





# A guide to ESG at Zurich



September 2024  
Investor presentation  
Zurich Insurance Group



## Main Sections

-  Our ESG approach
-  People and operations
-  Sustainable insurance
-  Responsible investment

## Other important Information

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# Our ESG approach



## Sustainability strategy

We focus on enabling a positive socio-economic and environmental transition, while at the same time building resilience to evolving risks

## Climate strategy

We support the net-zero transition by engaging customers and investees and offering relevant solutions and expertise, whilst helping customers, and communities build climate-related resilience

## Financial materiality

Our priorities are based on financial materiality and ensure strategic actions for mitigating risks while seizing opportunities

## ESG governance

Sustainability management is embedded across the organization and has an increasing relevance for variable remuneration

## Executing on our strategy

We are progressing well on our sustainability journey and progressing on our climate interim targets while setting new interim Investments and Insurance targets

# Our ESG approach is driven by sound risk management, societal expectations and regulatory and transparency requirements



## Risk management

Deploy effective risk management in order to **navigate risks and opportunities** presented by disruption



## Societal expectations

Support the **social transformation** resulting from the energy transition and respond to the **changing preferences** of customers and employees

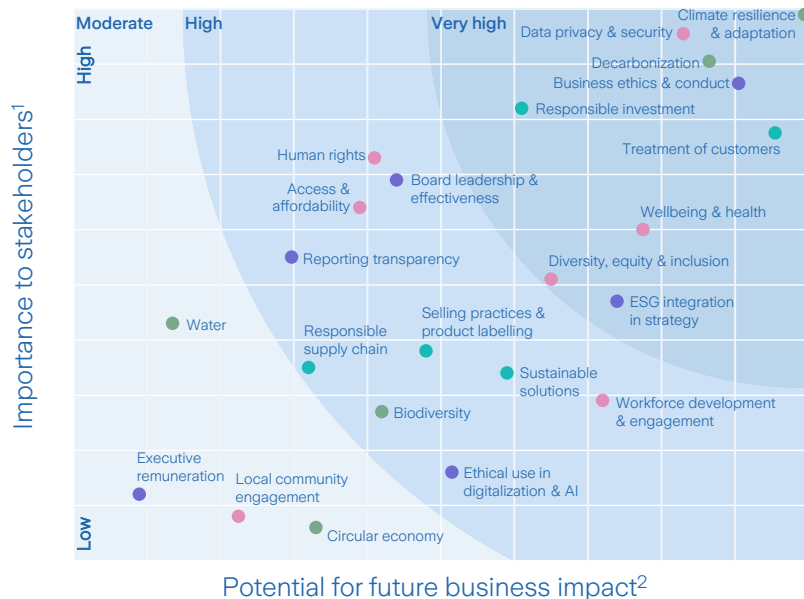


## Legal and regulatory requirements

Comply with increased **regulatory demands** for climate risk assessment and reporting; development of **ESG reporting** frameworks

# Our materiality assessment helps us to prioritize sustainability risks and shape our strategic competitive response

## Zurich's materiality matrix



Issue category: ● Environmental ● Social ● Governance ● Business model

<sup>1</sup> External view (2022) based on stakeholders' expectations for Zurich and their own perceived importance of the topic.  
<sup>2</sup> Internal view (2022) based on surveys and interviews with Zurich leaders and employees..

## Recent developments

- Increased focus on resilience and adaptation
- Increased demand by regulators for sustainability reporting including climate
- EU AI Act in force per Aug 2024, discussions on AI regulation in several of our markets (UK, US, Australia, others)

## Shaping our competitive response

- Strategic sustainability framework integrated across our operating model
- Sustainability reporting further advanced; transition plan published
- Zurich released its Responsible AI Commitment

# Sustainability framework underpinned by qualitative ambition and quantitative targets

**Customer:** Support transformation towards a sustainable future



Grow sustainable revenue and risk advisory business

Increase climate solution investments to 6% of assets by 2030

Deliver digital sustainability

**Planet:** Mitigate and adapt to climate change



Net-zero operations by 2030, investments and underwriting by 2050

Interim 2030 target set for operations, investments and underwriting

75% of Managed Procurement spend with suppliers with net-zero targets by 2030

**People:** Future proof our people and enable more to thrive



Increase share of internal hires

Create values-aligned work environment embracing DEIB<sup>1</sup>

Support people to protect their physical, mental, financial and social wellbeing

<sup>1</sup> Diversity, Equity, Inclusion and Belonging.

# Achieving net-zero answers the best long-term interests of our customers, investee companies, and our own business

Climate change



Policy changes



Technological advancement



Direct physical impact

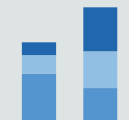
Increase in climate related losses



Transition impacts

Sectoral shifts

Social adaptation



Zurich's Transition Plan

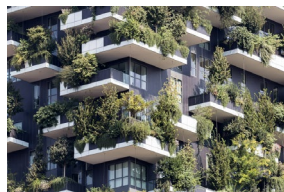
Enabling an economy-wide transition to net zero



Evolving how we operate



Making society more resilient



Advocating for supportive policies





# Our climate transition plan outlines how we are executing on our net-zero commitment



## Enabling transition

- Engaging with customers and investees on their transitions
- Scaling climate solutions through our products, services and investments
- Aligning each of our portfolios for insurance and investment to support emission reductions



## Making society resilient

- Further integrating resilience insights into our insurance business
- Growing our specialized risk advisory business
- Collaborating beyond our business to support the communities we operate in



## Evolving how we operate

- Reducing our own emissions to achieve net-zero operations by 2030
- Aligning with suppliers and sharing expertise to decarbonize our supply chain
- Growing our training and upskilling offerings to develop our employees' skills and capabilities



## Advocating for supportive policies

- Supporting and informing public policies, regulation and standards to support the real economy's transition
- Collaborating with partners to maximize our efforts

# We provide leading data privacy and information security for our customers and employees

## Principles of information security at Zurich

### Best practice



Information security measure and protocols aligned with the U.S. National Institute of Standards and Technology Cybersecurity Framework

### Effectiveness



Commitment to maintaining the highest security standards is evidenced by our peer-group leading CSF maturity rating

### Organisation



State-of-the-art Cyber Fusion Center (CFC) that provides global 24/7/365 cyber threat monitoring and incident response coverage

### Control



Regular assurance activities to verify compliance with data privacy and security standards: audits, risk assessments, data protection impact assessments

## Strong data commitment in line with best practice

- We keep your data safe
- We never sell your personal data
- We are transparent about how we share your personal data
- We use data to produce better outcomes for you

## Data commitment supported by focus and processes

- Data Privacy and Information security awareness training
- Global data privacy platform supporting consistency and standardization of privacy management processes
- 3 lines of defense model with annual assurance activities and cyber security audits

# We use AI to improve customer journeys in a responsible way

- In 2024 we released our Responsible AI Commitment, to strengthen our approach to a safe, responsible and customer-centric use of AI technologies
- The commitment consists of guiding principles that are globally agreed, with focus on Safety, Transparency, Accountability & Reliability
- At the operational level, we use the **AI Assessment Framework (AIAF)**, to support AI practitioners in the assessment and mitigation of AI risks
- The AIAF pursues a **risk-based** and **human-centric** approach in line with market / regulatory expectation.



