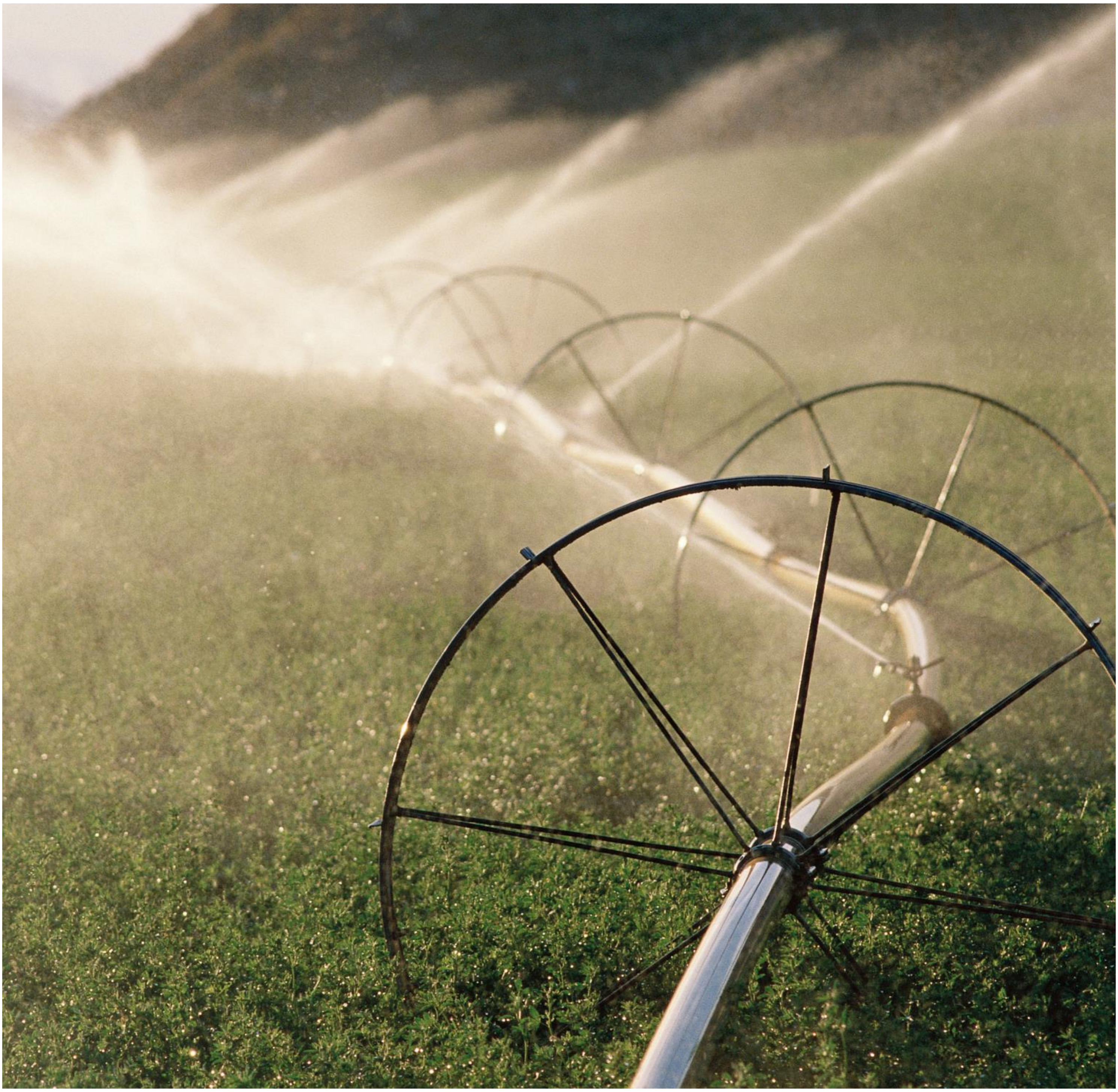
April 2023

ZURICH

Operating Principles for Impact Management

Disclosure Statement



Zurich Insurance Group ('Zurich') is a founding signatory to the Operating Principles for Impact Management (the Impact Principles).The Impact Principles provide a reference point against which the impact management systems of funds and institutions may be assessed. Zurich's definition of impact investing is adapted from the Global Impact Investing Network (GIIN) (2019), which generally is understood as stating that 'impact investments are investments made with the intention to generate positive, measurable social and environmental impact alongside a financial return.'

This disclosure statement affirms that Zurich's impact investment approach, including Zurich's (a) impact objectives – mitigating environmental risks and increasing resilience; (b) investment approach; and (c) impact measurement framework – is managed in alignment with the Impact Principles.

Zurich hereby affirms its status as a Signatory to the Operating Principles for Impact Management.

