Zurich Insurance Group
Annual Report 2023

Adapt and grow.

ZURICH

In this report

Cover story: adapt and grow

Many of the UK's historic pleasure piers have been lost. We're helping keep one alive to make memories for tomorrow.

Southend-on-Sea's pier, named UK "Pier of the Year" in 2023, plays a vital role in the community. Zurich Municipal provides cover to Southend, including its pier, the longest in the world, while Zurich Resilience Solutions (ZRS) offers insights on ways to protect it and other iconic structures.

Read full story:
▶ www.zurich.com/media/magazine/2024/southend-pier

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

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

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

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Adapt and grow

As the world around us continues to undergo dramatic change, Zurich is focused on responding positively and practically to the social, economic and environmental challenges we all face.

The ability to adapt is essential if we want to grow and thrive, as a business and for our customers, partners and people – now and in the future.

At Zurich, we draw on our heritage, expertise and track record of high performance to see things differently and drive the business forward.

Michel M. Liès
Chairman of the Board of Directors

Mario Greco
Group Chief Executive Officer

Adapt and grow, for…

greater resilience.

Insurance can help businesses and people bounce back after disaster strikes. But not everyone has access to coverage.

That's why PT Zurich General Takaful Indonesia is helping protect more than 3,000 coffee farmers in Sumatra, Indonesia, mainly in Aceh, one of the largest coffee producing regions in the country. In this remote area, many farmers are financially vulnerable to the impact of extreme weather on their crops, yet insurance penetration is low. Sharia Parametric Weather Index Insurance pays claims to farmers automatically based on actual weather data.

This gives farmers peace of mind, quicker payments and spares them the process of claims submission.

Adapt and grow, for...

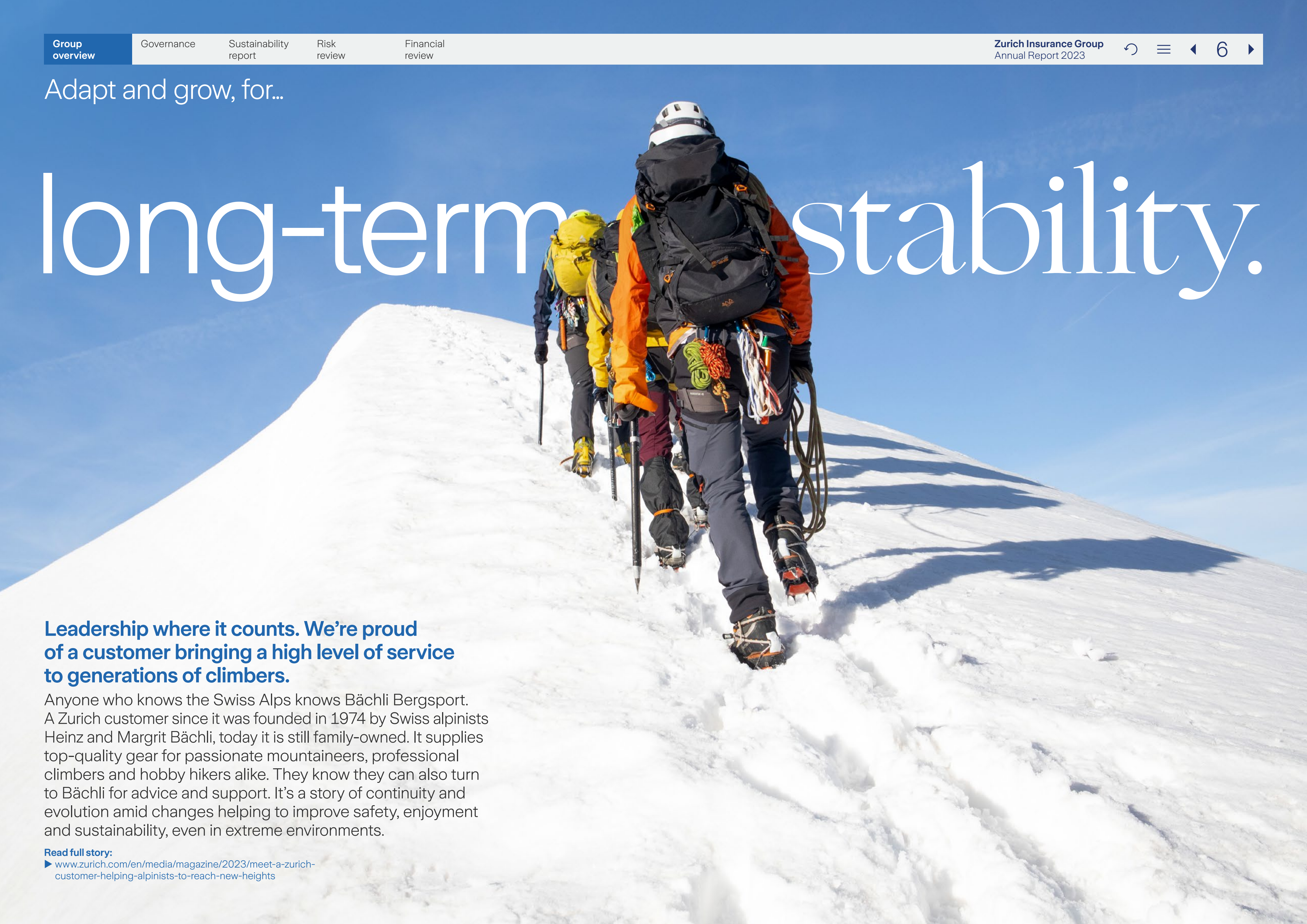
a trusted partnership.

Reliability matters, in business and in life.

Zurich's long-standing distribution partnership with Deutsche Bank has provided continuity for the bank's retail customers in Germany for more than a decade. This successful collaboration is why a renewed and enhanced 10-year bank distribution agreement between Zurich Germany and Deutsche Bank took effect in 2023, lasting until 2032. It makes Zurich the exclusive provider for insurance products in the field of savings and pensions (mainly unit-linked), as well as non-credit-linked protection, private property and casualty, and other general insurance coverage to Deutsche Bank's retail network. The scope of the distribution partnership has been extended significantly, opening the way in 2023 for Zurich to make these products available to Postbank customers, too.

