

Zurich Insurance Group



# Corporate responsibility highlights 2017



## Corporate responsibility highlights 2017

Corporate responsibility (CR) is integrated into Zurich's strategy. We aim to create sustainable value for all our stakeholders to ensure we meet and exceed the goals embodied by our purpose, values and our code of conduct.



### About Zurich

Zurich is a leading multi-line insurer that serves its customers in global and local markets. With about 53,000 employees, it provides a wide range of property and casualty, and life insurance products and services in more than 210 countries and territories. Zurich's customers include individuals, small businesses, and mid-sized and large companies, as well as multinational corporations. The Group is headquartered in Zurich, Switzerland, where it was founded in 1872.

To read about how CR fits into our Group Strategy, please refer to our 2017 Annual Report. <https://annualreports.zurich.com/2017/en/annual-report>

### Our cover

In 2017, we continued to work with the International Federation of Red Cross and Red Crescent Societies (IFRC) and the Mexican Red Cross in 20 communities in Tabasco, Mexico, to increase risk awareness and support sustainable efforts to reduce exposure to floods.

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### Further information

Please visit [www.zurich.com](http://www.zurich.com)  
Email: [corporate.responsibility@zurich.com](mailto:corporate.responsibility@zurich.com)

This report provides information on some of the key areas in which Zurich made progress in corporate responsibility (CR) in 2017, including our continued commitment to the United Nations Global Compact and becoming a signatory to the United Nation's Environment Programme Finance Initiative (UNEP FI) Principles for Sustainable Insurance (PSI).



Insurance creates value for society. It allows people and businesses to protect themselves from risk and helps them become – and remain – prosperous and resilient. Risks are becoming more complex and interconnected as a result of climate change, globalization, urbanization and technological development.

Insurers are increasingly expected to use their core skills to help communities and society become more resilient to these interconnected risks. The premiums we invest in capital markets also help to finance businesses and projects that are important for society. CR is an integral part of Zurich's strategy. By acting responsibly in everything we do, we aim to create sustainable value for all our stakeholders.

## CR at Zurich

For Zurich, CR is at the heart of our culture. It produces sustainable value for our customers, employees, shareholders and the communities where we live and work. We are proud of what we achieved in 2017. Together with members of the Zurich flood resilience alliance, we continued to help communities reduce flood risk. Our investments in green bonds have grown substantially from USD 1.4 billion in 2016 to USD 2.4 billion in 2017, exceeding our USD 2 billion target. Zurich also increased its commitment to impact investments and introduced impact targets to expand its impact investment portfolio commitment to USD 5 billion. It aims to avoid 5 million metric tons of CO2 equivalent emissions and improve the lives of 5 million people per year. Our investment in community programs from total charitable cash contributions was USD 23.1 million in 2017. Committed to minimizing our global environmental footprint, we achieved a 53-percent reduction in carbon

emissions per employee and a 43-percent reduction in energy consumption per employee in 2016, ahead of our planned target schedule (based on a 2007 baseline). In 2017, we defined new reduction targets, to achieve and maintain an at least 20-percent reduction in energy and carbon, based on a new 2015 baseline, until 2025.

In the 2017 Dow Jones Sustainability Indices (DJSI) review, Zurich achieved a score of 83 and outperformed 98 percent of other companies in the insurance industry group. In addition, Zurich improved its score to 'A-' leadership level from 'B' management level in 2016 in our annual CDP Climate Change response.

Zurich's approach to proactively address environmental, social and governance (ESG) factors as part of our day-to-day business activity also supports several of the UN Sustainable Development Goals (SDGs). Our approach to these goals is outlined in this report.

## CR management framework

The Executive Committee (ExCo) and the Board of Directors of Zurich Insurance Group Ltd (Board) take an active role in overseeing and implementing our approach to CR. The Governance, Nominations and Corporate Responsibility Committee, a standing committee of the Board, reviews and approves the Group's CR strategy and objectives.

The CR Working Group, set up by the ExCo, ensures that we achieve our CR objectives. The Working Group comprises senior representatives from across the business and in 2017 was chaired by the Chief Executive Officer, Europe, Middle East & Africa. A key aim is to embed responsible decision-making and actions into everything we do. To ensure accountability, each of our CR focus areas is assigned to an ExCo member. The relevant business units and Group functions determine the approach and method for delivering the agreed-upon objectives.

## External commitments and indices

Zurich became a signatory of the UN Global Compact in July 2011 and a signatory of the Principles for Responsible Investment (PRI) in July 2012. In October 2017, Zurich became a signatory to the UNEP FI Principles for Sustainable Insurance.

In the 2017 DJSI Review, Zurich achieved a score of 83, outperforming 98 percent of other companies in the insurance industry group and receiving Silver Class distinction. Zurich is a member of the DJSI World and DJSI Europe Indices.

Zurich has submitted a CDP response annually since 2004. CDP, formerly the Carbon Disclosure Project, is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. In 2017, Zurich improved its score to 'A-' leadership level in our annual Climate Change response from 'B' management level in 2016.

Zurich has been a constituent of the FTSE4Good Index Series since the Index was introduced in 2001. Our ESG Rating Absolute Score in December 2017 was 4.0 compared with the highest possible score of 5.

Zurich is also a constituent of the MSCI ESG Select Leaders Index. MSCI is an independent provider of research-driven insights and tools for institutional investors. Our MSCI ESG rating in March 2017 was 'AA'.

MEMBER OF  
**Dow Jones**  
**Sustainability Indices**  
In Collaboration with RobecoSAM

 **ROBECOSAM**  
Sustainability Award  
Silver Class 2018

 **PRI** | Principles for  
Responsible  
Investment

  
**UNEP**  
FINANCE  
INITIATIVE

  
**PSI**  
Principles  
for Sustainable  
Insurance

  
**FTSE4Good**

## UN Global Compact

### Living up to our commitment



#### Statement of continuing support

Zurich became a signatory of the UN Global Compact in July 2011 because we believe that being a responsible company is fundamental to our long-term sustainability. As a signatory, we are committed to aligning our strategy, culture and day-to-day operations with the Global Compact's 10 universally-accepted principles in the areas of human rights, labor, environment and anti-corruption. The principles of the Global Compact complement our purpose, values and code of conduct, and all Zurich employees are expected to live up to them.

Our continued commitment to the Global Compact's principles on human and labor rights, the environment and anti-corruption is expressed in this report. We are committed to embracing, supporting and enacting these principles within our sphere of influence, and we will regularly communicate our progress.

**Mario Greco**  
Group Chief Executive Officer,  
Zurich Insurance Group

See page 23 for UN Global Compact – links to relevant information on our website.



## Focus on our people

An organization is only as strong and as good as its people. We continue to focus on identifying the right people for the right roles at the right time, helping them to unleash their full potential through targeted development. This benefits our employees and our customers. We need to be able to recruit, develop and retain a diverse and talented workforce that can thrive in a culture of mutual trust, respect and inclusion.

Our diversity and inclusion framework is designed to shape an environment that:

- Encourages and values different views and opinions
- Respects employees' personal needs
- Provides equal opportunities regardless of gender, race, ethnicity, age, sexual orientation or other aspect of difference.

In November 2015 Zurich became the first global company in the insurance industry to be certified by 'EDGE' (Economic Dividends for Gender Equality). As of 2017, we had 12 countries EDGE certified and we are one of only six brands to be recognized at EDGE 'Move' level for demonstrating our progress in improving gender equality. Our decision to apply for EDGE certification demonstrates our aim to improve gender equality and empower women in the workforce.

We want to give people equal opportunity to deliver, and we aim to compensate our people fairly through pay, promotions and opportunities. Working with EDGE, we have developed an Equal Pay Analysis Tool that enables us to review equal pay for equivalent work in like roles. This tool has been audited and verified by an independent third party and is accessible across our business.





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## Enhancing community flood resilience

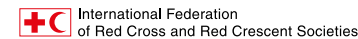
### Highlights in 2017

Floods affect more people globally than any other natural hazard and this is something we experienced across the world in 2017. Addressing underlying flood risks is more efficient and cost effective than simply providing relief after floods have occurred. Flood resilience is a complex issue and tackling it demands a multi-stakeholder approach. Zurich's flood resilience program has brought together an alliance of community, academic and private sector members. In recognition of our cross-sector collaboration model, and for our approach to flood resilience, we have

received various prizes since the program was established in 2013, including the prestigious United Nations Framework Convention on Climate Change (UNFCCC) Momentum for Change Award in 2014.

In 2017, in Peru, together with our implementing partner Practical Action, the flood resilience alliance won the PODER 'Think Tank of the Year' award. In Mexico, the Mexican Center for Philanthropy (Cemefi) recognized our flood resilience program model, based on working through cross-sector alliances that make the most of knowledge and expertise shared among different areas of specialization.