## Safety

We operate AI models and its data in safe and protected environments



## Transparency

We disclose to our customers when they are interacting with AI and can explain AI outcomes



## Accountability

In line with our Code of Conduct, we are committed to acting with integrity, doing the right thing, and using AI responsibly



## Reliability

Our use of AI is subject to human oversight that mitigates potential risks, including the prevention of harmful biases



180+ AI use cases along the value chain



Claims processing



Underwriting



Risk modelling



Customer service



# Solid ESG governance in place to secure execution

## Sustainability management embedded across our organization



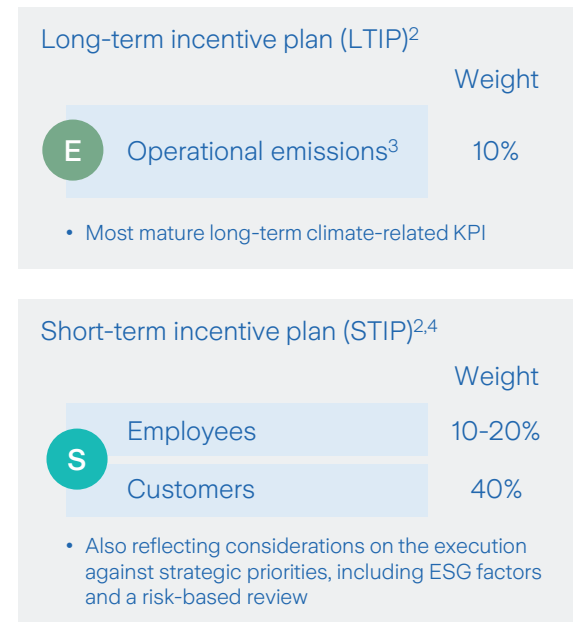
<sup>1</sup> Governance, Nominations and Sustainability Committee.

<sup>2</sup> Further described in the remuneration report, which submitted to the shareholders at 2024 annual general meeting of shareholders in a consultative vote.

<sup>3</sup> The emissions reduction target is based on ~90% of CO<sub>2</sub>e emissions from Zurich's operations within the control boundary as specified in footnote 1 to table 14 of page 179 of the sustainability report. ~10% 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.

<sup>4</sup> Individual performance weights for FY-23 ExCo STIP.

## ESG in remuneration



# Our ESG performance to date is recognized by external assessors

## Our ESG ratings

	'AAA' rating <sup>1</sup>
	Prime status C+ Decile rank: 1 <sup>2</sup>
	Absolute score of 4.1 (out of 5.0) <sup>3</sup>
	'A-' Leadership Level <sup>4</sup>

## Our commitments


<sup>1</sup> MSCI ESG Rating Report, July 2024.

<sup>2</sup> Rating Report, August 2024.

<sup>3</sup> FTSE Industry Classification Benchmark (ICB), June 2024

<sup>4</sup> CDP Climate Change 2023 score.

[Annual report 2023 \(English\)](#)

[Sustainability report 2023](#)

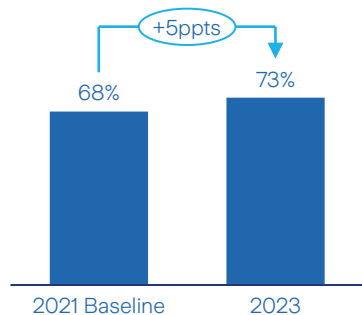
# People and operations



# We are continuing to develop our workforce and help future-proof our people

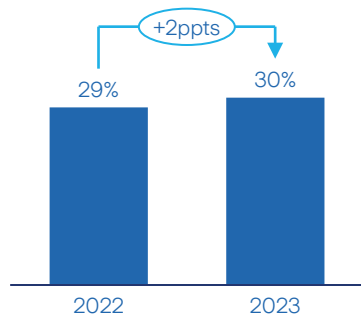
## Internal hires

Internal hire rate (%)<sup>1</sup>



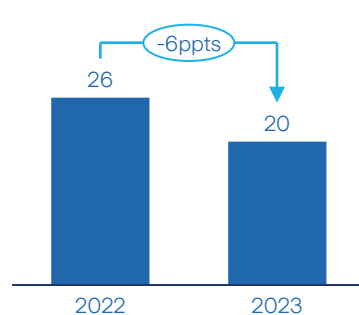
## Gender diversity

Females in senior management (%)<sup>2</sup>



## Training

Avg. training hours per employee<sup>3</sup>



Support long-term employability of our people while addressing customer and societal needs

- **Careers and work:** Empower people to grow their talents and develop new skills
- **Diversity and inclusion:** Create values-aligned work environment embracing DEIB<sup>4</sup>
- **Wellbeing:** Support people to protect their physical, mental, financial, and social wellbeing

## 🇬🇧 Enabling workplace diversity



- First company in the UK to advertise all roles as “flexible, part-time or jobshare” since 2019

Part-time employees hired x4

Part-time employees promoted x2

- This demonstrates that greater work flexibility can help progress into higher paid roles while fitting other commitments around their careers.

<sup>1</sup> As of 2023, we included Farmers Group, Inc. and Cover-More and have evolved the definition of this metric to include internal career opportunities generated for entry-level roles (career level A), international moves, re-hires, and changes in employment types from temporary to permanent. Entry-level roles (career level A) remain excluded from “external hires” as these positions are, by nature, filled by external career starters.

<sup>2</sup> Represents the combination of career levels D (senior executives and senior experts) and E (most senior roles such as country CEOs and other senior business leaders).

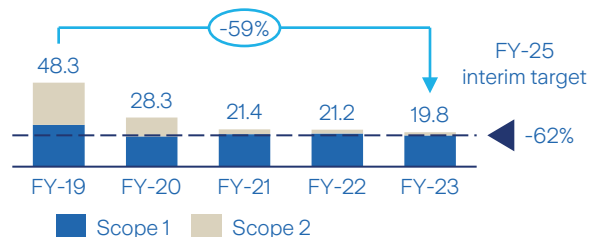
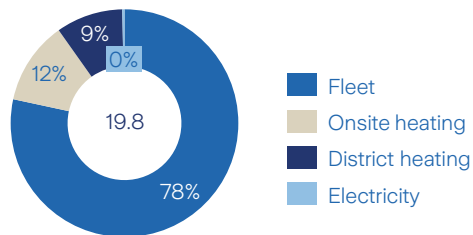
<sup>3</sup> Only includes hours tracked centrally on our global learning platforms (i.e., physical, digital as well as mandatory and voluntary training sessions). Does not include locally run trainings not recorded in the system.