Adapt and grow, for...

long-term stability.



Leadership where it counts. We're proud of a customer bringing a high level of service to generations of climbers.

Anyone who knows the Swiss Alps knows Bächli Bergsport. A Zurich customer since it was founded in 1974 by Swiss alpinists Heinz and Margrit Bächli, today it is still family-owned. It supplies top-quality gear for passionate mountaineers, professional climbers and hobby hikers alike. They know they can also turn to Bächli for advice and support. It's a story of continuity and evolution amid changes helping to improve safety, enjoyment and sustainability, even in extreme environments.

Read full story:
▶ www.zurich.com/en/media/magazine/2023/meet-a-zurich-customer-helping-alpinists-to-reach-new-heights

Our performance

Strong growth.

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

USD 7.4bn
Business operating profit[1] (BOP)

USD 4.4bn
Net income attributable to shareholders (NIAS)

23.1%
Business operating profit after tax return on equity[2] (BOPAT ROE)

SST 233%
Swiss Solvency Test ratio (SST) estimated as of January 1, 2024[3]

USD 4.8bn
Net cash remittances[4]

CHF 64.3bn
Market capitalization as of December 31, 2023

USD 7.9bn
Total amount of impact investments[5]

USD 171.2bn
Investment portfolio[6]

AA/stable
Standard & Poor's financial strength rating of Zurich Insurance Company Ltd as of December 31, 2023

Around 1.25 million
Number of customers interviewed through Zurich's NPS program[7]

30.3%
Females in senior management[8]

13 points
Increase in global TNPS score since 2019[9]

1 Business operating profit (BOP) indicates the operational performance of the Group's business units by eliminating the impact of financial market volatility and other non-operational variables.
2 Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for net unrealized gains/(losses) on available-for-sale investments and cash flow hedges.
3 Estimated Swiss Solvency Test (SST) ratio, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA.
4 Net cash remittances for full year 2023.
5 Impact investments in 2023 consisted of: green, social and sustainability bonds (USD 6.9 billion), impact private equity (USD 216 million) and impact infrastructure private debt (USD 808 million).
6 Market value of the investment portfolio (economic view). See page 267 for further details.
7 Zurich continues to evolve customer experience by listening to and acting on customer feedback through transactional net promoter system score (TNPS) programs. It surveyed around 1.25 million customers in 2023 across the business and acted on their feedback. See sustainability report (page 188 of this report) for further details.
8 Senior management represents the combination of career levels D and E.
9 TNPS excludes Banco Sabadell, Colombia and Turkey. Prior year numbers for 2022 have been restated to exclude Sabadell owing to that entity's adoption of a different metric to TNPS.

Our business mix

Dynamic, agile and well balanced.

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

Property & Casualty

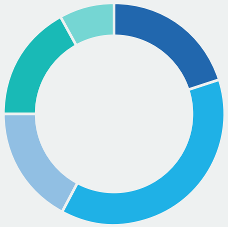
Insurance, services and risk insights.

USD 3.9bn
Business operating profit[1]

USD 42.3bn
Insurance revenue

Business mix

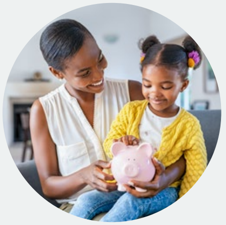
2023 insurance revenue by line of business[2]



Motor	20%
Property	38%
Liability	17%
Special lines	17%
Worker injury	8%

- Zurich is the second-largest global commercial insurer with a profitable retail franchise which positions us well for success through the cycle.
- Property & Casualty (P&C) reported a 7% increase in business operating profit to USD 3.9 billion in 2023, as well as a combined ratio, a measure of profitability, of 94.5%.

Read more on P&C:
▶ Pages 258–259



Life

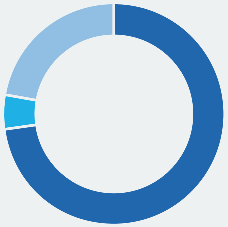
Protection, savings and investment solutions.

USD 2.1bn
Business operating profit[1]

USD 2.1bn
Net reserves and investment contract liabilities

Business mix

2023 net reserves and investment contract liabilities by line of business[2]



Unit-linked and investment contracts	73%
Protection and other non-participating	5%
Traditional savings and other participating	22%

- Zurich operates a long-term strategy of focusing on protection and capital-light savings business.
- The Life business reported a record business operating profit of USD 2.1 billion in 2023, with strong top-line growth in all parts of the business.

Read more on Life:
▶ Pages 260–261

Farmers[3]

Provides services to the Farmers Exchanges.[3]

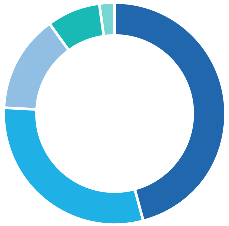
USD 2.3bn
Business operating profit[1]

USD 4.5bn
Fee service revenues

Farmers Exchanges[3]

Business mix

2023 gross written premiums, by line of business[2]



Auto	46%
Home	30%
Specialty	14%
Business insurance	8%
Others	2%

- Zurich has no ownership interest in the Farmers Exchanges,[3] which are owned by their policyholders. The Exchanges are a leading player in U.S. personal lines insurance.
- In 2023, Farmers performed very well, with a 10% increase in business operating profit.

Read more on Farmers and Farmers Exchanges[3]:
▶ Page 262

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

Message from our Chairman

Adapt and grow.

> The ability to adapt is essential if you want to continue to grow during these challenging times.
>
> **Michel M. Liès**
> Chairman of the Board of Directors

The world around us continues to undergo dramatic change with risks becoming more complex and unpredictable.

The social, economic and environmental challenges we all face are being exacerbated by greater geopolitical turmoil – and war. And this year, with almost half the world's population set to vote in elections, there may be more uncertainty as new governments, new leaders and a new set of policies are potentially ushered on to the world stage.