This disclosure statement applies to the following covered assets that align with the Impact Principles:

All investments declared and reported as 'impact investments' are selected and managed based on this approach.

The total value of the covered assets in alignment with the Impact Principles is USD 6.3 billion as of December 2022. Visit our website for the most up-do-date impact investment data and Key Perfomance Indicators.

Contents

The Impact Principles

Investing for Impact: The **Operating Principles for Impact Management** define an end-to-end process. The elements of the process are: strategy, origination and structuring, portfolio management, exit, and independent verification.

Within each of these five main elements, the Impact Principles have been defined by a heading, supplemented by a short descriptive text. In total, the nine Impact Principles (see Figure 1 below) that fall under these five main elements are considered the key building blocks for a robust impact management system. The Impact Principles have been formulated based on two fundamental concepts: (1) core elements of a robust impact management system; and (2) transparency of signatories' alignment with the Impact Principles.

In the following statement, the term 'investment' includes, but is not limited to, equity, debt, credit enhancements, and guarantees. The general term 'Manager' is used to refer to the asset manager, fund general partner, or institution responsible for managing investments for impact. The term 'each investment' may also refer to a program of investments. 'Investee' refers to the recipient of the funds from the Manager. For example, the recipient may be a company or organization, fund, or other financial intermediary.

Figure 1: Investing for Impact: Operating Principles for Impact Management

Strategic Intent

1. Define strategic impact objective(s) consistent with the investment strategy.
2. Manage strategic impact level on a portfolio basis.

Origination & Structuring

3. Establish the Manager's contribution to the achievement of impact
4. Assess the expected impact of each investment, based on a systematic approach.
5. Assess, address, monitor, and manage the potential risks of negative effects of each investment.

Portfolio Management

6. Monitor the progress of each investment in achieving impact against expectations and respond appropriately.

Impact at Exit

7. Conduct exits, considering the effect on sustained impact.
8. Review, document, and improve decisions and processes based on the achievement of impact and lessons learned.

Independent Verification

9. Publicly disclose alignment with the Impact Principles and provide regular independent verification of the alignment.

Source: Impact Principles.

Principle 1:

Define strategic impact objective(s), consistent with the investment strategy

The Manager shall define strategic impact objectives for the portfolio or fund to achieve positive and measurable social or environmental effects, which are aligned with the sustainable development goals (SDGs), or other widely accepted goals. The ‘impact intent’ does not need to be shared by the investee. The Manager shall seek to ensure that the impact objectives[1] and investment strategy are consistent; that there is a credible basis for achieving the impact objectives through the investment strategy; and that the scale and/or intensity of the intended portfolio impact is proportionate to the size of the investment portfolio.

---

[1] Impact objectives can be defined as the intended impact that contributes to financial, institutional, social,environmental, or other benefits to a society, community, or group of people via one or more investment. Adopted from OECD-DAC (www.oecd.org/dac/).

Zurich's responsible investment strategy comprises three elements, namely ESG integration, impact investing and 'advancing together.'

At Zurich, we define impact investing as investing in opportunities that allow us to intentionally target a specific positive social or environmental impact as well as to measure the impact achieved. These investments aim to generate a profit, meaning that they generate a financial return commensurate with the risk.

Zurich evaluates impact investments within the context of specific asset classes and creates dedicated strategies for impact investments within those asset classes. While continuing to make systematic use of environmental, social and governance (ESG) data in investment decision-making, we also look at a variety of ways to grow our impact investment portfolios around the world. We will focus on the following asset classes:

- Fixed income: use-of-proceed bonds encompassing green, social and sustainability bonds.
- Impact infrastructure private debt: including direct private debt lending toward infrastructure such as solar/wind farms and social institutions.
- Impact private equity: investing in funds with a positive social and/or environmental impact.
- Real estate: investing to reduce energy use and carbon emissions of our real estate portfolio.

As described in Section I of our Zurich Responsible Investment Whitepaper, the starting point in determining Zurich's investment strategy is an integrated process used to define the strategic asset allocation in terms of asset liability management principles. Group Investment Management seeks to determine the optimal mix of asset classes that offer the highest long-term expected investment return given Zurich's liabilities, regulatory framework and allocated capital. This allocation results in a high proportion of debt instruments on our balance sheet, and in consequence translates into a higher focus given to our impact investment strategies for green, social and sustainability bonds and impact infrastructure private debt.

However, Zurich will keep evaluating new prospective opportunities across asset classes to broaden the approach and increase the investment volume. Visit our webpage to learn more about our latest impact investments and current exposure.

In Section III – Impact investing at Zurich, we elaborate on how, through our impact investments, we focus on primarily two areas where we seek to make a positive difference:

- By supporting a climate-neutral economy and encouraging environmentally friendly technologies, through our investments we can mitigate environmental risks.
- By helping to build 'community capital,' and through addressing the needs of communities that lack traditional means to achieve such goals, through our investments we seek to increase community resilience.

