association of Zurich Insurance Group Ltd (ZIG).

a) Authorized share capital

On April 6, 2022, the Annual General Meeting (AGM) of ZIG approved an extension of the authorized share capital for another two years (from April 6, 2022 to April 6, 2024). The extension of the authorized share capital required the corresponding extension of the validity of the combined dilution limitations for the authorized and contingent share capital (Art. 5bis 5 and 5ter 1d of the Articles of Association).

The Board of ZIG is authorized to increase the share capital of ZIG by an amount not exceeding CHF 4,488,240 by issuing up to 44,882,400 fully paid registered shares with a nominal value of CHF 0.10 each until April 6, 2024. An increase in partial amounts is permitted. The Board would determine the date of issue of any such new shares, the issue price, type of payment, conditions for exercising subscription rights, and the commencement of entitlement to dividends.

The Board may issue such new shares by means of a firm underwriting by a banking institution or syndicate with a subsequent offer of those shares to current shareholders. The Board may allow the expiry of subscription rights which have not been exercised, or it may place these rights as well as shares, the subscription rights of which have not been exercised, at market conditions.

The Board is further authorized to restrict or exclude the subscription rights of shareholders and to allocate them to third parties, ZIG or one of its Group companies, up to a maximum of 14,960,800 shares, if the shares are to be used:

- for the take-over of an enterprise, of parts of an enterprise or of participations or for investments by ZIG or one of its Group companies, or the financing including re-financing of such transactions; or
- for the purpose of expanding the scope of shareholders in connection with the quotation of shares on foreign stock exchanges or issuance of shares on the national or international capital markets (including private placements to one or more selected investors); or
- for the conversion of loans, bonds, similar debt instruments, equity-linked instruments or other financial market instruments (collectively, the 'Financial Instruments') issued by ZIG or one of its Group companies; or
- for the improvement of the regulatory and/or the rating capital position of ZIG or one of its Group companies in a fast and expeditious manner.

Up to April 6, 2024, the total of new shares issued from (i) authorized share capital where the subscription rights were restricted or excluded, and (ii) contingent share capital in connection with Financial Instruments where the advance subscription rights were restricted or excluded, may not exceed 14,960,800 new shares.

b) Contingent share capital

Financial Instruments

The extension of the authorized share capital until April 6, 2024 (see a) above) required the corresponding extension of the validity of the combined dilution limitations for authorized and contingent share capital until April 6, 2024, which was resolved at the AGM of April 6, 2022, by the shareholders (see also below). No other changes were resolved with respect to the contingent share capital.

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The share capital of ZIG may be increased by an amount not exceeding CHF 2,992,160 by issuing of up to 29,921,600 fully paid registered shares with a nominal value of CHF 0.10 each by the voluntary or mandatory exercise of conversion and/or option rights which are granted in connection with the issuance of Financial Instruments by ZIG or one of its Group companies or by mandatory conversion of Financial Instruments issued by ZIG or one of its Group companies, that allow for contingent mandatory conversion into shares of ZIG, or by exercising option rights which are granted to the shareholders. The subscription rights are excluded. The then-current owners of the Financial Instruments shall be entitled to subscribe for the new shares. The conversion and/or option conditions are to be determined by the Board.

The Board is authorized, when issuing Financial Instruments to restrict or exclude the advance subscription rights in cases where they are issued:

– for the financing including re-financing of a take-over of an enterprise, of parts of an enterprise, or of participations or of investments by ZIG or one of its Group companies; or
– on national or international capital markets (including private placements to one or more selected investors); or
– for the improvement of the regulatory and/or the rating capital position of ZIG or one of its Group companies in a fast and expeditious manner.

If the advance subscription rights are restricted or excluded by a resolution of the Board, the following applies: the Financial Instruments are to be issued at prevailing market conditions (including standard dilution protection clauses in accordance with market practice) and the setting of the conversion or issue price of the new shares must take due account of the stock market price of the shares and/or comparable instruments priced by the market at the time of issue or time of conversion.

The conversion rights may be exercisable during a maximum of ten years and option rights during a maximum of seven years from the time of the respective issue; contingent conversion features may remain in place indefinitely.

Up to April 6, 2024, the total of new shares issued from (i) authorized share capital where the subscription rights were restricted or excluded, and (ii) contingent share capital in connection with Financial Instruments where the advance subscription rights were restricted or excluded, may not exceed 14,960,800 new shares.

Employee participation

During 2022 and 2021, no shares were issued to Group employees out of the contingent share capital. As of December 31, 2022, and as of December 31, 2021, the remaining contingent share capital available for issuance to Group employees amounted to CHF 409,509.20 and 4,095,092 fully paid registered shares with a nominal value of CHF 0.10 each, respectively. Subscription rights, as well as advance subscription rights of the shareholders are excluded. The issuance of new shares or respective option rights to employees is subject to one or more regulations to be issued by the Board and taking into account performance, functions, levels of responsibility and criteria of profitability. New shares or option rights may be issued to employees at a price lower than that quoted on the stock exchange.

c) Additional paid-in capital

This reserve is not ordinarily available for distribution. However, as of January 1, 2011, a Swiss tax regulation based on the Swiss Corporate Tax Reform II became effective, allowing for payments free of Swiss withholding tax to shareholders out of the capital contribution reserve, created out of additional paid-in capital. As of December 31, 2022, the general capital contribution reserve amounted to CHF 6 million.

d) Treasury shares

Table 19.2

Treasury shares

number of shares, as of December 31	**2022**	2021	2020
Treasury shares	2,097,833	2,169,197	1,964,106
Treasury shares (repurchased under the public share buyback program, see f)	829,830	–	–
Total treasury shares	2,927,663	2,169,197	1,964,106

Treasury shares comprise shares acquired in the market as well as shares repurchased via the public share buyback program for cancellation purposes (see f) below).

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e) Dividends

The dividend of CHF 22 per share was paid out of the available earnings (CHF 20.35) and the capital contribution reserve (CHF 1.65) on April 12, 2022, as approved at the AGM on April 6, 2022. The difference between the respective amounts of the dividend at transaction day exchange rates amounting to USD 3.5 billion and at historical exchange rates are reflected in the cumulative foreign currency translation adjustment.

The dividend of CHF 20 per share was paid out of the available earnings on April 13, 2021, as approved at the AGM on April 7, 2021. The difference between the respective amounts of the dividend at transaction day exchange rates amounting to USD 3.2 billion and at historical exchange rates are reflected in the cumulative foreign currency translation adjustment.

f) Share buyback program

On August 11, 2022, the Group announced a public share buyback program to offset expected earnings dilution from the agreed German life back book transaction. On November 21, 2022, ZIG launched the public share buyback program of up to CHF 1,800 million. As per December 31, 2022, ZIG repurchased on a second trading line on the SIX Swiss Exchange 829,830 ZIG shares, having a repurchase value of CHF 373 million. The program lasts until December 29, 2023, at the latest. Following completion of the public share buyback program, the repurchased shares shall be cancelled.

g) Earnings per share

Table 19.3

Earnings per share

for the years ended December 31	Net income attributable to common shareholders (in USD millions)	Weighted average number of shares	Per share (USD)	Per share (CHF)[1]
2022				
Basic earnings per share	**4,603**	**148,442,709**	**31.01**	**29.59**
Effect of potentially dilutive shares related to share-based compensation plans		1,135,620	(0.24)	(0.22)
Diluted earnings per share	**4,603**	**149,578,329**	**30.77**	**29.36**
2021				
Basic earnings per share	**5,202**	**148,685,004**	**34.99**	**31.98**
Effect of potentially dilutive shares related to share-based compensation plans		1,385,619	(0.32)	(0.30)
Diluted earnings per share	**5,202**	**150,070,623**	**34.66**	**31.68**

1 The translation from U.S. dollars to Swiss francs is shown for information purposes only and has been calculated at the Group's average exchange rates for the years ended December 31, 2022 and 2021, respectively.

Basic earnings per share is computed by dividing net income attributable to shareholders by the weighted average number of shares outstanding during the year, excluding the weighted average number of shares held as treasury shares. Diluted earnings per share reflects the effect of potentially dilutive shares.

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20. Employee benefits

The Group operates a number of retirement benefit arrangements for employees. Historically, the majority of employees belonged to defined benefit pension plans and some will still have past service benefits accrued in those plans.

However, the majority of employees now accrue benefits under defined contribution plans, which provide benefits equal to the amounts contributed by both the employer and the employee plus investment returns.

Certain of the Group's operating companies also provide post-employment benefit plans covering medical care and life insurance, mainly in the U.S. Eligibility for these plans is generally based on completion of a specified period of eligible service and reaching a specified age. The plans typically pay a stated percentage of medical expenses subject to deductibles and other factors. The cost of post-employment benefits is accrued during the employees' service periods.

The Group Pensions Committee is responsible for developing, reviewing and advising on the Group governance framework in matters related to pension and post-employment benefit arrangements. It provides oversight and guidance in the areas of market, demographic and reputational risk. It reports to and makes recommendations to the Group Balance Sheet Committee on material pension-related matters and reports regularly to the Remuneration Committee. The Group Pensions Committee provides a point of focus and coordination on the topic of pensions and post-retirement benefits at Group level for the supervision and exercise of company powers and obligations in relation to pension and post-retirement benefit plans.

Funding and asset allocation is subject to local legal and regulatory requirements.

a) Defined contribution pension plans

Certain companies of the Group sponsor defined contribution pension plans. Eligibility for participation in such plans is either immediate on commencement of employment or based on completion of a specified period of continuous service. The plans provide for voluntary contributions by employees and contributions by the employer which typically range from 2 percent to 13 percent of annual pensionable salary, depending on a number of factors. The Group's contributions under these plans amounted to USD 301 million and USD 289 million for the years ended December 31, 2022 and 2021, respectively.

b) Defined benefit pension plans

The largest defined benefit obligations are in the pension plans in Switzerland, the UK, the U.S. and Germany, which together comprise over 90 percent of the Group's total defined benefit obligation. The remaining plans in other countries are not individually significant; therefore, no separate disclosure is provided.

Certain Group companies provide defined benefit pension plans, some of which provide benefits on retirement, death or disability related to employees' service periods and pensionable earnings. Others provide cash balance plans where the participants receive the benefit of the accumulated employer and employee contributions (where paid) together with additional cash credits in line with the rules of the plan.

Most of the Group's defined benefit pension plans are funded through contributions by the Group and, in some cases also by employees, to investment vehicles managed by trusts or foundations independent of the Group's finances, or by management committees with fiduciary responsibilities. Where a trust or foundation exists, it is required by law or by articles of association to act in the interests of the fund and of all relevant beneficiaries to the plan, which can also include the sponsoring company, and is responsible for the investment policy with regard to the assets of the fund. The trust/foundation board or committee is usually composed of representatives from both employers and plan members. Independent actuarial valuations for the plans are performed as required. It is the Group's general principle that plans are appropriately funded in accordance with local pension regulations in each country.

The pension plans typically expose the company to risks such as interest rate, price inflation, longevity and salary increases. To the extent that pension plans are funded, the assets held mitigate some of the liability risk but introduce some investment risk.

The overall investment policy and strategy for the Group's defined benefit pension plans is to achieve an investment return which, together with contributions, targets having sufficient assets to pay pension benefits as they fall due while also mitigating the various risks in the plans. The actual asset allocation is determined by reference to current and expected economic and market conditions and in consideration of specific asset class risk in the risk profile. The Group has a governance framework to ensure the trust/foundation board or committee considers how the asset investment strategy correlates with the maturity profile of the plan liabilities and the potential impact on the funding status of the plans, including short-term liquidity requirements. The investment strategies for each pension plan are independently determined by the governance body in each country, with oversight by the Group Pensions Committee. The pension assets are invested in diversified portfolios across geographical regions and asset classes to ensure diversified returns, also taking into account local pension laws. The investment strategies aim to mitigate asset-liability mismatches in the long run. In recent years, the integration of environmental, social and governance (ESG) factors has become a significant element of Zurich's pension plans' investment decision making. Pension plans will continue progressing on their responsible investment journey, leveraging Zurich's expertise and leadership while being cognizant of their fiduciary responsibility.

For post-employment defined benefit plans, total contributions to funded plans and benefits paid directly by the Group were USD 289 million for 2022 compared with USD 331 million for 2021. The estimated total for 2023 is USD 320 million (actual amount may differ).

Swiss pension plan

The main plan provides benefits that exceed the minimum benefit requirements under Swiss pension law. It provides a lifetime pension to members based on their accrued retirement savings in the basic and additional accounts multiplied by the applicable conversion rate at the normal retirement age of 65 (age 62 for Executive Staff). Participants can draw retirement benefits early from age 60 (age 58 for Executive Staff). Alternatively, the benefit can be taken as a lump sum payment at retirement. In addition, at retirement, the plan pays a one-off cash sum settlement equal to the accrued retirement savings in the capital account. Contributions to the plan are paid by the employees and the employer, both for retirement savings and to finance risk benefits paid out in the event of death and disability. The accumulated balance on the pension account is based on the employee and employer pension contributions and interest accrued. The interest rate credited is defined annually by the plan's Board of Trustees which is responsible for the governance of the plan. The trustees review the Pension Plan's funding status regularly as well as the technical interest rate and the conversion rates. The conversion rate at age 65 is currently being phased down to 5 percent until 2023. In 2018, both the employer and employee savings contributions were increased. The insured salary was increased by reducing the coordination deduction. The flexibility of the plan was improved by introducing three levels of savings. Top-up payments from the company were introduced to those members' pension accounts which had been part of the plan in 2017 and were affected by the changes. For them, this ensures that expected benefits at normal retirement age will be at least equal to 98.5 percent of their pensions expectations under the previous conversion rates. The top-up payments will be made until 2023.

Although the Swiss plan operates like a defined contribution plan under local regulations, it is accounted for as a defined benefit pension plan under IAS 19 'Employee Benefits' because of the need to accrue a minimum level of interest on the mandatory part of the pension accounts and the payment of a lifetime pension at a fixed conversion rate under the plan rules.

Actuarial valuations are completed annually and if the plan becomes underfunded under local regulations, options for dealing with this include the Group paying additional contributions into the plan and/or reducing future benefits. At present, the plan is sufficiently funded, meaning that no additional contributions into the plans are expected to be required in the next year. The investment strategy of the Swiss plan is constrained by Swiss pension law including regulations related to diversification of plan assets. Under IAS 19, volatility arises in the Swiss pension plan net asset because the fair value of the plan assets is not directly correlated to movements in the value of the plan's defined benefit obligation in the short-term.

If the fair value of plan assets exceeds the plan's defined benefit obligation, a surplus is only recognized on the balance sheet to the extent that it does not exceed the estimated future economic benefit. The value of the future economic benefit is estimated as the sum of two items: the difference between the present value of the estimated future net service cost and the present value of estimated future employer contributions, plus employer contribution reserves in accordance with local Swiss regulations.

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UK pension plan

The major UK pension plan is a hybrid arrangement and defined benefits entitlements accrued to December 31, 2015, increase in line with salary increases. Normal retirement age for the plan is 60. The plan is split into distinct defined benefit sections which are closed to new entrants and, with effect from January 1, 2016, to future benefit accrual. All employees now participate in a defined contribution section within the same trust. The notes that follow consider only the defined benefit sections. The UK Pension Trustee Board is responsible for the governance of the plan. The employer contributions are determined based on regular triennial actuarial valuations which are conducted using assumptions agreed by the Trustee Board and the sponsoring company. A local statutory valuation was carried out at an effective date of June 30, 2019, and was finalized in September 2020. This valuation disclosed a funding surplus of USD 86 million (GBP 63 million) after taking into account the value of the asset-backed funding arrangement established in 2014. The statutory valuation as of June 30, 2022, is underway and expected to be finalized by September 2023. The asset-backed funding arrangement does not qualify as a plan asset under IAS19 and is therefore not included in the tables set out in the rest of this note.

The ongoing funding of the plan is closely monitored by the Trustee Board and a dedicated funding committee is made up of representatives from the Trustee Board and the Group. The plan rules and UK pension legislation set out maximum levels of inflationary increases applied to plan benefits. The plan assets are invested in diversified classes of assets.

U.S. pension plans

There are two major pension plans in the U.S., the Zurich North America (ZNA) pension plan and the Farmers Group, Inc. (FGI) pension plan. Both plans are funded entirely by the participating employers. The ZNA plan is a cash balance and the FGI pension plan utilizes a cash balance pension formula for benefits accruing after January 1, 2009, except with respect to certain grandfathered participants who retained a final average pay formula. Under a cash balance pension formula, an amount is credited to the cash balance account each quarter, determined by an employee's age, service and their level of earnings up to and above the social security taxable wage base. The minimum annual interest credited on the account balance is 5 percent. The cash balance account is available from age 65, or age 55 with five years of service. The benefit can be taken as a monthly annuity or as a lump sum. Both the ZNA plan and the FGI pension plan have fiduciaries as required under local pension laws. The fiduciaries are responsible for the governance of the plans. Actuarial valuations are completed regularly. The annual employer minimum required contributions are equal to expected expenses paid from the plan each year, plus a rolling amortization of any prior underfunding.

The ZNA and FGI plans have been frozen with effect from December 31, 2018. ZNA and FGI employees with a cash balance account will continue to earn interest credits on their existing cash balance account balance after the freeze date and will continue to earn eligibility service used to determine vesting and early retirement eligibility. FGI employees participating in the final average pay formula will continue to earn eligibility service used to determine vesting and the percentage of pension benefit payable for early retirement before normal retirement age of 65. ZNA and FGI employees earn only defined contribution retirement benefits with effect from January 1, 2019. In conjunction with the change in the pension plan, ZNA and FGI employees receive an additional company contribution within their defined contribution plan.

German pension plans

There are a number of legacy defined benefit plans in Germany, most of which were set up under works council agreements. Contributions to support the pension commitments are made to a contractual trust arrangement. A separate arrangement was also established in 2010 to provide for retirement obligations that were in payment at that time. Consideration is given from time to time based on the fiscal efficiency of adding recent retirees to this arrangement and to adding assets to the contractual trust. In 2022 the pension liabilities are nearly fully funded; therefore, no additional funding was required.

The defined benefit plans provide benefits on either a final salary, career average salary or a cash balance basis. New entrants participate in a cash balance arrangement, which has the characteristics of a defined contribution arrangement, with a lump sum paid at retirement and a capital guarantee on members' balances, which mirrors the capital guarantee given in a conventional life insurance arrangement in Germany.

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Tables 20.1a and 20.1b set out the reconciliation of the defined benefit obligation and plan assets for the Group's post-employment defined benefit plans.

Table 20.1a

Movement in defined benefit obligation and fair value of assets – current period

in USD millions	Defined benefit obligation	Fair value of assets	Asset ceiling	Net defined benefit asset/ (liability)
As of January 1, 2022	(24,218)	24,005	(942)	(1,155)
Net post-employment benefit (expense)/income:				
Current service cost	(157)	–	–	(157)
Interest (expense)/income	(304)	286	–	(18)
Settlements gains/(losses)	(1)	–	–	(1)
Past service (cost)/credit	(1)	–	–	(1)
Net post-employment benefit (expense)/income	(462)	286	–	(177)
Remeasurement effects included in other comprehensive income:				
Return on plan assets excluding interest income	–	(5,764)	–	(5,764)
Experience gains/(losses)	(897)	–	–	(897)
Actuarial gains/(losses) arising from changes in demographic assumptions	(31)	–	–	(31)
Actuarial gains/(losses) arising from changes in financial assumptions	7,156	–	–	7,156
Change in asset ceiling	–	–	(298)	(298)
Remeasurement effects included in other comprehensive income	6,228	(5,764)	(298)	166
Employer contributions	–	251	–	251
Employer contributions paid to meet benefits directly	38	–	–	38
Plan participants' contributions	(76)	76	–	–
Payments from the plan (incl. settlements)	827	(827)	–	–
Acquisitions/(divestments) and transfers[1]	(1)	–	–	(1)
Foreign currency translation effects	1,539	(1,449)	–	90
As of December 31, 2022	**(16,125)**	**16,578**	**(1,240)**	**(788)**
of which: Assets for defined pension plans[2]				415
of which: Liabilities for defined pension plans[3]				(1,203)

1 Zurich Insurance Company Ltd acquired Deutsche Bank Italian Financial Advisors network (see note 5).
2 Included within 'Receivables and other assets' (see note 15).
3 Included within 'Other liabilities' (see note 16).

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Movement in defined benefit obligation and fair value of assets – prior period

Table 20.1b

in USD millions	Defined benefit obligation	Fair value of assets	Asset ceiling	Net defined benefit asset/(liability)
As of January 1, 2021	(25,939)	24,236	(467)	(2,170)
Net post-employment benefit (expense)/income:				
Current service cost	(178)	–	–	(178)
Interest (expense)/income	(222)	195	–	(27)
Settlements gains/(losses)	1	–	–	1
Past service (cost)/credit	(2)	–	–	(2)
Net post-employment benefit (expense)/income	(401)	195	–	(207)
Remeasurement effects included in other comprehensive income:				
Return on plan assets excluding interest income	–	658	–	658
Experience gains/(losses)	(499)	–	–	(499)
Actuarial gains/(losses) arising from changes in demographic assumptions	201	–	–	201
Actuarial gains/(losses) arising from changes in financial assumptions	1,012	–	–	1,012
Change in asset ceiling	–	–	(475)	(475)
Remeasurement effects included in other comprehensive income	714	658	(475)	896
Employer contributions	–	295	–	295
Employer contributions paid to meet benefits directly	36	–	–	36
Plan participants' contributions	(76)	76	–	–
Payments from the plan (incl. settlements)	977	(977)	–	–
Foreign currency translation effects	472	(478)	–	(6)
As of December 31, 2021	**(24,218)**	**24,005**	**(942)**	**(1,155)**
of which: Assets for defined pension plans[1]				603
of which: Liabilities for defined pension plans[2]				(1,759)

1 Included within 'Receivables and other assets' (see note 15).
2 Included within 'Other liabilities' (see note 16).

Net post-employment benefit (expense)/income is recognized in other employee benefits, which is included within administrative and other operating expense.