<sup>4</sup> Diversity, Equity, Inclusion and Belonging.

# We are progressing against our operations carbon emissions reduction targets

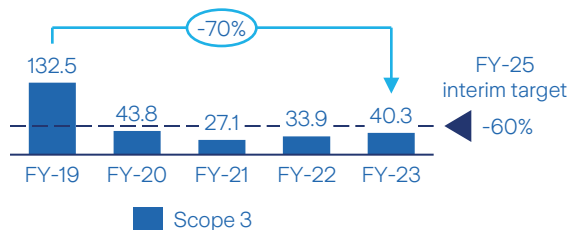
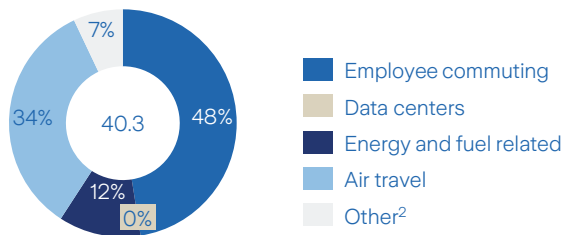
## Scope 1 and 2 emissions<sup>1</sup>

FY-23 CO<sub>2</sub>e in thousand metric tonnes



## Upstream Scope 3 emissions<sup>1</sup>

FY-23 CO<sub>2</sub>e in thousand metric tonnes



Externally audited KPIs with reasonable assurance for FY-23

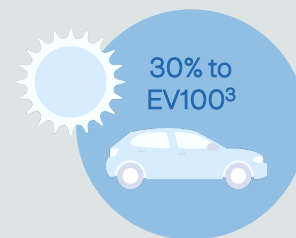
<sup>1</sup> Excluding Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third-party vendors.

<sup>2</sup> Includes printed paper, waste and other travel related emissions (e.g., rail).

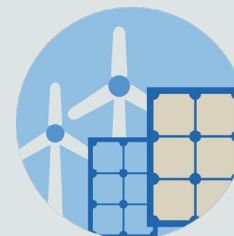
<sup>3</sup> EV100 is a global initiative bringing together companies committed to accelerating the transition to electric vehicles by 2030.

## Highlights

100% Electric Vehicle fleet by 2029  
2023 progress



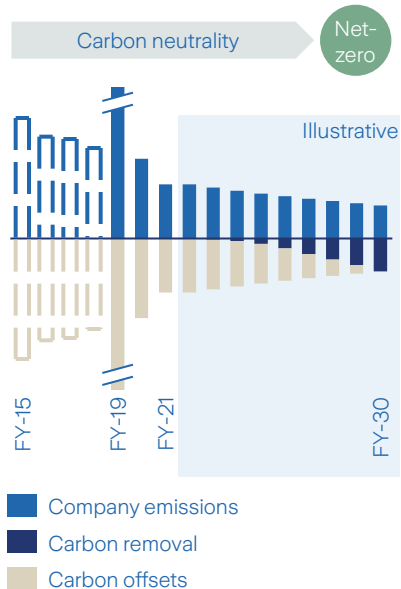
100% renewable power at our strategic data centers since 2022





# Net-zero by 2030 means we will scale carbon removal investments while maintaining neutrality

## Path to net-zero 2030<sup>1</sup>



## Maintaining carbon neutrality since 2014

We follow a 3-step approach

Improving operational efficiency

Increasing the share of renewable energy

Offsetting remaining carbon emissions

## Carbon removal agreements

Nature-based solutions



Agroforestry



Biochar



Biomass burial

Technology-based solutions



Direct air capture

## Path to net-zero Ops by 2030



- Internal carbon fund price of USD 50 in 2023
- Prioritize emissions reductions first
  - Renewable power
  - EV car fleet
  - Reduced business travel
  - FlexWork to support lower commuting
- Establish diverse portfolio of carbon removals that blend high-quality solutions with varying degrees of permanence ranging from reforestation to permanent carbon capture solution

<sup>1</sup> Emissions for the 2015-2019 period are not comparable with subsequent periods. Restated baseline for 2019 includes new Scope 3 emissions sources such as employee commuting, strategic data centers, waste and paper. Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third-party vendors are out of scope.

# We have established a sustainable sourcing program to enable a net-zero aligned value chain

## Encouraging Code of Conduct compliance

Compliance with Zurich's Code of Conduct

Managed procurement spend (MPS)<sup>1</sup> in compliance with supplier code of conduct<sup>2</sup>:

2023 achievement<sup>3</sup>

72%

External recognition



## Decarbonizing our supply-chain

2025 target

2030 target

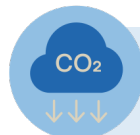
75% of managed procurement spend<sup>1</sup> (MPS) with suppliers that have:

- Science-based emission reduction targets
- Net-zero targets

2023 achievement to target date<sup>3</sup>

52%

49%



Catalyze net-zero value chain transformation through engagement and targets

## Net-zero training and tool for carbon accounting



- Training options and carbon accounting tool<sup>4</sup> are offered to suppliers that need help on their carbon reduction journey
- Internal training module focused on developing skills for net-zero-aligned supply chains