Zurich's impact investment strategy commits to help to avoid 5 million metric tons of CO_2 emissions per year. Through impact investments, we also believe we can make a positive contribution to the lives and livelihoods of 5 million people. We believe these commitments contribute to a variety of Sustainable Development Goals (SDGs), predominantly SDG 13: Climate action, SDG 7: Affordable and clean energy, SDG 3: Good health and wellbeing, and SDG 8: Decent work and economic growth. Visit our website for further information.

More information can be found in Section III – Impact investing at Zurich.

Principle 2:

Manage strategic impact on a portfolio basis

The Manager shall have a process to manage impact achievement on a portfolio basis. The objective of the process is to establish and monitor impact performance for the whole portfolio, while recognizing that impact may vary across individual investments in the portfolio. As part of the process, the Manager shall consider aligning staff incentive systems with the achievement of impact, as well as with financial performance.

In **Section III** – Impact investing at Zurich: how we define and practice impact investing – we explain in detail how we choose investments in order to ensure that as an investor we achieve the desired impact through our investment.

In identifying potential impact investments, we will assess if the investment:

1. meets our definition of impact investing (intentionality – measurability – profitability)
2. supports our impact objectives (mitigating environmental risks and increasing community resilience)
3. contributes to our impact targets (avoiding the emission of five million metric tons of CO_2e per year and making a positive contribution to the lives of five million people in need) and/or
4. contributes to further development of the impact investing market.

What sets impact investments apart from conventional investments is that they are carried out with a specific positive outcome in mind. The impact is not a side-effect; it becomes part of the investment objective. 'Intentionality' can be established through allocations to impact investments as part of a dedicated mandate, or by reflecting impact criteria in the process to select investments for an existing portfolio. Intentionality can also stem from a specific project setup that by design targets a positive outcome, such as infrastructure that solely focusses on renewable energy generation, or social enterprises set up to solve a specific issue.

At Zurich we clearly distinguish impact investing from what we refer to as "footprinting"- a holistic view of both positive and negative outcomes that are created in the world through the nature of an underlying asset or investee. The objective behind footprinting focuses on transparency and risk management. We aim to understand the entities we have exposure to and the overall contribution to sustainability themes that are both important drivers of risk and part of our overarching objective. In contrast, impact investing is centered around positive impacts, to which capital allocation can contribute, and which can be measured afterwards . Based on our experience as impact investor we also distinguish between different impact opportunities ranging from lighter to deeper impact. We refer to lighter or deeper impact dependend on:

- the amount of impact created by USD invesed (impact intensity),
- the catalyzing effect it has on our impact strategy or the broader market.

Zurich will target a range of impact investments: those who's 'impact' is aligned with our stated impact objectives, with a focus on actively increasing our investments in assets in which we also have otherwise invested, such as for instance green bonds; and, on the other hand, those investments that are more 'deep impact' in nature and, as a result, require further effort in terms of investment processes, such as private market investments in emerging and frontier economies

This approach, embedded in our rigorous investment process for impact investments, helps us to identify investment opportunities to achieve our impact objectives and targets.

Zurich's impact targets are set at an overall portfolio level to allow for a holistic focus on financial and impact performance, while at the same time allowing for diversification.

However, Zurich evaluates impact investments within the context of specific asset classes and creates dedicated strategies for impact investment within each of those asset classes. Please see also Section III – Impact Investing at Zurich: investment approach.

The objectives of the central responsible investment team are linked to the progress made in delivering and implementing Zurich's responsible investment strategy. This includes specific targets that are set for impact investing. These targets are also cascaded down to the global Group Investment Management team, managing the respective asset classes, as described in Section V in our Whitepaper.

Footprinting	Impact investing	
	Impact	Deep Impact
• Positive and negative impact • Measurability • Profitability	• Positive impact • Intentionality • Measurability • Profitability	• Positive impact • Intentionality • Measurability • Profitability • Additionality

Principle 3:

Establish the Manager's contribution to the achievement of impact

The Manager shall seek to establish and document a credible narrative on its contribution to the achievement of impact for each investment. Contributions can be made through one or more financial and/or non-financial channels.[2] The narrative should be stated in clear terms and supported, as much as possible, by evidence.

[2] For example, this may include: improving the cost of capital, active shareholder engagement, specific financial structuring, assisting with further resource mobilization, providing technical/market advice or capacity building to the investee, and/or helping the investee to meet higher operational standards.

Zurich feels it is crucial that impact investments attract institutional investors with a fiduciary responsibility to optimize economic returns – even if this requires the use of public or philanthropic capital to de-risk investments. Only institutional investors command a pool of capital large enough to tackle many of the social and environmental issues at hand.