### Members of our flood resilience alliance



Global influence and scale to reach the most vulnerable communities

Technical innovation to understand the impact of climate change on floods

#### Community members:

- The International Federation of Red Cross and Red Crescent Societies (IFRC)
- Practical Action, UK

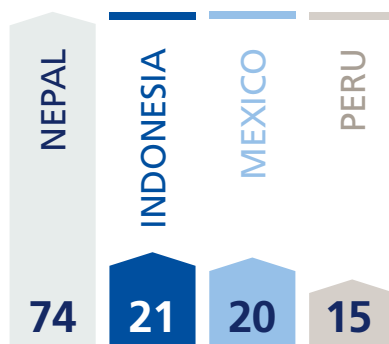
#### Academic members:

- The Wharton School, University of Pennsylvania
- The International Institute of Applied Systems Analysis (IIASA), Vienna

**Zurich works within this alliance to ensure that the knowledge and ideas it generates fit the needs of local communities, and that these ideas can be put into practice.**

## Action at a community level

Our work with the International Federation of Red Cross and Red Crescent Societies (IFRC) began in 2013 and continued in 2017 in Mexico and Indonesia. In Mexico, the focus is on flood-vulnerable clusters of communities in Tabasco, where standing flood waters of the Usumacinta river affect areas for months at a time. In 2017, we continued to work with 20 communities in Tabasco to increase risk awareness and support the implementation of sustainable interventions to reduce exposure to floods. Such efforts include ways to enhance the livelihoods of people in the communities and helping them secure income during floods. The work there also includes building multi-purpose community centers that can also serve as emergency shelters, supporting flood brigades, improving the safety of water supplies and sanitation systems and enhancing both lead time and warning capability ahead of flooding. In Indonesia, work continued across 21 communities in West and Central Java, extending the use of the Flood Early Warning Early Action System (FEWEAS) from the Bengawan Solo river to a second river basin, the Citarum; enhancing business plans for community waste management projects and continuing to develop evacuation places, response teams and flood awareness and response training. In the early part of the year, the program launched a local innovation challenge, seeking new ideas to build flood resilience at a community level. This process unearthed some interesting ideas, including cost-effective water filtration and flood awareness games for children. In both Mexico and Indonesia, we have applied our unique flood resilience measurement framework to improve decision-making which interventions to prioritize and to measure progress on becoming more flood resilient.



Number of communities worked with

Work in Nepal and Peru is being carried out through our five-year alliance with Practical Action. In Nepal, we work in 74 communities in the Karnali river basin to strengthen early warning systems and improve livelihoods, helping communities to better withstand the threats posed by floods. We have taken the flood resilience measurement framework to a broader level, and used the results for improved decision-making on resilience projects. These include training farmers in alternative farming practices, and setting up local knowledge centers to increase flood awareness. Work continued on early warning systems, increasing lead times from as little as two hours to as much as seven hours in major river basins in Nepal, giving people more time to get to safety. Efforts to integrate the warning systems into the government's Department for Hydrology and Meteorology's procedures was particularly successful there, too. Thanks to these systems, in the Babai watershed during the intense monsoon floods in August 2017, early warnings reached 50,000 people, giving people the opportunity to save their lives and critical assets,

reducing loss compared with other areas that have no such systems. In the Piura and the Rimac river basins in Peru we are working with 15 communities to improve their understanding of nature-based solutions. We are also helping them to develop and use novel approaches to implement early warnings of flash floods. These measures will make communities in the region more resilient to repeated floods and enhance evacuation routes and flood emergency plans. The local teams, in their dealings with public authorities, were strong advocates for investing more in pre-event resilience.

Practical Action also enhanced its 'Vulnerability to Resilience' (V2R) program in 15 communities in Bangladesh, sharing what it has learned from its work in Nepal and Peru with this program, which was funded by the Z Zurich Foundation. We also help communities to develop their own support teams to prepare for various types of flood events related to El Niño and support them in working with local governments to reduce disaster risk.



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In the U.S., the community work with the National Academy of Sciences has continued in Charleston South Carolina and Cedar Rapids Iowa.

## Generating knowledge to build a case for flood resilience

In 2017, our research alliance with two academic research institutions, Wharton School of the University of Pennsylvania in the U.S., and the International Institute for Applied Systems Analysis (IIASA) in Austria, continued to produce valuable findings and research publications.

At a policy level, the alliance jointly published a paper on disaster resilience – what it is and how it can engender a meaningful change – in a journal on development policy. The first findings from evaluating the flood resilience measurement framework were published by IIASA and the measurement working group in the Natural Hazards and Earth Systems Sciences' journal, concluding that there is an urgent need for the continued development of theoretically



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anchored, empirically verified, and practically applicable disaster-resilience measurement frameworks and tools. The Wharton School looked at the issue of moral hazard in flood insurance. Moral hazard describes a situation in which undue risks are taken because of skewed economic incentives, for example, when the costs of risky behavior are incurred by someone else. They reported on empirical evidence from Germany and the U.S., finding that moral hazard leads policyholders to do less preparation for disasters, which increases the risks. The PERC experts from IIASA, the Institute for Social and Environmental Transition (ISET) and Zurich were invited to contribute a chapter to an AGU Wiley book on disaster forensics, which was published in 2017.

Zurich, in collaboration with IIASA and ISET, added to its library of PERC studies, publishing a review of the weak El Niño phenomenon in 2015/2016, and subsequent coastal flooding in Peru in 2016/2017. It also published a review of devastating flash floods in southern Germany in May 2017. This review, written together with Zurich Germany, shed light on such floods, which can be extremely dangerous and costly, harboring risks that are often underestimated.

### Applying our flood resilience measurement framework

Since its inception, the flood resilience alliance has worked together to gain a thorough understanding of community flood resilience, allowing us to design more effective ways to solve problems and also measure the impact of our solutions. We began implementing our flood resilience measurement tool in 2016 after training community members in how to use it. This is the first practical application of a measurement framework for resilience of its kind.

In 2017 we continued to make important progress in applying and evaluating the framework, based on contributions from all

the flood resilience alliance members and four additional community organizations (the National Academy of Sciences in the U.S., Concern Worldwide with programs in Afghanistan and Haiti, Plan International in Nepal and Mercy Corps in Indonesia, Nepal and Timor-Leste).

All these organizations also applied the tool in their flood-related community programs in 2017, using it in over 100 communities, and implementing resilience-building projects based on the findings from the baseline measurements the tool provided. Many applications of the tool have been extended beyond the initial communities where they were introduced, making use of networks and collaboration opportunities with local NGOs, academia and the public sector in their respective geographies. Through repeated application of the measurement framework in those communities following interventions to build resilience, and a thorough post-flood measurement in cases where floods occur, we will be able to identify the changes in those communities and how this has enabled them to be more resilient. Our research colleagues and those using the tool in the field collaborated closely throughout 2017. This has helped them to understand how the tool works and how it provides additional insights and value to the communities' work on the ground. Shared findings and experiences were included in a report IIASA published on the tool and the measurement working group, providing us with insights to further refine the tool.

**In Nepal, we work in 74 communities in the Karnali river basin to strengthen early warning systems and improve livelihoods, helping communities to better withstand the threats posed by floods.**



### Engaging Zurich's people

Zurich's approach to building our flood resilience alliance goes beyond financial contributions. We also aim to include Zurich's employees, who contribute valuable knowledge and expertise. In 2017, local Zurich businesses found opportunities to share staff even as deployment at the Group level decreased. In Mexico, two members of Zurich Mexico's risk engineering team evaluated Practical Action's evacuation shelter approach in Peru. And in Indonesia, the local Zurich business provided training to support further development of waste management operations in Tugu Utara village on the Ciliwung river. Zurich volunteers in Mexico and Indonesia were also engaged through Zurich Community Week activities.



In 2017 Zurich employees contributed to several major forums and bodies focused on reducing disaster risk and/or drafting public policy on disaster risk reduction and mitigation. Zurich represented the private sector as a member of the Swiss government's delegation at the United Nation's International Strategy for Disaster Reduction (UNISDR) Global Platform in Cancun, Mexico in 2017. The Global Platform is the main global forum that reviews and supports systematic approaches used to manage and address disaster risks. We participated in discussions on the importance of insurance in financial risk transfer, and the role of the overall insurance industry in helping to reduce disaster risk. Zurich took part in research projects and discussions on incentives and barriers to reducing disaster risk at the European Commission in Brussels. In addition, we shared our expertise in community resilience with the Swiss Non-Governmental Organization (NGO) Platform on Disaster Risk Reduction and with the Swiss Development Corporation (SDC).