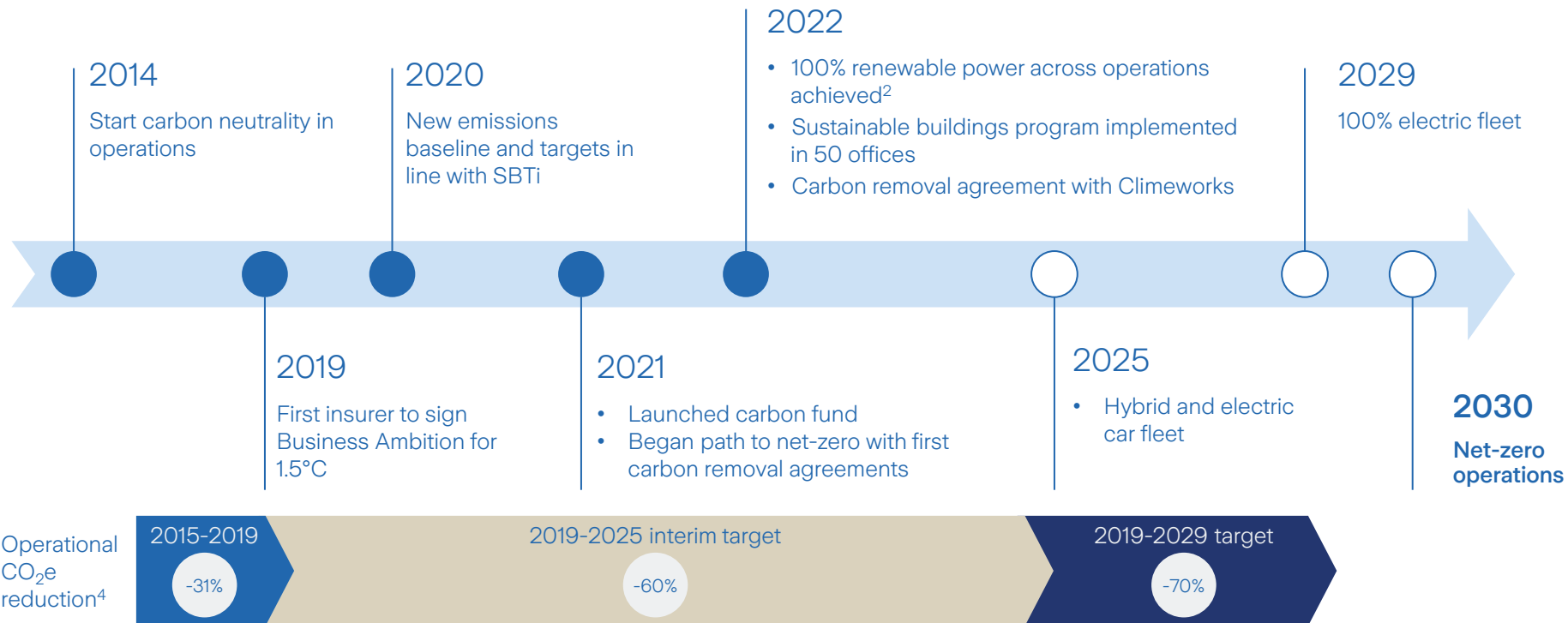
<sup>1</sup> The spend of approximately USD 2 billion annually managed centrally by Zurich's Procurement and Vendor Management function on goods and services that are required to enable Zurich to maintain and develop its operations.

<sup>2</sup> Based on suppliers' self assessment.

<sup>3</sup> According to the 2022 baseline of MPS excluding suppliers no longer active in the year of reporting.

<sup>4</sup> Business Carbon Calculator, provided with Normative's carbon accounting engine.

# We have a clear pathway to net-zero in our operations<sup>1</sup> by 2030



<sup>1</sup> Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third-party vendors are out of scope.

<sup>2</sup> Where sourcing of renewable power is not technically feasible, we have sourced certificates from adjacent markets in Qatar, Bahrain and Ecuador and we are looking for the best solution in Bermuda although the load is small and falls under the RE100 materiality threshold.

<sup>4</sup> Emissions for the 2015-2019 period are not comparable with subsequent periods. Restated baseline for 2019 includes new Scope 3 emissions sources such as employee commuting, strategic data centers, waste and paper.

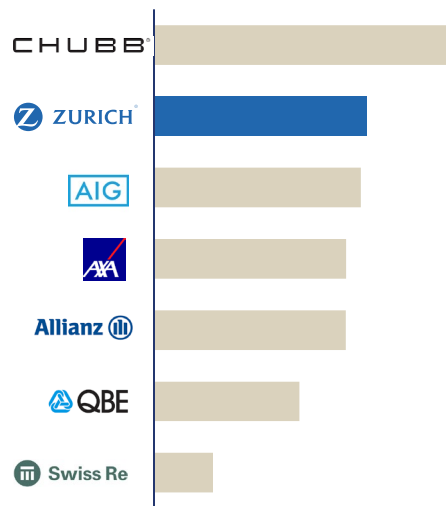
# Sustainable insurance



# We are a leading commercial insurer and leverage our broad capabilities and deep expertise to facilitate change

## Commercial insurance ranking

FY-23 gross written premiums (USDbn)<sup>1</sup>



External recognition reflects our efforts...



...and we are active members of leading industry bodies<sup>2</sup> that have initiatives focusing on transition



Customers acknowledge our expertise in addressing ESG risks

“You need **an insurer who understands the challenges** specific to your industry”



“[Zurich] helped us to better understand the potential impact of climate change on our operations around the globe and across our supply chain. We chose Zurich as our partners given their track record, global servicing capabilities, expertise and their access to global data.”

<sup>1</sup> Source: Company reports and Zurich estimations where data is not published. Data includes only international competitors.

<sup>2</sup> International Union of Marine Insurance (IUMI); International Association of Engineering Insurers (IMIA), Global Wind Energy Council (GWEC).

# We have set 2030 interim targets for our insurance business, on our journey to net zero

## Insuring the transition



Focus on channelling our insurance capacity across all insurance lines, expand our range of sustainable solutions and expertise to support key net-zero technologies and infrastructure in key markets

- Profitably expanding our range of **sustainable products and services**, and deploying and growing our expertise to support key net-zero technologies and infrastructure in key markets

## Focused engagement



Engage with customers to understand and support their transition plans

- **Engage** with 450 of our largest insurance customers who **contribute most heavily to our portfolio emissions** by 2030<sup>1</sup>
- Engage with 65 customers in the first 12 months after publication of the Transition Plan

## Support the reduction of real-world emissions



Commitment to achieve net zero emissions portfolio by 2050; implement underwriting actions within the most carbon intensive industries

- **Reduce the IAE intensity of our large corporate customer portfolio<sup>1</sup> by 20% by 2030**
- Expect Oil & Gas producers to have credible transition plans by 2030<sup>2</sup>

<sup>1</sup> Determined by scope 1 & 2 for our customers' emissions using the PCAF insurance associated emissions methodology for commercial lines, covering customers with revenues > USD 1bn

<sup>2</sup> As a last resort, we will then exit customers where transition risks are not sufficiently managed; These positions do not apply to Workers' Compensation, Employers Liability, Accident & Health, Life, Surety Reclamation Bonds, certain environmental products and other employee protection coverages that have a positive impact on human health or the environment.

# We apply sustainability risk assessments and underwriting positions to support our ambition

Underwriters perform sustainability assessments where customers are identified as having a high risk of violating one of Zurich's policies, based on third party information and guidance on sensitive industry and country combinations



## Our human & environmental rights approach

- Underwriting-specific policy in place to avoid contributing to potential adverse impact on human rights in cases such as:
  - forced and child labour
  - impact on indigenous people and vulnerable communities, including absence of Free, Prior, Informed Consent
  - bribery & corruption
- Assessment of dam construction, oil, gas and mining projects for governance, human rights & environmental risks

<sup>1</sup> As permissible by law & regulation.

<sup>2</sup> As permissible by law & regulation, defined as companies that generate more than 30% of their revenue from mining thermal coal, or produce more than 20m tonnes of thermal coal per year or generate more than 30% of their electricity from coal; full exclusion by 2030 for OECD and EU27 and 2040 for the rest of the world, unless company has formally approved science-based targets in place, approved by either SBTi or similar scientifically accredited body.