Post-employment benefits are long-term by nature. However, short-term variations between long-term actuarial assumptions and actual experience may be positive or negative, resulting in actuarial gains or losses, which are recognized in full in the period in which they occur and are included within other comprehensive income.

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Table 20.2 provides a breakdown of plan assets by asset class.

Table 20.2

Fair value of assets held in funded defined benefit pension plans

in USD millions, as of December 31	2022				2021			
	Quoted in active markets	Other	Total	% of Total	Quoted in active markets	Other	Total	% of Total
Cash and cash equivalents	426	–	426	3%	469	–	469	2%
Equity securities	3,662	242	3,904	24%	5,640	236	5,876	24%
Debt securities	–	11,559	11,559	70%	–	17,652	17,652	74%
Investment property	–	1,841	1,841	11%	–	1,949	1,949	8%
Mortgage loans	–	359	359	2%	–	372	372	2%
Other assets	–	(1,511)	(1,511)	(9%)	–	(2,314)	(2,314)	(10%)
Total	**4,088**	**12,490**	**16,578**	**100%**	**6,109**	**17,896**	**24,005**	**100%**

For the classification of pension assets, the Group follows the same principles as outlined in note 23 (Fair value measurement). Assets meeting the criteria of Level 1 are generally considered quoted in active markets, while assets meeting the criteria of Level 2 or Level 3 are generally considered in other assets.

Tables 20.3a and 20.3b provide a breakdown of the key information included in tables 20.1a and 20.1b for the main countries for the years ended December 31, 2022 and 2021, respectively.

Table 20.3a

Key information by main country – current period

in USD millions, as of December 31, 2022	Switzerland	United Kingdom	United States	Germany	Other	Total
Defined benefit obligation	(4,294)	(7,044)	(2,770)	(1,125)	(892)	(16,125)
Fair value of plan assets	5,576	6,606	2,597	947	853	16,578
Impact of asset ceiling	(1,161)	(78)	–	–	(1)	(1,240)
Net defined benefit asset/(liability)	**121**	**(517)**	**(174)**	**(178)**	**(40)**	**(788)**
of which: Assets for defined pension plans	125	–	191	24	75	415
of which: Liabilities for defined pension plans	(4)	(517)	(364)	(202)	(115)	(1,203)
Net post-employment benefit (expense)/income	(93)	(26)	(17)	(16)	(25)	(177)

Table 20.3b

Key information by main country – prior period

in USD millions, as of December 31, 2021	Switzerland	United Kingdom	United States	Germany	Other	Total
Defined benefit obligation	(5,394)	(12,308)	(3,666)	(1,504)	(1,345)	(24,218)
Fair value of plan assets	6,420	11,412	3,479	1,463	1,230	24,005
Impact of asset ceiling	(877)	(65)	–	–	–	(942)
Net defined benefit asset/(liability)	**149**	**(962)**	**(187)**	**(41)**	**(115)**	**(1,155)**
of which: Assets for defined pension plans	162	–	265	112	64	603
of which: Liabilities for defined pension plans	(13)	(962)	(452)	(153)	(179)	(1,759)
Net post-employment benefit (expense)/income	(106)	(36)	(18)	(19)	(27)	(207)

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The Groups' post-employment defined benefit obligations and the Group's post-employment benefit expenses in the Group's major plans shown in table 20.3 are calculated by discounting using the full yield curve for each country. For the UK, where price inflation is required for projecting benefits in those calculations, this is done using the full breakeven price inflation curve. The figures for discount rates and for UK price inflation in table 20.4 are single-equivalent rates for the defined benefit obligations (i.e., the single assumption that would produce the same defined benefit obligation as using the full curve); single-equivalent rates for other elements of the accounting results will differ slightly from the figures set out below.

Key financial assumptions used for major plans

Table 20.4

as of December 31	2022				2021			
	Switzerland	**United Kingdom**	**United States**	**Germany**	Switzerland	United Kingdom	United States	Germany
Discount rate	2.2%	4.8%	5.4%	3.7%	0.2%	1.8%	2.8%	1.1%
Inflation rate (CPI)[1]	1.2%	2.6%	2.5%	2.6%	1.0%	2.2%	2.7%	2.2%
Salary increase rate	1.2%	2.8%	5.0%	3.9%	1.0%	2.8%	5.2%	3.5%
Expected future pension increases	0.1%	3.4%	n/a	2.6%	0.1%	3.5%	n/a	2.2%
Interest crediting rate[2]	2.2%	n/a	5.4%	n/a	1.0%	n/a	5.0%	n/a

1 In the UK, part of the liability is linked to the inflation measure of the Retail Price Index (RPI), which is assumed to be 1.0 percent higher than the Consumer Price Index (CPI) as of both December 31, 2022 and 2021. As RPI is expected to converge with CPI no earlier than in 2030, the RPI assumption for the UK was assumed to be 1.0 percent higher than CPI for durations up to and including 2029 and the same as CPI for 2030 onwards.
2 As of December 31, 2022, the disclosed assumption for the U.S. is calculated as a weighted average of ZNA pension plans and the FGI pension plans.

Tables 20.5a and 20.5b set out the life expectancies used in the valuation of the Group's major plans. The mortality assumptions in each country have been based on mortality tables in accordance with typical practice in that country.

Mortality tables and life expectancies for major plans – current period

Table 20.5a

in years, as of December 31, 2022		Life expectancy at age 65 for a male currently		Life expectancy at age 65 for a female currently	
		aged 65	aged 45	aged 65	aged 45
Country	Mortality table for major plans				
Switzerland	BVG 2020 with generational projections according to CMI model adapted to Swiss mortality with a long-term trend rate of 1.25%	21.84	23.50	23.59	25.18
United Kingdom	SAPS Series 3 with CMI_2021 projection with plan specific adjustments	22.06	23.30	24.11	25.58
	Pri-2012 with MP-2020 Generational projection and white collar adjustment	21.84	23.22	23.24	24.60
United States	Pri-2012 with MP-2021 Generational projection and white collar adjustment	21.97	23.35	23.39	24.75
Germany	Heubeck 2018G	20.62	23.36	24.04	26.26

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Mortality tables and life expectancies for major plans – prior period

Table 20.5b

in years, as of December 31, 2021		Life expectancy at age 65 for a male currently aged 65	Life expectancy at age 65 for a male currently aged 45	Life expectancy at age 65 for a female currently aged 65	Life expectancy at age 65 for a female currently aged 45
Country	Mortality table for major plans				
Switzerland	BVG 2020 with generational projections according to CMI model adapted to Swiss mortality with a long-term trend rate of 1.25%	21.79	23.42	23.52	25.10
United Kingdom	SAPS Series 3 with CMI_2020 projection with plan specific adjustments	21.93	22.93	23.92	25.12
	Pri-2012 with MP-2020 Generational projection and white collar adjustment	21.78	23.16	23.18	24.53
United States	Pri-2012 with MP-2021 Generational projection and white collar adjustment	21.90	23.28	23.33	24.69
Germany	Heubeck 2018G	20.47	23.23	23.92	26.15

Table 20.6 shows the expected benefits to be paid under the Group's major plans in the future. It should be noted that actual amounts may vary from expected amounts. Therefore, future benefit payments may differ from the amounts shown.

Maturity profile of future benefit payments for major plans

Table 20.6

as of December 31	**2022**				2021			
	Switzerland	**United Kingdom**	**United States**	**Germany**	Switzerland	United Kingdom	United States	Germany
Duration of the defined benefit obligation (in years)	11.8	15.2	10.5	12.0	13.7	19.0	12.1	13.9
Maturity analysis of benefits expected to be paid (in USD millions):								
< 1 year	314	304	219	63	307	329	210	61
1 to 5 years	1,170	1,201	850	244	1,148	1,603	855	232
5 to 10 years	1,349	1,891	1,022	335	1,285	2,531	1,035	318

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Table 20.7 sets out the sensitivity of the defined benefit obligation to changes in key actuarial assumptions. The effect on the defined benefit obligation shown allows for an alternative value for each assumption while the other actuarial assumptions remain unchanged. While this table illustrates the overall impact on the defined benefit obligation of the changes shown, the significance of the impact and the range of reasonably possible alternative assumptions may differ between the different plans that comprise the overall defined benefit obligation. In particular, the plans differ in benefit design, currency and average term, meaning that different assumptions have different levels of significance for different plans. The sensitivity analysis is intended to illustrate the inherent uncertainty in the evaluation of the defined benefit obligation under market conditions at the measurement date. Its results cannot be extrapolated due to non-linear effects that changes in the key actuarial assumptions may have on the overall defined benefit obligation. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Group's view of expected future changes in the defined benefit obligation. Any management actions that may be taken to mitigate the inherent risks in the post-employment defined benefit plans are not reflected in this analysis.

Table 20.7

Sensitivity analysis of significant actuarial assumptions

	Defined benefit obligation[1]	
in USD millions, as of December 31	**2022**	2021
Discount rate +50 bps	978	1,851
Discount rate –50 bps	(1,096)	(2,112)
Salary increase rate +50 bps	(38)	(78)
Salary decrease rate –50 bps	37	75
Price inflation increase rate +50 bps	(651)	(1,245)
Price inflation decrease rate –50 bps	594	1,122
Cash balance interest credit rate +50 bps	(62)	(80)
Cash balance interest credit rate –50 bps	59	54
Mortality 10% increase in life expectancy	(1,109)	(2,294)
Mortality 10% decrease in life expectancy	1,140	2,239

1 A negative number indicates an increase and a positive number indicates a decrease in the defined benefit obligation.

21. Share-based compensation and cash incentive plans

The Group has adopted various share-based compensation and cash incentive plans to attract, retain and motivate employees. The plans are designed to reward employees for their contribution to the performance of the Group and to encourage employee share ownership. Share-based compensation plans include performance-based share plans and employee share purchase plans. Share-based compensation plans are based on the provision of Zurich Insurance Group Ltd shares.

a) Cash incentive plans

The Group's short-term incentive plan (STIP) is utilized across the Group and, in many countries covers all employees in that country who are selected to participate in a short-term incentive plan. In addition, there may be other local short-term incentive plans in place. Awards are made in cash, based on the accomplishment of both organizational and individual performance objectives. The expense recognized for these cash incentive plans amounted to USD 607 million and USD 597 million for the years ended December 31, 2022 and 2021, respectively.

b) Share-based compensation plans for employees

The Group encourages employees to own shares in Zurich Insurance Group Ltd and has set up a framework based on the implementation of performance share programs. Actual plans are tailored to meet local market requirements.

The cost of share-based payments depends on various factors, including achievement of targets, and are subject to the discretion of the Remuneration Committee and the Board. Costs may therefore vary significantly from year to year. The net amounts of USD 246 million and USD 279 million for the years ended December 31, 2022 and 2021, respectively, reflect all aspects of share-based compensation, including adjustments made during the year.

The explanations below provide a more detailed overview of the main plans of the Group.

Employee share plans

Share incentive plans for employees in the UK

The Group established an Inland Revenue approved Share Incentive Plan and launched the Partnership Shares element of this plan in 2003, which enabled participating employees to make monthly purchases of Zurich Insurance Group Ltd shares at the prevailing market price from their gross earnings. This plan was terminated in 2007. There were 9 and 16 participants in the plan as of December 31, 2022 and 2021, respectively.

A revised Partnership Share Scheme was launched in March 2013. Participants benefit from purchasing shares by making deductions from gross salary up to a maximum of GBP 1,800 or 10 percent of their year-to-date earnings. There were 744 and 694 active participants in the plan as of December 31, 2022 and 2021, respectively.

The Group also operates a profit-sharing element of the Share Incentive Plan (Reward Shares) which was launched in 2004 with annual share allocations being made in May each year subject to business performance. The awards are based on business operating profit (BOP) after tax for the year achieved by the business unit of each participating employee. Individual awards are subject to a maximum of 5 percent of a participant's base salary (before any flexible benefit adjustments) with an overall maximum of GBP 3,600. The total number of participating employees in Reward Shares as of December 31, 2022 and 2021 was 4,319 and 3,997, respectively.

A Dividend Shares scheme was launched in 2014 which allows employees to reinvest their dividends from Partnership Shares and Reward Shares. As of December 31, 2022 and 2021, there were 569 and 564 participants in the scheme, respectively.

Share incentive plan for employees in Switzerland

Under the Employee Share Plan, eligible employees are allowed to acquire sales-restricted shares at a 30 percent discount to the market value. The maximum permitted investment at the preferential price in shares is equivalent to CHF 3,500 per employee per annum. During 2022, 4,515 employees were eligible to participate in the plan, compared with 4,383 in 2021. For the years ended December 31, 2022 and 2021, 2,331 and 2,240 employees, respectively, purchased shares under the 2022 and 2021 share plans.

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The Group Long-Term Incentive Plan (LTIP)

Participants in this plan are allocated a target number of performance shares units (PSUs) as notional shares of Zurich Insurance Group Ltd in April each year. The number of PSUs is calculated as a percentage of the annual base salary of each participant. To further align participants with the interests of shareholders, PSUs are credited with dividend equivalent units (DEUs) during the vesting period to compensate participants in LTIP for dividends paid to shareholders.

PSUs allocated in 2022 will vest after a period of three years following the year of allocation (three-year cliff vesting), with the actual level of vesting between 0 percent and 200 percent of the overall target shares (PSUs allocated and DEUs that accrued during the vesting period), depending on the achievement of pre-defined performance criteria. The performance criteria used to determine the level of vesting are the Group's net income attributable to shareholders' return on common shareholders' equity (NIAS ROE), the position of its relative total shareholder return (TSR) measured against an international peer group of insurance companies, and the achievement of cash remittance targets. The three pre-defined performance criteria are each assessed over a period of three consecutive financial years starting in the year of allocation and have an equal weighting. One half of the shares that vest are sales-restricted for a further three years for members of the Executive Committee. As of December 31, 2022 and 2021 there were 1,305 and 1,228 participants in this plan, respectively.

Table 21

Shares allocated during the period

for the years ended December 31	Number		Fair value at the allocation date (in CHF)[1]	
	2022	2021	**2022**	2021
Shares allocated during the period	408,015	422,606	451	406

1 Fair value measured using the market price of the shares at the allocation date and volatility indicators.

The shares allocated each year are based on parameters under the Group's LTIP. The level of vesting will depend on the level of achievements in the performance criteria.

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22. Commitments and contingencies, legal proceedings and regulatory investigations

The Group has provided contractual commitments and financial guarantees to external parties, associates and joint ventures as well as partnerships. These arrangements include commitments under certain conditions to make liquidity advances to cover default principal and interest payments, make capital contributions or provide equity financing.

Quantifiable commitments and contingencies

Table 22

in USD millions	**12/31/2022**	12/31/2021
Remaining commitments under investment agreements[1]	1,045	1,065
Guarantees and letters of credit[2]	838	978
Undrawn loan commitments	–	1
Other commitments and contingent liabilities[3]	427	717

1 Amount in 2021 restated as private debt investments are not required to be reported as commitments (soft commitments).
2 Guarantee features embedded in life insurance products are not included.
3 Includes USD 11 million future cash outflows in 2022 and USD 79 million future cash outflows in 2021 that the Group as lessee is potentially exposed to which are not reflected in the measurement of lease liabilities in the balance sheet.

Commitments under investment agreements

The Group has committed to contribute capital to third parties that engage in making investments in direct private equity, private equity funds, private debt and real estate. Commitments may be called by the counterparty over the term of the investment (generally three to five years) and must be funded by the Group on a timely basis.

Guarantees and letters of credit

In 2022 and 2021, USD 572 million and USD 643 million, respectively, related to guarantees in the aggregate amount of GBP 475 million which were provided to the directors of a wholly owned subsidiary in connection with the repatriation of capital. These guarantees have no expiry date.

The Group knows of no event of default that would require it to satisfy financial guarantees. Irrevocable letters of credit have been issued to secure certain reinsurance contracts.

The Group is active in numerous countries where insurance guarantee funds exist. The design of such funds varies from jurisdiction to jurisdiction. In some, funding is based on premiums written; in others, the Group may be called upon to contribute to such funds in case of a failure of another market participant. In addition, in some jurisdictions the amount of contribution may be limited, for example, to a percentage of the net underwriting reserve net of payments already made.

The Group carries certain contingencies in the ordinary course of business in connection with the sale of its companies and businesses. These are primarily in the form of indemnification obligations provided to the acquirer in a transaction in which a Group company is the seller. They vary in scope and duration by counterparty and generally are intended to shift the potential risk of certain unquantifiable and unknown loss contingencies from the acquirer to the seller.

Zurich Insurance Group Ltd has provided unlimited guarantees in support of entities belonging to the Zurich Capital Markets group of companies.

Other contingent liabilities

The Group has received notices from various tax authorities asserting deficiencies in taxes for various years.
The Group is of the view that the ultimate outcome of these reviews will not materially affect the Group's consolidated financial position.

The Group has commitments to provide collateral on certain contracts in the event of a financial strength downgrading for Zurich Insurance Company Ltd from the current AA by Standard & Poor's. Should the rating by Standard & Poor's fall to A+, then the additional collateral based on information available amounts to nil as of both December 31, 2022 and 2021.

In common with other insurance companies, the Group is mindful of the trend toward enhanced consumer protection. There is significant uncertainty about the ultimate cost this trend might have on our business. The main areas of uncertainty concern court decisions as well as the volume of potential customer complaints related to sales activities and withdrawal rights, and their respective individual assessments.

Consolidated financial statements (continued)

Pledged assets

The majority of assets pledged to secure the Group's liabilities relate to debt securities pledged under short-term sale and repurchase agreements. The total amount of pledged financial assets including the securities under short-term sale and repurchase agreements amounted to USD 2.2 billion and USD 2.1 billion as of December 31, 2022 and 2021, respectively.

Terms and conditions associated with the financial assets pledged to secure the Group's liabilities are usual and standard in the markets in which the underlying agreements were executed.

Legal, compliance and regulatory developments

The Group's business is subject to extensive supervision, and the Group is in regular contact with various regulatory authorities. The Group is also involved in legal and arbitration proceedings and regulatory investigations arising, for the most part, in the ordinary course of its business operations in various jurisdictions where it operates. In addition, the Group and/or its subsidiaries are involved in legal matters arising out of transactions involving the transfer of portfolios or businesses. These legal matters can include claims brought by purchasers or other parties asserting claims for damages on various theories, including failure to disclose material information, failure to perform contractual duties or otherwise seeking to impose liability on the Group and/or its subsidiaries. With respect to significant legal or regulatory matters, the Group considers the likelihood of a negative outcome, and when the likelihood of a negative outcome is probable and the amount of the loss can be reliably estimated, a reserve or provision is established to record the estimated loss for the expected outcome. While the Group believes that it is not a party to, nor are any of its subsidiaries the subject of, any unresolved current legal proceedings, claims, litigation and investigations that will have a material adverse effect on the Group's consolidated financial condition, proceedings are inherently unpredictable, and it is possible that the outcome of any proceeding could have a material impact on results of operations in the particular reporting period in which it is resolved.

– Specifically, COVID-19-related coverage litigation: Several of the Group's subsidiaries as well as other insurance companies are involved in litigation relating to the extent to which COVID-19 was intended to be covered under Property Damage Business Interruption policies. A limited number of class actions have also been initiated. Most of the litigation has been filed in United States courts in addition to test cases filed in Australia and some in the UK, which have predominantly found in favor of insurers. The final determination of outcomes may take many years as appeals are pursued by the plaintiffs and insurers, including the Group or its subsidiaries.
– In 2016, the Group, on its own initiative, undertook an internal review of the life insurance, savings and pension business sold by its non-U.S. operating companies with relevant cross-border business to customers with a nexus to the U.S. The review confirmed that the Group's cross-border business with U.S. persons was very limited and of a legacy nature, with the large majority of sales having occurred more than a decade ago. The review also confirmed that the Group's U.S. operating companies were not involved in or connected to those activities. The Group voluntarily disclosed the results of the review and the regulatory issues presented by sales to U.S. residents to the Swiss Financial Market Supervisory Authority (FINMA), the U.S. Department of Justice (DOJ) and other authorities. The Group continues to cooperate with these authorities.

In April 2019, the DOJ announced that Zurich Life Insurance Company Ltd (ZLIC) and Zurich International Life Limited (ZILL) entered into a non-prosecution agreement (NPA) with the DOJ, which memorializes the DOJ's decision not to prosecute these entities for any U.S. tax-related offenses in connection with legacy cross-border sales to U.S. persons. Under the terms of the NPA, ZLIC and ZILL have agreed to comply with certain specified conditions during the four-year term of the NPA.

This resolution has not had, and will not have, an adverse effect on the Group's business or consolidated financial condition.