### Zurich catalyzes innovation

In 2016, Zurich and the Global Resilience Partnership (GRP) launched a new competition through the GRP's Global Resilience Challenge program: the grant-based Water Window seeks to identify and develop locally-driven innovations and high-impact solutions to improve water resilience. To test new and innovative ideas we offered seed grants of up to USD 250,000. For ideas that were already shown to work, we offered 'scale grants' of up to USD 1 million to expand the impact of these approaches. Zurich in total is investing USD 10 million in the Water Window provided by the Z Zurich Foundation.

In 2017, 12 projects run by 11 organizations started operations under the Water Window challenge, including two which will use Zurich's flood resilience measurement tools as part of their approach. These projects aim to benefit in excess of 900,000 people over a 12-month cycle. Nearly 60,000 people were reached in the first four months. Early in the

year, people implementing the programs came together to share what they'd learned, including developing a better understanding of Zurich's flood resilience framework and tools. Further workshops will help to distill what has been learned from the projects, helping the GRP to promote successful ideas on a broader scope.

### Zurich flood resilience program enters a new multi-year phase

In 2017, we finalized plans to extend the Zurich flood resilience program. After its initial phase of operation, in consultation with alliance members and others, we agreed to extend it from 2018 to 2023. During the first six months of 2018 we will complete the groundwork for this new phase. This will include ensuring we have a strong impact measurement framework in place. The next phase of operations will begin on July 1, 2018. We have an ambitious target of attracting more investment into prevention actions and resilience building instead of post-event relief and recovery.



## Investing our Group assets responsibly

Responsible investment can mean different things to different people. Zurich has chosen to pursue it primarily in three ways:

- **ESG integration** – besides examining financial performance, we also assess the environmental, social and governance (ESG) ‘performance’ when analyzing individual investments and investment managers. We take these assessments into account when we decide whether to buy or sell assets.
- **Impact investing** – we fund institutions or projects that, besides generating a safe, adequate return, have a targeted and measurable positive impact on the environment or society.
- **Advancing together** – responsible investing is a story that is still being written. We are helping to write it, together with a broad group of stakeholders.

Over the course of 2017 we made further progress in applying our approach.

### Highlights in 2017

**How to deal with climate change:** Zurich has defined a clear strategy to reflect climate change in its investment approach. Every business and asset will be affected by climate change and the collective action taken to mitigate or adapt to it. The impacts of climate change run through all the elements of our responsible investment strategy and we are committed to action in several areas including monitoring climate change risk scenarios, strengthening ESG integration with a clear focus on opportunities and risks associated with climate change, financing the transition to a low-carbon economy, driving

change through private and public sector advocacy and selectively excluding companies related to the mining of or electricity generation from thermal coal. The overall approach is detailed in ‘**Responsible Investment at Zurich: What we want to achieve, and how we do it.**’

**Impact investing:** In 2017 we reached our goal of investing USD 2 billion in green bonds. In a year that saw the largest issuance of green bonds to date, including some of the first sovereign green bonds, we grew our global green bond portfolio from USD 1.4 billion in 2016 to USD 2.4 billion at the end of 2017. Green bonds provide capital exclusively used to finance projects with environmental benefits.

We currently hold over 150 green bonds in our portfolio, from 90 issuers in nine currencies, supporting green projects ranging from renewable energy generation to sustainable real estate or water management improvements.

We also continue to support the growth and development of the green bond market beyond our financial investments, for instance, as deputy chair of the Green Bond Principles’ steering committee.

Overall, our impact investment portfolio grew from USD 1.7 billion in 2016 to USD 2.8 billion in 2017, including not only green, but also social and sustainability bonds, as well as commitments to four private equity funds.

**Zurich increased its commitment to impact investments and introduced impact targets:** Having achieved our green bond target allocation, we increased our commitment to impact investments to USD 5 billion on an overall portfolio level, and for the first time complemented the exposure with impact targets: We are aiming to build an impact portfolio that helps to avoid 5 million tons of CO<sub>2</sub> equivalent emissions and improve 5 million people’s lives on an annual basis. Zurich believes it is the first private-sector investor to introduce impact targets for its investment portfolio.

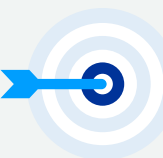
## Shaping a more resilient tomorrow

As leaders in sustainability, we aim to double our impact investments to **USD 5 billion**

Our annual targets

to help avoid **5 million tons** of CO<sub>2</sub> emissions

and benefit **5 million people**

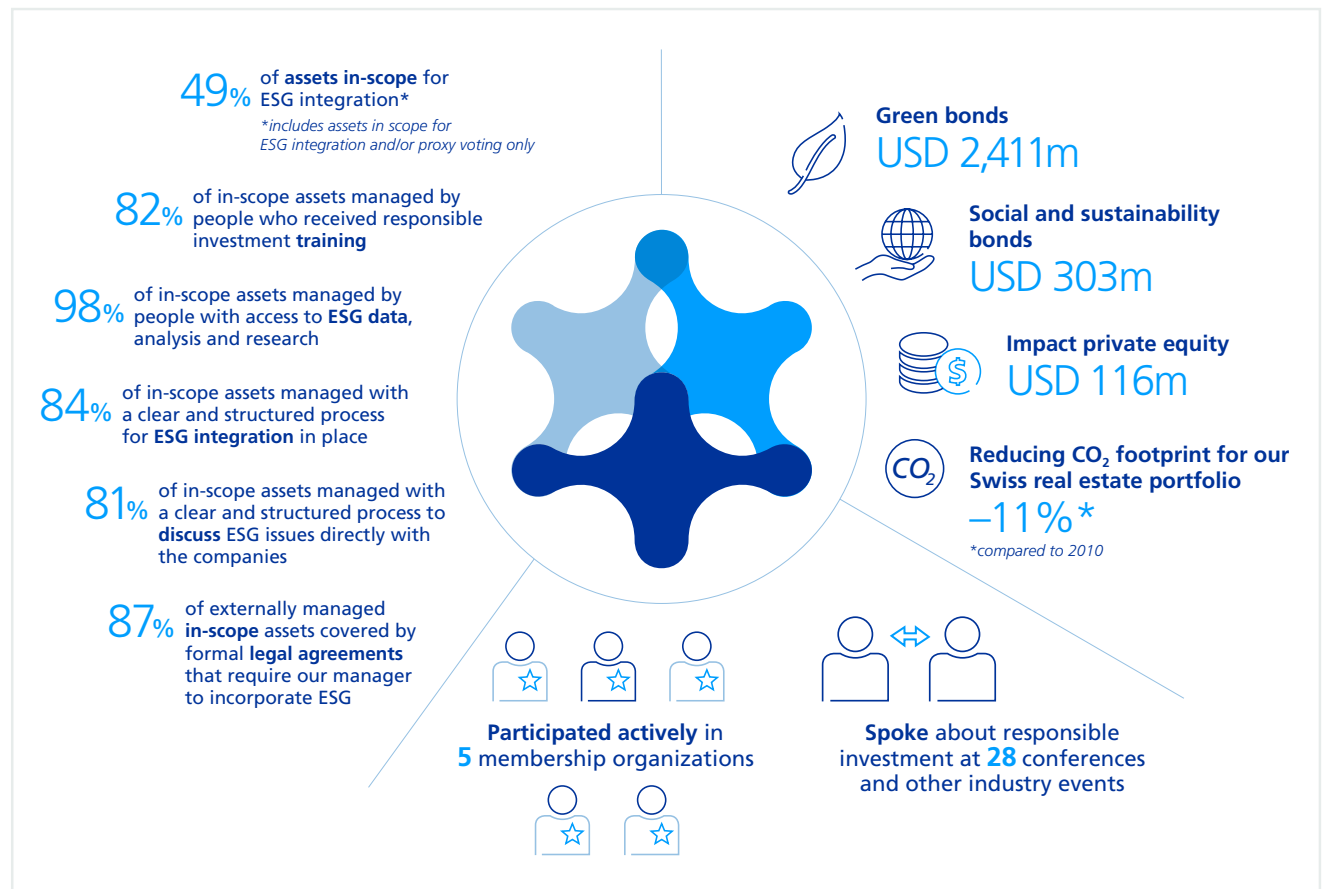


**ESG integration:** We are amending legal agreements with our external asset managers on a continuous basis to explicitly require that they apply responsible investment practices; over 80 percent of investments designated to be in scope of our ESG integration approach are now covered by investment management agreements referencing ESG integration.

We have updated our proxy voting policy. While most of our equity investments are managed externally, we have now put in place all necessary policies and procedures to actively exercise our voting rights as a shareholder for equity investments that are managed internally.