The world is a volatile place. But Zurich has shown – time and time again – that we prosper during periods of volatility. Our business has endured world wars, natural disasters, financial crises and pandemics, yet we have continued to thrive.

Adapt and grow

The ability to adapt is essential if you want to continue to grow during these challenging times. This requires building resilience in your business and leveraging the strength, flexibility and resourcefulness of your people.

At Zurich, thankfully, we are risk specialists with great expertise and experience in resilience. We are committed to enhancing the resilience of our customers and the communities we serve, too. We gladly share our risk expertise, contribute to fostering an understanding of risks among the public, businesses and governments, and actively collaborate on preventive measures with these stakeholders.

To adapt and grow during periods of volatility also requires responding positively to challenges. I said this in my message last year, but it is worth repeating in the current global context: you can find strength in adversity and opportunity within risk.

And in times of adversity, you will also find us. We know that our customers look to us during turbulent periods. One thing that you can be certain of during uncertain times is that Zurich will be here to support you, to guide you and to protect you.

Michel M. Liès
Chairman of the Board of Directors

Delivering excellent results.

The first year in Zurich's 2023–2025 financial cycle has yielded exceptional results: our highest ever business operating profit (BOP) of USD 7.4 billion.

This strong set of results was driven by all of Zurich's businesses. Zurich's Commercial Insurance business has made great strides in improving its profitability, by focusing on underwriting discipline, ensuring a balanced portfolio, and simplifying customer and broker interactions through enhanced connectivity and data analytics capabilities. Zurich's Retail business continues to improve as the 2023 accident year combined ratio, excluding catastrophes, improved. In Retail, Zurich's customer retention rate has remained stable over the past years, with customer loyalty improving despite rate increases. Zurich has also improved its brand consideration ranking in eight markets since 2019.

"These results are a testament to the strength of our strategy.

Mario Greco
Group Chief Executive Officer

Zurich's diligent management of its exposure to extreme weather events has helped to reduce earnings volatility and make the quality of its financial performance more predictable and solid. The actions are paying off, with natural catastrophe losses within the guided range for the full-year 2023, despite severe flooding and hailstorms in Europe during the third quarter.

Property & Casualty (P&C)

P&C business operating profit (BOP) of USD 3.9 billion rose 7 percent in U.S. dollars compared with the prior year. This was mainly driven by the increase in insurance revenue and an improvement in the investment result. The combined ratio remained stable year-over-year at 94.5 percent as Commercial maintained strong returns.

Life

The Life business delivered a very strong performance in the year, with an all-time high BOP of USD 2.1 billion, 39 percent higher than in the prior year in U.S. dollar terms, with top-line growth across all parts of the business. The excellent results reflect the ongoing successful execution of the Group's Life strategy that focuses on protection and capital-light savings business. Top-line growth was strong in all parts of the business, contributing to profit growth.

Message from our Group CEO (continued)

Our targets

Our financial targets for the cycle 2023–2025 are our most ambitious yet. Here is what we aim to achieve by the end of 2025.

Business operating profit after tax return on equity[1]

>20%

Cumulative net cash remittances over the period 2023–2025

>USD 13.5bn

Swiss Solvency Test ratio[2]

≥160%

Compound organic earnings per share growth[3]

8%

1 Business operating profit after tax return on equity, excluding unrealized gains and losses.
2 Swiss Solvency Test (SST) ratio calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA.
3 Compound organic earnings per share (EPS) growth rate, before capital deployment, over the period 2023–2025. The baseline for the 2023–2025 EPS growth target was the assured achievement of the 2020–2022 target of a compound earnings per share growth rate of 5% (i.e. EPS of USD 32.1).

Farmers

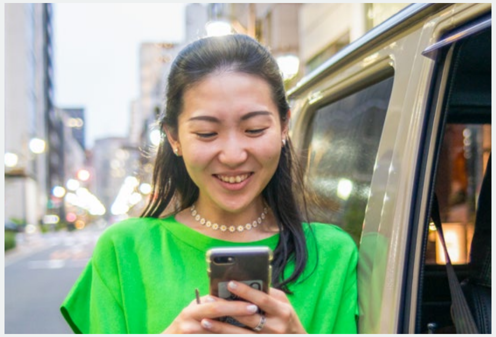
Farmers achieved strong growth, reflecting successful management actions in 2023. Farmers BOP rose 10 percent to USD 2.3 billion. Farmers Management Services BOP grew 10 percent compared with the prior year. Farmers Exchanges, which are owned by their policyholders,[1] achieved 5 percent growth in gross written premiums on an underlying basis, excluding the commercial rideshare business. Rate actions have contributed to growth in most books of business. The combined ratio for the fourth quarter was better than expected, falling to 89.8 percent.

Enhancing customer experience

Over the last three years, Zurich has invested USD 1.8 billion on technology, mostly focused on digitalizing the business and improving efficiency and customer experience.

Employee satisfaction surges in Germany

Including employees in shaping strategy and culture has helped Zurich Germany boost its employee satisfaction scores. The country's leadership team earned the lowest overall score on the employee net promoter score (ENPS) survey of the whole Group in 2017, with an ENPS of –62. By October 2022, employee satisfaction jumped 126 points to +64, compared with the 2017 score. Listening to employees and giving them the chance to help shape new attitudes, a leadership code of conduct as well as decision-making processes helped to create the turnaround.



Serving customers with Zurich One

Zurich One is a mobile-first customer portal that redefines the customer experience. Customers have access to features for managing personal data, policies, filing claims and tracking their status. The portal has been developed centrally, is customized to local needs and is being rolled out to retail customers across the Group, beginning with Italy and Switzerland in 2023.

For instance, 89 percent of Zurich's retail quotes are now digitalized. Zurich is also leveraging artificial intelligence (AI) in more than 160 use cases providing advanced data insights to help underwriters, risk engineers and claims adjusters take better-informed decisions. Zurich strengthened its workforce with digital capabilities through an extensive upskilling program and the recruitment of more than 1,000 digital technology specialists with critical skills, in areas such as data analytics, AI, cyber security and cloud computing.

Industry-leading shareholder return

This result puts Zurich in an excellent position for further growth and is a testament to the strength of its strategy, which allows the Group to return more than USD 5 billion to its shareholders.