Except in private equity, where our investments and commitments can have a catalytic effect to raise capital, Zurich is an investor among many.

In a broader sense, however, we focus on contributing to the growth and integrity of the impact investing market. We are convinced that only collective action can spread the spirit of impact investing across markets and mobilize capital on the scale needed to tackle pressing social and environmental issues. Close collaboration is needed to bring investors, businesses, public actors, and NGOs together to design the instruments capable of delivering the full, desired impact.

Mindful of the need to share information, Zurich seeks to work with other industry participants. It also supports industry initiatives and engages with stakeholders and policy makers to advance impact investment practices, and responsible investment practices more broadly, and to help establish a truly sustainable financial market system. In addition of being a founding signatory to the Operating Principle for Impact Management, we are a member of the Global Impact Investment Network's Investors' Council. We work closely together with many others in the field to help advance impact investment practices and identify new solutions. This approach also led to the decision to make our impact measurement methodology paper open source.

Visit Section IV – Advancing together – to learn more about our contribution to the broader market.

How Zurich contributes toward fostering impact investing practices varies, depending on the impact asset class.

- Fixed income: Zurich is a founding member of the Green and Social Bond Principles and a member of the Executive and Steering Committee. The Principles facilitate voluntary guidelines for issuers, and for intermediaries, when labelling bonds as 'green', 'social' or 'sustainable,' and therefore support the functioning and growth of the green, social and sustainability bond market.
- In private equity, our investment professionals regularly participate in annual meetings, quarterly update meetings/calls, and fund advisory board meetings. Depending on the size of our commitment and relationship to the fund manager, we may obtain an advisory board seat for the fund. In co-investment opportunities, we may obtain a board seat at the portfolio company.

Visit Section III – Impact investing at Zurich: how we define and practice impact investing – to learn more about our contribution.

Principle 4:

Assess the expected impact of each investment, based on a systematic approach

For each investment the Manager shall assess, in advance and, where possible, quantify the concrete, positive impact[3] potential deriving from the investment. The assessment should use a suitable results measurement framework that aims to answer these fundamental questions: (1) What is the intended impact? (2) Who experiences the intended impact? (3) How significant is the intended impact?[4]

The Manager shall also seek to assess the likelihood of achieving the investment's expected impact. In assessing the likelihood, the Manager shall identify the significant risk factors that could result in the impact varying from ex-ante expectations. In assessing the impact potential, the Manager shall seek evidence to assess the relative size of the challenge addressed within the targeted geographical context. The Manager shall also consider opportunities to increase the impact of the investment. Where possible and relevant for the Manager's strategic intent, the Manager may also consider indirect and systemic impacts. Indicators shall, to the extent possible, be aligned with industry standards[5] and follow best practice.[6]

---

[3] Impact is considered the material effect/s on people and the environment resulting from the investment, as outlined in Principle 1. Impacts assessed under Principle 4 may also include positive ESG effects derived from the investment.
[4] Adapted from the Impact Management Project (www.impactmanagementproject.com).
[5] Industry indicator standards include HIPSO (indicators.ifipartnership.org/about/); IRIS (iris.thegiin.org); GIIRS(GIIRS | What GIIRS Does); GRI (https://www.globalreporting.org/)and SASB (https://www.sasb.org/), among others.
[6] International best practice indicators include SMART (Specific, Measurable, Attainable, Relevant, and Timely), and SPICED (Subjective, Participatory, Interpreted & communicable, Cross-checked, Empowering, and Diverse & disaggregated), among others.

Zurich uses the approach described in the preceding sections:

1. definition of impact investment;
2. impact objectives; and
3. impact targets

as its investment assessment methodology.

By assessing each investment during the due diligence phase, Zurich aims to achieve the impact intended, while also identifying the following fundamental aspects:

- **What:** Our impact objectives – mitigating environmental risks and increasing community resilience – allow us to set specific impact targets to help us identify the intended impact of a given investment.
- **Who:** In our objectives we clearly address environment and society, more precisely 'people benefited.' A detailed definition can be found in our impact measurement methodology paper.
- **Assessing significance of the intended impact:** We assess the pro-rata share of impact that Zurich can achieve through a specific investment. The metrics tracked are aligned with industry standards and follow best practices such as the IRIS+ Catalog of Metrics.

Our assessment focuses on the identification and credibility of the potential impact based on our investment on an asset class level:

Fixed income: Green, social and sustainability bonds

- When analyzing use-of-proceeds bonds and deciding whether they should be classified as impact instruments, Zurich focuses primarily on the projects to be financed, and their ex-ante potential for positive impact.
- If the ex-ante potential of the projects to contribute to environmental or social improvements is promising, the proposed projects or selection framework will be evaluated in the context of the issuing entity.
- Zurich gauges the issuer's sincerity of intent, and analyzes to which degree the projects are anchored in the issuer's overall environmental, social or sustainability strategy. Even initial steps, if rooted in a sound strategy and critical to progress, will be preferred over opportunistic approaches that are divorced from the issuing entity's business model or sustainability strategy.