**Advancing together:** We believe it's critical to engage all market participants in a dialogue on responsible investment. Over the course of 2017, we led conversations about responsible investment with our external asset managers; engaged with policymakers and regulators on the topic of green finance; encouraged banks to integrate sustainability assessments in their research; and spoke at 28 industry events. We also remain actively involved in various industry initiatives, such as the Investment Leaders Group (ILG), which we joined as a founding member in 2013.

**Awards:** Our achievements in green finance were honored by winning two awards from GlobalCapital Magazine: Zurich was named the 'Most impressive Green/SRI investment firm 2017' and Johanna Köb and Manuel Lewin, members of the Responsible Investment team, earned first and second place respectively as 'Most impressive Green/SRI investment professional 2017.'



## Responsible investment KPIs

	2017	2016	Change	2015	2014	2013
External asset managers who are signatories to PRI <sup>1</sup> (%)	<b>71.0%</b>	74.1%	(3.1 pts)	70.4%	67.9%	58.3%
Group assets managed by PRI signatories <sup>2</sup> (%)	<b>97.2%</b>	97.7%	(0.5 pts)	98.1%	98.8%	95.1%
Total amount of impact investments <sup>3</sup> (USD millions)	<b>2,830</b>	1,704	66%	1,031	667	236
Investment portfolio <sup>4</sup> (USD millions)	<b>207,261</b>	195,852	6%	191,238	204,860	207,280

<sup>1</sup> The United-Nations supported Principles for Responsible Investment (PRI).

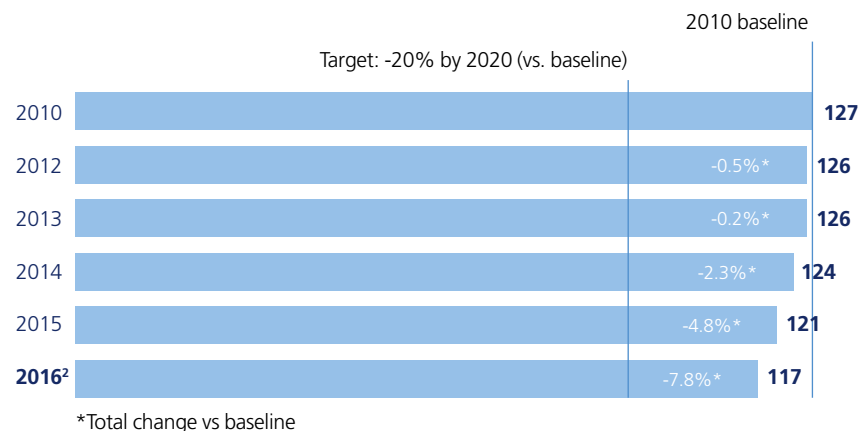
<sup>2</sup> Including assets managed by Zurich.

<sup>3</sup> Impact investments in 2017 consisted of: green bonds (USD 2.41 billion), investments committed to private equity funds (USD 116 million, thereof 38 percent drawn down) and other investments (USD 303 million).

<sup>4</sup> Starting in 2017, the 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.

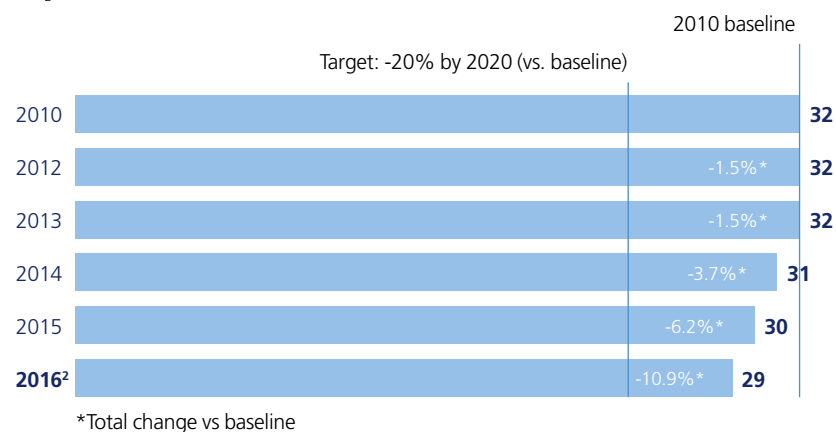
## Impact of real estate investment

Energy consumption<sup>1</sup> (kWh per sqm)



## Impact of real estate investment

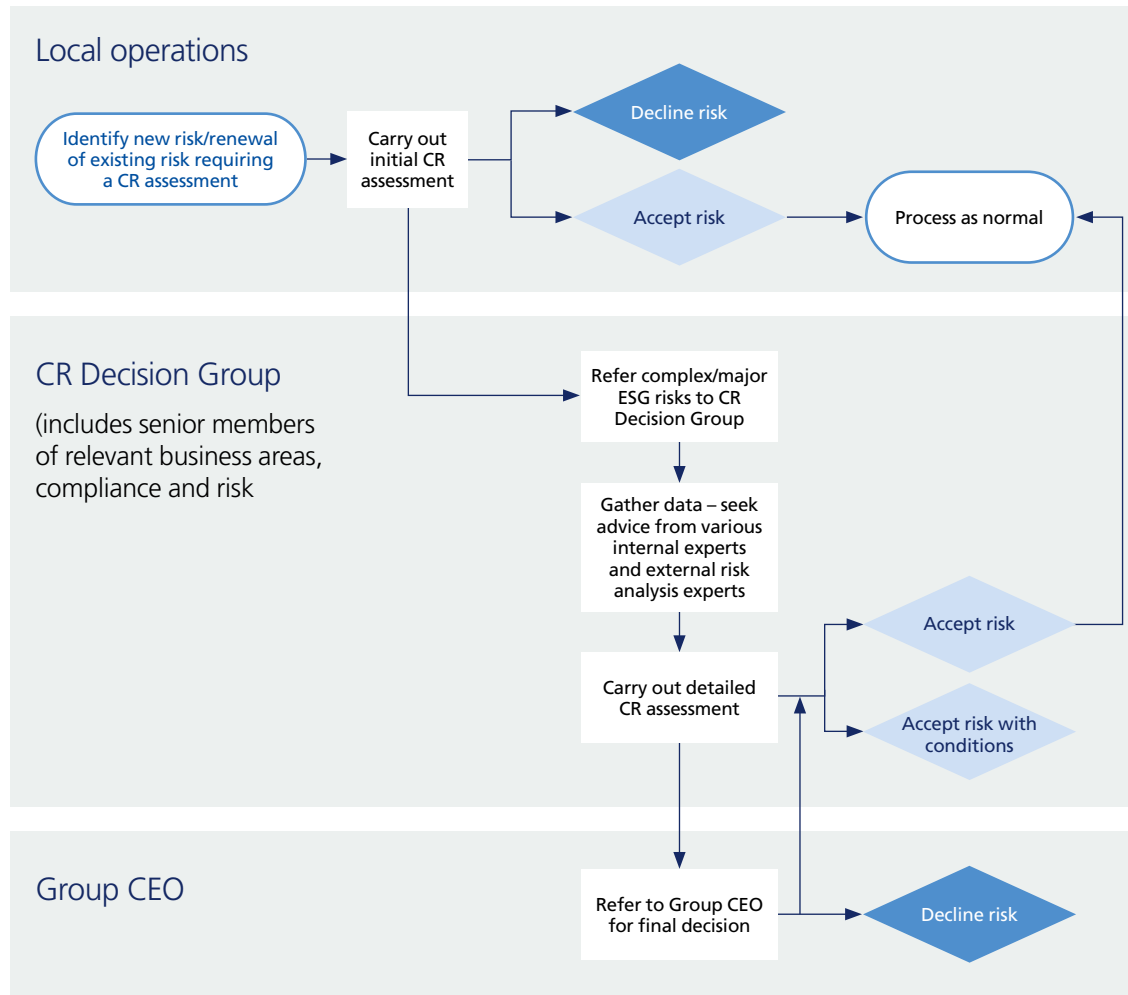
CO<sub>2</sub>e emissions<sup>1</sup> (kg per sqm)



<sup>1</sup> Scope includes real estate investments in Switzerland (54% of global direct real estate investment value). Buildings in the real estate investment portfolio are largely not used by Zurich. The environmental footprint of Zurich's own-use real estate is reported in Zurich's environmental section. The data are based on meter readings and energy supplier information and are heating degree adjusted. The baseline differs from data reported until 2013, in which data was solely extrapolated from energy bills and was not heating degree adjusted.

<sup>2</sup> Impact of real estate investment data 2017 will be available in Q1 2019.