Generating industry-leading shareholder returns is one of Zurich's key ambitions, which is evidenced by its attractive dividend policy. Since 2016, Zurich has generated a shareholder return of 16 percent per annum. This compares favorably with the 9 percent annual shareholder return delivered by leading peers during the same period.[2] In light of these record results and strong capital position, Zurich proposes an 8 percent dividend increase to CHF 26, a 19 percent increase in U.S. dollars.[3] Zurich plans to supplement the ordinary dividend with a share buyback of up to CHF 1.1 billion.

Looking ahead

Customer focus, simplification and innovation will be a compass for the business through our 2023–2025 financial cycle, which aims to deliver our most ambitious targets yet. It was this strategy which enabled Zurich to set – then exceed – ambitious financial targets in 2017–2022, and it is this strategy which will serve us in years to come.

Mario Greco
Group Chief Executive Officer

1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.
2 Total shareholder return in U.S. dollars (from January 1, 2016 to December 31, 2023). Peers include Allianz, AXA, Chubb, Generali, Travelers (unweighted average). Source: Datastream.
3 Based on year-end exchange rates, i.e., 1 CHF = 1.1874 USD as of Dec.31, 2023 and 1 CHF = 1.0813 USD as of Dec. 31, 2022.

Our business model

We create sustainable value.

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

The resources and relationships we manage to support long-term success

Our planet

We are supporting a positive socio-economic and environmental transition, while at the same time building resilience to evolving risks. Environmental challenges including nature loss and climate change can impact all sectors of the real economy which we insure and invest in, and ultimately can have significant impacts on our long-term value.

Our customers

Customer expectations are evolving and creating new demands. Customers increasingly expect a seamless digital experience with more personalized and sustainable products, faster delivery and simpler processes.

Our people

We support employees with learning the right skills to navigate the evolving world of work – so they can help our customers do the same.

Our financial capital

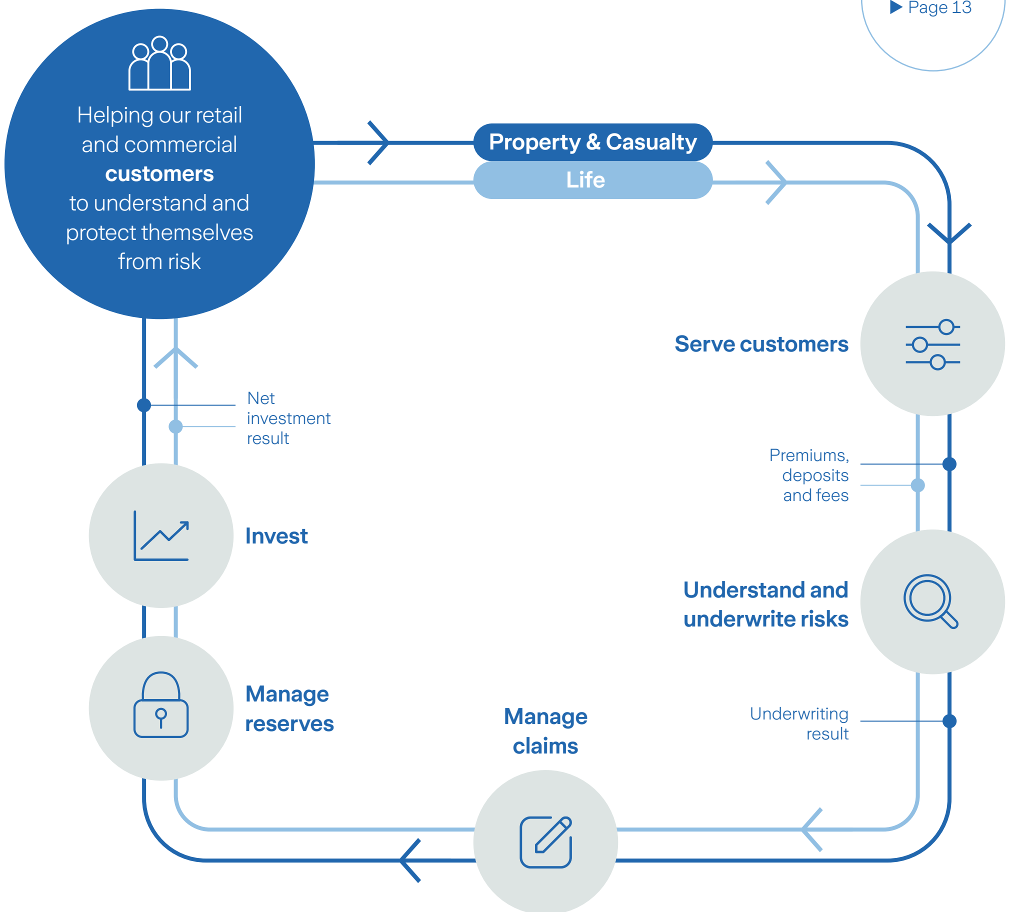
Our shareholders and bondholders provide the financial capital that sustains our business. We maintain a strong balance sheet. Zurich Insurance Company Ltd's financial strength was rated AA/stable by Standard & Poor's, Aa3/positive by Moody's and A+/stable by A.M. Best as of December 31, 2023.

Our suppliers and service providers

We set out clear environmental, social and ethical expectations for our suppliers globally to ensure the respect of human rights within our sphere of influence.

The five key elements of our business model and how we create value

Read more:
▶ Page 13



Outcomes and progress during the year

Our planet

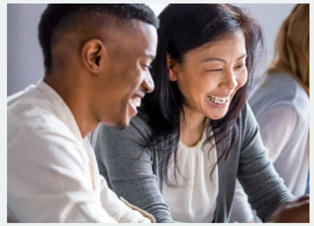
Read about the ways we contribute to a more sustainable future:
▶ Page 24

Our customers

Read about the ways we serve our customers:
▶ Page 25

Our people

Read about our people and how they contribute to the business:
▶ Page 26



Our financial capital

Read about our financial strength and capital position:
▶ Page 252

Our business model (continued)

With a rich heritage spanning more than 150 years, Zurich has established itself as a trusted partner in managing risks and providing innovative insurance solutions.