23. Fair value measurement

To measure fair value, the Group gives the highest priority to quoted and unadjusted prices in active markets. In the absence of quoted prices, fair values are calculated through valuation techniques, making the maximum use of relevant observable market data inputs. Whenever observable parameters are not available, the inputs used to derive the fair value are based on common market assumptions that market participants would use when pricing assets and liabilities. Depending on the observability of prices and inputs to valuation techniques, the Group classifies instruments measured at fair value within the following three levels (the fair value hierarchy):

Level 1 – includes assets and liabilities for which fair values are determined directly from unadjusted current quoted prices resulting from orderly transactions in active markets for identical assets/liabilities.

Level 2 – includes assets and liabilities for which fair values are determined using significant inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable market inputs.

Level 3 – includes assets and liabilities for which fair values are determined using valuation techniques with at least one significant input not being based on observable market data. This approach is used only in circumstances when there is little, if any, market activity for a certain instrument, and the Group is required to rely on third-party providers or develop internal valuation inputs based on the best information available about the assumptions that market participants would use when pricing the asset or liability.

The governance framework and oversight of the Group's standards and procedures regarding the valuation of financial instruments measured at fair value lies within the responsibility of Group Risk Management, Group Investment Management, Treasury Capital Management and Group Finance. Specialists from these departments ensure the adequacy of valuation models, approve methodologies and sources to derive model input parameters, provide oversight over the selection of third-party pricing providers, and on a semi-annual basis review the classification within the fair value hierarchy of the financial instruments in scope.

The Group makes extensive use of third-party pricing providers to determine the fair values of its available-for-sale and fair value through profit or loss financial instruments, and only in rare cases places reliance on prices that are derived from internal models. Investment accounting, operations and process functions are independent from those responsible for buying and selling the assets, and are responsible for receiving, challenging and verifying values provided by third-party pricing providers to ensure that fair values are reliable, as well as ensuring compliance with applicable accounting and valuation policies. There are quality control procedures used depend on the nature and complexity of the invested assets. They include variance and stale price analysis, and comparisons with fair values of similar instruments and with alternative values obtained from asset managers and brokers. Model review activities are also conducted for evaluated prices supplied by third parties to verify that their valuation processes, methodologies, models, and governance and control framework comply with applicable internal guidance, and that the allocation of those instruments within the fair value hierarchy is adequate. They include the compilation and review of relevant documentation as well meetings with third-party representatives to supplement the analysis.

Consolidated financial statements (continued)

Table 23.1 compares the fair value with the carrying value of financial assets and financial liabilities. Certain financial instruments are not included in this table as their carrying value is a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, obligations to repurchase securities, deposits made under assumed reinsurance contracts, deposits received under ceded reinsurance contracts and other financial assets and liabilities. This table excludes financial assets and financial liabilities related to unit-linked contracts.

Table 23.1

Fair value and carrying value of financial assets and financial liabilities

in USD millions, as of December 31	Total fair value		Total carrying value	
	2022	2021	**2022**	2021
Available-for-sale securities				
Equity securities	9,590	14,008	9,590	14,008
Debt securities	94,440	136,005	94,440	136,005
Total available-for-sale securities	104,030	150,013	104,030	150,013
Fair value through profit or loss securities				
Equity securities	3,540	4,571	3,540	4,571
Debt securities	6,386	7,181	6,386	7,181
Total fair value through profit or loss securities	9,926	11,752	9,926	11,752
Derivative assets	766	938	766	938
Held-to-maturity debt securities	2,925	2,358	2,838	1,897
Mortgage loans	5,103	6,371	5,497	6,106
Other loans	3,493	8,284	3,444	7,053
Total financial assets	**126,242**	**179,716**	**126,501**	**177,758**
Derivative liabilities	(1,167)	(532)	(1,167)	(532)
Financial liabilities held at amortized cost				
Liabilities related to investment contracts	(830)	(1,042)	(769)	(837)
Senior debt	(4,468)	(5,487)	(5,071)	(5,327)
Subordinated debt	(7,773)	(10,287)	(8,899)	(9,782)
Total financial liabilities held at amortized cost	(13,070)	(16,815)	(14,739)	(15,946)
Total financial liabilities	**(14,238)**	**(17,347)**	**(15,907)**	**(16,478)**

All of the Group's financial assets and financial liabilities are initially recorded at fair value. Subsequently, available-for-sale financial assets, fair value through profit or loss financial assets, and derivative financial instruments are carried at fair value as of the balance sheet date. All other financial instruments are carried at amortized cost. The valuation techniques used to determine fair value measurement are described below.

Fair values of held-to-maturity debt securities and senior and subordinated debt are obtained from third-party pricing providers. The fair value received from these pricing providers may be based on quoted prices in an active market for identical assets, alternative pricing methods such as matrix pricing or an income approach employing discounted cash flow models. Such instruments are categorized within level 2.

Discounted cash flow models are used for mortgage loans and other loans (except for loans classified as private debt). The discount yields in these models use interest rates that reflect the return a market participant would expect to receive on instruments with similar remaining maturities, cash flow patterns, currencies, credit risk and collateral. Such instruments are categorized within level 3.

Different valuation techniques are used to value private debt instruments, including the income approach (such as discounted cash flow models) or the market approach (such as relative value models). Where prices are obtained from an evaluated pricing service from a data vendor in which price transparency data indicates no use of significant unobservable inputs, they are categorized within Level 2. All other prices are classified to Level 3 unless factual evidence indicates that unobservable inputs are not significant to the valuation.

Fair values of liabilities related to investment contracts and investment contracts with DPF are determined using discounted cash flow models. Such instruments are categorized within level 3 due to the unobservability of certain inputs used in the valuation.

Consolidated financial statements (continued)

Recurring fair value measurements of assets and liabilities

Fair value hierarchy – non-unit-linked – current period

Table 23.2a

in USD millions, as of December 31, 2022	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Equity securities	6,430	1,642	1,517	9,590
Debt securities	–	89,446	4,993	94,440
Total available-for-sale securities	6,430	91,089	6,510	104,030
Fair value through profit or loss securities				
Equity securities	1,046	474	2,021	3,540
Debt securities	–	6,358	28	6,386
Total fair value through profit or loss securities	1,046	6,832	2,049	9,926
Derivative assets	5	739	21	766
Investment property	–	2,896	11,902	14,798
Reinsurers' share of liabilities for insurance contracts fair value option[1]	–	–	142	142
Total	**7,481**	**101,556**	**20,624**	**129,661**
Derivative liabilities	–	(450)	(717)	(1,167)
Liabilities for insurance contracts fair value option[2]	–	–	(1,558)	(1,558)
Total	**–**	**(450)**	**(2,275)**	**(2,725)**

1 Included within reinsurers' share of liabilities for insurance contracts.
2 Included within liabilities for insurance contracts.

Fair value hierarchy – non-unit-linked – prior period

Table 23.2b

in USD millions, as of December 31, 2021	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Equity securities	9,052	3,002	1,953	14,008
Debt securities	–	129,857	6,148	136,005
Total available-for-sale securities	9,052	132,859	8,101	150,013
Fair value through profit or loss securities				
Equity securities	1,804	617	2,150	4,571
Debt securities	–	7,141	40	7,181
Total fair value through profit or loss securities	1,804	7,758	2,190	11,752
Derivative assets	1	834	103	938
Investment property	–	3,270	10,800	14,070
Reinsurers' share of liabilities for insurance contracts fair value option[1]	–	–	184	184
Total	**10,857**	**144,721**	**21,379**	**176,957**
Derivative liabilities	(3)	(375)	(154)	(532)
Liabilities for insurance contracts fair value option[2]	–	–	(1,999)	(1,999)
Total	**(3)**	**(375)**	**(2,153)**	**(2,532)**

1 Included within reinsurers' share of liabilities for insurance contracts.
2 Included within liabilities for insurance contracts.

Consolidated financial statements (continued)

Fair value hierarchy – unit-linked – current period

Table 23.3a

in USD millions, as of December 31, 2022	Level 1	Level 2	Level 3	Total
Fair value through profit or loss securities				
Equity securities	90,602	14,347	1,786	106,736
Debt securities	–	10,146	27	10,173
Other loans	419	1,833	–	2,251
Total fair value through profit or loss securities	91,021	26,326	1,814	119,160
Derivative assets	5	64	–	69
Investment property	–	–	2,233	2,233
Total investments for unit-linked contracts[1]	**91,026**	**26,390**	**4,046**	**121,462**
Financial liabilities at FV through profit or loss				
Liabilities related to unit-linked investment contracts	–	(50,991)	–	(50,991)
Derivative liabilities	(27)	(1)	–	(28)
Total	**(27)**	**(50,992)**	**–**	**(51,019)**

1 Excluding cash and cash equivalents.

Fair value hierarchy – unit-linked – prior period

Table 23.3b

in USD millions, as of December 31, 2021	Level 1	Level 2	Level 3	Total
Fair value through profit or loss securities				
Equity securities	108,023	16,142	1,516	125,680
Debt securities	–	10,136	30	10,166
Other loans	24	2,801	–	2,825
Total fair value through profit or loss securities	108,046	29,078	1,546	138,671
Derivative assets	2	9	–	12
Investment property	–	–	3,167	3,167
Total investments for unit-linked contracts[1]	**108,049**	**29,088**	**4,713**	**141,850**
Financial liabilities at FV through profit or loss				
Liabilities related to unit-linked investment contracts	–	(60,930)	–	(60,930)
Derivative liabilities	(8)	(14)	–	(21)
Total	**(8)**	**(60,944)**	**–**	**(60,951)**

1 Excluding cash and cash equivalents.

Within level 1, the Group has classified common stocks, exchange-traded derivative financial instruments, investments in unit trusts that are exchange listed or daily published and other highly liquid financial instruments.

Within level 2, the Group has classified government and corporate bonds, thinly traded common stocks, investments in unit trusts without daily prices or with sales restrictions, agency mortgage-backed securities (MBS), 'AAA' rated non-agency MBS and other asset-backed securities (ABS) and certain private debt instruments where valuations are obtained from independent pricing providers. The fair value received from these pricing providers may be based on quoted prices in an active market for similar assets, alternative pricing methods such as matrix pricing or an income approach employing discounted cash flow models. If quoted prices are not available, then fair values are estimated on the basis of information from external pricing providers or internal pricing models (for example, discounted cash flow models or other recognized valuation techniques).

Where there are active and transparent real estate markets and no significant adjustments to the observable data are required, the investment property held by the Group is classified within level 2.

Over-the-counter derivative financial instruments are valued using internal models and third-party valuation services. The fair values are determined using dealer price quotations, discounted cash flow models and option pricing models, which use various inputs including current market and contractual prices for underlying instruments, time to expiry, yield curves and volatility of underlying instruments. Such instruments are classified within level 2 as the inputs used in pricing models are generally market observable or derived from market observable data.

Fair values of liabilities related to unit-linked investment contracts are usually determined by reference to the fair value of the underlying assets backing these liabilities. Such instruments are classified within level 2.

Consolidated financial statements (continued)

Within level 3, the Group has classified:

- Unlisted stocks, private equity funds and hedge funds that are not actively traded. The valuations of such instruments are obtained from quarterly net asset value information from the fund manager and annual audited financial statements provided by the issuing company. The prices are generally derived for each underlying company in line with the International Private Equity and Venture Capital Valuation (IPEV) guidelines, using discounted cash flows (income approach) or multiple methods (market approach). The Group has only limited insight into the specific inputs used by the fund managers; hence, a narrative sensitivity analysis is not applicable.
- Non-agency MBS, ABS and collateralized loan obligations (CLO) rated below 'AAA' and private debt holdings including certain private placements that are valued by independent pricing providers or external asset managers using primarily the discounted cash flow method with significant unobservable input parameters such as asset prepayment rate, default rates and credit spreads. A significant market yield increase of the benchmark securities in isolation could result in a decreased fair value, while a significant market yield decrease could result in an increased fair value. However, a reasonable variation in the option-adjusted spread taken from a set of benchmark securities with similar characteristics has only immaterial impact on fair value.
- All investment properties for which there are no active and transparent real estate markets or observable data available. The valuation for majority of these investment properties – other than certain investment properties located in Switzerland – are typically performed annually by independent qualified appraisers. The parameters used for the valuations are specific to each country or region and vary significantly across different markets. External appraisals are reviewed by internal real estate valuation specialists; however, since the unobservable inputs were not developed by the Group they are not readily available. In some cases, where external valuations are obtained at least every three years, interim valuations by internal valuation specialists are performed. During 2022, Zurich refined its valuation model for investment properties located in Switzerland to align more closely to the market practice. The refined valuation model is based on a discounted cash flow method and is applied to each individual property based on its expected cash flows. The unobservable input parameters include the future transition cost for carbon emission and capital expenditures to achieve the desired environmental footprint depending on the current condition of each individual property. These input parameters are combined into a synthetic spread applied to the otherwise observable discount rate. The refined methodology (including market movements from the previous valuation date) resulted in an increase in fair value of the investment property by USD 550 million.
- Overall, as of December 31, 2022, around 30 percent of level 3 investment properties were covered by internal valuations. Significant increases/(decreases) in synthetic spread, in isolation, would result in a lower/(higher) fair value measurement. For example, an increase in spread of 10bps, considered in isolation, would result in a decrease in fair value of 3% or approximately USD 180 million as of December 31, 2022.
- Options and long-dated derivative financial instruments with fair values determined using counterparty valuations or calculated using significant unobservable inputs such as historical volatilities, historical correlation, implied volatilities from the counterparty or derived using extrapolation techniques. Quantitative information on unobservable inputs is not available when counterparty pricing was used. For internally calculated fair values, significant increases/(decreases) in volatilities or correlation would result in a significantly higher/(lower) fair value measurement; however, the overall effect on the Group's financial statements would not be material.
- Reinsurers' share of liabilities and liabilities for insurance contracts fair value option. The fair values are determined using discounted cash flow models. The discount factors used are based on derived rates for LIBOR swap forwards, spreads to U.S. Treasuries and spreads to U.S. corporate A or higher rated bond segments for financials, industrials and utilities. The liability-projected cash flows use contractual information for premiums, benefits and agent commissions, administrative expenses under third-party administrative service agreements and best estimate parameters for policy decrements. The primary unobservable inputs are the policy decrement assumptions used in projecting cash flows. These include disability claim parameters for incidence and termination (whether for recovery or death) and lapse rates. Significant increases/(decreases) in claim incidence rates and significant decreases/(increases) in claim termination rates would result in a significantly higher/(lower) fair value measurement.

For details on Group investments sensitivities, refer to section analysis by risk type in the risk review.

The fair value hierarchy is reviewed at the end of each reporting period to determine whether significant transfers between levels have occurred. Transfers between levels mainly arise as a result of changes in market activity and observability of the inputs to the valuation techniques used to determine the fair value of certain instruments.

For the year ended December 31, 2022, the Group recorded a transfer of USD 430 million of unit-linked fair value through profit or loss equity securities out of level 2 into level 1 for mutual funds with daily published prices.

Consolidated financial statements (continued)

Development of assets and liabilities classified within level 3 – non-unit-linked – current period

Table 23.4a

in USD millions	Available-for-sale securities		Fair value through profit or loss securities				
	Equity securities	Debt securities	Equity securities	Debt securities	Derivative assets	Derivative liabilities	Investment property
As of January 1, 2022	1,953	6,148	2,150	40	103	(154)	10,800
Realized gains/(losses) recognized in income[1]	189	2	16	–	–	–	30
Unrealized gains/(losses) recognized in income[1,2]	(8)	(39)	(53)	(2)	(2)	37	675
Unrealized gains/(losses) recognized in other comprehensive income	(273)	(789)	–	–	(72)	(608)	–
Purchases	220	717	254	1	10	6	515
Settlements/sales/redemptions	(453)	(875)	(331)	(1)	(8)	–	(231)
Transfer from/to assets held for own use	–	–	–	–	–	–	1
Transfer to assets held for sale	–	–	–	–	–	–	(35)
Transfers into level 3	4	114	–	–	–	–	–
Transfers out of level 3	(6)	(105)	–	(7)	–	–	–
Acquisitions and divestments[3]	(30)	–	–	–	(4)	–	344
Foreign currency translation effects	(80)	(179)	(15)	(3)	(7)	1	(197)
As of December 31, 2022	**1,517**	**4,993**	**2,021**	**28**	**21**	**(717)**	**11,902**

1 Presented as net capital gains/(losses) and impairments on Group investments in the audited consolidated income statements (see note 6).
2 Unrealized gains/(losses) recognized in income for available-for-sale securities relate to impairments.
3 The movements are related to an agreement entered into by Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft to sell its legacy traditional life insurance back book (see note 5).

For the year ended December 31, 2022, the Group transferred USD 114 million of available-for-sale debt securities from level 2 into level 3 corresponding to private debt instruments that exhibit higher reliance on unobservable valuation inputs, and non-agency ABS and MBS with a credit rating downgrade from AAA. This effect is approximately offset by the transfer of USD 105 million of available-for-sale debt securities out of level 3 into level 2 attributable to private debt instruments with a higher reliance on observable valuation inputs and non-agency ABS and MBS whose credit rating has been upgraded to AAA.

Development of assets and liabilities classified within level 3 – non-unit-linked – prior period

Table 23.4b

in USD millions	Available-for-sale securities		Fair value through profit or loss securities				
	Equity securities	Debt securities	Equity securities	Debt securities	Derivative assets	Derivative liabilities	Investment property
As of January 1, 2021	1,746	7,976	2,318	83	353	(52)	11,301
Realized gains/(losses) recognized in income[1]	483	15	25	–	18	(87)	39
Unrealized gains/(losses) recognized in income[1,2]	–	11	129	–	(10)	(9)	359
Unrealized gains/(losses) recognized in other comprehensive income	296	(181)	–	–	(208)	(91)	6
Purchases	321	980	357	–	7	(11)	652
Settlements/sales/redemptions	(881)	(1,459)	(683)	(46)	(29)	90	(730)
Transfer from/to assets held for own use	–	–	–	–	–	–	21
Transfers into level 3	25	201	27	5	–	(1)	–
Transfers out of level 3	–	(1,250)	–	–	–	–	–
Acquisitions and divestments	(1)	–	–	–	–	–	(379)
Foreign currency translation effects	(36)	(144)	(23)	–	(27)	8	(469)
As of December 31, 2021	**1,953**	**6,148**	**2,150**	**40**	**103**	**(154)**	**10,800**

1 Presented as net capital gains/(losses) and impairments on Group investments in the audited consolidated income statements (see note 6).
2 Unrealized gains/(losses) recognized in income for available-for-sale securities relate to impairments.

For the year ended December 31, 2021, the Group recorded a transfer of USD 66 million of non-unit-linked fair value through profit or loss equity securities out of level 1 into level 2 for mutual funds without daily published prices.

Consolidated financial statements (continued)

Table 23.5a

Development of liabilities for insurance contracts fair value option classified within level 3 – current period

in USD millions	Gross	Ceded	Net
As of January 1, 2022	1,999	(184)	1,815
Premiums	32	(3)	29
Claims	(185)	14	(171)
Fee income and other expenses	(79)	14	(64)
Interest and bonuses credited to policyholders	(213)	17	(196)
Changes in assumptions	4	(1)	3
As of December 31, 2022	**1,558**	**(142)**	**1,416**

Table 23.5b

Development of liabilities for insurance contracts fair value option classified within level 3 – prior period

in USD millions	Gross	Ceded	Net
As of January 1, 2021	2,294	(213)	2,081
Premiums	41	(4)	38
Claims	(206)	15	(191)
Fee income and other expenses	(89)	14	(74)
Interest and bonuses credited to policyholders	(41)	3	(38)
Changes in assumptions	–	–	–
As of December 31, 2021	**1,999**	**(184)**	**1,815**

Table 23.6a

Development assets and liabilities classified within level 3 – unit-linked – current period

in USD millions	Fair value through profit or loss securities		
	Equity securities	Debt securities	Investment property
As of January 1, 2022	1,516	30	3,167
Realized gains/(losses) recognized in income[1]	14	–	(64)
Unrealized gains/(losses) recognized in income[1]	(70)	(3)	(332)
Unrealized gains/(losses) recognized in shareholders' equity	–	–	–
Purchases	375	–	185
Sales/redemptions	(63)	(1)	(402)
Transfers into level 3	18	5	–
Transfers out of level 3	–	–	–
Foreign currency translation effects	(3)	(3)	(322)
As of December 31, 2022	**1,786**	**27**	**2,233**

1 Presented as net investment result on unit-linked investments in the consolidated income statements.

There has been no significant movement in unit-linked fair value through profit and loss equity or debt securities.

Table 23.6b

Development assets and liabilities classified within level 3 – unit-linked – prior period

in USD millions	Fair value through profit or loss securities		
	Equity securities	Debt securities	Investment property
As of January 1, 2021	1,163	25	2,957
Realized gains/(losses) recognized in income[1]	7	(1)	158
Unrealized gains/(losses) recognized in income[1]	123	–	212
Unrealized gains/(losses) recognized in shareholders' equity	–	(1)	–
Purchases	274	6	347
Sales/redemptions	(65)	(5)	(507)
Transfers into level 3	17	11	–
Transfers out of level 3	–	(4)	–
Foreign currency translation effects	(4)	(1)	–
As of December 31, 2021	**1,516**	**30**	**3,167**

1 Presented as net investment result on unit-linked investments in the consolidated income statements.

For the year ended December 31, 2021, the Group recorded a transfer of USD 345 million of unit-linked fair value through profit or loss equity securities out of level 2 into level 1 for mutual funds with daily published prices.