Impact infrastructure private debt

- Zurich's definition of 'impact infrastructure' is based on the Green and Social Bond Principles categorization.
- In order to facilitate the categorization Zurich differentiates between financing environmental and social impact infrastructure, when analyzing a potential impact infrastructure project.
- Project developers must be committed to report on relevant non-financial metrics in line with the manager's investment strategy.
- This might also mean we collaborate with the asset manager to develop the appropriate measurement methodology.

Impact private equity

- Zurich evaluates fund managers' strategies in light of investment theme (e.g., 'environmental technologies' or 'access to finance'), targeted customer segment (e.g., 'emerging consumer' or 'low-income communities'), sector focus (e.g., healthcare or education) and geographic focus (e.g., frontier and emerging markets).
- Zurich does not expect fund managers to 'brand' and position their fund as an impact investment fund, but the manager must be committed to impact reporting.

Real estate

- Commercial and residential property, consumes a significant amount of energy and is a major source of carbon emissions.
- Zurich has defined medium-term energy and carbon-emission reduction targets that can be reached through operational improvements and refurbishments.

Visit Section III – Impact investing at Zurich: how we define and practice impact investing, to learn more about our detailed approach to impact assessment.

Measuring the impact in terms of its size will be assessed in a second step after the investment has been made. To measure the real impact, Zurich has developed an impact measurement framework that allows us to aggregate the impact achieved across the portfolio along our defined impact metrics. Our methodology paper describing how we do this is available on our website. Due to our asset-class approach, we have developed a methodology that can be adapted for various asset classes, allowing us to aggregate our impact on a portfolio basis.

Principle 5:

Assess, address, monitor, and manage potential negative impacts of each investment

For each investment the Manager shall seek, as part of a systematic and documented process, to identify and avoid, and if avoidance is not possible, mitigate and manage Environmental, Social and Governance (ESG)[7] risks. Where appropriate, the Manager shall engage with the investee to seek its commitment to take action to address potential gaps in current investee systems, processes, and standards, using an approach aligned with good international industry practice.[8] As part of portfolio management, the Manager shall monitor investees' ESG risk and performance, and where appropriate, engage with the investee to address gaps and unexpected events.

[7] Applying good ESG management will potentially have positive impacts that may or may not be the principal targeted impacts of the manager. Positive impacts resulting from ESG matters shall be measured and managed alongside with, or directly embedded in, the impact management system referenced in Impact Principles 4 and 6.

[8] Examples of good international industry practice include: IFC's Performance Standards (https://www.ifc.org/performancestandards); IFC's Corporate Governance Methodology (http://www.ifc.org/cgmethodology) , the United Nations Guiding Principles for Business and Human Rights (https://www.unglobalcompact.org/library/2); and the OECD Guidelines for Multinational Enterprises (http://mneguidelines.oecd.org/themes/human-rights.htm).

Zurich's **responsible investment strategy** articulates Zurich's approach to being a responsible investor (see **Section II** ESG integration at Zurich).

The strategy's first pillar focuses on capturing ESG-related risks and opportunities to enhance financial returns.

We proactively integrate ESG factors into the investment process – across asset classes, and alongside traditional financial metrics and state-of-the-art risk management practices. This is also true, for our impact investment portfolio.

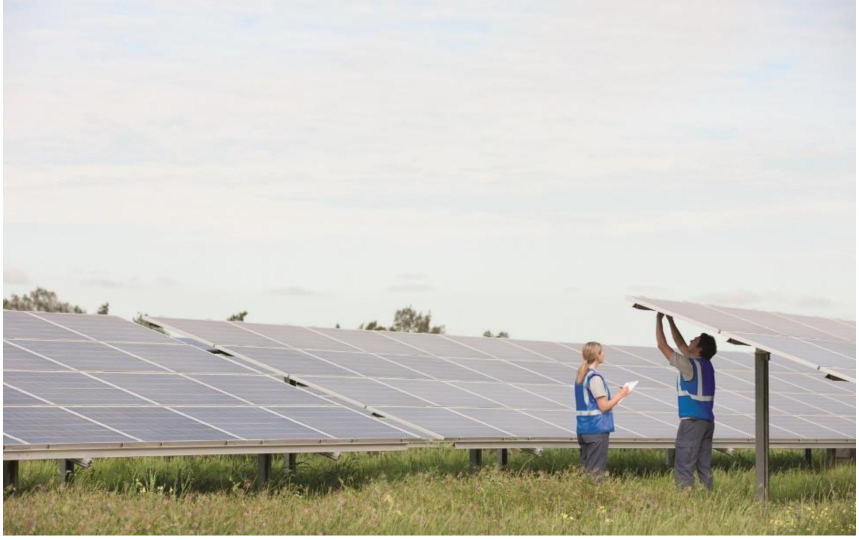
At Zurich, we define ESG integration along four basic requirements: training, data, investment process and active ownership. These four requirements not only help us to integrate ESG factors in the investment decisions, but also to understand and monitor where we or our asset managers stand in terms of capabilities.