<sup>3</sup> That generate at least 30% of their revenue directly from the extraction of oil from oil sands or generate more than 30% of their revenue from mining oil shale, or generate more than 30% of their electricity from oil shale

<sup>4</sup> Considered as anything north of 66 degrees latitude with the exception of the Norwegian Continental Shelf (NCS)



## Our underwriting positions

We will not underwrite:

- Customers involved in banned cluster munitions and antipersonnel land mines activities
- New oil, gas and metallurgical coal projects<sup>1</sup>
- Thermal coal<sup>2</sup>
- Oil sands and oil shale<sup>3</sup>
- Oil & gas drilling and production in the Arctic<sup>4</sup>

We understand and mitigate risks associated with ESG to protect Zurich and to support our customers

Environmental

Social

Governance

Risk area		Example of action taken
Physical	Nat Cat	Optimize exposure across key peril regions
Transition	Speed to adapt	Transition risk assessment focused on carbon intense industries
Litigation	Environmental damage	Continually monitor litigation landscape
Human rights	Forced labour	Refreshed human rights guidelines, review country / industry lists
D&O	Greenwashing	Enhanced risk selection criteria to continue relationship through long-term transition
Cyber	Data leak / malware	ZRS cyber resilience partnerships



# We address ESG risk across our most impacted lines of business

Climate risk assessment across the underwriting portfolio identified four focus areas



Property, including catastrophe management



Retail and commercial motor



Sustainable energy



Construction

Addressing key risks through underwriting strategy and engagement

Understanding our exposures through portfolio insights



ESG data



Emission data



Customer targets

Detailed ESG underwriting guidelines with a risk assessment and referral process in place...



Fossil fuels



Environmental impacts



Human rights



Banned weapons

...Supported by continuous customer engagement



# Engagement and risk insight are our biggest levers to support real world emission reductions

ACDC transition assessment framework



## Alignment

with Paris agreement and net-zero targets



## Commitment

Short term plans and capex in place



## Delivery

Demonstrate progress on targets



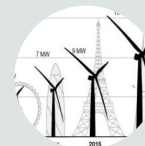
## Communication

Transparent and regular disclosures

## Managing underwriting challenges within transitional technology



Offshore oil becomes offshore wind



Constant developments result in changing risks



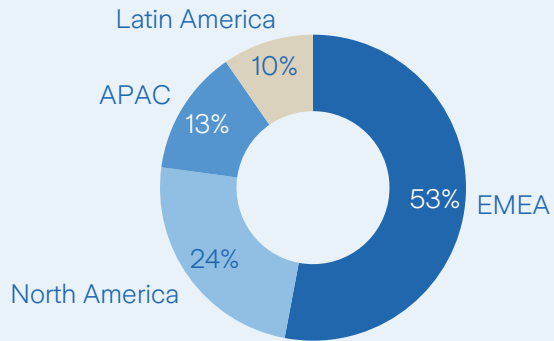
Low carbon methods of construction

# We balance the need for change with real world considerations





Decarbonizing vehicular transportation relies on significant societal change and infrastructure adaptation



## Zurich motor premium<sup>1</sup> by region (FY-23)



## Challenges:

-  Time
-  Regulation
-  Affordability
-  Infrastructure

## What can insurers do?

-  Reporting
-  Monitoring
-  Supporting infrastructure advancement

<sup>1</sup> 2023 Full Year Gross Written Premium (Retail and Commercial)

# And there are broader challenges that we need to manage on our net-zero journey



## Externalities

- Reliance on transition in real economy
- Differences in trajectory of decarbonization pathways across industries
- Dependency on brokers and wider insurance value chain



## Measurement

- Corporate emissions
  - Data availability
  - Data quality
- Attribution



## Portfolio construction

- Understanding customer targets
- Sector concentration
- Scalability of new insurance solutions



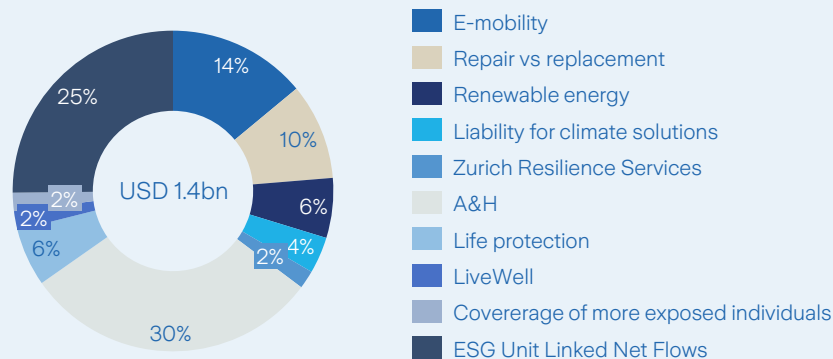
## Risks

- Transition technology
- Trade-offs with other insurance risks
- Reputational risk

# We are further expanding our sustainable solutions and practices to support our customers

## Sustainable solutions<sup>1</sup> up 70% in 2023

FY-23 GWP, Fees and Net Flows from sustainable solutions (USDm)



Sustainable claims practices benefit customers in addition to revenue generating products



### Decarbonization

Circular economy focusing on reusing / repairing



### Build back better

Choice of energy efficient materials and improved insulation



### Climate resilience and loss mitigation

Focus on mitigation programs to prevent losses

<sup>1</sup> Sustainable solutions are defined as environmental solutions designed or adapted to support sustainable activities or contributing to mitigate climate risk; social solutions designed to enhance social or financial inclusion of socially disadvantaged people; products providing meaningful support to sustainability values, mitigation of environmental risk or incentivizing sustainable behavior. For further details, please refer to page 182 of the FY-23 Annual Report.

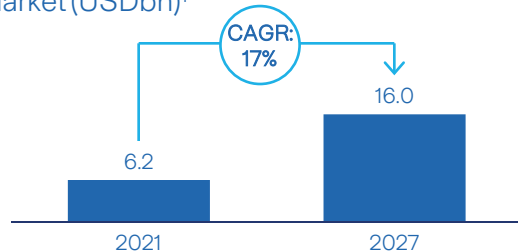
# Grow Zurich Resilience Services and expand our climate risk prevention and mitigation solutions

Rapidly growing ESG services market is an opportunity to build stronger relationships



Customers demand risk prevention and mitigation solutions in addition to insurance measures to protect their operations