Consolidated financial statements (continued)

24. Analysis of financial assets

Tables 24.1a and 24.1b provide an analysis for non-unit-linked businesses of the age of financial assets that are past due but not impaired, and of financial assets that are individually determined to be impaired.

Table 24.1a

Analysis of financial assets – current period

in USD millions, as of December 31, 2022	Debt securities	Mortgage loans	Other loans	Receivables and other financial assets	Total
Neither past due nor impaired financial assets	103,638	5,471	3,423	14,429	126,961
Past due but not impaired financial assets					
Past due by:					
1 to 90 days	–	19	16	1,760	1,795
91 to 180 days	–	1	–	258	259
181 to 365 days	–	2	1	283	286
> 365 days	–	3	3	243	249
Past due but not impaired financial assets	–	25	21	2,543	2,590
Financial assets impaired	27	11	3	194	235
Gross carrying value	**103,664**	**5,507**	**3,448**	**17,166**	**129,785**
Less: impairment allowance					
Impairment allowances on individually assessed financial assets	–	7	3	138	149
Impairment allowances on collectively assessed financial assets	–	3	–	176	179
Net carrying value	**103,664**	**5,497**	**3,444**	**16,852**	**129,458**

Table 24.1b

Analysis of financial assets – prior period

in USD millions, as of December 31, 2021	Debt securities	Mortgage loans	Other loans	Receivables and other financial assets	Total
Neither past due nor impaired financial assets	145,054	6,068	7,044	12,242	170,408
Past due but not impaired financial assets					
Past due by:					
1 to 90 days	–	26	3	1,515	1,545
91 to 180 days	–	3	–	232	234
181 to 365 days	–	2	–	194	196
> 365 days	–	4	–	270	274
Past due but not impaired financial assets	–	35	3	2,210	2,248
Financial assets impaired	30	11	3	181	224
Gross carrying value	**145,084**	**6,114**	**7,050**	**14,633**	**172,880**
Less: impairment allowance					
Impairment allowances on individually assessed financial assets	–	5	(3)	123	124
Impairment allowances on collectively assessed financial assets	–	3	–	177	180
Net carrying value	**145,084**	**6,106**	**7,053**	**14,333**	**172,576**

Consolidated financial statements (continued)

Tables 24.2a and 24.2b show how the allowances for impairments of financial assets in tables 24.1a and 24.1b developed during the periods ended December 31, 2022 and 2021, respectively.

Table 24.2a

Development of allowance for impairments – current period

in USD millions	Mortgage loans	Other loans	Receivables
As of January 1, 2022	8	(3)	300
Increase/(decrease) in allowance for impairments	2	(21)	27
Amounts written-off	–	28	(9)
Acquisitions/(divestments) and transfers	–	–	8
Foreign currency translation effects	–	–	(12)
As of December 31, 2022	**10**	**3**	**314**

Table 24.2b

Development of allowance for impairments – prior period

in USD millions	Mortgage loans	Other loans	Receivables
As of January 1, 2021	8	12	332
Increase/(decrease) in allowance for impairments	1	(7)	33
Amounts written-off	–	(8)	(42)
Acquisitions/(divestments) and transfers	–	–	(3)
Foreign currency translation effects	–	–	(20)
As of December 31, 2021	**8**	**(3)**	**300**

The Group has elected to defer the full implementation of IFRS 9 until IFRS 17 becomes effective on January 1, 2023. For further information on the Group's eligibility to the temporary exemption from IFRS 9, please refer to note 2.

Under IFRS 9, the classification and measurement of all debt instruments will be driven by the business model in which these assets are held and by their contractual terms. The combined effect of the application of the business model and contractual cash flows characteristics determine whether the financial assets are measured at amortized cost, fair value with changes recognized in other comprehensive income (OCI) or fair value through profit or loss. The business model will be assessed at the date of the initial application of IFRS 9.

Debt instruments with contractual terms that give rise to cash flows that are solely payment of principal and interest (SPPI) on the principal amount outstanding will be measured at either amortized cost or at fair value with changes recognized in OCI, unless they are managed on a fair value basis. The assessment of the features of the contractual terms is referred to as the SPPI test. Debt instruments that do not pass the SPPI test will always be measured at fair value through profit or loss.

Equity instruments including fund investments will be accounted for at fair value through profit or loss. The Group does not intend to make use of the election to present changes in fair value of certain equity instruments that are not held for trading in OCI with no subsequent reclassification of realized gains or losses to the income statement.

Table 24.3a and Table 24.3b show the fair value and the carrying value at the end of current and previous reporting period for the following two groups of financial assets:

- Financial assets with contractual terms that give rise to cash flows that are SPPI;
- Other financial assets not passing the SPPI test, as well as financial assets managed on a fair value basis for which no SPPI assessment has been performed. Financial assets that have not passed the SPPI test include equities, callable bonds with significant prepayment features, hybrid bonds with certain cash flows at the discretion of the issuer and some ABS/MBS that do not fulfill the SPPI criteria for contractually linked instruments.

Net unrealized gains/(losses) on debt securities available for sale that are not SPPI amounted to USD (686) million and USD 212 million for the years ended December 31, 2022 and 2021, respectively. The carrying value on held-to-maturity debt securities, mortgage loans, other loans, and receivables include impairment allowances of USD 329 million and USD 320 million of the years ended December 31, 2022 and 2021, respectively.

Consolidated financial statements (continued)

Table 24.3a

Fair value and carrying value of financial assets split by SPPI and other financial assets – current period

in USD millions, as of December 31, 2022	SPPI Fair value	SPPI Carrying value	Other financial assets Fair value	Other financial assets Carrying value	Total Fair value	Total Carrying value
Available-for-sale securities						
Equity securities	–	–	9,590	9,590	9,590	9,590
Debt securities	89,236	89,236	5,204	5,204	94,440	94,440
Total available-for-sale securities	89,236	89,236	14,794	14,794	104,030	104,030
Fair value through profit or loss securities						
Equity securities	–	–	3,540	3,540	3,540	3,540
Debt securities	–	–	6,386	6,386	6,386	6,386
Total fair value through profit or loss securities	–	–	9,926	9,926	9,926	9,926
Held-to-maturity debt securities	2,911	2,825	14	13	2,925	2,838
Mortgage loans	5,103	5,497	–	–	5,103	5,497
Other loans[1]	2,732	2,747	61	62	2,792	2,809
Receivables	15,341	15,341	–	–	15,341	15,341
Derivative assets	–	–	766	766	766	766
Total financial assets	**115,323**	**115,646**	**25,560**	**25,560**	**140,882**	**141,206**

1 Do not include policyholder loans, which will come under IFRS 17 and are therefore not applicable for IFRS 9, of USD 700 million and USD 635 million for fair value and carrying value, respectively.

Table 24.3b

Fair value and carrying value of financial assets split by SPPI and other financial assets – prior period

in USD millions, as of December 31, 2021	SPPI Fair value	SPPI Carrying value	Other financial assets Fair value	Other financial assets Carrying value	Total Fair value	Total Carrying value
Available-for-sale securities						
Equity securities	–	–	14,008	14,008	14,008	14,008
Debt securities	127,622	127,622	8,383	8,383	136,005	136,005
Total available-for-sale securities	127,622	127,622	22,390	22,390	150,013	150,013
Fair value through profit or loss securities						
Equity securities	–	–	4,571	4,571	4,571	4,571
Debt securities	–	–	7,181	7,181	7,181	7,181
Total fair value through profit or loss securities	–	–	11,752	11,752	11,752	11,752
Held-to-maturity debt securities	2,358	1,897	–	–	2,358	1,897
Mortgage loans	6,371	6,106	–	–	6,371	6,106
Other loans[1]	7,456	6,344	34	55	7,490	6,399
Receivables	13,362	13,362	–	–	13,362	13,362
Derivative assets	–	–	938	938	938	938
Total financial assets	**157,170**	**155,331**	**35,114**	**35,135**	**192,284**	**190,466**

1 Do not include policyholder loans, which will come under IFRS 17 and are therefore not applicable for IFRS 9, of USD 794 million and USD 654 million for fair value and carrying value, respectively.

With IFRS 9, the incurred loss impairment approach will be replaced by a forward-looking expected credit loss (ECL) approach that will apply to debt securities, loans and receivables that are not accounted for at fair value through profit or loss. Thus, the same ECL requirements will apply to all financial assets measured at amortized cost and those measured at fair value with changes recognized in OCI.

At initial recognition of a debt instrument, a loss allowance is recognized for expected credit losses resulting from default events within the next 12 months after the reporting date (12-month ECL). Such instruments are classified as Stage 1. The Group does not originate or acquire financial assets that are credit-impaired at initial recognition.

In the event of a significant increase in credit risk (SICR) since initial recognition, IFRS 9 requires the ECL allowance to be measured at an amount equal to lifetime expected credit losses resulting from all possible default events over the expected life of the financial instrument (lifetime ECL). Such instruments are referred to as Stage 2.

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The Group applies the 'low credit risk practical expedient,' by assuming that no increase in credit risk has occurred since initial recognition for financial assets that have an external or internal rating equivalent to 'investment grade' (i.e., 'AAA' to 'BBB–') at the reporting date. For the remaining financial assets, the Group considers all relevant reasonable supporting information that is available without undue cost or effort when determining whether a SICR has occurred since initial recognition. An increase in credit risk is assessed using a transition matrix approach that determines SICR thresholds depending on the credit rating at initial recognition and residual time to maturity of the instrument. Where necessary, the quantitative assessment is supplemented by a qualitative assessment of the issuer's credit quality. For certain less material portfolios, including residential mortgage loans, the '30 days past due' criterion is used as a primary indicator of a SICR. Where a SICR is no longer observed, the instrument transitions back to stage 1.

The Group has elected to apply the simplified approach for receivables from policyholders and other receivables that are allocated to 'Stage 2' unless individually impaired. Financial assets that have become credit-impaired are allocated to stage 3 based on similar principles as are applied under IAS 39 to determine whether credit loss has been incurred.

The tables 24.4a and 24.4b show the fair value and the carrying amount (before adjusting for any impairment in case of financial assets measured at amortized cost) of financial assets whose contractual terms give rise to cash flows that are SPPI, by impairment stages:

Table 24.4a

Financial assets (SPPI) by stages – current period

in USD millions, as of December 31, 2022	Stage 1		Stage 2		Stage 3		Total	
	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value
Available-for-sale debt securities	88,825	88,825	383	383	28	28	89,236	89,236
Held-to-maturity debt securities	2,911	2,825	–	–	–	–	2,911	2,825
Mortgage loans	5,071	5,469	23	23	9	14	5,103	5,507
Other loans[1]	2,700	2,715	32	32	–	–	2,732	2,747
Receivables	4,271	3,916	11,043	11,604	26	135	15,341	15,655
Total financial assets	**103,778**	**103,751**	**11,481**	**12,042**	**63**	**177**	**115,323**	**115,970**

1 Do not include policyholder loans, which will come under IFRS 17 and are therefore not applicable for IFRS 9, of USD 700 million and USD 635 million for fair value and carrying value, respectively.

Table 24.4b

Financial assets (SPPI) by stages – prior period

in USD millions, as of December 31, 2021	Stage 1		Stage 2		Stage 3		Total	
	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value	Fair value	Carrying value
Available-for-sale debt securities	127,179	127,179	418	418	26	26	127,622	127,622
Held-to-maturity debt securities	2,358	1,897	–	–	–	–	2,358	1,897
Mortgage loans	6,338	6,079	19	17	15	18	6,371	6,114
Other loans[1]	7,389	6,282	67	66	–	–	7,456	6,348
Receivables	3,195	3,255	10,150	10,283	17	124	13,362	13,662
Total financial assets	**146,458**	**144,692**	**10,654**	**10,784**	**58**	**168**	**157,170**	**155,643**

1 Do not include policyholder loans, which will come under IFRS 17 and are therefore not applicable for IFRS 9, of USD 794 million and USD 654 million for fair value and carrying value, respectively.

Consolidated financial statements (continued)

25. Related-party transactions

In the normal course of business, the Group enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. Related parties of the Group include, among others, subsidiaries, associates, joint ventures, key management personnel, and the post-employment benefit plans (see note 20). Transactions between the Group and its subsidiaries are eliminated on consolidation, and they are not disclosed in the consolidated financial statements. A list of the Group's significant subsidiaries is shown in note 28. The transactions of the Group concluded with its associates and with its joint ventures are not considered material to the Group, either individually or in aggregate.

Table 25 summarizes related-party transactions with key management personnel reflected in the consolidated financial statements. Key management personnel includes members of the Board of Directors of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd and members of the Executive Committee.

Related party transactions – key personnel

Table 25

in USD millions, for the years ended December 31	**2022**	2021
Remuneration of key personnel of the Group		
Cash compensation, current benefits and fees	39	33
Post-employment benefits	–	4
Share-based compensation	43	33
Other remuneration	5	4
Total remuneration of key personnel	**87**	**74**

As of December 31, 2022, and 2021, there were no loans, advances or credits outstanding from members of the Executive Committee. Outstanding loans and guarantees granted to members of the Board of Directors amounted to nil for the years ended December 31, 2022 and 2021. The terms 'members of the Board of Directors' and 'members of the Executive Committee' in this context include the individual as well as members of their respective households. The figures in table 25 include the fees paid to members of the Board of Directors of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd, which were USD 6 million and USD 6 million for the years ended December 31, 2022 and 2021, respectively.

The information required by articles 14–16 of the Swiss Ordinance Against Excessive Compensation, which prevails over article 663b^{bis} of the Swiss Code of Obligations, is disclosed and audited in the Remuneration report.

The cash compensation, current benefits and fees are short term in nature.

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26. Relationship with the Farmers Exchanges

Farmers Group, Inc. and its subsidiaries (FGI) provide certain non-claims services to the Farmers Exchanges as their attorneys-in-fact, and also provide certain ancillary services to the Farmers Exchanges. Farmers Group Inc. is a wholly owned subsidiary of the Group. Attorney-in-fact services primarily include risk selection, preparation and mailing of policy documents and invoices, premium collection, management of the investment portfolios and certain other administrative and managerial functions. Fees for these services are primarily determined as a percentage of gross premiums earned by the Farmers Exchanges. Ancillary services primarily include information technology, brand advertising and certain distribution related services that are not covered under the attorney-in-fact contracts for which FGI acts as a principal in arranging for those services to the Exchanges. The finances and operations of the Farmers Exchanges are governed by independent Boards of Governors. In addition, the Group has the following relationships with the Farmers Exchanges.

a) Surplus notes issued by the Farmers Exchanges

As of December 31, 2022 and 2021, FGI and its subsidiary held the following surplus note issued by the Farmers Exchanges.

Surplus note

Table 26.1

in USD millions, as of December 31	**2022**	2021
3.758% surplus note, due December 2027	–	100
Total	**–**	**100**

The USD 100 million of 10-year, no call five-year note at a 3.758 percent rate that the Farmers Exchanges issued to Farmers New World Life Insurance Company was redeemed in December 2022. The repayment of principal and payment of interest was approved by the appropriate state insurance authorities.

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b) Quota share reinsurance treaty with the Farmers Exchanges

Farmers Reinsurance Company (Farmers Re Co), a wholly owned subsidiary of FGI, assumes risk through a quota share reinsurance treaty, the All Lines Quota Share reinsurance agreement (All Lines agreement) with the Farmers Exchanges. The All Lines agreement may be terminated after 90 days' notice by any of the parties.

The All Lines agreement provides for an assumption of a quota share of the premiums earned and the ultimate net losses sustained in all lines of business written by the Farmers Exchanges.

Quota share reinsurance treaty

Table 26.2

in USD millions, for the years ended December 31	All Lines agreement	
	2022[1]	2021[2]
Net earned premiums and policy fees	426	192
Insurance benefits and losses, net[3,4]	(306)	(145)
Total net technical expenses[5]	(132)	(62)
Net underwriting result	**(12)**	**(15)**

1 Effective December 31, 2021, Farmers Re Co assumed a 1.75 percent quota share. Another 29.25 percent was assumed by other third parties. Effective December 31, 2022, Farmers Re Co assumed an 8.50 percent quota share of which 6.75 percent was retroceded to Zurich Global, Ltd. Another 22.50 percent was assumed by other third parties.
2 From January 1, 2021, through March 31, 2021, Farmers Re Co assumed a 0.25 percent quota share. Another 25.75 percent was assumed by other third parties. Effective April 1, 2021, Farmers Re Co assumed a 1.0 percent quota share. Another 32.00 percent was assumed by other third parties. Effective December 31, 2021, Farmers Re Co assumed a 1.75 percent quota share. Another 29.25 percent was assumed by other third parties.
3 Under the All Lines agreement, Farmers Re Co catastrophe losses are subject to a maximum percentage of net earned premiums for each year. At December 31, 2022, catastrophe losses were limited to 7.88 percent of net earned premiums, or USD 34 million. At December 31, 2021, catastrophe losses were limited to 6.75 percent of net earned premiums, or USD 13 million.
4 From 2012 to 2018, Zurich Insurance Company Ltd (ZIC) participated in the All Lines agreement. The insurance losses include prior-year loss development assumed by ZIC of a favorable USD 9 million and an unfavorable USD 9 million, for the years 2022 and 2021, respectively.
5 During 2022, Farmers Re Co incurred 26.7 percent of premiums for ceding commissions, 6.24 percent of premiums for unallocated loss adjustment expenses and 4.2 percent of premiums for other expenses. During 2021, ceding commissions were 26.7 percent of premiums, the unallocated loss adjustment expenses were 8.1 percent of premiums, and the other expenses were 5.3 percent of premiums.

c) Farmers management fees and other related revenues

Farmers Group, Inc. and its subsidiaries (FGI), wholly owned subsidiaries of the Group, are the appointed attorneys-in-fact of the Farmers Exchanges, which are not owned by FGI. As the attorney-in-fact, FGI is permitted by policyholders of the Farmers Exchanges to receive a management fee of up to 20 percent (up to 25 percent in the case of the Fire Insurance Exchange) of the gross premiums earned by the Farmers Exchanges. This management fee, the primary source of revenue for FGI, has an agreed upon margin cap of 7 percent which is derived from FGI gross management result divided by the gross premium earned by the Farmers Exchanges. The expected revenues and expenses are assessed monthly to determine if expected revenues will be in excess of the cap, in which case the revenue is reduced on a pro-rata basis to ensure that no revenue is recognized for the amounts exceeding the cap. For 2021 only, FGI and the Farmers Exchanges agreed to calculate the margin cap based on results excluding Farmers Workplace Solutions (FWS). In addition, FGI revenue includes reimbursement of certain ancillary service costs incurred by FGI on behalf of primarily the Farmers Exchanges that are not covered under the attorney-in-fact contracts. The amounts incurred for these services are reimbursed to FGI at cost in accordance with allocations that are subject to approval by the Farmers Exchanges Boards of Governors.

FGI has historically charged a lower management fee than the amount allowed by policyholders. The range of fees has varied by line of business over time and from year to year. The gross earned premiums of the Farmers Exchanges were USD 25.8 billion and USD 23.7 billion for the years ended December 31, 2022 and 2021, respectively.

Farmers Management Services

Table 26.3

in USD millions, for the years ended December 31	**2022**	2021	Change
Management fees and other related revenues	4,490	4,265	5%
Management fees[1]	3,425	3,141	
Revenues for ancillary services[2]	968	1,019	
Membership fees	55	59	
Other revenues	42	46	
Management and other related expenses	2,777	2,697	3%
Expenses for ancillary services[2]	968	1,019	
Management and other expenses[3]	1,809	1,678	
Gross management result	**1,713**	**1,568**	**9%**
Managed gross earned premium margin	6.6%	6.6%	0.0 pts

1 Increase in 2022 fees due to FWS acquisition in April 2021 and favorable net year over year margin cap adjustment.
2 Decrease in revenues and expenses for ancillary services primarily due to lower advertising and distribution related services.
3 Increase in operating expenses largely due to FWS acquisition in April 2021.

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27. Segment information

The Group pursues a customer-centric strategy, where the Property & Casualty (P&C) and Life businesses are managed on a regional basis. The Group's reportable segments have been identified on the basis of the businesses operated by the Group and how these are strategically managed to offer different products and services to specific customer groups. The Group has identified 13 reportable segments in accordance with IFRS 8 'Operating Segments' and segment information is presented accordingly as follows:

- Property & Casualty regions
- Life regions
- Farmers
- Group Functions and Operations
- Non-Core Businesses

The Group's reportable segments comprise the following:

Property & Casualty and Life regions

- Europe, Middle East & Africa
- North America
- Asia Pacific
- Latin America
- Group Reinsurance

Property & Casualty regions provide a variety of motor, home and commercial products and services for individuals as well as small and large businesses on both a local and global basis. Products are sold through multiple distribution channels including agents, brokers and bank distribution.

Life regions provide a comprehensive range of life and health insurance products on both an individual and a group basis, including annuities, endowment and term insurance, unit-linked and investment-oriented products, as well as full private health, supplemental health and long-term care insurance. In addition to the agent distribution channel, certain of these products are offered via bank distribution channels.

Farmers, through Farmers Group, Inc. and its subsidiaries (FGI), provides certain non-claims services and ancillary services to the Farmers Exchanges, which are owned by their policyholders. This segment also includes all reinsurance assumed from the Farmers Exchanges by the Group. Farmers Exchanges are prominent writers of personal and small commercial lines of business in the U.S. In addition, this segment includes the activities of Farmers Life, a writer of individual life insurance business in the U.S.