Successful ESG integration is based on:

- Adequate **training** to help investment decisionmakers understand the relevance of ESG factors
- Access to **data**, research and analysis pertaining to ESG issues to inform investment decision-making
- Formal **integration** of ESG factors into the security, asset and asset manager selection process
- **Active ownership** practices, such proxy voting and active engagement campaigns.
- Zurich strives to fully reflect the four basic requirements for successful ESG integration in its internal and external asset manager life cycle process. In the external asset manager selection process, a set of responsible investment questions is integrated into the request for information (RFI) and request for proposal (RFP) questionnaires, and is evaluated with an explicit weighting.

ESG integration can be seen as the prerequisite for all our investment activities. From an impact investing perspective, ESG factors are not only taken into account for pricing an impact investment, but also help to scrutinize risks and adverse effects that could hamper the impact thesis. Accordingly, to qualify for an impact investment, an investment has to additionally satisfy the impact investment definition as described under Principle 2.

Please review Section II – ESG integration at Zurich: capturing ESG-related risks and opportunities – of our Responsible Investment White Paper to read how we integrate ESG criteria across our asset base. Visit our webpage to learn more about our progress in managing ESG risk.



Principle 6:

Monitor the progress of each investment in achieving impact against expectations and respond appropriately

The Manager shall use the results framework (referenced in Principle 4) to monitor progress toward the achievement of positive impacts in comparison to the expected impact for each investment. Progress shall be monitored using a predefined process for sharing performance data with the investee. To the best extent possible, this shall outline how often data will be collected; the method for data collection; data sources; responsibilities for data collection; and how, and to whom, data will be reported. When monitoring indicates that the investment is no longer expected to achieve its intended impacts, the Manager shall seek to pursue appropriate action.[9] The Manager shall also seek to use the results framework to capture investment outcomes.[10]

[9] Actions could include active engagement with the investee; early divestment; adjusting indicators/expectations due to significant, unforeseen, and changing circumstances; or other appropriate measures to improve the portfolio's expected impact performance.
[10] Outcomes are the short-term and medium-term effects of an investment's outputs, while the outputs are the products, capital goods, and services resulting from the investment. Adopted from OECD-DAC (http://www.oecd.org/dac).

Zurich's impact measurement framework (mentioned in Principle 4) monitors progress toward our impact targets.

The framework applies a two-step process:

- First step: gathering reported impact numbers
- Second step: aggregating on portfolio level, across asset classes

The framework aggregates impact data across different asset classes in a harmonized structure based on information reported by issuers of impact investing instruments. We ensure, that we only count the share of impact, that we actually finance.

The measurement framework allows Zurich to measure progress against the achievement of its impact targets. Zurich wants to know what each of the investments achieves in terms of impact, and to measure its contribution toward its impact investment objectives: mitigating environmental risks and increasing resilience.

The responsibility for collecting data remains with the responsible investment team, supported by local teams and asset class experts. This is currently a manual and labor-intensive process, requiring us to read and analyze every single impact report. That also means that Zurich conducts its impact report based on impact numbers reported by the issuers of the impact investing instruments where Zurich is invested in.

The report is updated annually, based on the impact reported to Zurich.

Measurement helps to make better investment decisions and it also demonstrates that financial returns can be balanced with environmental and social returns. The systematic collection and contextualisation of impact numbers allows for continuous learning, and increased understanding of the impact hypothesis.

To learn and gain further insights in how to manage and increase the achieved impact of our impact investment portfolio based on the impact measured, we are making those metrics availabe to all our portfolio managers through our global internal data warehouse.

Assets that do not deliver the intended impact, or do not report on the impact achieved, are stripped of the impact label and returned to the 'conventional' portfolio – or might be sold and exited. In addition, in cases where we do not agree with an impact label, we also notify the issuer/manager, stating the reasons why the impact delivered falls short of our expectations.

Visit the methodology paper for further details on Zurich's impact measurement framework.

Principle 7:

Conduct exits considering the effect on sustained impact

When conducting an exit,[11] the Manager shall, in good faith and consistent with its fiduciary concerns, consider the effect which the timing, structure, and process of its exit will have on the sustainability of the impact.