ESG / sustainability consulting services market (USDbn)<sup>1</sup>



## Zurich Resilience Solutions

950+ Employees

40+ Countries

63k+ Customer site assessments

155k Risk assessments



# MAERSK

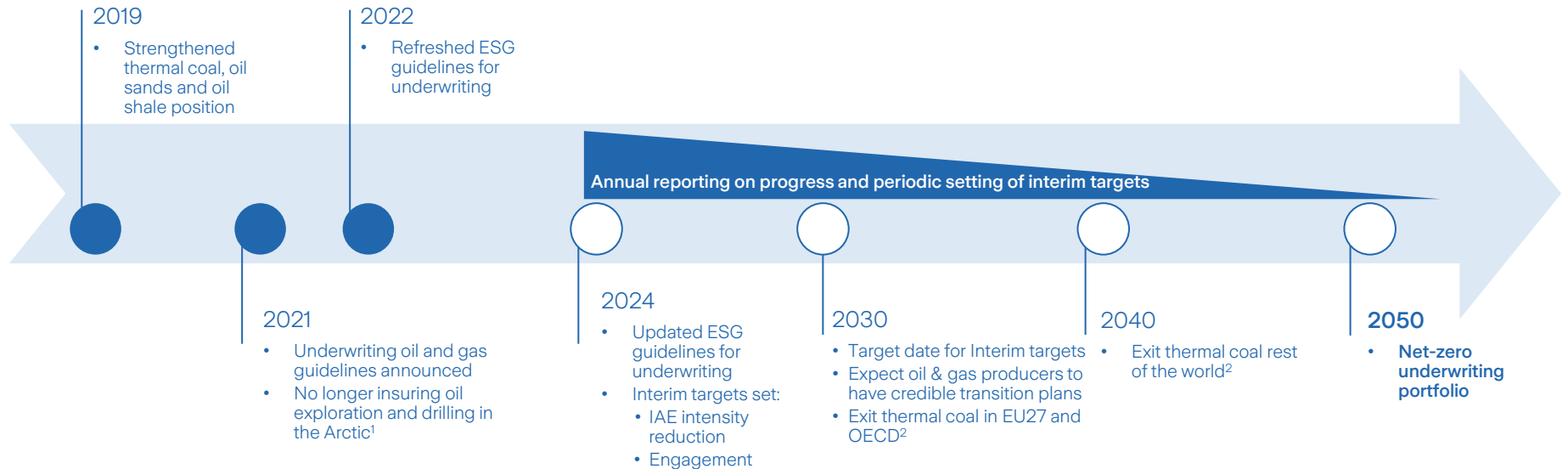
A.P. Moller-Maersk ('Maersk') – with more than 67 port terminals, 300 inland facilities and 600 container ships – identified climate change, both physical and transition risks, as one of the biggest threats to its business.



This is why Maersk has enlisted Zurich's global risk consulting unit Zurich Resilience Solutions (ZRS) to undertake on-site climate assessments at five of its most critical ports and to provide actionable recommendations to mitigate risks and improve climate resilience.

<sup>1</sup> Includes ESG & sustainability categories of corporate strategy, digital transformation, corporate reporting and disclosures, operational transformation, product stewardship and supply chain sustainability, and investor advisory Source: ESG And Sustainability Consulting: Market Size and Forecast 2021-2027, Verdantix; McKinsey research and analysis.

# We are progressing on the pathway to reach net-zero in underwriting by 2050



<sup>1</sup> Considered as anything north of 66 degrees latitude, with the exception of the Norwegian Continental Shelf.

<sup>2</sup> As permissible by law & regulation.

# Responsible investment





# We have renewed our interim investments targets for 2030 on our journey to net-zero

## Investing in climate solutions



We invest in climate solutions defined as investments in economic activities that contribute substantially to climate change mitigation or adaptation

- Bring Investments in **Climate Solutions**<sup>1</sup> to **6%** of total Group Investment Assets

## Focused engagement



Engage with investee companies on an individual and multilateral basis and bring system change by engaging our asset manager and work on industry action

- Perform direct **engagement with 20 high-emitting companies** which currently do not have credible science-based targets

## Reduce portfolio emissions



Reduce the financed emissions in the portfolio and increase the resilience of our investment portfolio against climate change

- **Reduce emission intensity** of listed equities and corporate bonds investments<sup>2</sup> by 55% and of direct real-estate investments by 45%<sup>3</sup>

<sup>1</sup> Climate solutions includes environmental impact investments and green certified buildings

<sup>2</sup> Against 2019 baseline, based on 2029 data. Reduction of emissions intensity (Scope 1 and Scope 2). Emissions intensity is defined as metric tonnes CO<sub>2</sub>e per USDm invested.

<sup>3</sup> Against 2019 baseline based on 2029 data. Reduction of emissions intensity (Scope 1 and Scope 2). Emissions intensity is defined as kilograms CO<sub>2</sub>e per square meter.

# Targeting net-zero through a reduction in financed corporate emissions...

## Methodology and scope

- Targets cover listed equity, listed corporate debt and direct real estate, **corresponding to 36% of assets under management in the baseline year 2019**
- **Corporate-financed emissions<sup>1,2</sup> and resulting relative emissions intensity** calculated using NZAOA protocol's preferred approach, based on enterprise value (EV)<sup>2</sup> of respective issuer:

### 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

- EV closely linked to financing sources of companies, hence directly associated with role of investors in equity and corporate bonds
- Financial data used as of respective reporting date; financed emission data based on latest available information at point of reporting, on an annual basis

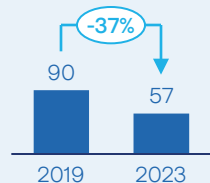
## Progress to date

**-43%<sup>3</sup> reduced intensity in financed corporate CO<sub>2</sub>e emissions<sup>1</sup>**

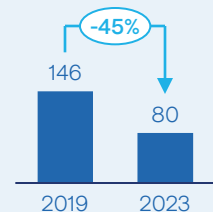
- Disposals of restricted names (thermal coal exclusions)
- General portfolio rebalancing activities
- Structural emission reductions of investee companies

### Relative emission intensity 2023 vs. 2019 baseline (metric tonnes CO<sub>2</sub>e per USD million market value)

#### Listed equity:



#### Corporate bonds:



## Three-phased approach

- **Phase 1:** Set and extend intermediate targets following guidance by NZAOA for listed equity, corporate bonds and real estate
- **Phase 2:** Focused on local objective setting, target implementation and ongoing data improvements
- **Phase 3:** Portfolio construction and rebalancing actions, based on findings from engagement efforts

<sup>1</sup> Carbon emissions of issuer includes Scope 1 and Scope 2. Corporate data on Scope 3 emissions remains unreliable, with several data providers estimating Scope 3 emissions with a wide range of outcomes. Therefore, Alliance members are strongly recommended to track Scope 3 emissions and set targets as soon as possible, but are not yet expected to set targets until interpretation of Scope 3 emissions in a portfolio context becomes clearer and data becomes more reliable.

<sup>2</sup> Scope 1 and Scope 2 emissions as well as enterprise value (EV) data provided by S&P Trucost. Where EV is not available, it is substituted with market capitalization.

<sup>3</sup> Compared to 2019 baseline.