Group Functions and Operations comprise the Group's Holding and Financing, Headquarters and the new digital ventures of Zurich Global Ventures. Certain alternative investment positions not allocated to business operating segments are included within Holding and Financing. In addition, this segment includes operational technical governance activities relating to technology, underwriting, claims, actuarial and pricing.

Non-Core Businesses include insurance and reinsurance businesses that the Group does not consider core to its operations and that are therefore mostly managed to achieve a beneficial run-off. Non-Core Businesses are mainly situated in the U.S., Bermuda, and in Europe.

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Aggregations and additional information

Regional Property & Casualty and Life results are further aggregated to show a total Property & Casualty and total Life business view.

- Property & Casualty – total
- Life – total

For additional informational purposes, the Group also discloses income statement information for

- Property & Casualty Commercial Insurance
- Property & Casualty Retail and SME

Business operating profit

The segment information includes the Group's internal performance measure, business operating profit (BOP). This measure is the basis on which the Group manages all of its business units. It indicates the underlying performance of the Group's business units, after non-controlling interests, by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains/(losses) and impairments on investments (except for certain non-insurance operations included in Non-Core Businesses, investments in hedge funds as at fair value through profit or loss, certain securities held for specific economic hedging purposes and policyholders' share of investment results for the life businesses) and non-operational foreign exchange movements. Significant items arising from special circumstances, including restructuring charges, legal matters or large one-off regulatory projects outside the ordinary course of business, gains and losses on divestment of businesses, certain business combination integration costs and impairments of goodwill are also excluded from BOP.

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Property & Casualty – Overview by segment

Table 27.1

in USD millions, for the years ended December 31	Europe, Middle East & Africa		North America	
	2022	2021	2022	2021
Revenues				
Direct written premiums	15,406	15,526	20,033	17,299
Assumed written premiums	2,400	2,319	1,001	933
Gross written premiums and policy fees	17,806	17,845	21,034	18,232
Less premiums ceded to reinsurers	(3,581)	(3,549)	(7,347)	(6,302)
Net written premiums and policy fees	14,225	14,296	13,687	11,930
Net change in reserves for unearned premiums	(558)	(578)	(730)	(685)
Net earned premiums and policy fees	13,668	13,718	12,957	11,246
Net investment income on Group investments	534	524	929	888
Net capital gains/(losses) and impairments on Group investments	(9)	7	(33)	35
Net investment result on Group investments	525	531	896	923
Other income	506	486	173	205
Total BOP revenues	14,698	14,735	14,025	12,374
Benefits, losses and expenses				
Insurance benefits and losses, net	9,149	9,363	8,253	7,192
Policyholder dividends and participation in profits, net	9	9	7	12
Underwriting and policy acquisition costs, net	2,757	2,788	3,137	2,825
Administrative and other operating expense (excl. depreciation/amortization)	1,342	1,429	579	482
Interest credited to policyholders and other interest	87	174	46	60
Restructuring costs and other items not included in BOP	(54)	(54)	(97)	(15)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	13,290	13,709	11,925	10,555
Business operating profit (before interest, depreciation and amortization)	**1,409**	**1,026**	**2,101**	**1,819**
Depreciation and impairments of property and equipment	100	111	51	61
Amortization and impairments of intangible assets	72	69	54	53
Interest expense on debt	14	4	4	–
Business operating profit before non-controlling interests	1,223	842	1,991	1,706
Non-controlling interests	18	19	–	–
Business operating profit	**1,204**	**822**	**1,991**	**1,706**

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	Asia Pacific		Latin America		Group Reinsurance		Eliminations		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	3,217	2,989	2,767	2,499	–	–	–	–	41,423	38,314
	248	233	77	89	749	696	(2,564)	(2,462)	1,912	1,809
	3,465	3,223	2,844	2,589	749	696	(2,564)	(2,462)	43,335	40,123
	(625)	(638)	(622)	(637)	(640)	(580)	2,564	2,462	(10,252)	(9,244)
	2,840	2,585	2,222	1,951	109	117	–	–	33,083	30,879
	(166)	(67)	(182)	(72)	(14)	(17)	–	–	(1,650)	(1,418)
	2,675	2,519	2,040	1,879	95	100	–	–	31,433	29,461
	103	86	254	178	17	12	–	–	1,837	1,688
	(2)	–	–	–	–	–	–	–	(44)	42
	101	86	254	178	17	12	–	–	1,793	1,731
	101	82	41	46	29	16	(3)	–	847	836
	2,877	2,686	2,335	2,104	141	128	(2)	–	34,074	32,028
	1,457	1,383	925	744	225	(88)	–	–	20,009	18,593
	3	1	1	1	–	–	–	–	20	23
	618	577	750	716	(16)	(19)	–	–	7,244	6,886
	434	424	384	312	74	108	–	–	2,813	2,755
	2	4	39	36	3	6	–	–	176	279
	(4)	(15)	(118)	(54)	(4)	–	–	–	(277)	(138)
	2,509	2,374	1,981	1,754	281	6	–	–	29,986	28,398
	367	**312**	**354**	**350**	**(140)**	**122**	**(3)**	**–**	**4,088**	**3,630**
	36	49	16	15	1	1	–	–	204	236
	26	25	32	14	–	–	–	–	184	161
	1	–	–	–	10	–	(3)	–	27	4
	305	239	306	322	(151)	121	–	–	3,674	3,229
	5	3	97	85	–	–	–	–	120	108
	300	**235**	**209**	**236**	**(151)**	**121**	**–**	**–**	**3,554**	**3,121**

Consolidated financial statements (continued)

Life – Overview by segment

Table 27.2

in USD millions, for years ended December 31	Europe, Middle East & Africa 2022	Europe, Middle East & Africa 2021	North America 2022	North America 2021
Revenues				
Life insurance deposits	8,557	10,476	691	713
Gross written premiums	5,735	6,948	177	139
Policy fees	1,722	1,573	408	404
Gross written premiums and policy fees	7,457	8,521	585	543
Net earned premiums and policy fees	6,945	7,807	422	418
Net investment income on Group investments	2,021	2,278	33	27
Net capital gains/(losses) and impairments on Group investments	(455)	662	(30)	17
Net investment result on Group investments	1,566	2,940	3	44
Net investment income on unit-linked investments	1,017	1,050	–	–
Net capital gains/(losses) and impairments on unit-linked investments	(13,399)	11,556	(1,119)	191
Net investment result on unit-linked investments	(12,382)	12,606	(1,119)	191
Other income	364	336	45	33
Total BOP revenues	(3,506)	23,689	(649)	687
Benefits, losses and expenses				
Insurance benefits and losses, net	4,929	6,469	335	325
Policyholder dividends and participation in profits, net	(11,857)	13,380	(1,119)	191
Income tax expense/(benefit) attributable to policyholders	(219)	245	–	–
Underwriting and policy acquisition costs, net	1,045	909	68	42
Administrative and other operating expense (excl. depreciation/amortization)	1,033	1,159	51	45
Interest credited to policyholders and other interest	199	228	2	56
Restructuring costs and other items not included in BOP	(33)	(79)	(5)	(3)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	(4,903)	22,311	(668)	656
Business operating profit (before interest, depreciation and amortization)	**1,396**	**1,378**	**19**	**31**
Depreciation and impairments of property and equipment	23	23	–	–
Amortization and impairments of intangible assets	36	54	–	–
Interest expense on debt	2	–	–	–
Business operating profit before non-controlling interests	1,335	1,301	19	31
Non-controlling interests	121	104	–	–
Business operating profit	**1,214**	**1,197**	**19**	**31**

Life includes approximately USD 775 million and USD 1.1 billion of gross written premiums and future life policyholder benefits for certain universal life-type contracts in the Group's Spanish operations for the years ended December 31, 2022 and 2021, respectively.

Consolidated financial statements (continued)

	Asia Pacific		Latin America		Group Reinsurance		Eliminations		Total	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
	93	145	3,583	3,023	–	–	–	–	12,923	14,357
	2,325	2,467	2,368	2,236	31	35	(31)	(35)	10,606	11,791
	141	132	89	95	–	–	–	–	2,360	2,205
	2,466	2,599	2,458	2,332	31	35	(31)	(35)	12,966	13,995
	1,980	2,006	2,219	2,042	23	26	–	–	11,589	12,299
	203	204	659	480	–	–	(1)	(1)	2,916	2,987
	(150)	(63)	36	4	–	–	–	–	(600)	621
	53	141	695	484	–	–	(1)	(1)	2,316	3,608
	80	139	33	27	–	–	–	–	1,129	1,217
	(226)	38	2,124	908	–	–	–	–	(12,621)	12,693
	(147)	177	2,157	935	–	–	–	–	(11,491)	13,909
	30	25	83	93	–	–	(1)	(1)	522	486
	1,917	2,349	5,153	3,554	23	26	(2)	(3)	2,936	30,301
	1,074	1,087	983	978	9	4	–	–	7,331	8,863
	(104)	143	2,158	946	–	–	–	–	(10,923)	14,660
	(33)	30	12	–	–	–	–	–	(239)	275
	148	174	1,108	999	3	7	(1)	(1)	2,371	2,129
	527	600	299	250	–	–	–	–	1,910	2,054
	7	1	32	29	–	–	–	–	239	315
	(56)	(58)	(69)	(33)	–	–	–	–	(163)	(173)
	1,564	1,977	4,523	3,169	12	10	(1)	(1)	526	28,123
	352	**371**	**631**	**385**	**11**	**15**	**(1)**	**(1)**	**2,409**	**2,178**
	7	8	8	11	–	–	–	–	39	42
	8	8	8	9	–	–	–	–	52	71
	7	11	–	–	–	–	(1)	(1)	8	10
	331	344	615	365	11	15	–	–	2,311	2,055
	–	(4)	227	143	–	–	–	–	348	243
	331	**347**	**388**	**222**	**11**	**15**	**–**	**–**	**1,963**	**1,812**

Consolidated financial statements (continued)

Business operating profit by business

Table 27.3

in USD millions, for the years ended December 31

	Property & Casualty		Life	
	2022	2021	**2022**	2021
Revenues				
Direct written premiums	41,423	38,314	10,581	11,770
Assumed written premiums	1,912	1,809	25	20
Gross Written Premiums	43,335	40,123	10,606	11,791
Policy fees	–	–	2,360	2,205
Gross written premiums and policy fees	43,335	40,123	12,966	13,995
Less premiums ceded to reinsurers	(10,252)	(9,244)	(1,212)	(1,507)
Net written premiums and policy fees	33,083	30,879	11,755	12,489
Net change in reserves for unearned premiums	(1,650)	(1,418)	(166)	(190)
Net earned premiums and policy fees	31,433	29,461	11,589	12,299
Farmers management fees and other related revenues	–	–	–	–
Net investment income on Group investments	1,837	1,688	2,916	2,987
Net capital gains/(losses) and impairments on Group investments	(44)	42	(600)	621
Net investment result on Group investments	1,793	1,731	2,316	3,608
Net investment result on unit-linked investments	–	–	(11,491)	13,909
Other income	847	836	522	486
Total BOP revenues	34,074	32,028	2,936	30,301
of which: inter-business revenues	(78)	4	94	29
Benefits, losses and expenses				
Losses and loss adjustment expenses, net	20,011	18,596	–	–
Life insurance death and other benefits, net	(2)	(2)	7,331	8,863
Insurance benefits and losses, net	20,009	18,593	7,331	8,863
Policyholder dividends and participation in profits, net	20	23	(10,923)	14,660
Income tax expense/(benefit) attributable to policyholders	–	–	(239)	275
Underwriting and policy acquisition costs, net	7,244	6,886	2,371	2,129
Administrative and other operating expense (excl. depreciation/amortization)	2,813	2,755	1,910	2,054
Interest credited to policyholders and other interest	176	279	239	315
Restructuring costs and other items not included in BOP	(277)	(138)	(163)	(173)
Total BOP benefits, losses and expenses (before interest, depreciation and amortization)	29,986	28,398	526	28,123
Business operating profit (before interest, depreciation and amortization)	**4,088**	**3,630**	**2,409**	**2,178**
Depreciation and impairments of property and equipment	204	236	39	42
Amortization and impairments of intangible assets	184	161	52	71
Interest expense on debt	27	4	8	10
Business operating profit before non-controlling interests	3,674	3,229	2,311	2,055
Non-controlling interests	120	108	348	243
Business operating profit	**3,554**	**3,121**	**1,963**	**1,812**

Life includes approximately USD 775 million and USD 1.1 billion of gross written premiums and future life policyholder benefits for certain universal life-type contracts in the Group's Spanish operations for the years ended December 31, 2022 and 2021, respectively.

Consolidated financial statements (continued)

	Farmers		Group Functions and Operations		Non-Core Businesses		Eliminations		Total
2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
661	638	–	3	37	34	–	–	52,702	50,759
1,182	353	422	357	50	52	(175)	(165)	3,416	2,426
1,843	992	422	359	87	86	(175)	(165)	56,118	53,185
347	359	–	–	23	27	–	–	2,730	2,592
2,190	1,351	422	359	110	113	(175)	(165)	58,848	55,777
(179)	(175)	(267)	(194)	(13)	(16)	175	165	(11,747)	(10,970)
2,011	1,176	155	165	97	98	–	–	47,101	44,806
(756)	(161)	2	(11)	1	4	–	–	(2,569)	(1,776)
1,255	1,015	157	154	97	102	–	–	44,532	43,031
4,490	4,265	–	–	–	–	–	–	4,490	4,265
177	176	124	155	113	131	(82)	(90)	5,084	5,047
(9)	5	–	–	(461)	(177)	–	–	(1,113)	491
168	180	124	155	(348)	(46)	(82)	(90)	3,971	5,538
(252)	203	–	–	(661)	276	–	–	(12,405)	14,388
53	73	154	123	79	31	(369)	(266)	1,286	1,283
5,714	5,736	435	432	(833)	362	(451)	(356)	41,876	68,504
(11)	(7)	(446)	(377)	(10)	(6)	451	356	–	–
307	145	2	2	104	57	–	–	20,423	18,800
521	590	110	105	(180)	(71)	–	–	7,780	9,484
828	735	112	107	(76)	(14)	–	–	28,204	28,284
(242)	213	8	12	(655)	287	–	–	(11,791)	15,195
–	–	–	–	–	–	–	–	(239)	275
233	175	29	25	3	5	(6)	(7)	9,873	9,213
2,720	2,702	433	471	55	59	3	5	7,935	8,047
99	111	139	124	16	25	(266)	(262)	403	591
(56)	(29)	(95)	(70)	–	–	–	–	(591)	(411)
3,582	3,908	625	669	(657)	362	(269)	(265)	33,793	61,195
2,133	**1,829**	**(190)**	**(237)**	**(176)**	**–**	**(182)**	**(91)**	**8,083**	**7,310**
57	59	17	14	–	–	–	–	315	351
163	141	16	23	–	–	–	–	415	396
4	12	559	532	19	2	(182)	(91)	434	469
1,909	1,617	(781)	(806)	(195)	(1)	–	–	6,918	6,094
–	–	(1)	1	–	–	–	–	467	352
1,909	**1,617**	**(780)**	**(806)**	**(195)**	**(1)**	**–**	**–**	**6,451**	**5,742**

Consolidated financial statements (continued)

Reconciliation of BOP to net income after income taxes

Table 27.4

in USD millions, for the years ended December 31

	Property & Casualty		Life	
	2022	2021	**2022**	2021
Business operating profit	**3,554**	**3,121**	**1,963**	**1,812**
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) on investments and impairments, net of policyholder allocation	31	1,440	213	167
Net gains/(losses) on divestment of businesses[1]	(16)	–	(273)	(151)
Restructuring costs	(61)	(59)	(34)	(33)
Impairments of goodwill	–	(5)	–	–
Other adjustments[2]	(216)	(75)	(129)	(140)
Add back:				
Business operating profit attributable to non-controlling interests	120	108	348	243
Net income before shareholders' taxes	3,412	4,531	2,088	1,898
Income tax expense/(benefit) attributable to policyholders	–	–	(239)	275
Net income before income taxes	**3,412**	**4,531**	**1,849**	**2,173**
Income tax (expense)/benefit				
attributable to policyholders				
attributable to shareholders				
Net income after taxes				
attributable to non-controlling interests				
attributable to shareholders				

1 In 2022, Property & Casualty included losses of USD 30 million related to the sale of the Joint Stock Company Insurance Company (Zurich Russia) (see note 5) offset by gains of USD 13 million related to a regional divestment. In 2022, Life included losses of USD 237 million as Zurich Investments Life S.p.A. sold part of its life and pension back book and transaction costs of USD 34 million as Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft agreed to sell its legacy traditional life insurance back book (see note 5). In 2021, Life included losses of USD 144 million as Zurich Investments Life S.p.A. agreed to sell its life and pension back book, USD 9 million as Zurich International Life Limited entered into an agreement to sell an insurance portfolio and Group Functions included losses of USD 33 million related of the sale of Bright Box.

2 Other adjustments in 2022 and 2021 include charges related to the implementation of IFRS 17 and business combination integration costs.

Consolidated financial statements (continued)

		Farmers	Group Functions and Operations		Non-Core Businesses			Total
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
	1,909	**1,617**	**(780)**	**(806)**	**(195)**	**(1)**	**6,451**	**5,742**
	1	18	(76)	(58)	(8)	(19)	162	1,547
	–	–	1	(33)	–	–	(288)	(185)
	(7)	(4)	(9)	(10)	–	–	(111)	(106)
	–	–	–	–	–	–	–	(5)
	(49)	(26)	(86)	(60)	–	–	(480)	(301)
	–	–	(1)	1	–	–	467	352
	1,855	1,605	(951)	(967)	(202)	(21)	6,201	7,046
	–	–	–	–	–	–	(239)	275
	1,855	**1,605**	**(951)**	**(967)**	**(202)**	**(21)**	**5,962**	**7,321**
							(1,040)	(1,895)
							239	(275)
							(1,279)	(1,621)
							4,923	**5,425**
							319	223
							4,603	5,202

Consolidated financial statements (continued)

Assets and liabilities by business

Table 27.5

in USD millions, as of December 31

	Property & Casualty		Life	
	2022	2021	**2022**	2021
Assets				
Cash and cash equivalents	7,343	8,626	4,163	3,821
Total Group Investments	64,463	75,314	66,053	105,203
Equity securities	7,722	9,038	4,379	8,267
Debt securities	45,944	54,634	44,919	76,392
Investment property	5,275	4,973	9,257	8,845
Mortgage loans	886	930	4,093	4,643
Other loans	4,631	5,735	3,383	7,034
Investments in associates and joint ventures	5	5	21	23
Investments for unit-linked contracts	–	–	118,530	136,920
Total investments	64,463	75,314	184,584	242,123
Reinsurers' share of liabilities for insurance contracts	18,350	17,846	2,638	2,928
Deposits made under assumed reinsurance contracts	61	56	4	2
Deferred policy acquisition costs	6,759	6,359	11,677	12,201
Deferred origination costs	–	–	431	441
Goodwill	1,760	1,820	1,413	1,277
Other intangible assets	1,686	1,679	1,881	1,889
Other assets[1]	18,760	17,239	27,973	16,908
Total assets (after cons. of investments in subsidiaries)	**119,182**	**128,939**	**234,764**	**281,590**
Liabilities				
Liabilities for investment contracts	–	–	57,066	68,472
Liabilities for insurance contracts, gross	86,605	84,892	126,424	168,932
Reserves for losses and loss adjustment expenses, gross	62,374	62,225	–	–
Reserves for unearned premiums, gross	21,165	19,707	–	–
Future life policyholder benefits, gross	22	26	45,264	68,333
Policyholder contract deposits and other funds, gross	44	44	10,877	22,031
Reserves for unit-linked insurance contracts, gross	–	–	68,619	76,973
Other insurance liabilities, gross	3,000	2,890	1,664	1,595
Senior debt	954	880	434	575
Subordinated debt	868	975	578	650
Other liabilities[1]	12,230	13,474	34,721	24,183
Total liabilities	**100,656**	**100,221**	**219,224**	**262,811**
Equity				
Shareholders' equity				
Non-controlling interests				
Total equity				
Total liabilities and equity				
Supplementary information				
Additions and capital improvements to property, equipment and intangible assets	358	465	471	94

1 As of December 31, 2022, the Group had USD 22.1 billion of assets held for sale based on agreements signed to sell portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft and Zurich Insurance plc (Spain Medical Malpractice and UK Employers' Liability portfolios) (see note 5). In addition, assets held for sale include land and buildings formerly classified as investment property and held for own use amounted to USD 39 million. In 2021, the Group had USD 11.6 billion of assets held for sale portfolios of Zurich International Life Limited, Zurich Investments Life S.p.A. and Zurich Insurance plc (Spain Medical Malpractice and UK Employers' Liability portfolios) (see note 5). In addition, assets held for sale include land and buildings formerly classified as investment property and held for own use amounted to USD 50 million.