In Property & Casualty, we offer insurance coverage for businesses and individuals. This includes commercial auto, property, liability, specialty, and workers' compensation products, as well as personal lines insurance, such as motor and home coverage. We receive premium payments and pay claims. Additionally, we invest the premium payments to generate returns and further support our insurance operations.

Our Life business offers life insurance products that provide financial protection to individuals and their families in the event of the policyholder's death or other specified events. We receive premium payments and when required pay out a predetermined sum of money to the designated beneficiaries. We also focus on unit-linked products, which combine life insurance coverage with investment opportunities.

Farmers Group, Inc. is a wholly owned subsidiary of the Group. It provides certain non-claims services and ancillary services to the Farmers Exchanges[1] as its attorney-in-fact and receives fees for its services.

Serve customers

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

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

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

Understand and underwrite risks

Insuring risks is central to what we do. Our underwriting expertise, knowledge and skill, accumulated over decades of experience and backed by a wealth of data, gives us the ability to assess, understand and quantify risks at all levels of complexity. This enables us to offer fairly priced, appropriate insurance solutions to our customers, as well as provide insights to support them in managing their risks and mitigating potential losses.

As trusted long-term partners, we stay close to our customers to better understand their individual needs and, where possible, equip them with the right tools to navigate any challenges they face. We have deployed technology throughout the organization to improve how we engage with our customers and support our underwriters in providing a superior service. We constantly make improvements to the day-to-day environment for our underwriters by seeking and acting on their feedback. This reduces turnover and means we can retain experienced people within the organization, helping us to maintain the strong technical capabilities our customers expect.

Manage claims

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

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

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

Manage reserves

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

Invest

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

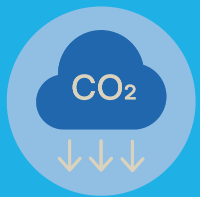
Zurich's approach to managing investments aims to maximize risk-based returns relative to the Group's liabilities, while understanding emerging risks in challenging times. That is why we manage our assets responsibly and do this by integrating environmental, social and governance factors in our investment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

1 Zurich Insurance Group has no ownership interest in the Farmers Exchanges.

Business environment

An evolving environment.

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

	Market dynamics	Opportunities	Risks	Material issues
Living in a digital world 	– Rapid evolution of new technologies that have potential to transform the insurance industry – Large amounts of data are generated and can be collected, stored and analyzed – Impacts all areas of the economy and our day-to-day lives – Shift from "detect and repair" to "predict and prevent"	– Automation and artificial intelligence can help companies deliver seamless services and improve speed and efficiency of claims and underwriting processes – Digital strategy can help companies to stand out from peers – Data provides new insights on customers' needs and satisfaction – Embedded insurance/platforms (Zurich Edge, Zurich eXchange)	– Cybercrime – Loss of trust among people in digital society – Failure to adapt quickly	– Responsible artificial intelligence – Data privacy and security – Responsible handling of data – Transparency on data collection and use – Regulation
Employing people 	– Balancing growing on-site needs of employers with employees' expectations of flexible working – Increased reliance on skills-based recruitment and development; an ever-changing skills landscape – Pressure for operational efficiency highlights need for wellbeing and sustainable working – Growing impact of artificial intelligence on organization and workforce	– Retaining the right talent and giving them opportunities to develop knowledge and skills to better serve customer needs – Empowering employees to contribute to a stronger culture of innovation and accountability across the business – Sustaining a diverse and inclusive workforce – Leading by example as a responsible employer	– Persistent talent and skills shortage – Failure to develop skills at the pace required in the short term – Dynamic talent market and competition for talent – Maintaining employee wellbeing in the midst of market volatility, efficiency drives and technological advancements	– Workforce development and engagement – Retention of the right talent – Employee wellbeing – Diversity, equity, inclusion and belonging
Our planet 	– Increasingly pressing need to address climate change mitigation and adaptation – Customers increasingly environmentally conscious – Demand for sustainable solutions	– Working together with customers to build resilience, e.g., Zurich Resilience Solutions – Leveraging technology to help reduce need for business-related travel – Working across our industry to develop targets and guidelines based on science and transparency – Suppliers need to adopt sustainable business practices – Responsible investment and the transition to a net-zero world	– Insufficient focus on climate change adaptation – Lack of data to help anticipate the impacts of climate change – Lack of consensus between public and private sectors, moving too slowly, global challenge requires all countries to move in unison – Lack of understanding of interplay between climate change and biodiversity – Greenwashing and reputational risk	– Decarbonization – Climate change adaptation

Our strategy

Leveraging our strengths.

We implement our strategy and focus on achieving success while remaining true to our purpose and values. We have a balanced business with a solid financial position, trusted brand and talented people.

Our strategic priorities focus on:

1 Customers

Zurich's ambition is to be the insurer of choice by building meaningful relationships with customers and earning their loyalty.

Our progress so far

- Delivered more tailored products and services with the implementation of customer centricity segmentation and lead-automation program in five countries.
- Improved customer experience and satisfaction by accelerating the implementation of the Zurich CX Standards and launching Zurich One, a customer app, in Italy and Switzerland (see page 11).
- Transformed customer communication with a new tone of voice and customer empathy training program.
- Opened third Cover-More command center in the UK for 24/7 medical and security assistance and travel risk management.
- Increased awareness and perception of the Zurich brand with increased global marketing spend and social media engagement.

Next steps

- Continue to earn customer loyalty by understanding their needs, delivering personalized propositions, and providing seamless experiences across multiple channels.

2 Simplification

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

Our progress so far

- Launched Zurich Edge digital platform in Asia, combining technology with insurance expertise to provide partners and their customers with embedded insurance (see page 17).
- Expanded our suite of APIs on Zurich eXchange, with more than 60 million API calls per month, improving internal efficiency and opening up external connectivity with partners.
- Zurich has been investing in automating and simplifying the business front to end in order to improve efficiency.

Next steps

- Expand Zurich Edge to other regions and further grow our embedded capabilities.