# ...and by financing climate solutions

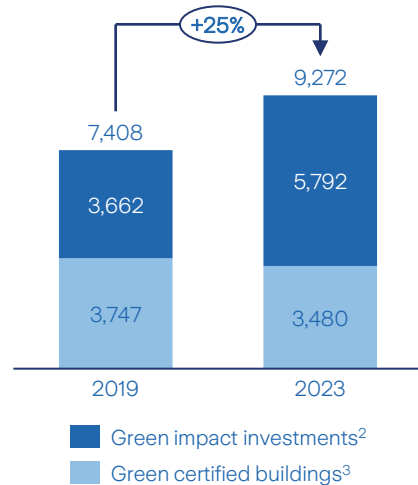
## Approach

- **Increase portfolio allocation to climate solutions**, defined as investments in economic activities that contribute substantially to **climate change mitigation or adaptation**<sup>1</sup>:
  - reducing greenhouse gases by avoiding emissions and/or by sequestering carbon dioxide already in the atmosphere
  - enhancing adaptive capacity, strengthening resilience and reducing vulnerability to climate change
- Contribute to and **foster growing market-wide pipeline of climate solution investments** suitable to institutional investors

Investments in climate solutions enhance our existing long-term engagement to provide green financing solutions under our impact investing strategy and also count investments in green certified buildings

## Progress to date

Climate solutions investments (USDm)



## Case study: Coal plant decommissioning

- **Investment:** Invested USD 24m as part of USD 200m financing to support phase-out of last two coal-fired power plants in New Jersey, U.S.<sup>4</sup>
- **Outcome:** Decommissioning expected to result in reduction of 3.9 million metric tonnes of CO<sub>2</sub>e in the atmosphere, and supported New Jersey's Energy Master Plan

<sup>1</sup> In alignment with existing climate related sustainability taxonomies and other generally acknowledged climate related frameworks.

<sup>2</sup> Green impact investments refer to environmental share of Zurich's impact investments.

<sup>3</sup> Green certified buildings based on balance sheet investments, and include buildings used by Zurich.

<sup>4</sup> Both plants ceased generating coal energy by June 2022.

# Demonstrating our commitment with a 5% impact investment target<sup>1</sup>

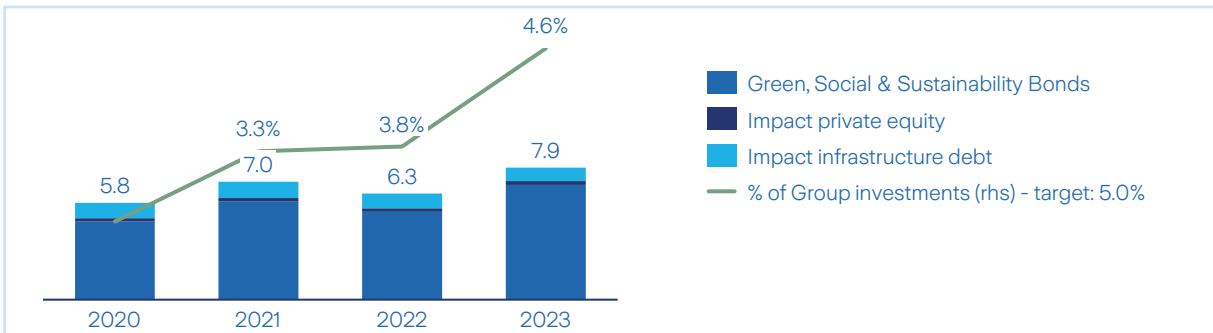
Investments that focus on generating **real economic impact**

**Intentional**  
Targeting specific social and/or environmental impact

**Measurable**  
Focused on delivering tangible impact/outcome

**Profitable**  
Seeking market rate returns

Impact investment portfolio, by asset class (USDbn)

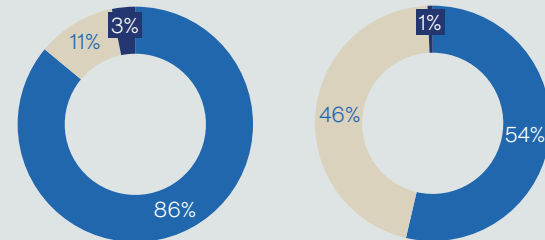


## Mitigating environmental risk and increasing community resilience

### 2023 Impact metrics

4.5m metric tonnes CO<sub>2</sub>e emissions avoided

4.6 m people benefited from positive contributions to lives and livelihoods



<sup>1</sup> Commitment to invest 5% of Group Total Investments by 2025.

# Active ownership to drive the shift to sustainable practices

## Approach

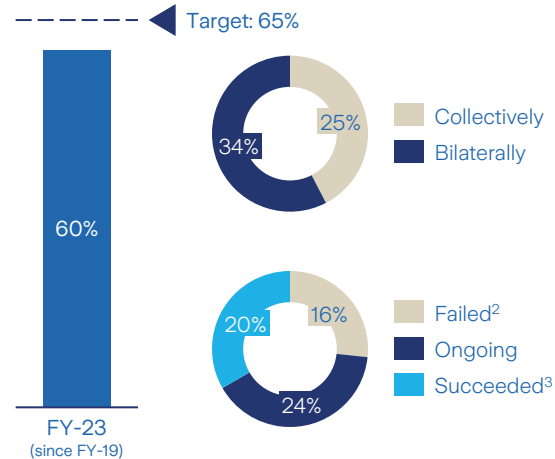
- Engage with investees representing **top 65% of financed emissions** without science-based targets<sup>1</sup>
- Engagement led by Investment Management and/or Underwriting, either **bilaterally** with company (one-on-one) or **collectively** (e.g. through Climate Action 100+)
- Collaborate with our asset managers** to highlight best practices for climate-conscious active ownership
- Quarterly monitoring** of investee companies and their net-zero commitments
- Where engagements **fail**<sup>2</sup>, Zurich will vote against investee company board members at shareholder meetings and as a last resort, will actively reduce portfolio holdings

### Engagement objective:

Investee companies to commit to own net-zero journey and set own emission reduction targets aligned with Paris Agreement<sup>3</sup>

## Progress to date<sup>4</sup>

Engagement with investees lacking emission reduction targets<sup>1</sup> aligned with the Paris Agreement:



## Case study: European utility company

- Company:** heavy CO<sub>2</sub>e emitter in underwriting and investment portfolio due to its coal-fired power generation (above defined 30% threshold)
- Engagement:** ongoing active dialogue since 2019, coordinated between investment and underwriting – focused on company's transition to renewable energy
- Current status:** company committed to set science-based reduction pathway, investing EUR 50 billion by 2030, doubling installed capacity from renewable energy to 50 gigawatts

<sup>1</sup> Based on assessment carried out in 2019 (baseline) based on SBTi.

<sup>2</sup> Engagement failed under the thermal coal, oil sands and oil shale policy where a company is failing/refusing to set credible emission reduction targets after due dialogue.

<sup>3</sup> Engagement succeeded if a company has publicly committed to science-based net-zero targets (under SBTi) or an equivalent scientific verification body.