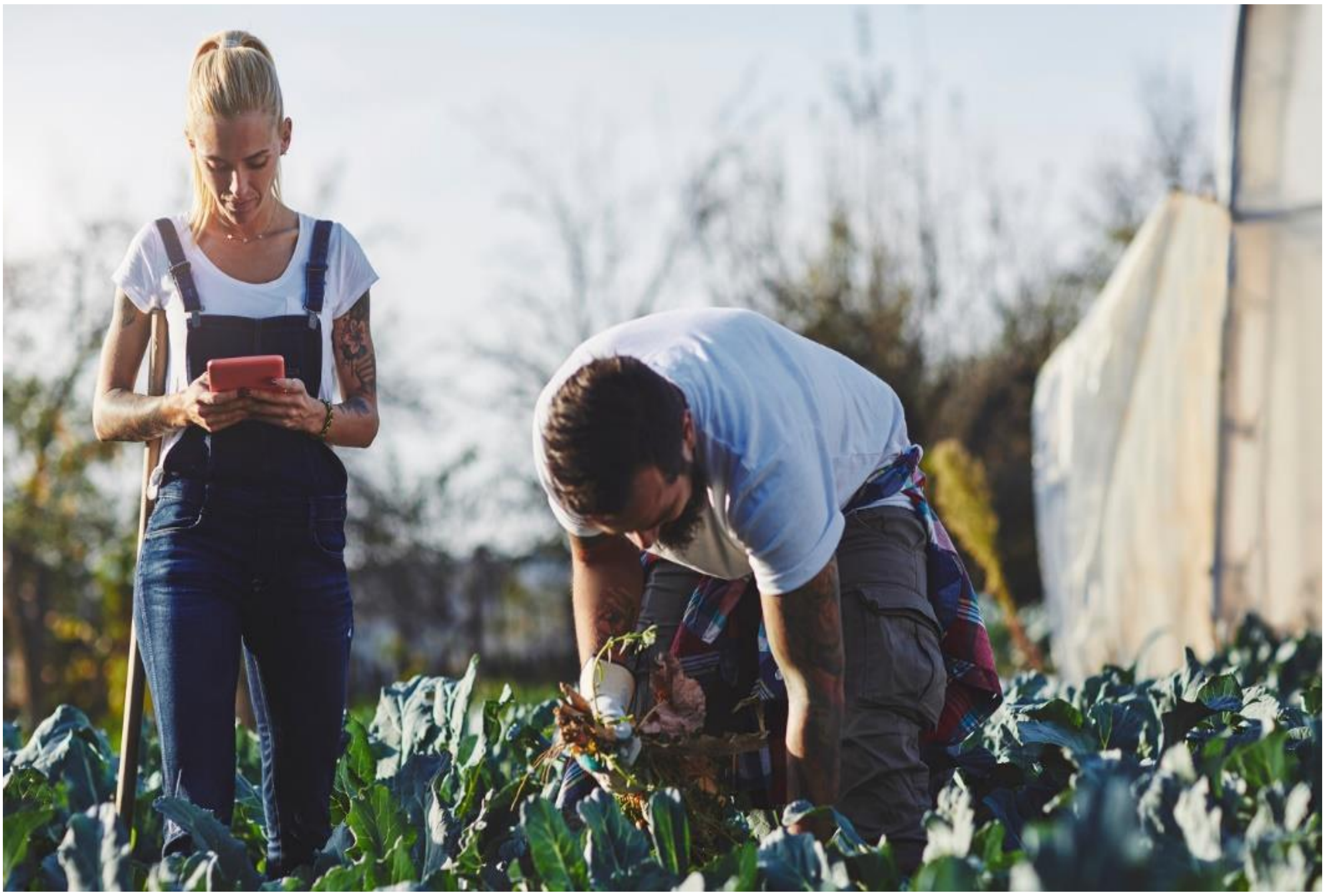
[11] This may include debt, equity, or bond sales, and excludes self-liquidating or maturing instruments.

In general, as an asset owner, we tend to be two or even three steps removed from the origination of the impact and in some cases have limited possibility to plan exits.

As debt provider (as in the fixed income and infrastructure asset classes) the years of financing are pre-defined at investment. Most debt investments are self-liquidating and mature without additional exit decisions. Moreover, in fixed income, we often apply a 'buy and hold' investment approach.

In case of infrastructure private debt, a pre-emptive exit from the investment will be triggered by default on a covenant. In such cases, our asset manager tries to work with the sponsor to find the best solution. That might entail, for example, extending the loan if the sponsor brings in equity. Therefore, already during the due diligence phase, we asses an asset manager's work-out process style and we avoid those taking an aggressive approach.