## Mitigating ESG risks in underwriting



### Highlights in 2017

Zurich uses a three-step approach that systematically detects, assesses, and mitigates major ESG risks inherent in specific business transactions. This is part of the local underwriting process. Concerns about risks can be escalated to the Corporate Responsibility Decision Group (CR Decision Group) to assess sensitive or complex corporate responsibility risks and provide direction as to the appropriate mitigation actions. This group includes senior members of relevant business areas in compliance and risk. We track and analyze the outcome of risk assessment and risk mitigation efforts.

Using our proprietary risk-profiling methodology, we have prioritized five key areas of concern. The first is banned cluster munitions and anti-personnel land mines. In business cases where these issues arise, we have decided not to engage in new business with customers who pose concerns, and to raise the issue of ESG risks with those existing customers where we believe these issues are relevant. The second area of concern is thermal coal. In 2017, Zurich decided to apply its existing ESG risks in business transactions process to the thermal coal sector where we aim to use our role as a leading commercial insurer to foster dialogue around the impact of coal on climate and the steps needed to transition to a low-carbon economy. The other three areas of concern are dam construction, mining, and oil and gas activities, where we closely screen governance, human rights and environmental risks. In addition, Zurich avoids doing business with counterparties that may use child labor, forced labor, or conduct operations that could jeopardize health and safety, or offer unfair remuneration.

Zurich tracks and monitors volumes and types of corporate responsibility risks in business transactions internally within the Group and externally with a third-party 'risk radar' expert. Significant changes in ESG performance can be monitored and assessed accordingly. In addition, using tools such as the Zurich Risk Radar and Zurich's global and interdisciplinary Emerging Risks Group (ERG) we analyze potential risks, including those related to environmental, social or climate issues.

**In 2017, Zurich decided to apply its existing ESG risks in business transactions process to the thermal coal sector.**

### Anti-bribery and anti-corruption

Zurich is committed to fair and responsible business and prohibits all forms of bribery or corruption, and any business conduct that could create the appearance of improper influence. Zurich's anti-bribery and anti-corruption Group policy sets out our global framework addressing the common areas of risk and includes the requirement for local compliance functions to appoint an anti-bribery and anti-corruption officer; complete a focused anti-bribery and anti-corruption risk assessment; identify and record appropriate mitigating processes within the business; and embed appropriate management information, key performance indicators, reporting and monitoring processes.

## Investing in our local communities



### Highlights in 2017

- The Z Zurich Foundation continued to support Zurich's award-winning flood resilience program. In 2017, the Foundation invested CHF 8.81 million to finance the alliance community and research collaboration and the Water Window.
- The Z Zurich Foundation seeks to support people and communities in building a better, more resilient future. Our Local Programs initiative gives Zurich offices an opportunity to apply for funding to support local long-term community investment initiatives to address some of society's biggest challenges in areas such as health and wellbeing, youth empowerment and disaster resilience. In 2017, the Foundation supported youth programs in Spain, Morocco, Austria, Isle of Man, Sweden and Germany; mental health initiatives in Bermuda and Ireland; physical health programs for children in Malaysia and Brazil, and resilience initiatives in Canada, North America and Mexico.

- During 2017, employees volunteered over 128,000 business hours, more than 22,500 of which were skills-based.
- In addition, we have looked for ways for our community programs to support our wider corporate responsibility (CR) agenda. A great example of this is our STEP by STEM program in Spain, where female role models working in technical roles within Zurich help to inspire the next generation of female talent to study science, technology, engineering and mathematics.

This year, Zurich employees donated a total of USD 3.1 million to good causes, of which USD 0.7 million was matched by the Z Zurich Foundation and a further USD 2.4 million was matched by the Zurich business units. In addition, over USD 0.5 million was donated by the Foundation through their volunteer matching scheme.

In addition, Zurich made total cash contributions to charitable causes of USD 23.1 million in 2017 to enhance the lives and livelihoods of thousands of people across the world and help them increase their resilience to the risks they face.

Community Investment KPIs						
	2017	2016	Change	2015	2014	2013
Contributions (cash in USD millions) <sup>1</sup>	6.6	1.6	324%	1.5	0.8	0.8
of which contribution from employees (USD millions)	3.1	0.7	367%	0.6	0.3	0.4
of which matching contributions from the Z Zurich Foundation (USD millions)	1.2	0.9	35%	0.9	0.6	0.4
of which matching contributions from Zurich business units (USD millions) <sup>2</sup>	2.4	0.1	nm	-	-	-
Total time volunteered from workforce (business hours) <sup>1</sup>	128,062	44,225	190%	31,040	33,210	28,000
of which skills based time volunteered (business hours) <sup>2</sup>	22,579	4,039	459%	-	-	-
Workforce actively volunteering (% of total headcount) <sup>3</sup>	N/A	32.4%	-	31.1%	27.0%	24.0%
Total charitable cash contributions (USD millions) <sup>4</sup>	23.1	29.6	(22%)	22.6	22.7	17.0

<sup>1</sup> The scope of community investment contributions has been broadened to include all employee donations and matching in 2017, while previously it was only including Community Week activities.

<sup>2</sup> Newly in scope for reporting in 2017, prior year restated accordingly (2016).

<sup>3</sup> We are currently enhancing our tracking systems, enabling us to track data more effectively. In the transition, no data is available for 2017.

<sup>4</sup> Charitable contributions include corporate cash donations only. Contributions cover 100% of our Group's business units and the Z Zurich Foundation. Contributions of the Z Zurich Foundation are valued on a cash-out basis. Excluded are the Farmers Exchanges, which are owned by their policyholders and managed by Farmers Group Inc a wholly owned subsidiary of Zurich Insurance Group Ltd, and contributions made by Zurich employees.

All amounts are rounded to the nearest USD 100,000 with the consequence that the rounded amounts may not add up to the rounded totals in all cases.

**Our Local Programs initiative gives Zurich offices an opportunity to apply for funding to support local long-term community investment initiatives to address some of society's biggest challenges in areas such as health and wellbeing, youth empowerment and disaster resilience.**

## Environmental performance

### Highlights in 2017

The Group-wide Environmental Management System (EMS) defines the governance and processes necessary to accurately measure and improve Zurich's environmental footprint across all countries in which we operate. Operations in Switzerland maintained ISO 14001 certification with use of the EMS. In addition, the EMS has undergone an internal compliance review with more than half of global operations. Further assessments will continue in 2018.

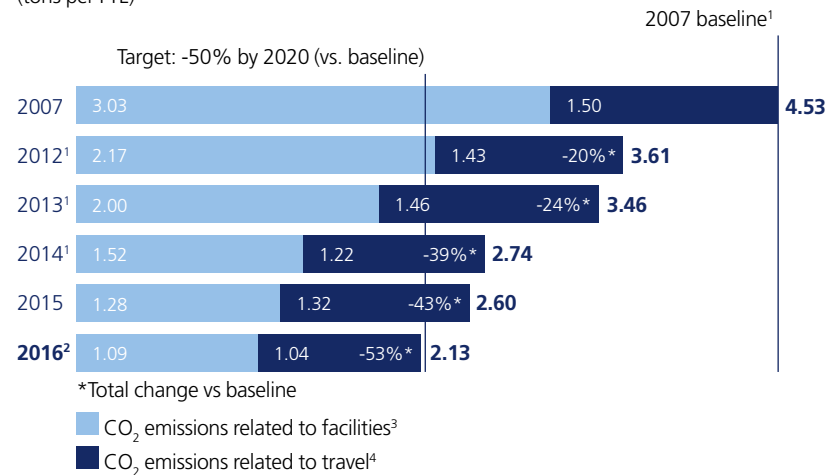
Zurich achieved a major milestone in its ambitions to limit its global operational environmental footprint. Its targets, to reduce carbon emissions by 50 percent and energy consumption by 40 percent per employee by 2020 against a 2007 baseline, were surpassed in 2016. Zurich has set the following new environmental targets:

Target Area	2025 Target	Unit
Total carbon emissions	Achieve and maintain an at least 20 percent reduction in total carbon emissions per employee compared to 2015 until 2025	CO2e/FTE metric (tons)
Facilities emissions	Achieve and maintain an at least 20 percent reduction in total facilities emissions per employee compared to 2015 until 2025	CO2e/FTE metric (tons)
Travel emissions	Achieve and maintain an at least 20 percent reduction in total business travel emissions per employee compared to 2015 until 2025	CO2e/FTE metric (tons)
Energy efficiency	Achieve and maintain an at least 20 percent reduction in total energy consumption per employee compared to 2015 until 2025	Energy consumption/FTE (MWh)
Renewable electricity	Purchase certified renewable electricity wherever economically and operationally feasible	% renewable electricity out of total electricity
Copy paper purchased	Achieve and maintain an at least 80 percent FSC certified paper purchased compared to 2015 levels	% FSC certified paper

Note: Progress against the new 2015 baseline will be announced in the second quarter of 2018.