Consolidated financial statements (continued)

Farmers		Group Functions and Operations		Non-Core Businesses		Eliminations		Total	
2022	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
939	823	2,929	5,191	376	796	(8,190)	(10,559)	7,560	8,698
4,943	5,855	8,919	11,300	4,504	5,222	(8,256)	(11,935)	140,625	190,959
348	71	609	1,105	72	97	–	–	13,130	18,578
3,624	4,212	5,266	5,825	3,911	4,338	–	(317)	103,664	145,084
174	159	–	–	92	94	–	–	14,798	14,070
518	533	–	–	–	–	–	–	5,497	6,106
279	880	3,033	4,329	375	694	(8,256)	(11,618)	3,444	7,053
–	–	11	41	55	–	–	–	92	68
1,035	1,286	–	–	2,423	4,265	–	–	121,989	142,470
5,978	7,140	8,919	11,300	6,927	9,487	(8,256)	(11,935)	262,614	333,429
1,909	1,992	212	189	2,747	2,937	(189)	(212)	25,667	25,680
614	98	310	135	209	220	(238)	(68)	960	444
2,275	1,885	–	–	–	–	–	1	20,711	20,446
–	–	–	–	–	–	–	–	431	441
1,237	1,237	10	9	–	–	–	–	4,420	4,344
835	879	43	37	–	–	–	–	4,445	4,484
3,361	3,477	2,062	1,374	2,111	2,571	(3,293)	(3,708)	50,974	37,861
17,148	**17,531**	**14,484**	**18,235**	**12,370**	**16,011**	**(20,166)**	**(26,481)**	**377,782**	**435,826**
267	247	–	–	123	137	–	–	57,456	68,855
8,507	7,915	476	410	8,012	10,882	(269)	(326)	229,755	272,707
238	186	1	1	976	1,196	(28)	(32)	63,560	63,577
938	182	–	1	20	22	1	(4)	22,124	19,909
2,388	2,359	388	374	2,372	3,061	(159)	(176)	50,275	73,977
3,919	3,914	5	5	2,004	2,058	–	–	16,849	28,052
1,035	1,286	–	–	2,423	4,265	–	–	72,078	82,524
(10)	(12)	82	29	217	280	(84)	(114)	4,869	4,668
–	–	9,201	11,754	281	279	(5,799)	(8,162)	5,071	5,327
–	1,058	9,800	10,755	–	–	(2,346)	(3,655)	8,899	9,782
2,214	2,238	7,897	10,392	3,377	4,038	(11,750)	(14,339)	48,687	39,985
10,988	**11,458**	**27,373**	**33,311**	**11,792**	**15,336**	**(20,165)**	**(26,482)**	**349,868**	**396,656**
								26,634	37,881
								1,279	1,289
								27,914	39,170
								377,782	**435,826**
122	144	35	54	–	–	–	–	986	757

Consolidated financial statements (continued)

Property & Casualty – Commercial and Retail Insurance overview[1]

Table 27.6

in USD millions, for the year ended December 31	Commercial Insurance		Retail and SME	
	2022	2021	**2022**	2021
Gross written premiums and policy fees	31,218	28,184	13,956	13,724
Net earned premiums and policy fees	18,756	16,839	12,583	12,523
Insurance benefits and losses, net	12,120	11,057	7,664	7,624
Policyholder dividends and participation in profits, net	10	13	11	10
Total net technical expenses	5,139	4,742	4,495	4,380
Net underwriting result	1,488	1,027	412	509
Net investment income	1,267	1,186	552	491
Net capital gains/(losses) and impairments on investments	(35)	39	(8)	4
Net non-technical result (excl. items not included in BOP)	130	(12)	19	(136)
Business operating profit before non-controlling interests	2,849	2,240	975	868
Non-controlling interest	–	–	120	108
Business operating profit	**2,849**	**2,239**	**855**	**761**

1 Commercial and Retail Insurance overview exclude Group Reinsurance.

Consolidated financial statements (continued)

Table 27.7

Property & Casualty – Revenues and non-current assets by region

in USD millions	Gross written premiums and policy fees from external customers – Total for the years ended December 31 2022	2021	of which Commercial Insurance for the years ended December 31 2022	2021	of which Retail and Other Insurance for the years ended December 31 2022	2021	Property, equipment and intangible assets as of December 31 2022	2021
Europe								
Austria	613	665					100	108
France	382	367					14	16
Germany	2,765	2,944					585	645
Italy	1,546	1,689					23	28
Ireland	646	654					68	69
Portugal	356	387					14	11
Spain	1,442	1,516					279	299
Switzerland	3,831	3,830					763	805
United Kingdom	3,979	3,653					99	127
Rest of Europe	905	863					65	86
Middle East & Africa								
Middle East	164	137					–	–
Europe, Middle East & Africa	16,629	16,704	6,889	6,751	9,741	9,954	2,011	2,195
North America								
Canada	1,215	1,083					25	19
United States	19,285	16,641					1,098	1,076
North America	20,500	17,724	20,500	17,724	–	–	1,123	1,095
Asia Pacific								
Australia	1,141	885					766	855
Hong Kong	330	312					29	32
Japan	873	999					14	19
Malaysia	401	385					53	56
Rest of Asia Pacific	599	538					244	273
Asia Pacific	3,343	3,119	1,033	1,005	2,310	2,113	1,106	1,234
Latin America								
Argentina	583	529					253	220
Brazil	1,011	869					321	302
Chile	371	392					15	13
Mexico	658	583					138	130
Rest of Latin America	232	193					44	48
Latin America	2,855	2,567	951	910	1,904	1,657	770	712
Group Reinsurance								
Group Reinsurance	7	8	–	–	7	8	1	2
Total	**43,334**	**40,122**	**29,372**	**26,390**	**13,962**	**13,732**	**5,011**	**5,239**

Consolidated financial statements (continued)

Life – Revenues and non-current assets by region

Table 27.8

in USD millions	Gross written premiums and policy fees from external customers for the years ended December 31		Life insurance deposits for the years ended December 31		Property, equipment and intangible assets as of December 31	
	2022	2021	**2022**	2021	**2022**	2021
Europe, Middle East & Africa						
Austria	88	110	58	63	6	6
Germany	1,484	1,675	1,529	1,688	40	76
Italy	738	973	1,040	1,887	384	19
Ireland[1]	589	606	4,143	4,595	88	95
Spain	1,323	1,684	36	49	977	1,053
Switzerland	1,023	1,130	352	331	3	3
United Kingdom	1,686	1,825	(176)	(66)	134	142
Zurich International[2]	499	491	1,334	1,615	26	38
Rest of Europe, Middle East & Africa	27	27	240	314	1	1
Europe, Middle East & Africa	7,457	8,521	8,557	10,476	1,660	1,434
North America						
United States	585	543	691	713	–	–
North America	585	543	691	713	–	–
Asia Pacific						
Australia	1,709	1,765	12	59	1,185	1,267
Hong Kong	52	53	27	17	–	–
Indonesia	64	62	–	–	1	1
Japan	408	479	–	–	9	12
Malaysia	232	240	54	69	76	81
Asia Pacific	2,466	2,599	93	145	1,271	1,361
Latin America						
Argentina	154	157	89	100	45	45
Brazil	1,336	1,276	2,945	2,370	215	213
Chile	367	396	139	171	284	288
Mexico	517	443	409	382	85	89
Uruguay	53	43	–	–	3	1
Colombia	30	15	–	–	–	–
Latin America	2,457	2,331	3,583	3,023	632	636
Other						
International business						
Total	**12,965**	**13,994**	**12,923**	**14,357**	**3,562**	**3,430**

1 Includes business written under freedom of services and freedom of establishment in Europe, and the related assets.
2 Includes business written through licenses, mainly in Asia Pacific and Middle East, and the related assets.

Consolidated financial statements (continued)

28. Interest in subsidiaries

Significant subsidiaries are defined as those subsidiaries which either individually or in aggregate, contribute significantly to gross written premiums, shareholders' equity, total assets or net income attributable to shareholders.

Significant subsidiaries – non-listed

Table 28.1

as of December 31, 2022	Registered office	Voting rights %	Ownership interest %		Nominal value of share capital (in local currency millions)
Australia					
Cover-More Group Limited	Sydney	100	100	AUD	568.8
Zurich Australia Limited	Sydney	100	100	AUD	543.5
Zurich Australian Insurance Limited	Sydney	100	100	AUD	6.6
Zurich Financial Services Australia Limited	Sydney	100	100	AUD	2,983.0
Austria					
Zürich Versicherungs-Aktiengesellschaft	Vienna	99.98	99.98	EUR	9.8
Brazil					
Zurich Santander Brasil Seguros e Previdência S.A.[1]	Sao Paulo	51	51	BRL	2,509.2
Zurich Minas Brasil Seguros S.A.	Belo Horizonte	100	100	BRL	2,272.1
Zurich Resseguradora Brasil S.A.	Sao Paulo	100	100	BRL	124.0
Chile					
Chilena Consolidada Seguros de Vida S.A.	Santiago	99.10	99.10	CLP	191,188.3
Zurich Santander Seguros de Vida Chile S.A.[1]	Santiago	51	51	CLP	21,707.5
Germany					
Deutscher Herold Aktiengesellschaft	Köln	100	100	EUR	18.4
Zürich Beteiligungs-Aktiengesellschaft (Deutschland)	Frankfurt	100	100	EUR	152.9
Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft	Köln	100	100	EUR	48.0
Zurich Immobilien (Deutschland) AG & Co. KG	Köln	100	100	EUR	0.001
Indonesia					
PT Zurich Asuransi Indonesia Tbk	Jakarta Selatan	80	80	IDR	3,101,846.0
Ireland					
Zurich Life Assurance plc	Dublin	100	100	EUR	17.5
Zurich Holding Ireland Limited	Dublin	100	100	EUR	0.1
Zurich Insurance plc	Dublin	100	100	EUR	8.2
Italy					
Zurich Investments Life S.p.A.	Milan	100	100	EUR	207.9
Zurich Italy Bank S.p.A.	Milan	100	100	EUR	49.0
Japan					
Zurich Life Insurance Japan Company Ltd	Nakano-ku	100	100	JPN	7,316.3
Luxembourg					
REX-ZDHL S.C.S. SICAV-SIF	Leudelange	100	100	EUR	2,229.8
Malaysia					
Zurich Life Insurance Malaysia Berhad	Kuala Lumpur	100	100	MYR	579.0
Zurich Holdings Malaysia Berhad	Kuala Lumpur	100	100	MYR	768.4
Mexico					
Zurich Santander Seguros México, S.A.[1]	Mexico City	51	51	MXN	383.0

Consolidated financial statements (continued)

Significant subsidiaries – non-listed (continued)

Table 28.1

as of December 31, 2022	Registered office	Voting rights %	Ownership interest %	Nominal value of share capital (in local currency millions)	
Spain					
Bansabadell Pensiones, E.G.F.P, S.A.	Madrid	50	50	EUR	7.8
Bansabadell Seguros Generales, S.A. de Seguros y Reaseguros	Madrid	50	50	EUR	10.0
Bansabadell Vida S.A. de Seguros y Reaseguros	Madrid	50	50	EUR	43.9
Zurich Latin America Holding S.L. – Sociedad Unipersonal	Barcelona	100	100	EUR	43.0
Zurich Santander Holding (Spain), S.L.[1]	Boadilla del Monte	51	51	EUR	942.8
Zurich Santander Holding Dos (Spain), S.L.[1]	Madrid	51	51	EUR	441.0
Zurich Santander Insurance America, S.L.	Madrid	51	51	EUR	177.0
Zurich Vida, Compañía de Seguros y Reaseguros, S.A. – Sociedad Unipersonal	Madrid	100	100	EUR	56.4
Switzerland					
Zurich Finance Company AG	Zurich	100	100	CHF	0.2
Zurich Insurance Company Ltd	Zurich	100	100	CHF	825.0
Zurich Life Insurance Company Ltd	Zurich	100	100	CHF	60.0
Zürich Rückversicherungs-Gesellschaft AG	Zurich	100	100	CHF	11.7
United Kingdom					
Allied Zurich Holdings Limited	St. Hélier, Jersey	100	100	GBP	597.7
Zurich Assurance Ltd	Swindon, England	100	100	GBP	356.2
Zurich Employment Services Limited	Swindon, England	100	100	GBP	378.9
Zurich Financial Services (UKISA) Limited	Swindon, England	100	100	GBP	1,460.9
Zurich Holdings (UK) Limited	Fareham, England	100	100	GBP	318.3
Zurich International Life Limited	Douglas, Isle of Man	100	100	GBP	123.4
Zurich UK General Services Limited	Fareham, England	100	100	GBP	470.9
United States of America					
Farmers Group, Inc.[2]	Carson City, NV	100	100	USD	0.001
Farmers Reinsurance Company[2]	Woodland Hills, CA	100	100	USD	5.0
Farmers New World Life Insurance Company[2]	Bellevue, WA	100	100	USD	–
Zurich American Insurance Company	New York, NY	100	100	USD	5.0
Zurich American Life Insurance Company	Schaumburg, IL	100	100	USD	2.5
Zurich Holding Company of America, Inc.[3]	Wilmington, DE	100	100	USD	–
ZCM Matched Funding Corp.	George Town, Cayman Islands	100	100	USD	0.00001
Centre Group Holdings (U.S.) Limited	Wilmington, DE	100	100	USD	0.00000
ZCM (U.S.) Limited	Wilmington, DE	100	100	USD	0.00100
Zurich Capital Markets Inc.	Wilmington, DE	100	100	USD	0.00001
Zurich Structured Finance, Inc.	Wilmington, DE	100	100	USD	0.01200

1 Zurich Insurance Group Ltd (ZIG) indirectly owns 51 percent.
2 The ownership percentages in Farmers Group, Inc. and its fully owned subsidiaries have been calculated based on the participation rights of Zurich Insurance Group in a situation of liquidation, dissolution or winding up of Farmers Group, Inc.
3 Shares have no nominal value in accordance with the company's articles of incorporation and local legislation.

Consolidated financial statements (continued)

Due to the nature of the insurance industry, the Group's business is subject to extensive regulatory supervision, and companies in the Group are subject to numerous legal restrictions and regulations. These restrictions may refer to minimum capital requirements or the ability of the Group's subsidiaries to pay dividends imposed by regulators in the countries in which the subsidiaries operate. These are considered industry norms, generally applicable to insurers who operate in the same markets.

For Zurich Santander Insurance America, S.L. and its subsidiaries, and the Bansabadell insurance entities, certain protective rights exist, which, among others, include liquidation, material sale of assets, transactions affecting the legal ownership structure, dividend distribution and capital increase, distribution channel partnerships and governance, which are not quantifiable.

For details on the Group's capital restrictions, see the capital management section in the risk review, which forms an integral part of the consolidated financial statements.

Table 28.2 shows the summarized financial information for each subsidiary that has non-controlling interests that are material to the Group.

Table 28.2

Non-controlling interests

in USD millions, as of December 31	Zurich Santander Insurance America, S.L. and its subsidiaries		Bansabadell insurance entities	
	2022	2021	**2022**	2021
Non-controlling interests percentage	49%	49%	50%	50%
Total Investments	16,105	13,215	8,508	10,979
Other assets	3,079	2,858	1,553	1,595
Insurance and investment contract liabilities[1]	17,194	14,331	8,373	10,747
Other liabilities	936	803	388	426
Net assets	**1,054**	**940**	**1,300**	**1,401**
Non-controlling interests in net assets	**516**	**461**	**650**	**700**
Total revenues	3,737	2,372	1,451	1,836
Net income after taxes	423	270	215	183
Other comprehensive income	26	(211)	(173)	(123)
Total comprehensive income	**449**	**59**	**43**	**60**
Non-controlling interests in total comprehensive income	**220**	**29**	**21**	**30**
Dividends paid to non-controlling interests	171	263	73	68

1 Includes reserves for premium refunds, liabilities for investment contracts, deposits received under ceded reinsurance contracts, deferred front-end fees and liabilities for insurance contracts.

Consolidated financial statements (continued)

29. Events after the balance sheet date

No events after the balance sheet date.

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Report of the statutory auditor

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
Zurich Insurance Group Ltd, Zurich

Zurich, February 8, 2023

Report of the statutory auditor

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Zurich Insurance Group Ltd and its subsidiaries (the Group), which comprise the consolidated statement of financial position as of December 31, 2022, the consolidated statement of income, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements (pages 249 to 360 and the audited sections of the risk review on pages 203 to 229) give a true and fair view of the consolidated financial position of the Group as of December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report.

We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor's responsibilities for the audit of the consolidated financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Report of the statutory auditor (continued)

Building a better working world

Valuation of certain Property & Casualty reserves

Area of focus

Out of the total consolidated liabilities, reserves for losses and loss adjustment expenses is a material item of the liabilities for insurance contracts financial statement line and amounted to USD 63,560 million as of December 31, 2022.

As described in the Notes to the consolidated financial statement, reserves for losses and loss adjustment expenses are estimates of future payments for reported and unreported claims losses and related expenses with respect to insured events that have occurred.

Reserving for incurred but not reported claims is a complex process applying actuarial and statistical methods over historical data and patterns requiring the use of informed estimates and judgments. It requires the use of complex formulas and computational tools that may be incorrectly configured, and for which inaccurate or incomplete input data may be used.

This is specifically the case for Property & Casualty lines of business that are considered longer-tail such as worker's compensation, general and professional liability, and other specialty lines where certain longer-term assumptions are required as part of the projection techniques. These projection techniques also consider exposures to the prolonged impacts of the COVID-19 pandemic including uncertainty around claims litigation, timeliness of claims reporting and resultant impact of challenges with supply chains and inflation.

Additionally, reserves for catastrophes events which are usually of less frequency but higher severity, are more difficult to estimate and include expert judgments, specifically for events taking place close to period end.

Accordingly, we have identified this as a key audit matter.

The accounting policies and critical accounting judgments and estimates of the Group about the valuation of the loss and loss adjustment expense reserves are described in Notes 3 and 4 respectively and additional information regarding these reserves is presented in Note 8 to the consolidated financial statements.

Report of the statutory auditor (continued)

Our audit response

We assessed and tested the design effectiveness of selected key controls within the actuarial reserve valuation process. These included controls over methods selection, completeness and accuracy of the underlying data, assumption setting and the governance process used by management.

We executed our substantive procedures in relation to these reserves and related changes as included in the consolidated statement of income using the work of our actuarial specialists.

Our procedures included:

- Performance of a country-based risk tiering assessment on all lines of business based on multiple criteria including materiality, tail length and prior year developments.
- Analytical reviews considering separately current accident year loss ratio from prior years developments by significant lines of business.
- Evaluation of the appropriateness of the loss reserve levels for significant catastrophe events.

For selected lines of business, our procedures further included:

- On a sample basis, testing the completeness and accuracy of data utilized by management in estimating the loss reserves by reconciling such amounts and related output to the underlying accounting records and the financial statements as appropriate.
- Performed data-enabled audit procedures and claims data plausibility checks on selected samples to support completeness and accuracy of claims triangles.
- Independent projections of ultimate losses and calculation of a reasonable range for required loss reserves for selected lines of business. We also assessed managements' recorded loss reserves as compared to our independently developed loss reserve range.
- Analysis of actuarial methods and assessment of the reasonableness of the quantitative and qualitative assumptions used within projection techniques by Zurich Insurance actuaries for the valuation of loss reserves on selected lines of business.
- Assessment of current year inflation impacts on reserves and our independent projections.
- Evaluation of the appropriateness of any significant adjustments made by management relating to the Actuarial reserve estimates.

Finally, we assessed the appropriateness of accounting policies used and adequacy of the disclosures in the consolidated financial statements.
Based on audit procedures performed, we did not identify any exceptions with regards to the valuation of property and casualty reserves.

Report of the statutory auditor (continued)

Valuation of certain actuarially determined life insurance assets and liabilities

Area of focus

Out of total consolidated assets, life deferred policy acquisition costs ('Life DAC') is a material item of the deferred policy acquisition costs financial statement line and amounted to USD 11,677 million as of December 31, 2022.

Out of total consolidated liabilities, future life policyholder benefit reserves is a material item of the liabilities for insurance contracts financial statement line and amounted to USD 50,275 million as of December 31, 2022.

The valuation of the above mentioned actuarially determined life insurance assets and liabilities is associated with significant uncertainties requiring the use of expert judgment within complex actuarial models relying on subjective assumptions in relation to future events.

The assumptions and data used for calculations of these balances require both economic and non-economic assumptions, including interest rates, investment returns, mortality, morbidity, longevity, persistency, expenses, and the modeled future decisions of the policyholders. In addition, uncertainty triggered by the second order effects of the COVID-19 pandemic requires additional analysis and judgment.

Moreover, because of the long duration of many life insurance products, relatively small changes in key assumptions may have a significant impact on the valuation of the actuarially determined life insurance assets and liabilities. Specifically, the significant increase in interest rates around the globe, and the related impact to policyholder behavior, creates specific risks for insurers to consider.

The valuation of these assets and liabilities requires the use of complex formulas and the construction of models and other computational tools that may be incorrectly designed or configured, and for which inadequate assumptions and/or incomplete or inaccurate input data may be used.

Accordingly, we have identified this as a key audit matter.

The accounting policies and critical accounting judgments and estimates of the Group about the valuation of the actuarially determined life insurance assets and liabilities are described in Notes 3 and 4 respectively and additional information regarding these assets and liabilities is presented respectively in Notes 11 and 8 to the consolidated financial statements.

Our audit response

We assessed and tested the design effectiveness of selected key controls within the life insurance asset and liability actuarial valuation process. These included controls over methods selection, completeness and accuracy of the underlying data, assumption setting and the governance process used by management.

We executed our substantive procedures in relation to these balances and related changes as included in the consolidated income statements using the work of our actuarial specialists.