3 Innovation

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

Our progress so far

- Introduced our AI platform with a focus on improving reuse and quality of AI assets. Generative AI-powered solutions are being deployed across the Group.
- Entered a strategic partnership with Belgium-based insurtech Qover to strengthen embedded insurance capabilities.
- Hosted the 2023 editions of the two innovation programs Make the Difference and Zurich Innovation Championship

Next steps

- Introduce new categories for the Zurich Innovation Championship 2024, including commercial insurance, digital simplification, life and health and retail P&C.
- Actively scaling successful pilots from the Zurich Innovation Championship across multiple geographies, like Zurich Cards Wallet in cooperation with startup Miss Moneypenny Technologies.
- Build further momentum to become a digital insurer that is simpler, faster and smarter.

Our strategy (continued)

1 2 3 **Customers**

Z-Track: automating claims for customers in Argentina

Z-Track is Zurich Argentina's 100 percent digital and automated tool for handling automotive claims, available 24 hours per day. Z-track makes claims more transparent, for example, giving real-time alerts to help customers track the progress of their claims, and streamlines the process end to end. The customer uploads a simple notice of loss, chooses the most convenient body shop and conducts a fully digital, video-based car inspection. In addition, the tool offers the flexibility for the customer to choose their preferred contact method, including human assistance when needed. Z-Track's impact on our business is demonstrated by our happier customers, with transactional net promoter scores (TNPS) moving from a score in the 30s to above 50 points in the last two years.

20+ points
gain in TNPS scores in past 2 years

1 2 3 **Innovation**

Exploring wellness through AI: a new dimension in personal health

In the post-COVID-19 era, understanding and maintaining personal health and wellbeing has become more crucial than ever. To this end, Binah.ai, a pioneering startup, is leveraging artificial intelligence to offer innovative wellness insights through video analysis. This technology, accessible via smartphones, tablets, or laptops, helps users gain a better understanding of various wellness indicators such as heart rate and stress levels.

LiveWell by Zurich is at the forefront of integrating these advancements into their digital experience. LiveWell has utilized Binah.ai's cutting-edge technology to create Vitals Check, an advanced feature currently in its beta testing phase.[1] This feature provides users with valuable insights into aspects of their wellbeing using just their smartphone camera.

1 2 3 **Customers**

Settling claims on the go with Hello Zurich

Hello Zurich is a video calling tool that allows Zurich to connect with customers digitally on a more personal and efficient level, helping to build trust from day one. It enables claims handlers to capture visual information about the claim, allowing them to assess and evaluate claims in real time and make instant decisions to support quicker settlements.

In the UK, Zurich has seen a five-fold rise in the number of customers using Hello Zurich, while claims times have been cut to an average of just 13 minutes for customers using a separate WhatsApp messaging option. The channels significantly reduce time and hassle for customers and eliminate the need for long email exchanges.

13 minutes
claim time after introducing WhatsApp and video customer channels

1 This feature is in its beta phase and is not intended for medical use or to provide health diagnostics. The decision regarding its full release in additional countries is pending, based on thorough testing and user feedback.

Our strategy (continued)

1 2 3 **Simplification**

Zurich Edge: re-engineering insurance for Asia Pacific

Zurich Edge brings our products and services directly to customers – embedded in their digital lifestyle, at any time and in any place. This new suite of technology capabilities, encompassing an open architecture full-stack platform and Zurich's API exchange, is leveraged alongside Zurich's global platform and insurance expertise to provide partners and their customers with a refreshed, seamless and elevated approach to insurance – across all Asia Pacific markets where Zurich currently operates. It taps into a growing trend of digitally embedded protection solutions as partner companies seek to integrate distinctive offerings into their online ecosystems and provide customers with relevant products and services through a streamlined one-stop-shop experience. Embedded insurance channels are expected to make up more than 30 percent of all property and casualty (P&C) insurance transactions globally by 2028.[1]

>30%

expected proportion of global P&C insurance transactions via embedded insurance channels by 2028[1]

1 Source: EY report 'How insurers and new entrants can take advantage of embedded insurance.' (April 2023)

1 2 3 **Customers**

Empathy training buoys customer service scores at Zurich UK

The retail protection business has seen customer satisfaction scores surge following empathy training, which focuses on identifying each customer's preferred communication style so they can tailor the call accordingly. Developed with professional coaching experts, the bespoke training program took more than 3,000 hours over six months to design and implement.

Ninety-two percent of customers who provided feedback since the training was launched have scored agents with a nine or 10 out of 10 for helpfulness.

The training has been so successful that Zurich UK's SME team is now training colleagues to handle brokers' queries in the same way. The program will also be rolled out globally with more than 21,000 employees across the business expected to complete the training.

3,000 hours

over six months to develop and implement empathy training

1 2 3 **Innovation**

Empowering our employees to innovate

After 10 successful cycles, in 2023, Zurich launched a new edition of its internal innovation program Make the Difference. The immersive program, which now includes collaboration with the University of St. Gallen, lasts nine months and is designed to equip high-potential, talented employees across the organization with the skills, education and experiences to help accelerate the execution of Zurich's strategy. Participants in the program apply their knowledge to hands-on projects, such as the Zurich Innovation Championship and regional sustainability projects.

The program continues to evolve and will expand its reach in 2024 to further increase the speed and impact of strategy execution and innovation by empowering our employees.

Our global business

Adapting to change, globally.

We are a truly global insurer. Our balanced and diversified business gives us the collective scale and agility to adapt to changing needs of our customers and the markets that we serve.

Over the following pages our senior leaders discuss the changes they are experiencing and how we are adapting to enable continued growth.

Europe, Middle East and Africa

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

Read more key details:
▶ Pages 392–397

USD 17.2bn
Property & Casualty insurance revenue

USD 156.5bn
Life net reserves and investment contract liabilities

USD 2.1bn
Business operating profit

26,900
Number of employees in Europe, Middle East and Africa[4]

North America

Zurich operates in the U.S. and Canada.