In private equity, as we are managing a portfolio of funds, we typically hold our investments until maturity and are unlikely to liquidate an investment in the secondary markets. In cases where governance changes, we reserve the right to exit, as written in our investment process manual. When selecting fund managers, we assess how a fund manager assesses ESG factors from the start of an investment through to the end, and hold them accountable for managing the exit process. Some of our fund managers are signatories to the Operating Principles for Impact Management themselves; one states in its own strategy that it aims to create 'a lasting legacy' by investing in companies.



Principle 8:

Review, document, and improve decisions and processes based on the achievement of impact and lessons learned

The Manager shall review and document the impact performance of each investment, compare the expected and actual impact, and other positive and negative impacts, and use these findings to improve operational and strategic investment decisions, as well as management processes.

As described in the impact measurement methodology paper, at the outset, we gather the impact numbers reported for each investment – and learn from this strategic collection and comparison process.

While we believe the proposed methodology can be seen as a start, we are aware of the limitations and shortcomings it has. One of the shortcomings is certainly that impact is reported in different ways by issuers, such as ex-ante vs.ex-post, and based on different baselines. Also, not all of our impact investments allow to compare ex-ante estimates with ex-post reporting. However, we will only label an investment as impact investment, if there is a credible impact hypothesis ex-ante, even if it cannot be quantified from the start, which we will then contrast to the first impact reports.

Fixed income: Green, social and sustainability bonds

- On a quarterly basis, we review self-labelled use-of-proceeds bonds on their 'robustness' as an impact instrument. The final decision whether a bond remains labelled as an 'impact' asset, occurs when a high quality impact report is published.
- In our annual review meetings with asset managers we regularly discuss the quality of single issuances, frameworks and impact bond issuers.
- In cases where the green, social or sustainability bond does not deliver the expected impact, we apply a process of stripping the instrument from its impact label, remove it from our impact portfolio and might exit it alltogether. We also notify the issuer/manager, of this decision.

Impact infrastructure private debt

- We have collaborated with our asset managers to develop the approriate impact measurement methodology that is cutomized to our requirements.
- We receive an updated list of new impact infrastructure projects from our asset managers quarterly, classifying impact projects according to our defined categories.
- The asset manager provides impact reports, including all identified impact projects, annually.

Impact private equity

- On an annual basis we review the fund managers' impact report to understand the alignment with the fund's strategy and measure the impact.
- This evaluation helps us to decide wether to invest in a follow-on fund or not.

Real estate

- The local real estate asset manager reports annually to Group Real Estate during the annual strategy review meeting.

Impact assessment is not only based on the impact intensity delivered, as measured in impact per US dollar invested – but highly depends on additional qualitative context. With every year of measuring and comparing multiple assets, their impact intensity, depth and quality, we keep learning and improving our approach. We are sharing lesson learned with our investment colleagues internally in regular review and update meetings. This helps to determine future impact investing decisions and should allow us to improve the investment processes, documentation and measurement. It should also aid determining the process and the scope and areas of where we invest.

This type of 'feedback loop' helps us to understand what kind of impact investment we should focus on (or avoid). In addition, we have always made a point of sharing what we learn with the market, as part of our aim to 'advance together' with peers.

Principle 9:

Publicly disclose alignment with the Impact Principlesand provide regular independent verification[12] of the alignment

The Manager shall publicly disclose, on an annual basis, the alignment of its impact management systems with the Impact Principles and, at regular intervals, arrange for independent verification of this alignment. The conclusions of this verification report shall also be publicly disclosed. These disclosures are subject to fiduciary and regulatory concerns.

[12] The independent verification may be conducted in different ways, i.e., as part of a financial audit, by an independent internal impact assessment committee, or through a portfolio/fund performance evaluation. The frequency and complexity of the verification process should consider its cost, relative to the size of the fund or institution concerned, and appropriate confidentiality.

This disclosure note re-affirms that Zurich's approach is in line with the Impact Principles. It will be updated when material changes or upgrades to the process occur.

Independent verification was first provided by Zurich's external auditor based on 2020 numbers (USD 5.8 billion in assets under management as of December 31, 2020) and processes as outlined in this disclosure statement. While we expect the covered assets and portfolio of impact investments to grow annually – and will update the annual disclosure statement to reflect growing AuM in scope – our impact investment approach and processes are expected to remain stable.

Accordingly, we will seek verification from our external auditor when material changes to our impact investing approach occur, or at least every 3 years. The verifier's opinion is available in a separate document on our website.

Key performance indicators pertaining to Zurich's impact investing strategy, such as the total amount of impact investments, allocation to various asset classes and impact metrics, are published on Zurich's website and in various reports such as annual or sustainability reports and updated annually. These numbers receive frequent reasonable assurance by Zurich's external auditor, as part of Zurich's overall non-financial reporting process.

Disclaimer

173006711 (03/20) TCL

ZURICH®