Our procedures included:

- Performance of a country-based risk tiering assessment for selected product based on multiple criteria including materiality, specific product features and complexity, and liability adequacy test (LAT) headroom.
- On a sample basis, reviewing the LAT, and related impact to Life DAC recoverability and sufficiency of the future life policyholder benefit reserves.
- Assessing the consistency of the life actuarial methods and best estimate assumptions used across the Group's significant business units.

For selected products, our procedures further included:

- On a sample basis, testing of the completeness and accuracy of data, including in-force policyholder data and experience studies as utilized by management to value the insurance assets and liabilities by reconciling such amounts and related output to the underlying accounting records and the financial statements.
- On a sample basis, reviewing actuarial models used in the determination of these life insurance assets and liabilities and their compliance with products specificities and related guarantees.
- Assessing the quantitative and qualitative key best estimate assumptions used in selected actuarial models, including considerations of their reasonableness based on experience studies, our knowledge of the Group and local markets, products offered, publicly available market and macroeconomic data.
- On a sample basis, independent calculation of Life DAC and future life policyholder benefit reserves balances.

Finally, we assessed the appropriateness of accounting policies used and adequacy of the disclosures in the consolidated financial statements.

Based on audit procedures performed, we did not identify any exceptions related to the valuation of actuarial determined life insurance assets and liabilities.

Report of the statutory auditor (continued)

Building a better working world

Disclosure on the impact of the initial application of IFRS 17 relating to the building block and variable fee measurement approaches

Area of focus

International Financial Reporting Standards 17, Insurance Contracts (IFRS 17) becomes effective for annual reporting periods beginning on or after January 1, 2023. On transition to the new standard, shareholders equity as of January 1, 2022, is expected to decrease by USD 8.8 billion, resulting from a decrease of USD 14.4 billion relating to the recognition of the Contractual Service Margin (CSM) as part of the insurance contract assets and liabilities and an increase of USD 5.6 billion relating to a combination of the derecognition of intangibles, other valuation differences and deferred tax.

Particular attention has to be paid to the related disclosures and information relating to the building block and variable fee measurement models, given the complexity of the new standard, the significant level of judgement required in the measurement of the transition CSM, and the significance of the impact and disclosure to the Group's financial position as of January 1, 2022.

Accordingly, we have identified this as a key audit matter.

Refer to note 2 of the accompanying financial statements, which provides quantitative and qualitative information on the expected impact of the new standard and the key accounting policy choices.

Report of the statutory auditor (continued)

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Our audit response

We assessed and tested the design effectiveness of selected key controls relevant to the determination of the IFRS 17 transition adjustment and relating disclosure. These included controls over the calculation of the transition CSM.

We executed our substantive procedures in relation to this disclosure, including assessing the:

- interpretation of the requirements of IFRS 17,
- completeness and accuracy of the data,
- appropriateness of key parameters and assumptions,
- implementation of new systems and models, and
- appropriateness of the disclosures on the expected impact.

We have obtained an understanding of Group's implementation program and process for determining the impact of the adoption of the new standard on the consolidated financial statements as of 1 January 2022. Furthermore, we have performed, among others, the following substantive audit procedures using the work of our actuarial specialists:

- We analyzed the Group's accounting policies and actuarial methodology to evaluate its compliance with IFRS 17.
- We assessed the analyses of contracts prepared by the Group for the purpose of the classification according to the different measurement models (either the building block approach (BBA), variable fee approach (VFA) or premium allocation approach (PAA)) and tested such analyses to the underlying contracts on a sample basis.
- In respect of the transition approaches (Fully retrospective, Modified retrospective or Fair Value approach) applied in the calculation of the CSM, we evaluated the Group's assessment on the availability of reasonable and supportable historic information required by the full retrospective approach and the appropriateness of simplifications, under the modified retrospective approach, or fair value approach applied.
- We tested input data and key parameters used in the calculation of the transition balances measured under the BBA and VFA to underlying source systems on a sample basis.
- We assessed the appropriateness and consistency of key assumptions used in the calculation of the transition balances measured under the BBA and VFA with those used in IFRS 4, publicly available market data, our knowledge of the products and the requirements of IFRS 17 as well as IAS 8.
- We tested the calculations of the IFRS 17 transition balances measured under the BBA and VFA either through review of the calculation logic within the newly implemented models, or through independent recalculations on a sample basis.

Based on audit procedures performed, we did not identify any material exceptions related to the valuation of the transition balances measured under the building block and variable fee approaches of IFRS 17. We further did not identify material exceptions related to the disclosure requirements of IAS 8.

Report of the statutory auditor (continued)

Recoverability of goodwill and attorney-in-fact contracts

Area of focus

As of December 31, 2022, the Group recognized goodwill and attorney-in-fact (AIF) contract intangibles with a net carrying amount of USD 4,420 million and USD 2,650 million, respectively. Goodwill is allocated to the cash generating units (CGUs) that are identified at the segment level.

Management performs impairment testing of goodwill and intangible assets with indefinite useful life (i.e., the AIF intangible) at least once annually to ensure that the net carrying amount does not exceed the recoverable amount per CGU and there is no impairment in the relevant CGU.

Estimation of the recoverable amount requires management to use complex models, expert judgment and is based on several complex and subjective assumptions, particularly in respect of projections of future income based on prospective business plans, perpetual growth rates, and discount rates.

Accordingly, we deem the measurement of the recoverable amount of goodwill and attorney-in-fact contract to be a key audit matter.

The accounting policies and critical accounting judgments and estimates related to goodwill and attorney-in-fact contract are disclosed in Notes 3 and 4 respectively and additional information on goodwill and attorney-in-fact contract is presented in Note 14 to the consolidated financial statements.

Our audit response

We assessed and tested the design effectiveness of selected key controls within the Group's goodwill impairment testing process. These included controls over model used and centrally provided key assumptions.

We executed our procedures using the work of valuation specialists.

Our procedures included:

- Performance of risk assessment by CGU based on multiple criteria including materiality, headroom, complexity and other risk considerations.
- Evaluating whether the goodwill and AIF intangible allocation to CGUs as identified by management is supportable.
- Assessment of the valuation methodology and models used by management to determine the goodwill and AIF recoverable amount.
- Assessment of key assumptions provided at the Group level, i.e. discount rates, perpetual growth rates, including consistency of key assumptions with market and industry specific reference values, and tax rate.

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- Performance of risk based substantive procedures for selected CGUs regarding key assumptions including evaluating the:
  - consistency of projected future cash flows with management's most recent estimates including those used in the Group's planning process,
  - assumptions made with respect to projected future cash flows are reasonable in terms of the applicable CGU's economic and financial outlook, including the impacts of the current macro-economic environment,
  - comparison of actual results versus historical projected financial information,
  - completeness and accuracy of data used by management to project future cash flows, and
  - sensitivity analysis performed by management and performance of additional procedures to assess the appropriateness of key assumptions used by management.
- Analysis of recoverable amounts against market capitalization to corroborate fair value estimates.

Finally, we assessed the appropriateness of accounting policies used and adequacy of the disclosures in the consolidated financial statements.

Based on audit procedures performed, we did not find any exceptions to the recoverability of goodwill and attorney-in-fact contract.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors’ responsibilities for the consolidated financial statements
The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements
Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse’s website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Isabelle Santenac
Licensed audit expert
(Auditor in charge)

Thomas Fiepke
Certified Public Accountant (U.S.)

Holding company

Contents

Review of the year

Net income after taxes for Zurich Insurance Group Ltd amounted to CHF 3,290 million in 2022 compared with CHF 2,689 million in 2021. The increase was mainly driven by a higher dividend income from its subsidiary Zurich Insurance Company Ltd of CHF 3,200 million in 2022 compared to CHF 2,600 million in 2021.

Shareholders' equity decreased by CHF 360 million to CHF 13,178 million as of December 31, 2022, from CHF 13,537 million as of December 31, 2021. The decrease was mainly driven by the dividend of CHF 3,277 million paid in 2022 out of available earnings and capital contribution reserve as well as by the public share buyback program of up to CHF 1,800 million, which started on November 21, 2022, and lasts until December 29, 2023, at the latest. As per December 31, 2022, Zurich Insurance Group Ltd purchased 829,830 shares for a total purchase value of CHF 373 million via a second trading line on the SIX Swiss Exchange. This was partially offset by the net income after taxes for the year 2022.

The Board of Directors proposes to the Annual General Meeting, which is to be held on April 6, 2023, to distribute a dividend of CHF 24.00 gross per share from the available earnings for 2022.

Holding company (continued)

Income statements

in CHF thousands, for the years ended December 31	Notes	**2022**	2021
Other operating income		9	10
Other operating expenses	4	(16,952)	(32,096)
Depreciation and valuation adjustments to non-current assets	9	(7,000)	(12,300)
Financial income	5	3,341,099	2,746,687
Dividend income		*3,205,835*	*2,612,290*
Interest income		*135,237*	*134,341*
Other financial income		*26*	*56*
Financial expenses		(2,143)	(64)
Direct taxes	6	(24,980)	(13,338)
Net income after taxes		**3,290,033**	**2,688,898**

Holding company (continued)

Balance sheets

Assets

in CHF thousands, as of December 31	Notes	2022	2021
Current assets			
Cash and cash equivalents[1]	20	332	52,234
Receivables from subsidiaries[1]	7	1,652,031	–
Receivables from third parties		2,398	1,074
Accrued income and prepaid expenses from subsidiaries		92,042	91,487
Total current assets		1,746,804	144,795
Non-current assets			
Subordinated loans to subsidiaries	8	2,132,405	2,132,405
Investments in subsidiaries	9	11,263,768	11,270,768
Total non-current assets		13,396,174	13,403,174
Total assets		**15,142,977**	**13,547,969**

1 In 2022, Receivables from subsidiaries includes intragroup balances related to the Group's internal cash pooling facility in the amount of CHF 1,652 million which was disclosed within Cash and cash equivalents in the previous year (CHF 52 million).

Liabilities and shareholders' equity

in CHF thousands, as of December 31	Notes	2022	2021
Short-term liabilities			
Other liabilities to subsidiaries		1	–
Other liabilities to third parties	10	161,415	9,092
Other liabilities to shareholders		1,846	1,704
Accrued expenses and deferred income to subsidiaries		2,121	–
Accrued expenses and deferred income to third parties		20	–
Interest-bearing loans from subsidiaries	11	1,800,000	–
Total short-term liabilities		1,965,404	10,797
Total liabilities		**1,965,404**	**10,797**
Shareholders' equity (before appropriation of available earnings)			
Share capital	13	15,046	15,046
Legal reserves:		1,042,615	1,279,998
Capital contribution reserve[1]	*14*	*264,208*	*509,990*
General capital contribution reserve		*6,225*	*251,986*
Reserve for treasury shares (indirectly held via subsidiaries)	*15*	*257,983*	*258,004*
General legal reserve		*778,407*	*770,008*
General legal reserve		*341,140*	*341,140*
Reserve for treasury shares (indirectly held via subsidiaries)	*15*	*437,266*	*428,868*
Treasury shares (directly held by the Company)	13	(372,543)	–
Free reserve	16	346,869	346,869
Retained earnings:			
As of January 1		*11,895,259*	*12,274,955*
Dividends paid		*(3,031,307)*	*(2,983,565)*
Net income after taxes		*3,290,033*	*2,688,898*
Allocation to reserve for treasury shares (indirectly held via subsidiaries)		*(8,399)*	*(85,030)*
Retained earnings, as of December 31		12,145,587	11,895,259
Total shareholders' equity (before appropriation of available earnings)		13,177,574	13,537,172
Total liabilities and shareholders' equity		**15,142,977**	**13,547,969**

1 Dividends paid in the year, out of capital contribution reserve in respect of the 2021 result, amounting to CHF 246 million.

Holding company (continued)

Notes to the financial statements

1. General information

Zurich Insurance Group Ltd (the Company) is a corporation domiciled in Zurich, Switzerland, and its shares are listed on the SIX Swiss Exchange. It was incorporated on April 26, 2000, and is the holding company of the Zurich Insurance Group (Group) with the principal activity of holding subsidiary companies. The Company does not employ staff, as employees work in a joint capacity for Zurich Insurance Company Ltd (ZIC).

2. Basis of presentation

The Company presents its financial statements in accordance with Swiss law.

All amounts in these financial statements, including the notes, are shown in Swiss franc thousands, rounded to the nearest thousand, unless otherwise specified. All variances are calculated using the actual figures rather than the rounded amounts.

3. Summary of significant accounting policies

a) Exchange rates

Unless otherwise stated, assets and liabilities expressed in currencies other than Swiss francs are translated at end-of-period exchange rates. Revenues and expenses are translated using the exchange rate at the date of the transaction. Net unrealized exchange losses are recorded in the income statements and net unrealized exchange gains are deferred until realized.

b) Investments in subsidiaries

Investments in subsidiaries are equity interests, held on a long-term basis for the purpose of the Company's business activities. Each investment in subsidiaries is valued individually and carried at its cost less adjustments for impairments.

c) Accrued income

Income is accrued for interest which is earned but not yet due for payment at the end of the reporting period.

d) Reserves for treasury shares (indirectly held via subsidiaries)

Reserves for treasury shares are accounted for at the acquisition costs of these shares held by the respective subsidiary.

e) Treasury shares (directly held by the Company)

Treasury shares are carried at acquisition cost and presented as a deduction in the shareholders' equity.

4. Other operating expenses

Other operating expenses for the year were CHF 17.0 million compared with CHF 32.1 million in 2021. The decrease of CHF 15.1 million is mainly driven by the fact that the Company didn't contribute in 2022 to the Z Zurich Foundation, whereas the contribution paid in 2021 was CHF 17.0 million. In addition, directors' fees of CHF 5.6 million and CHF 5.7 million for the years ended December 31, 2022, and December 31, 2021, respectively, are included in this line item. Overhead expenses increased by CHF 2.0 million to CHF 7.5 million in 2022. Furthermore, fees paid to the Swiss Financial Market Supervisory Authority of CHF 2.9 million and CHF 3.1 million are included for the years ended December 31, 2022, and December 31, 2021.

5. Financial income

Financial income for the year 2022 mainly consists of dividend income of CHF 3,206 million primarily received from the Company's subsidiary ZIC and interest income of CHF 134.3 million on the subordinated loan with ZIC. This interest income is recognized when ZIC declares its intention to pay a dividend to the Company.

Holding company (continued)

6. Direct taxes

Direct taxes include Swiss income and capital tax expense.

7. Receivables from subsidiaries

Receivables from subsidiaries include intragroup balances related to the Group's internal cash pooling facility in the amount of CHF 1,652 million as of December 31, 2022. In 2021, these assets in the amount of CHF 52 million have been disclosed within Cash and cash equivalents. The increase in 2022 is mainly driven by the financing of the public share buyback program via a senior debt of CHF 1,800 million issued by ZIC (see also note 11). Further, the receipt of the dividend and interest income of CHF 3,341 million contributed to the increase, partially offset by the dividend paid out of available earnings and capital contribution reserve totaling to CHF 3,277 million as well as by the cash payment for the public share buyback program in 2022 of CHF 221 million.

8. Subordinated loans to subsidiaries

Subordinated loans include a loan to ZIC of CHF 2,132 million as of December 31, 2022, and December 31, 2021, respectively.

9. Investments in subsidiaries

Investments in subsidiaries

as of December 31	2022			2021		
	Carrying value[1]	**Voting rights in %**	**Capital rights in %**	Carrying value[1]	Voting rights in %	Capital rights in %
Zurich Insurance Company Ltd	11,088,466	100.0	100.0	11,088,466	100.0	100.0
Zurich Financial Services EUB Holdings Limited	17,136	99.9	99.9	24,136	99.9	99.9
Farmers Group, Inc.	157,992	12.1	4.6	157,992	12.1	4.6
Allied Zurich Limited	175	100.0	100.0	175	100.0	100.0
Total	**11,263,768**			**11,270,768**		

1 in CHF thousands.

The investment in Zurich Financial Services EUB Holdings Limited was impaired by CHF 7.0 million in 2022 compared with CHF 12.3 million in 2021, mainly due to a dividend payment.

In addition to the above mentioned directly held subsidiaries, the Company indirectly owns additional subsidiaries primarily through ZIC. Information regarding indirectly owned subsidiaries is included on pages 357 to 358 of this Annual Report.

10. Other liabilities to third parties

As of December 31, 2022, Other liabilities to third parties mainly consist of a withholding tax payable of CHF 128 million and a payable due to a bank of CHF 24 million both in connection with the public share buyback program.

11. Interest-bearing loans from subsidiaries

ZIC granted a senior loan of CHF 1,800 million to the Company to fund the public share buyback program which has been launched in November 2022.

12. Commitments and contingencies

The Company has provided unlimited guarantees in support of entities belonging to the Zurich Capital Markets group of companies. The Company has also entered into support agreements and guarantees for the benefit of certain of its subsidiaries. They amounted to CHF 794 million as of December 31, 2022, and CHF 942 million as of December 31, 2021. The decrease is due to a reduction of a funding agreement in the amount of GBP 50 million (CHF 56 million) with a Group company and a negative foreign exchange effect. Furthermore, the Company has issued an unlimited guarantee in favor of the Institute of London Underwriters in relation to business transferred to Zurich Insurance plc from a Group company which no longer has insurance licenses.

The Company is not aware of any event of default that would require it to satisfy any of these guarantees or to take action under a support agreement.

Holding company (continued)

13. Share capital

a) Changes to the share capital

On April 6, 2022, the Annual General Meeting (AGM) of the Company approved an extension of the authorized share capital for another two years (from April 2022 to April 6, 2024). The extension of the authorized share capital required the corresponding extension of the validity of the combined dilution limitations for the authorized and contingent share capital (Art. 5^{bis} 5 and 5^{ter} 1d of the Articles of Association). Since April 2020, the authorized share capital (Art. 5^{bis} 1 of the Articles of Association) is comprised of 44,882,400 shares and the contingent share capital for Financial Instruments (Art. 5^{ter} 1a of the Articles of Association; term as defined in section b) below) is comprised of 29,921,600 shares. As of December 31, 2022, and as of December 31, 2021, the contingent share capital for Group employees (Art. 5^{ter} 2a of the Articles of Association) was comprised of 4,095,092 shares. During the years 2022 and 2021, no shares were issued to Group employees out of the contingent share capital.

On November 21, 2022, the Company launched a public share buyback program of up to CHF 1,800 million for cancellation purposes. The program lasts until December 29, 2023, at the latest. For further information, see the audited consolidated financial statements, note 19 on pages 312 to 314 of this Annual Report.

b) Authorized share capital (as specified in Article 5^{bis} of the Articles of Association)

On April 6, 2022, the AGM approved a renewal of the authorized share capital for another two years (from April 2022 to April 6, 2024). The Board of Directors of the Company is authorized to increase the share capital of the Company by an amount not exceeding CHF 4,488,240 by issuing up to 44,882,400 fully paid registered shares with a nominal value of CHF 0.10 each until April 6, 2024. An increase in partial amounts is permitted. The Board of Directors would determine the date of issue of any such new shares, the issue price, type of payment, conditions for exercising subscription rights, and the commencement of entitlement to dividends.

The Board of Directors may issue such new shares by means of a firm underwriting by a banking institution or syndicate with a subsequent offer of those shares to current shareholders. The Board of Directors may allow the expiry of subscription rights which have not been exercised, or it may place these rights as well as shares, the subscription rights of which have not been exercised, at market conditions.

The Board of Directors is further authorized to restrict or exclude the subscription rights of shareholders and to allocate them to third parties, the Company or one of its Group companies, up to a maximum of 14,960,800 shares, if the shares are to be used:

- for the take-over of an enterprise, of parts of an enterprise or of participations or for investments by the Company or one of its Group companies, or the financing including re-financing of such transactions; or
- for the purpose of expanding the scope of shareholders in connection with the quotation of shares on foreign stock exchanges or issuance of shares on the national or international capital markets (including private placements to one or more selected investors); or
- for the conversion of loans, bonds, similar debt instruments, equity-linked instruments or other financial market instruments (collectively, the 'Financial Instruments') issued by the Company or one of its Group companies; or
- for the improvement of the regulatory and/or the rating capital position of the Company or one of its Group companies in a fast and expeditious manner.

Up to April 6, 2024, the total of new shares issued from (i) authorized share capital where the subscription rights were restricted or excluded, and (ii) contingent share capital in connection with Financial Instruments where the advance subscription rights were restricted or excluded, may not exceed 14,960,800 new shares.

c) Contingent share capital (as specified in Article 5^{ter} of the Articles of Association)

Financial Instruments

The share capital of the Company may be increased by an amount not exceeding CHF 2,992,160 by issuing of up to 29,921,600 fully paid registered shares with a nominal value of CHF 0.10 each by the voluntary or mandatory exercise of conversion and/or option rights which are granted in connection with the issuance of Financial Instruments by the Company or one of its Group companies or by mandatory conversion of Financial Instruments issued by the Company or one of its Group companies, that allow for contingent mandatory conversion into shares of the Company, or by exercising option rights which are granted to the shareholders. The subscription rights are excluded. The then-current owners of the Financial Instruments shall be entitled to subscribe for the new shares. The conversion and/or option conditions are to be determined by the Board of Directors.