### CO<sub>2</sub> emissions per employee

(tons per FTE)



<sup>1</sup> Restated in 2015 following review of air travel emission factors being applied to air travel data, inclusion of data centers into the portfolio, and updated emission factors as per GHG Protocol industry standard.

<sup>2</sup> 2017 data will be available in Q2 2018.

<sup>3</sup> Includes emissions from own-use real estate (electricity and heat).

<sup>4</sup> Includes emissions from air travel and cars (rental cars and car fleet).

Zurich has been carbon neutral since 2014 and is maintaining this status by purchasing certified carbon credits through the Rimba Raya Biodiversity Reserve project in Indonesia.

Zurich continues to advance environmental efficiency in its daily operations. For example, after one year in operation, Zurich's new North American headquarters in Schaumburg decreased energy and water consumption by more than 30 percent relative to its previous location.

Through Zurich's Dynamic Working program, which incorporates detailed studies of how workplaces are used, Zurich continued to advance effective, efficient, collaborative workplaces that enable better utilization of space for our business.

Zurich's Swiss business was singled out by Energy Model Zurich, a voluntary Swiss organization

representing the majority of the largest corporate energy consumers in Switzerland, for an award for the best performance in terms of energy efficiency for 2015/2016. This award is presented every two years and recognizes a company's quantitative increase in energy efficiency, the quality of its energy management and its innovative approach.

CDP is a not-for-profit charity that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. Through CDP we provide information on our greenhouse gas emissions, energy use and the risks and opportunities from climate change.





## Climate change

### Highlights in 2017

Zurich is taking firm steps on climate change to shape a more resilient tomorrow. Using our core insurance skills to respond to some of the most significant long-term societal and environmental trends, we identified climate change as perhaps the most complex risk facing society today. It is inter-generational, it is international and it is interdependent. Representing the consensus of the international scientific community, the Intergovernmental Panel on Climate Change (IPCC) finds strong evidence that climate change is occurring, that it is influenced by human action, and that it is leading to changes in extreme weather and climate events.

Our own analysis suggests that the likelihood of missing the Paris Agreement's target of limiting global warming to 2 degrees Celsius or below is higher than achieving it. That is why in 2017 we presented a new position on climate change where we will take further actions to facilitate – if not accelerate – the generational shift to a low-carbon economy.

We will:

1. Work with clients as well as public and private partners to enhance resilience and prevent, or minimize, damage and harm from weather and climate-related perils for our customers and communities.
2. Develop insurance and risk management solutions for the new technologies, business models and approaches that will be required to achieve this unprecedented transition to a low-carbon economy.
3. Integrate assessments of both physical and transition risks into our investment strategies and contribute to avoiding 5 million tons of CO2 emissions annually through our dedicated impact investments.
4. Minimize the environmental impact of our own operations.



5. Disengage and divest from those whose activities are predominantly focused on thermal coal if these companies have no plan to realign their business over time towards a low-carbon future. See our detailed position on thermal coal [here](#).
6. Publically advocate for policies that encourage the private sector to fully leverage capabilities and resources in support of the transition to a global low-carbon economy, including:
  - A global price on carbon, established at a level sufficiently high over time to incentivize action aligned with below-2 degrees Celsius warming.
  - A clear roadmap for the progressive phasing out of fossil fuel subsidies.
  - Credible policy roadmaps for internationally integrated energy policies, systems, markets and electricity grids capable of handling large scale use of renewable energies.
  - Policies in support of both public and private research and development of critical technologies such as energy storage, electric mobility, renewable power and carbon capture and storage (CCS).
- Integrating key aspects of climate change, alongside other environmental, social and governance issues, in public and private education and curricula.
- Enhanced transparency by mandating better disclosure of climate risks, alongside other environmental, social and governance issues.
7. Adopt the recommendations of the Financial Stability Board's Task force on Climate Change-related Financial Disclosure (FSB-TCFD) and report on progress made in implementing the above commitments.

We acknowledge that our actions must be compatible with Zurich's broader strategic and financial objectives and reflect the real-world operating environment driven by client demand and bound by public policy. We will continue working with customers to better manage climate risks; providing coverage for new technologies and infrastructure, such as electric vehicles, renewable energy or carbon capture and storage; investing in companies and assets that support the transition to a low-carbon economy; and – if and when possible – putting a price on climate risks when making investment or underwriting decisions.



## Health and safety in our office buildings

### Highlights in 2017

We continue to implement various actions and initiatives within the business to promote employee health and wellbeing. We have set up a fitness center in Zurich's new North American headquarters. We offer an annual program to promote physical and mental health in Indonesia. We provide workshops with a professional nutritionist in Italy. In Portugal, Hong Kong and in the UK we hold stress management workshops. We have also started to develop a Global Wellbeing Framework, which will focus on interventions that provide individuals with the awareness and tools they need to take action to improve their own physical and mental health.

Through our global health and safety program, we support effective management of health and safety risks based on local needs and priorities by effectively implementing our Group health and safety policy. This policy and supporting policy manual have been reviewed to ensure they are in line with the structure and content of the Zurich Risk Policy and current business needs, and reflect accepted good practice. Implementation is tracked as part of Zurich's Operational Risk and Control Framework. This provides assurance that operational risks related to health and safety are properly managed and controlled.

We appoint health and safety advisers within each country to coordinate and carry out local health and safety programs. We work with business leaders and other stakeholders to improve performance. We evaluate achievements and track compliance through scheduled internal inspections and audits to ensure that we are meeting our policy requirements.

## Responsible sourcing and procurement

### Highlights in 2017

Zurich ensures that corporate responsibility is an integral part of its sourcing and procurement function to ensure that we are able to uphold our commitment to sustainability through the products and services we purchase, and contractual agreements we enter into.

We incorporate appropriate evaluation criteria to assess the goods and services we buy, taking into account environmental, social and governance (ESG) factors in line with best value and in compliance with relevant legislation. We also ensure relevant corporate responsibility clauses are included in contracts with suppliers, such as ethical conduct and labor, health and safety and environmental standards.

In addition, we strive to develop an understanding of the ESG impact on the diversity of goods and services we buy, while implementing processes to ensure these factors are taken into account on an ongoing basis. Reflecting our commitment to promoting supplier diversity, we engage a wide range of different suppliers, aimed at giving Zurich the possibility to source from the most suitable, agile and innovative companies.

As part of our approach, we actively work with some of our suppliers to enhance corporate responsibility performance throughout supply chain. We also analyze key data and insights to review and improve policies, processes and guidelines for managing corporate responsibility issues in the supply chain.

To foster awareness among Zurich's employees and support our efforts, our employees are encouraged to take into account the ESG impacts of their purchasing activity.

## Buy Social Corporate Challenge

Our work with social enterprises is one example of how Zurich is ensuring its supply chain takes into account corporate responsibility. In 2016, Zurich in the UK signed up to Social Enterprise UK's 'Buy Social' Corporate Challenge, which commits a group of high profile companies in different types of industries to spend GBP 1 billion in total by 2020 on purchasing goods and services from social enterprise companies. The initiative, set up by Social Enterprise UK and the Cabinet Office, promotes sourcing and buying from British social enterprises. These are businesses that reinvest their profits to address social and environmental issues – from homelessness and unemployment to landfill waste and climate change. For example, Zurich in the UK purchases stationery and office products from a company which funds micro-loans in the developing world and helps young people in the UK develop business and employability skills. Zurich and its partners have already spent nearly GBP 20 million with Social Enterprises.

Launched in April 2016, the **Buy Social Corporate Challenge** will see a group of **high profile businesses** aim to spend **GBP 1 billion** with social enterprises by 2020.

### Links to relevant information on our website

- [Being a responsible business](#)
- [External commitments and indices](#)
- [Enhancing community flood resilience](#)
- [Our responsibility as investor](#)
- [Working with customers](#)
- [Investing in our local communities](#)
- [Environmental performance](#)
- [Climate change](#)
- [Health and safety in our office buildings](#)
- [Responsible sourcing and procurement](#)

## UNEP FI Principles for Sustainable Insurance



**PSI**  
Principles  
for Sustainable  
Insurance

The United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Sustainable Insurance (PSI) serve as a global framework for the insurance industry to address environmental, social and governance risks and opportunities. Zurich became a signatory in 2017.

At Zurich, we are proud of the steps we have taken to incorporate ESG considerations into our core activities of investment and underwriting. Signing the UNEP FI Principles for Sustainable Insurance allows us to build on those efforts by being part of the broader dialogue on the role insurance plays in shaping a more resilient tomorrow.