<sup>4</sup> All percentages shown correspond to share of financed emissions without net-zero targets in 2019 (baseline); progress shown is cumulative since the end of 2019.

# We are confronted with multiple challenges as we pursue our ambition to transition to a net-zero investment portfolio



## Externalities

- Reliance on transition in real economy
- Differences in trajectory of decarbonization pathways across industries
- Dependency on asset managers' capabilities



## Measurement

- Corporate emissions:
  - Data availability
  - Data quality
- Attribution
- Enterprise value for relative emission intensity



## Portfolio construction

- Reduction in investable universe
- Sector concentration
- Diversification
- ALM<sup>1</sup> considerations
- Risk-return trade-offs



## Risks

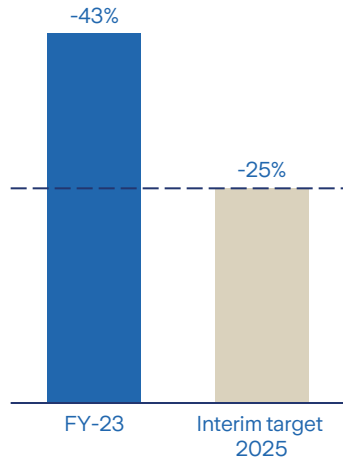
- Stranded assets
- Default risk
- Reputational risk

<sup>1</sup> Asset Liability Management (ALM).

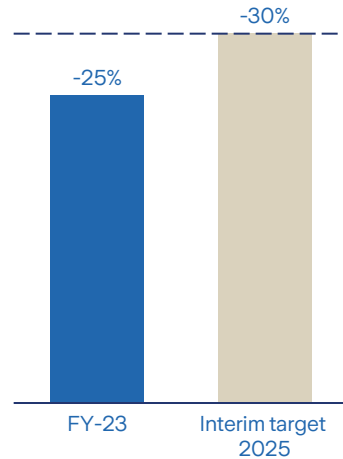
# We are on track to deliver on our 2025 interim targets for our investment portfolio

## Reduction of financed emissions

Listed equity and corporate bond investments<sup>1</sup>



Direct real estate investments<sup>2</sup>



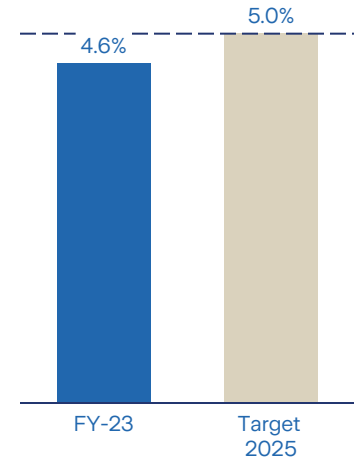
## Climate action

Engagement with investees without science-based targets<sup>3</sup>, representing financed emissions



## Impact investments

Share of Group total invested assets in impact investments

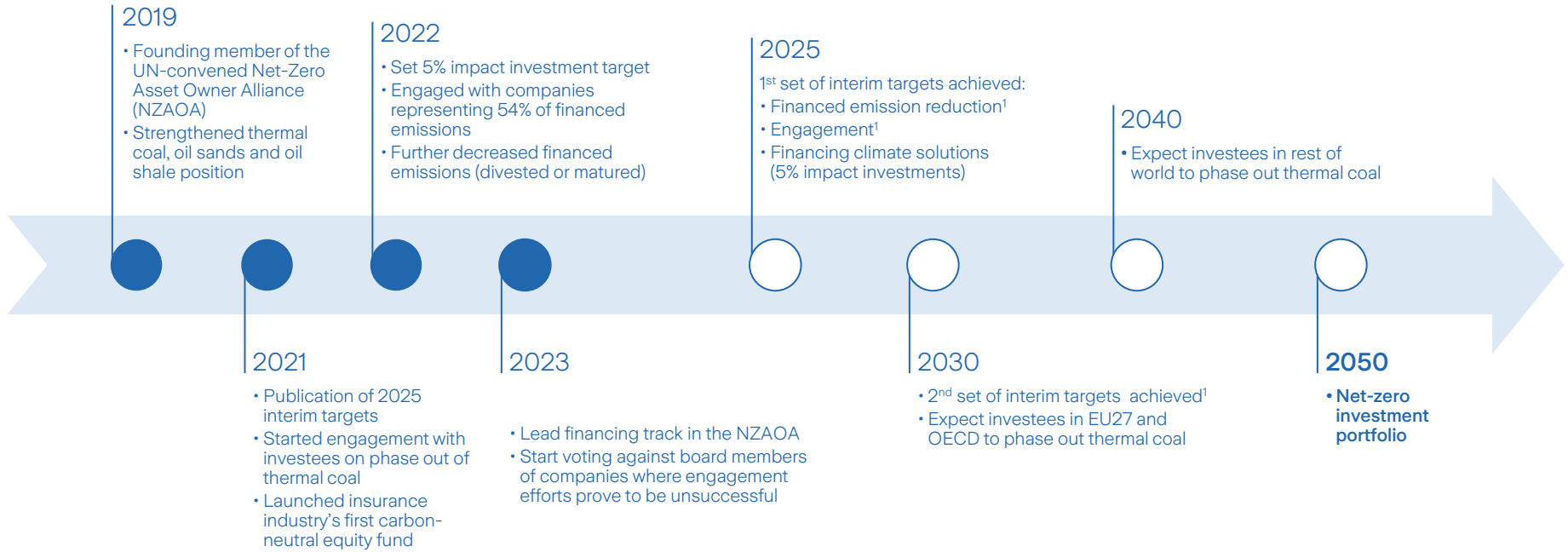


<sup>1</sup> Reduction of emissions intensity (Scope 1 and Scope 2), measured in metric tonnes of CO<sub>2</sub>e per USD million invested, compared to the 2019 baseline.

<sup>2</sup> Reduction of emissions intensity, measured in kilograms of CO<sub>2</sub>e per square meter, compared to the 2019 baseline.

<sup>3</sup> Engagement with companies producing 65% of portfolio emissions and lacking targets aligned with the Paris Agreement. Cumulative progress since end of 2019.

# We are progressing on our journey to reach net-zero in investments by 2050



<sup>1</sup> Based on previous year's end data



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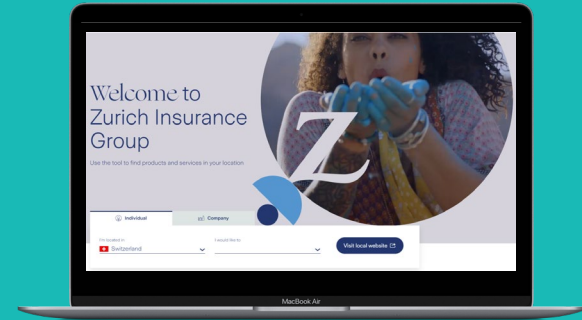
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