Holding company (continued)

The Board of Directors is authorized, when issuing Financial Instruments to restrict or exclude the advance subscription rights in cases where they are issued:

- for the financing including re-financing of a take-over of an enterprise, of parts of an enterprise, or of participations or of investments by the Company or one of its Group companies; or
- on national or international capital markets (including private placements to one or more selected investors); or
- for the improvement of the regulatory and/or the rating capital position of the Company or one of its Group companies in a fast and expeditious manner.

If the advance subscription rights are restricted or excluded by a resolution of the Board of Directors, the following applies: the Financial Instruments are to be issued at prevailing market conditions (including standard dilution protection clauses in accordance with market practice) and the setting of the conversion or issue price of the new shares must take due account of the stock market price of the shares and/or comparable instruments priced by the market at the time of issue or time of conversion.

The conversion rights may be exercisable during a maximum of ten years and option rights during a maximum of seven years from the time of the respective issue; contingent conversion features may remain in place indefinitely.

Up to April 6, 2024, the total of new shares issued from (i) authorized share capital where the subscription rights were restricted or excluded, and (ii) contingent share capital in connection with Financial Instruments where the advance subscription rights were restricted or excluded, may not exceed 14,960,800 new shares.

Employee participation
On January 1, 2022 and on January 1, 2021, the contingent share capital, to be issued to Group employees, amounted to CHF 409,509.20 or 4,095,092 fully paid registered shares with a nominal value of CHF 0.10 each.

During 2022 and 2021, no shares were issued to Group employees out of the contingent share capital. As of December 31, 2022 and as of December 31, 2021, the remaining contingent share capital available for issuance to Group employees amounted to CHF 409,509.20 or 4,095,092 fully paid registered shares with a nominal value of CHF 0.10 each. Subscription rights as well as advance subscription rights of the shareholders are excluded. The issuance of new shares or respective option rights to employees is subject to one or more regulations to be issued by the Board of Directors and taking into account performance, functions, levels of responsibility and criteria of profitability. New shares or option rights may be issued to employees at a price lower than that quoted on the stock exchange.

For further information, see Art. 5bis and 5ter of the Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association).

14. Capital contribution reserve

Capital contribution reserve

in CHF thousands	**2022[1]**	2021
As of January 1	509,990	509,990
Dividend payment out of capital contribution reserve	(245,782)	–
As of December 31	**264,208**	**509,990**

1 This capital contribution reserve does not qualify as capital contribution reserve within the meaning of Art. 5 para. 1bis of the Swiss Withholding Tax Act.

Holding company (continued)

15. Reserves for treasury shares (indirectly held via subsidiaries)

These reserves correspond to the purchase value of all Zurich Insurance Group Ltd shares held by subsidiaries of the Company as shown in the table below. The treasury shares directly held by the Company are presented as a deduction in the shareholders' equity and are not part of these reserves for treasury shares.

Reserves for treasury shares (indirectly held via subsidiaries)

	Number of shares 2022	Purchase value 2022[1]	Number of shares 2021	Purchase value 2021[1]
As of January 1	2,169,197	686,872	1,964,106	601,848
Purchases during the year	850,754	364,467	1,100,000	425,822
Sales during the year	(922,118)	(356,090)	(894,909)	(340,799)
As of December 31	**2,097,833**	**695,249**	**2,169,197**	**686,872**
Thereof held in capital contribution reserve				
As of January 1	1,057,624	258,004	1,057,654	258,011
As of December 31	**1,057,524**	**257,983**	**1,057,624**	**258,004**
Thereof held in general legal reserve				
As of January 1	1,111,573	428,868	906,452	343,838
As of December 31	**1,040,309**	**437,266**	**1,111,573**	**428,868**
Average purchase price, in CHF		428		387
Average selling price, in CHF		338		313

1 in CHF thousands.

16. Free reserve

Free reserve

in CHF thousands	2022	2021
As of January 1	346,869	346,869
As of December 31	**346,869**	**346,869**

17. Shareholders

According to information available as of December 31, 2022, the Company is not aware of any person or institution, other than BlackRock, Inc., New York, (>5 percent of the shares) and The Capital Group Companies, Inc., Los Angeles, (>5 percent of the shares) which, directly or indirectly, had an interest as a beneficial owner in shares, option rights and/or conversion rights relating to shares of the Company exceeding the relevant thresholds prescribed by law.

18. Remuneration of the Board of Directors and the Executive Committee

The information required by articles 14–16 of the Ordinance Against Excessive Compensation, which prevails over article 663b[bis] of the Swiss Code of Obligations, is disclosed and audited in the remuneration report on pages 74 to 111 of this Annual Report.

19. Shareholdings of the Board of Directors and the Executive Committee

The information on share and share option holdings of members of the Board of Directors and Executive Committee, who held office as of December 31, 2022, as required by article 663c paragraph 3 and article 959c paragraph 2 cif 11 of the Swiss Code of Obligations is included and audited in the remuneration report on pages 74 to 111 of this Annual Report.

20. Supplementary information

Cash and cash equivalents of CHF 0.3 million represent restricted cash as of December 31, 2022. In the previous year, out of total CHF 52.2 million of Cash and cash equivalents, restricted cash represented CHF 0.3 million. Also see note 7 on reclassification of intragroup balances related to Group's internal cash pooling facility from Cash and cash equivalents to Receivables from subsidiaries.

Holding company (continued)

Proposed appropriation of available earnings

The available earnings for 2022 originate as follows:

in CHF thousands	Available earnings
Available earnings	
As of January 1, 2022	*11,895,259*
Dividends paid	*(3,031,307)*
Net income after taxes	*3,290,033*
Allocation to reserve for treasury shares (indirectly held via subsidiaries)	*(8,399)*
Available earnings, as of December 31, 2022	12,145,587

The Board of Directors proposes to the Annual General Meeting to be held on April 6, 2023, to appropriate the available earnings as follows:

in CHF thousands	Available earnings
Appropriation of available earnings	
As of January 1, 2023	12,145,587
Dividend of CHF 24.00 gross per share[1]	(3,611,044)
Balance carried forward[1]	8,534,543

1 These figures are based on the share capital issued on December 31, 2022, of CHF 15,046,016.70 divided into 150,460,167 registered shares with a nominal value of CHF 0.10 each, and may change depending on the number of shares issued on April 13, 2023. Treasury shares held by the Company or its wholly owned subsidiaries do not receive dividends.

If this proposal is approved, the dividend, less 35 percent Swiss withholding tax, will be paid as from April 14, 2023.

Zurich, February 8, 2023

On behalf of the Board of Directors of Zurich Insurance Group Ltd

Michel M. Liès

Report of the statutory auditor

EY
Building a better working world

Ernst & Young Ltd
Maagplatz 1
P.O. Box
CH-8010 Zurich

Phone: +41 58 286 31 11
Fax: +41 58 286 30 04
www.ey.com/ch

To the General Meeting of
Zurich Insurance Group Ltd, Zurich

Zurich, February 8, 2023

Report of the statutory auditor

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Zurich Insurance Group Ltd (hereinafter “the Company”), which comprise the balance sheet as at December 31, 2022, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 373 to 379) comply with Swiss law and the Company’s articles of association.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the “Auditor's responsibilities for the audit of the financial statements” section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the “Auditor's responsibilities for the audit of the financial statements” section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial statements.

Report of the statutory auditor (continued)

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Recoverability of investments in subsidiaries	
Area of focus	We consider the investments in subsidiaries to be a key audit matter not only due to the judgment involved but also based on the magnitude of CHF 11.3 billion, which makes up 74% of the Company's total assets. Investments in subsidiaries are carried at cost less necessary impairments and valued on an individual basis. The determination whether an impairment is required includes assumptions about the profitability of the underlying business and growth, which involves management's judgment. Refer to Note 3, para b) ("Summary of significant accounting policies") and Note 9 ("Investments in subsidiaries") to the 2022 financial statements.
Our audit response	We obtained an understanding of management's process and controls and assessed the design effectiveness of selected key controls over the recoverability of the carrying value of investments in subsidiaries. In addition, we performed the following substantive testing procedures in order to address the areas of focus above: • Assessing the appropriateness of the Company's impairment testing methodology. • Testing the mathematical accuracy of management's calculation. • Testing the reasonableness of the assumptions used in the impairment assessment. • Re-performing management's impairment test on the carrying value of all investments in subsidiaries and challenged the impairment decisions taken. Finally, we assessed the adequacy of the disclosures in the financial statements. Based on audit procedures performed, we did not identify any exceptions with regards to the recoverability of investments in subsidiaries.

Report of the statutory auditor (continued)

Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Board of Directors' responsibilities for the financial statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of association, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report of the statutory auditor (continued)

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and SA-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of association. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Isabelle Santenac
Licensed audit expert
(Auditor in charge)

Thomas Fiepke
Certified Public Accountant (U.S.)

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Shareholder information

Zurich Insurance Group Ltd registered share data

Zurich shares

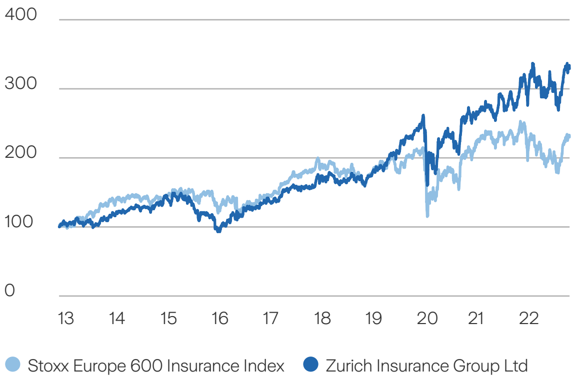
Zurich had a market capitalisation of CHF 67 billion on December 31, 2022. The shares are listed on the SIX Swiss Exchange and traded on the SIX Swiss Exchange Blue Chip Segment; ticker symbol: ZURN; the Swiss security number (Valorennummer) is 1107539. Trading in Zurich Insurance Group Ltd shares on the Blue Chip Segment is conducted in Swiss Francs.

For further information on shareholders or capital structure, see the corporate governance report on page 32.

Share price performance

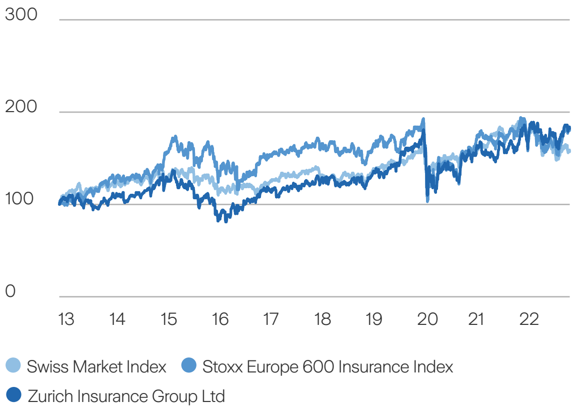
The share price at year-end 2022 closed at CHF 442.30. The lowest closing price of the year was CHF 389.50 on October 12, while the highest price was CHF 461.00 on April 1.

Total shareholder return in U.S. dollars



Source: Refinitiv Datastream

Zurich share performance (indexed) over the last 10 years



Source: Refinitiv Datastream

Shareholder information (continued)

Dividend policy

The Group intends to maintain its current attractive dividend policy and proposes a target pay-out ratio of around 75 percent of net income attributable to shareholders, subject to a minimum of the prior-year dividend per share, with dividend increases based on sustainable earnings growth.

Share data (CHF)

as of December 31, 2022	**2022**	2021
Dividend per share	24.00[1]	22.00
Share price at end of period	442.30	400.40
Price period high	461.00	412.30
Price period low	389.50	354.80
Market capitalization (CHF millions)	66,549	60,244

1 Proposed dividend, subject to approval by shareholders at the Annual General Meeting, expected payment date as from April 14, 2023. Gross dividend, subject to 35 percent Swiss withholding tax.

Further details are available online:
www.zurich.com/en/investor-relations/calendar

Dividend

	Financial Year	Total dividend per registered share in CHF	Paid from available earnings in CHF[1]	Paid from capital contribution reserve in CHF	Payment date as from
Dividend	2022	24.00[2]	24.00	–	April 14, 2023[2]
Dividend	2021	22.00	20.35	1.65	April 12, 2022
Dividend	2020	20.00	20.00	–	April 13, 2021
Dividend	2019	20.00	20.00	–	April 7, 2020
Dividend	2018	19.00	19.00	–	April 9, 2019
Dividend	2017	18.00	16.60	1.40	April 10, 2018
Dividend	2016	17.00	11.30	5.70	April 4, 2017
Dividend	2015	17.00	–	17.00	April 5, 2016
Dividend	2014	17.00	–	17.00	April 9, 2015
Dividend	2013	17.00	–	17.00	April 9, 2014

1 Gross dividend, subject to 35 percent Swiss withholding tax.
2 Proposed total dividend, subject to approval by shareholders at the Annual General Meeting 2023; expected payment date as from April 14, 2023.

Glossary

Group

Book value per share

is a measure that is calculated by dividing shareholders' equity by the number of shares issued less the number of treasury shares as of the period end.

Business operating profit (BOP)

is the Group's internal performance measure, on which the Group manages all of its business units. It indicates the underlying performance, after non-controlling interests, by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains/(losses) and impairments on investments (except for certain non-insurance operations included in Non-Core Businesses, investments in hedge funds as at fair value through profit or loss, certain securities held for specific economic hedging purposes and policyholders' share of investment results for the life businesses) and non-operational foreign exchange movements. Significant items arising from special circumstances, including restructuring charges, legal matters or large one-off regulatory projects outside the ordinary course of business, gains and losses on divestment of businesses, certain business combination integration costs and impairments of goodwill are also excluded from BOP. **Business operating profit before interest, depreciation and amortization (BOPBIDA)** excludes interest expense on debt, depreciation and impairments of property and equipment and amortization and impairments of intangible assets. BOPBIDA includes amortization of deferred policy acquisition costs, deferred origination costs and distribution agreements. Please refer to the 'consolidated financial statements, Note 27. Segment information, Table 27.4' for further information.

Business operating profit (after-tax) return on shareholders' equity (BOPAT ROE)

indicates the level of BOP relative to resources provided by shareholders. 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. If the dividend is approved at the Annual General Meeting within the first ten working days in April, then the dividend is deducted from the second quarter opening shareholders' equity. Please refer to the 'supplementary information (unaudited)/ROE, EPS and BVPS' for further information.

Cash remittances

is the net extraction of capital from each of the business units (P&C, Life, Farmers and Non-Core Business) to Group Functions & Operations (GF&O) and after all central costs in GF&O. Cash remittances are typically extracted from subsidiaries by way of dividends, capital reductions, repayment of intragroup debt and reinsurance profits.

Investments

Total investments in the consolidated balance sheets include **Group investments** and investments for unit-linked contracts. Group investments are those for which the Group bears part or all of the investment risk. They also include investments related to investment contracts with discretionary participation features. Average invested assets include investment cash, but exclude cash collateral received for securities lending. The Group manages its diversified investment portfolio to optimize benefits for both shareholders and policyholders while ensuring compliance with local regulatory and business requirements under the guidance of the Group's Asset/Liability Management and Investment Committee. **Investments for unit-linked contracts** include investments where the policyholder bears the investment risk, and are held for liabilities related to unit-linked investment contracts and reserves for unit-linked contracts. They are managed in accordance with the investment objectives of each unit-linked fund. The investment result for unit-linked products is passed to policyholders through a charge to policyholder dividends and participation in profits.

Like-for-like

is the change in the underlying metric over a period of time and after removing the impact of foreign exchange movements and the impact of acquisitions and disposals.

Return on shareholders' equity (ROE)

is a measure that indicates the level of profit or loss relative to resources provided by shareholders. It is calculated as net income after taxes attributable to shareholders, annualized on a linear basis, 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. If the dividend is approved at the Annual General Meeting within the first ten working days in April, then the dividend is deducted from the second quarter opening shareholders' equity. Please refer to the 'supplementary information (unaudited)/ROE, EPS and BVPS' for further information.

Zurich Economic Capital Model (Z-ECM)

is an internal economic capital model which defines the Z-ECM capital required to protect the Group's policyholders in order to meet all of their claims with a confidence level of 99.95 percent over a one-year time horizon. The Z-ECM ratio is defined as the ratio of the Group's available financial resources defined under the Z-ECM to the required capital under the Z-ECM model. Please refer to the 'Annual Report/risk review' for further information.

Glossary (continued)

Property & Casualty

The following Property & Casualty (P&C) measures are net of reinsurance.

Net underwriting result

is calculated as the difference between net earned premiums and policy fees and the sum of net insurance benefits and losses and net technical expenses. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Total net technical expenses

includes underwriting and policy acquisition costs, as well as the technical elements of administrative and other operating expenses, amortization of intangible assets, interest credited to policyholders and other interest, and other income. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Combined ratio

is a measure that indicates the level of claims and net technical expenses during the period, relative to net earned premiums and policy fees. It is calculated as the sum of the loss ratio and the expense ratio. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Loss ratio

is a measure that indicates the level of claims during the period relative to net earned premiums and policy fees. It is calculated as insurance benefits and losses net, which include incurred claims, both paid and reserved, and claims handling costs, divided by net earned premiums and policy fees. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Expense ratio

is a measure that indicates the level of technical expenses during the period relative to net earned premiums and policy fees. It is calculated as the sum of net technical expenses and policyholder dividends and participation in profits, divided by net earned premiums and policy fees. Please refer to the 'Supplementary information (unaudited)/P&C by segment & customer units' for further information.

Net non-technical result

includes expenses or income not directly linked to insurance operating performance, such as gains/losses on foreign currency translation and interest expense on debt. It includes the impact of financial market volatility and other non-operational variables that distort the ongoing business performance. Please refer to the 'supplementary information (unaudited)/P&C by segment & customer units' for further information.

Life

Embedded value (EV) principles

is a methodology using a 'bottom-up' market consistent approach, which explicitly allows for market risk. In particular, asset and liability cash flows are valued using risk discount rates consistent with those applied to similar cash flows in the capital markets. Options and guarantees are valued using market consistent models calibrated to observable market prices.

Insurance deposits

are deposits, similar to customer account balances, not recorded as revenues. However, the fees charged on insurance deposits are recorded as revenue within gross written premiums and policy fees. These deposits arise from investment contracts and insurance contracts that are accounted for under deposit accounting. They represent the pure savings part, which is invested.

New business annual premium equivalent (APE)

is a sales index that reflects the volume of life new business sales during the period. APE is calculated as the value of new annual premiums plus 10 percent of new single premiums sold in the period and is stated before the effect of non-controlling interests. **Present value of new business premiums (PVNBP)** is calculated as the present value of new business premiums discounted at the risk-free rate, before the effect of non-controlling interests.

New business margin (NBM)

is a measure that reflects the profitability of new business and is calculated as the new business value divided by APE after the effect of non-controlling interests.

New business value (NBV), after tax

is a measure that reflects the value added by new business written during the period, including allowances for frictional costs, time value of options and guarantees, and the cost of non-market risk, and is valued at the point of sale. It is calculated as the present value of the projected after-tax profit from life insurance contracts sold during the period using a valuation methodology consistent with the EV principles, after the effect of non-controlling interests.

Glossary (continued)

Farmers

Gross management result

is a measure of Farmers Management Services calculated as management fees and other related revenues minus management and other related expenses, including amortization and impairments of intangible assets. Please refer to the 'supplementary information (unaudited)/Farmers' for further information.

Managed gross earned premium margin

is a measure calculated as the gross management result of Farmers Management Services divided by the gross earned premiums of the Farmers Exchanges, which are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges.

Contact information

Registered Office
Zurich Insurance Group Ltd
Mythenquai 2
8002 Zurich, Switzerland
Telephone: +41 (0)44 625 25 25

For more information please visit our website: www.zurich.com/en/contact-us

Financial calendar

Information on our website:
www.zurich.com/en/investor-relations/calendar

Disclaimer and cautionary statement

Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives of Zurich Insurance Group Ltd or the Zurich Insurance Group (the Group). Forward-looking statements include statements regarding the Group's targeted profit, return on equity targets, expenses, pricing conditions, dividend policy and underwriting and claims results, as well as statements regarding the Group's understanding of general economic, financial and insurance market conditions and expected developments. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and plans and objectives of Zurich Insurance Group Ltd or the Group to differ materially from those expressed or implied in the forward-looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in key markets; (ii) the risk of a global economic downturn, in the financial services industries in particular; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; (viii) increased litigation activity and regulatory actions; and (ix) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Insurance Group Ltd and its Group and on whether the targets will be achieved. Specifically in relation with the COVID-19 related statements, such statements were made on the basis of circumstances prevailing at a certain time and on the basis of specific terms and conditions (in particular applicable exclusions) of insurance policies as written and interpreted by the Group and may be subject to regulatory, legislative, governmental and litigation-related developments affecting the extent of potential losses covered by a member of the Group or potentially exposing the Group to additional losses if terms or conditions are retroactively amended by way of legislative or regulatory action. Zurich Insurance Group Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

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

Persons requiring advice should consult an independent adviser.

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Imprint
The Annual Report is published in English and German. In the event of inconsistencies in the German translation, the English original version shall prevail.

Our reporting consists of the Annual Report, which is divided into the Group overview, the governance, the integrated sustainability disclosure, the risk review and the financial review, and which contains the annual financial statements (Holding Company) and the consolidated financial statements. With regards to content, the management report consists of the aforementioned reports excluding the remuneration report.

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Zurich Insurance Group
Mythenquai 2
8002 Zurich, Switzerland
Phone: +41 (0) 44 625 25 25

www.zurich.com