Read more key details:
▶ Pages 392–397

USD 20.6bn
Property & Casualty insurance revenue[1]

USD 13.0bn
Life net reserves and investment contract liabilities[2]

USD 5.1bn
Business operating profit[3]

18,000
Number of employees in North America[4]

Asia Pacific

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

Read more key details:
▶ Pages 392–397

USD 3.4bn
Property & Casualty insurance revenue

USD 5.9bn
Life net reserves and investment contract liabilities

USD 0.6bn
Business operating profit

7,000
Number of employees in Asia Pacific[4]

Latin America

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

Read more key details:
▶ Pages 392–397

USD 2.8bn
Property & Casualty insurance revenue

USD 22.5bn
Life net reserves and investment contract liabilities

USD 0.6bn
Business operating profit

7,600
Number of employees in Latin America[4]

In conversation with Alison Martin, CEO EMEA (Europe, Middle East & Africa) and Bank Distribution:
▶ Page 19

In conversation with Kristof Terryn, CEO North America:
▶ Page 20

In conversation with Tulsi Naidu, CEO Asia Pacific:
▶ Page 21

In conversation with Laurence Maurice, CEO Latin America:
▶ Page 22

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

Our regional expertise
In conversation with Alison Martin, CEO EMEA (Europe, Middle East & Africa) and Bank Distribution

Enhancing customer experience.

Our people are the heart and soul of how we support and protect our customers.

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

What's it like to manage EMEA?

AM: EMEA is a fascinating region, made up of many different businesses in very different markets. Depending on the market, our presence stretches back for decades, or more than 100 years, or even for the entire length of our 150-year history!

What are you aiming to achieve across the region?

AM: Our EMEA priority is to serve more customers across a broader range of their needs, out-performing market growth profitably, of course. That's true for all our segments, whether that's commercial insurance, mid-market, retail personal lines, small-medium enterprises, life protection or any other line of business.

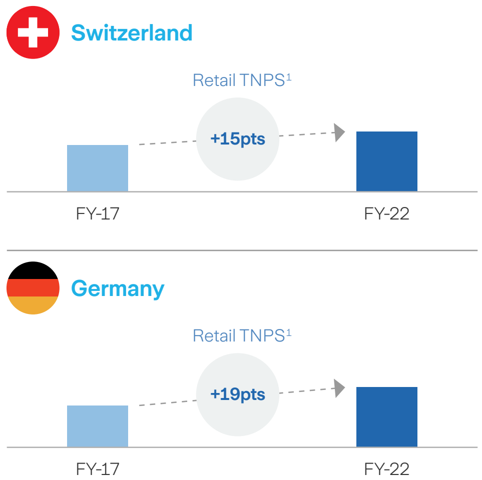
How are you going to do that?

AM: A big focus is on continuously taking actions to increase our relevance for customers and enhance their overall experience. I'm very proud of the improvements we've made, which we measure through the transactional net promoter score (TNPS), currently standing at almost 61[1] across the region.

And we don't stop at improving customer experience, we're focused on increasing our distribution capacity and effectiveness by transforming our agents' capabilities, broadening our broker networks and growing our partnerships. Our distributors are often the first line of delivery for our customers, so we do everything we can to ensure they have the tools and capabilities they need to succeed.

1 As of November 2023

Increasing customer satisfaction in Switzerland and Germany



1 Transactional net promoter system (TNPS) scores provide us with feedback on our performance from the viewpoint of our customers and deliver insight on how specific interactions affect their experience

What do you think is key to that delivery?

AM: Our people. They are the heart and soul of how we support and protect our customers and are the greatest asset we have. Ensuring we provide our people with a top-class employee value proposition, including great career opportunities, enables us to have more confidence in our execution. Our use of technology is another critical factor – whether simplifying activities for our employees, enabling better risk insights with artificial intelligence (AI), or improving our customers' or distributors' experience through automation.

How do you help customers be more sustainable?

AM: We're committed to supporting our customers on their sustainability journeys, whether individuals or companies. For example, Zurich Resilience Solutions helps commercial customers and public authorities understand what longer-term investment decisions they need to mitigate physical risks, build resilience and manage the transition of their business model to be more sustainable. These services are highly valuable for our customers as they build future resilience in their businesses. Another example is providing opportunities for customers to invest in sustainable funds, enabling them to save for the future in a way aligned to their own values and interests.

Our regional expertise (continued)

In conversation with Kristof Terryn, CEO North America

Accelerating momentum.

What do you see as an opportunity in the North American market?

KT: North America is the largest and most sophisticated market in the world that has seen tremendous growth. As a premier commercial carrier with strong market positioning, we have continued to see good growth in our National Accounts business, and we see clear opportunities in our Canada, Middle Market, and Accident & Health businesses. The distributor landscape also continues to transform in this region. This puts Zurich North America (ZNA) in a position to closely align with national and regional distribution partners. We've spent the last several years reshaping and balancing a diverse portfolio – ZNA aims to continue this momentum for long-term profitable growth.

What is ZNA doing to help customers protect themselves from natural disasters?

KT: We've conducted numerous post-event reviews of weather-related disasters ranging from hurricanes to wildfires around the world, as well as in the U.S. and Canada. To study these events, we use our Post Event Review Capability approach, an open-source methodology designed to evaluate how natural hazard events turn into community disasters and to provide practical recommendations that promote community resilience.

Zurich Resilience Solutions continues to protect clients by prioritizing core services and expanding new ones – including cyber resilience, carbon advisory, business and workforce resilience, and supporting the global expansion of ESG services.

Finally, we continue to make investments in our underwriters and underwriting expertise – realized through strong training fundamentals, remarkable talent, and technology capabilities.

What new products and innovations have entered the market?

KT: Parametric insurance is an innovative type of insurance contract that insures a policyholder against the occurrence of a specific event by paying a set amount based on the magnitude of the event, as opposed to the magnitude of the losses in a traditional indemnity policy. Zurich's Construction Weather Parametric Insurance provides non-damage business interruption coverage to financial/economic losses due to weather-related events during the construction of a property. This protects the construction industry from changes in climate that can impede construction.