**Mario Greco**  
Group Chief Executive Officer  
Zurich Insurance Group

### Principle 1

**We will embed ESG issues relevant to our insurance business into our decision-making.**

**Governance:** The way in which Zurich manages ESG issues is embedded in Zurich's approach to CR. Zurich has a Group-wide CR strategy approved by the ExCo and the Board. The ExCo and the Board take an active role in overseeing and implementing our approach to CR. The Governance, Nominations and Corporate Responsibility Committee, a standing committee of the Board, reviews and approves the Group's CR strategy and objectives and oversees the Group's approach and conduct with regard to CR, reviewing progress against agreed actions at least annually. The CR Working Group, set up by the ExCo, ensures that we achieve our CR objectives. Each year all Zurich employees confirm their understanding of and compliance with the Group's code of conduct, and internal policies.

**Integration in insurance:** Zurich uses a three-step approach that systematically detects, assesses, and mitigates major ESG risks that are inherent in specific business transactions. Concerns about risks can be escalated to the CR Decision Group to assess sensitive or complex ESG risks and provide direction as to the appropriate mitigation actions. We track and analyze the outcome of the risk assessment and risk mitigation efforts. We have prioritized the following key areas of concern: thermal coal, banned cluster munitions and anti-personnel land mines; and governance, human rights and environmental risks in dam construction, mining, and oil and gas activities.

Our ESG product map demonstrates many examples of how our business activities support sustainability, including electric car insurance, renewable energy insurance and driver-behavior-based telematics solutions. The latter is designed to improve driver safety, reduce operational costs and reduce companies' impact

on the environment. Zurich's claims philosophy places our customers at the heart of the claims handling process by ensuring we treat them with empathy, by being responsive, proactive and by communicating clearly.

**Integration in investments:** Zurich proactively integrates ESG factors into the investment process, across asset classes, and alongside traditional financial metrics and state of the art risk management practices. In 2014, Zurich doubled its commitment to USD 2 billion dollars. In 2017, Zurich's green bond investments exceeded the USD 2 billion mark. Having achieved our green bond target allocation, we again took a pioneering role in increasing our commitment to impact investments to USD 5 billion on overall portfolio level. For the first time we also complemented the exposure with impact targets: We are aiming to build an impact portfolio that helps to avoid 5 million tons of CO<sub>2</sub>-equivalent emissions and improve 5 million people's lives on an annual basis.

### Principle 2

**We will work together with our clients and business partners to raise awareness of ESG issues, manage risk and develop solutions.**

**ESG integration in insurance:** We work with our customers, brokers and other distribution partners to ensure responsible and sustainable business practices and to protect reputation, while promoting best practices in managing ESG risks. Our aim is to promote international best-practice standards that help ensure that potentially adverse social, environmental and economic impacts are adequately managed. Our global network of industry experts and experienced risk engineers help businesses manage their risks and prevent losses more efficiently and effectively.

**ESG integration in investments:** We are amending legal agreements with our external asset managers on a continuous basis to explicitly require that they apply responsible investment practices; over 80 percent of investments designated to be in scope of our ESG integration approach are now covered by investment management agreements referencing ESG integration.

**Sourcing and procurement:** Zurich ensures that CR is an integral part of its sourcing and procurement function by: incorporating appropriate evaluation criteria to assess the goods and services we buy; taking into account ESG factors in line with best value and in compliance with relevant legislation; ensuring relevant corporate responsibility clauses are

included in contracts with suppliers; developing an understanding of the ESG impacts on diversity of the goods and services we buy; implementing processes to ensure these factors are taken into account on an ongoing basis.

**Industry initiatives:** Zurich collaborates with a number of industry initiatives and research bodies relating to responsible investment, flood resilience, road safety and other ESG-related topics. Zurich's driver-behavior-based telematics solutions, reporting, driver development tools and support from our risk engineering and underwriting experts help to improve safety, reduce operational costs and reduce the environmental impact of motor fleets.

## Principle 3

### We will work together with governments, regulators and other key stakeholders to promote widespread action across society on ESG issues.

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

We participate in discussions, workshops and taskforces related to our priority topics, including with the United Nations, the International Energy Agency, the International Finance Corporation, the European Commission, the Organization for Economic Co-operation and Development (OECD), and the World Bank. We also engage with national and international agencies such as the UK

Department for Energy and Climate Change (DECC); the UK Department of Environment, Food and Rural Affairs; the International Commission for the Protection of the Rhine (ICPR); and the Swiss Agency for Development and Cooperation (SDC) as well as its strategic steering committee for the implementation of the UN's Sendai Framework for Disaster Risk Reduction 2015-2030. We have engaged with several U.S. agencies and organizations: the National Association of Insurance Commissioners (NAIC); the House of Representatives; the Senate; the Department of State; the Council on Environmental Quality (CEQ); the Office of Science and Technology Policy (OSTP); the Environmental Protection Agency (EPA); the National Oceanic and Atmospheric Administration (NOAA); the Department of Commerce; and the Department of Homeland Security.

**Research:** Zurich works with two research institutions in our flood resilience alliance:

the International Institute for Applied Systems Analysis (IIASA), a non-governmental research organization based in Austria; and the Risk Management and Decision Processes Center at the Wharton School of the University of Pennsylvania in the U.S. Zurich collaborates with a number of industry initiatives and research bodies to advance responsible investment.

**Non-governmental organizations (NGOs) and charitable organizations:** Zurich and the Z Zurich Foundation have many long-term alliances with NGOs and charities, especially in the work we do through our flood resilience program and our community investment activities. These organizations include the Academy of Sciences in the U.S., Concern Worldwide, the International Federation of Red Cross and Red Crescent Societies (IFRC), MercyCorps, Plan International, Practical Action and 13 local community organizations through our local grants program.

## Principle 4

### We will demonstrate accountability and transparency in regularly disclosing publicly our progress in implementing the Principles.

Zurich publishes information regarding environmental, social and governance issues, its approach to corporate responsibility and key performance indicators:

- CR highlights annual report which includes the UN Global Compact communication on progress
- Zurich's Annual Report and Annual Review
- RI Transparency report
- Z Zurich Foundation report
- Various topic specific reports
- Zurich.com/corporate-responsibility

## Related links

-  [Being a responsible business](#)
-  [Working with customers](#)
-  [Risk engineering](#)
-  [Responsible investment](#)
-  [Responsible supply chain](#)
-  [Flood resilience](#)
-  [Road safety](#)
-  [Investing in communities](#)
-  [Corporate responsibility reports and publications](#)
-  [Investor relations results and reports](#)

# SUSTAINABLE DEVELOPMENT GOALS

*“On 1 January 2016, the 17 Sustainable Development Goals (SDGs) of the 2030 Agenda for Sustainable Development – adopted by world leaders in September 2015 at an historic UN Summit – officially came into force. Over the next fifteen years, with these new Goals that universally apply to all, countries will mobilize efforts to end all forms of poverty, fight inequalities and tackle climate change, while ensuring that no one is left behind.”*

## United Nations Sustainability Agenda

Zurich's approach to proactively address environmental, social and governance (ESG) factors as part of our day-to-day business activity supports several of the United Nations' Sustainable Development Goals (SDGs). As part of being a responsible and sustainable business, we are focusing on highlighting those SDGs where we can have the biggest impact through our business activities, investments and community programs. [Read more](#)



## Ensure healthy lives and promote well-being for all, at all ages

As an employer and a life insurance, savings and pensions provider, we have a responsibility to promote healthy and sustainable lifestyles. We are doing this through different channels:

- Employees' physical and mental health and wellbeing [Read more](#)
- Research and campaigns [Read more](#)
- Promoting wearable technologies [Read more](#)
- Passionate about road safety [Read more](#)
- Catalyzing partnerships through the Z Zurich Foundation at country level with local community organizations around the theme of mental and physical wellbeing [Read more](#)



## Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

As a global company and an employer operating in more than 210 countries and territories, we contribute to sustainable growth through a diverse set of activities:

- The Z Zurich Foundation, through its Local Programs initiative, provides support and funds to help Zurich offices to work with local community organizations to create multi-year programs focusing on youth empowerment and fighting youth unemployment. [Read more](#)
- Zurich promotes the Swiss apprenticeship model to be replicated in other countries. [Read more](#)
- As a responsible investor, we use capital markets to search for and fund solutions to many of the pressing social or environmental issues of our time. [Read more](#)
- Together with the Jakarta Innovation Lab, Zurich has developed an online financial literacy program targeted at women in Indonesia running small and mid-sized companies. [Read more](#)
- We pay special attention to transactions that might contravene human rights. [Read more](#)



### Make cities inclusive, safe, resilient and sustainable

Zurich believes that doing business responsibly today shapes a more resilient tomorrow. This can be achieved by enhancing risk prevention and mitigation. Zurich has therefore invested in a number of ways to enhance resilience:

- The Zurich flood resilience program was launched in 2013 to help improve community resilience to flooding. [Read more](#)
- The Global Resilience Partnership's Water Window Challenge. [Read more](#)
- Zurich's Swiss business has developed a user-friendly online tool to allow people to detect risks to property from floods, landslides, mud and rock slides. [Read more](#)
- Zurich supports SBP, a US-based resilience organization that rebuilds disaster-affected homes, consults with local governments on disaster recovery planning and trains homeowners and small businesses on disaster resilience.



### Take urgent action to combat climate change and its impacts

Using our core insurance skills to respond to some of the most significant long-term societal and environmental trends, we identified climate change as perhaps the most complex risk facing society today. It is inter-generational, it is international and it is interdependent. We are therefore taking a number of actions to facilitate the transition to a low carbon economy:

- As a responsible investor, we use capital markets to search for and fund solutions to many of the pressing environmental issues of our time. [Read more](#)
- As a responsible business, it is important for Zurich to take accountability for the impact our operations have on the environment. Zurich has set a target to achieve and maintain an at least 20 percent reduction in total carbon emissions per employee by 2025, compared with a 2015 baseline. [Read more](#)
- Zurich's global flood resilience program takes a collaborative approach to supporting communities at risk of floods. [Read more](#)
- Zurich's Swiss business launched the Zurich Climate Prize which supports ongoing and completed projects making an effective contribution toward reducing CO2 emissions, improving energy and resource efficiency or bringing about behavioral changes. [Read more](#)

## United Nations Global Compact

Links to relevant information on our website

### Human Rights

**Principle 1:** Businesses should support and respect the protection of internationally proclaimed human rights; and

**Principle 2:** make sure that they are not complicit in human rights abuses.

-  [Our commitment](#)
-  [Respecting human rights](#)
-  [ESG integration into insurance](#)
-  [Z Zurich Foundation Annual Report 2016](#)
-  [Global Risks Report 2018](#)
-  [Zurich's role in emerging markets](#)
-  [Sustainable products and solutions](#)
-  [Employees speaking up and reporting concerns](#)
-  [Suppliers](#)
-  [Health and safety management](#)









### Labour

**Principle 3:** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

**Principle 4:** the elimination of all forms of forced and compulsory labour;

**Principle 5:** the effective abolition of child labour; and

**Principle 6:** the elimination of discrimination in respect of employment and occupation.

-  [Our commitment](#)
-  [Our people](#)
-  [Employee development and diversity & inclusion](#)
-  [Board composition](#)
-  [Employee engagement](#)
-  [Employees speaking up and reporting concerns](#)
-  [Health and safety management](#)
-  [Suppliers](#)

### Environment

**Principle 7:** Businesses should support a precautionary approach to environmental challenges;





**Principle 8:** undertake initiatives to promote greater environmental responsibility; and

**Principle 9:** encourage the development and diffusion of environmentally friendly technologies.

-  [Our commitment](#)
-  [Group environmental policy](#)
-  [Environmental performance](#)
-  [Assurance statement](#)
-  [Flood resilience program](#)
-  [Climate change: Zurich's position](#)
-  [Carbon neutral](#)
-  [Responsible investment](#)
-  [Understanding catastrophe risk \(Risk Review page 20\)](#)
-  [Sustainable products and services](#)
-  [ESG integration into insurance](#)

### Anti-Corruption

**Principle 10:** Businesses should work against corruption in all its forms, including extortion and bribery.

-  [Our commitment](#)
-  [Anti-bribery and anti-corruption](#)
-  [ESG integration into insurance](#)
-  [Respecting human rights](#)

## Independent Assurance Report on Zurich's 2017 Corporate Responsibility Reporting

To the Executive Committee of Zurich Insurance Group AG, Zurich ('ZIG').

We have been engaged to perform assurance procedures to provide limited assurance on selected consolidated Corporate Responsibility (CR) indicators of ZIG and its consolidated subsidiaries.

### Scope and Subject matter

Our limited assurance engagement focused on the following indicators and information as disclosed in the CR highlights report of ZIG and its consolidated subsidiaries for the financial year ended December 31, 2017:

- a) The 2017 "Responsible investment KPIs" on pages 12 and 13, the 2016 "Impact of real estate investment" KPIs on page 13, "Community investment KPIs" on page 15 and the 2016 "CO2 emissions per employee" KPIs on page 16 ("the selected consolidated CR indicators"); and
- b) The management and reporting processes with respect to the selected consolidated CR indicators as well as the control environment in relation to the data aggregation of these CR indicators.

### Criteria

The reporting criteria used by ZIG are described in ZIG's internal CR reporting guidelines and define those procedures, by which the CR indicators are internally gathered, collected and aggregated.

### Inherent limitations

The accuracy and completeness of CR indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such indicators. Further, the carbon emissions quantification is subject to inherent uncertainty because of incomplete scientific knowledge used to determine emissions factors and the values needed to combine emissions of different gases. Our Assurance Report should therefore be read in connection with ZIG's guidelines, definitions and procedures on the reporting of its CR indicators.

### ZIG responsibilities

The Executive Committee of ZIG is responsible for both the subject matter and the criteria as well as for selection, preparation and presentation of the information in accordance with the criteria. This responsibility includes the design, implementation and maintenance of related internal control relevant to this reporting process that is free from material misstatement, whether due to fraud or error.

### Our responsibilities

Our responsibility is to form an independent opinion, based on our limited assurance procedures, on whether anything has come to our attention to indicate that the CR indicators are not stated, in all material respects, in accordance with the reporting criteria.

We planned and performed our procedures in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (revised) 'Assurance engagements other than audits or reviews of historical financial information' and with ISAE 3410 'Assurance Engagements on Greenhouse Gas Statements'. These standards require that we plan and perform the assurance engagement to obtain limited assurance on the identified sustainability indicators.

A limited assurance engagement is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement.

### Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 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.



### Summary of the work performed

Our limited assurance procedures included, among others, the following work:

- **Evaluation of the application of the CR reporting guidelines and review of application at affiliates**

Reviewing application of the ZIG internal CR reporting guidelines using a sample of affiliates in Switzerland, UK, USA and Germany.

- **Management inquiry**

Interviewing personnel responsible for internal reporting and data collection at ZIG Group level and at affiliate level.

- **Assessment of key figures**

Performing tests on a sample basis of evidence supporting selected consolidated CR indicators concerning completeness, accuracy, adequacy and consistency.

- **Inspection of documentation and analysis of relevant policies and principles**

Inspecting relevant documentation on a sample basis, including ZIG Group CR policies, management reporting structures and documentation.

- **Assessment of the processes and data consolidation**

Reviewing the management reporting processes for CR reporting and assessing the consolidation process of data at ZIG Group level and their related controls.

We have not carried out any work on indicators other than outlined in the scope and subject matter section as defined above. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

### Limited assurance conclusions

Based on the procedures we performed, nothing has come to our attention that causes us to believe that

- a) The selected consolidated CR key performance indicators as described in the scope and subject matter section are not prepared and disclosed in all material respects in accordance with ZIG's internal CR reporting guidelines; and
- b) The management and reporting processes to collect and aggregate the selected CR data as well as the control environment in relation to the data aggregation are not functioning as designed.

Zürich, March 7, 2018

PricewaterhouseCoopers AG

Peter Eberli

Raphael Rutishauser

## GRI Standards Index

GRI is an international independent organization that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others.

This index lists the organization's reports and web pages and their reference to the following GRI Standards.

Number	Disclosure name	Reference and page number
<b>General disclosures</b>		
102-1	Name of the organization	AR 1
102-2	Activities, brands, products, and services	AR 1 and 14 to 23; CR 14
102-3	Location of headquarters	AR 1
102-4	Location of operations	
102-5	Ownership and legal form	AR 184 and 289
102-6	Markets served	
102-7	Scale of the organization	AR 1
102-8	Information on employees and other workers	AR 24 to 25
102-9	Supply chain	CR 18; CDP
102-10	Significant changes to the organization and its supply chain	AR 3 and 12
102-11	Precautionary principle or approach	AR 305
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**CDP:** Carbon Disclosure Project submission 2017  Link to [www.zurich.com](http://www.zurich.com)

\*The Corporate responsibility highlights 2017 report includes the United Nations Global Compact communication on progress and our progress in implementing the UN Environment Programme Finance Initiative Principles for Sustainable Insurance.

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305-2	Energy indirect (Scope 2) GHG emissions	CDP
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305-4	GHG emissions intensity	CDP
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<b>Supplier environmental assessment</b>		
308-1	New suppliers that were screened using environmental criteria	CDP
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405-1	Diversity of governance bodies and employees	AR 33
<b>Supplier social assessment</b>		
414-1	New suppliers that were screened using social criteria	CR 18
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