Zurich Brio, a recently launched partner-to-consumer retail model, uses distribution partnerships to access individual customers, to whom we can deliver a suite of propositions to better protect their health, family, and the things that matter most to them. Through 2024–2025, our primary focus will be customers who are burdened by the rising cost of healthcare due to lack of affordable access of high deductible major medical plans. Over time, Zurich Brio is expected to evolve and grow as new solutions are added from a variety of our business units.

What is ZNA doing to promote and manage a diverse talent pool?

KT: We're doing a number of things. One of our most successful initiatives is apprenticeships. They create new, more inclusive career pathways and bring great value to our business and customers. Of all of Zurich's talent channels, the apprenticeship program attracts the most diverse talent in terms of backgrounds, experiences and perspectives. Successful apprentices at Zurich have included veterans of the armed forces, people who want to move from a service sector job to an in-service career, parents returning to the workforce after a hiatus and high school graduates.

Helping businesses prevent cyber threats with SpearTip

Zurich expanded its cyber risk mitigation services through the acquisition of SpearTip, a cyber counterintelligence firm that helps protect clients against cyber threats through proactive and response services. The acquisition represents a further step toward bringing powerful cybersecurity controls to Zurich's U.S. customers, helping them strengthen their business operations.

> We are poised to leverage our strong market position.

Kristof Terryn
CEO North America

Our regional expertise (continued)

In conversation with Tulsi Naidu, CEO Asia Pacific

Innovating to reach new markets.

How do you foster collaboration across the businesses and set a common ambition?

TN: From Japan in the north to Australia and New Zealand in the south, there's never a dull moment when you work across eight diverse and dynamic markets. The key to success is to embrace the uniqueness of each market while fostering strategic alignment and a shared purpose.

Our markets are empowered to do what's right for our customers, employees, communities and other local stakeholders. I spend a lot of time articulating the Group's strategy to colleagues and stakeholders in the region, providing context for individual markets and identifying synergies that allow us to accelerate across the businesses.

How are you realizing the opportunities that Asia Pacific presents for Zurich?

TN: Asia Pacific is characterized by large markets with strong economic growth and significant middle-class expansion, which contribute to a higher demand for insurance. Coupled with this, the region is witnessing rapid urbanization and technological development which intensifies the need for diverse risk management offerings and solutions – from retail consumers to large corporates.

By leveraging digital technologies and innovating our offerings, we can reach untapped markets and segments, including underserved or unserved populations. As part of Zurich, we have the advantage of learning from other global markets and benefit from Zurich's unparalleled breadth and depth in terms of leading insurance solutions and prevention services.

Entering Indian general insurance market with Kotak Mahindra Bank

Zurich announced a strategic alliance with Kotak Mahindra Bank Limited, India's third largest private sector bank by market capitalization, through the proposed acquisition of a 70 percent stake in Kotak Mahindra General Insurance Company Limited, subject to regulatory approval. Zurich's global scale and expertise, combined with Kotak Mahindra Group's deep knowledge of the Indian market and leading financial services platform, will accelerate the development of the business to build a premier Indian general insurer.

How is digitalization and AI impacting your region?

TN: Technology is fundamentally changing the way we conduct business. This is particularly true in Asia Pacific, which comprises some of the most advanced digital societies in the world.

Digitalization and AI will be key drivers of growth, competitiveness and innovation. We are streamlining our processes, making operations more efficient and using data to improve risk selection and pricing – but the real battleground for the next few years is customer experience. It's very exciting to think about opportunities to increase the relevance and awareness of insurance by transforming the quality, accessibility and affordability of the products and services we offer.

What's the vision for Zurich's presence in the region?

TN: We see the region as offering significant long-term opportunity and are focused on building reach and scale across Asia Pacific to make it a key growth engine for the Group over time. Zurich is already established as one of the biggest foreign insurers in the region servicing more than 10 million customers. We see strong opportunities to grow our platform in both Property & Casualty (P&C) and Life. Building on previous acquisitions in Australia and Indonesia, we recently announced our intention to enter the Indian P&C market, which is a key strategic step in building our franchise in the region. Ultimately our ambition is to be the insurer and employer of choice in the markets we operate in.

> We see significant long-term opportunity.
>
> **Tulsi Naidu**
> CEO Asia Pacific

Our regional expertise (continued)

In conversation with Laurence Maurice, CEO Latin America

Unlocking growth opportunities.

What makes Latin America an attractive region?

LM: Despite having achieved double-digit premium growth across our P&C and Life businesses in 2023, there is still a lot of growth potential in Latin America. Insurance penetration stands at only 3.1 percent of GDP, compared to 10.5 percent in the U.S.

Rewarding customer loyalty

Our new loyalty program, Mundo Zurich, represents Zurich's commitment to the physical, emotional and financial wellbeing of its communities. Policyholders now enjoy complimentary access more than 20 tailored solutions, including telemedicine, simplified quoting for healthcare and exclusive discounts.

In 2023, our thriving community surpassed 185,000 users, with a robust 23% monthly engagement rate – reflecting the impact of free benefits offered by Mundo Zurich.

This potential is coupled with a mature and developed insurance environment across the region, including a robust legal and regulatory framework and a strong mix of distribution channels, including agents, brokers, partners, banks and affinities. This makes Latin America an exciting region full of opportunity for Zurich.

Where do you see growth opportunities for the current cycle?

LM: We are the third largest insurance player in the region, but there are further opportunities for growth. The Retail segment offers significant potential as we can increase our footprint across all geographies through our agent and broker channels. Our strong track record in Brazil's affinity channel can be rolled out across the region, while there's potential through non-traditional channels that target new customer segments.

In Commercial Insurance, we're focused on protecting our existing leadership position, pursuing selective growth opportunities and improving the customer value proposition. Through Zurich Resilience Solutions, we're also providing these customers with a range of services to support them in their business and transition challenges.

In Life, we are leveraging our expertise in Argentina and Chile to accelerate growth and development in other parts of the region. Meanwhile, in the Corporate Life & Pensions segment, we're adding new services and developing B2B2E platforms to improve the benefits provided to employees covered by our policies.

> "Latin America is an exciting region full of opportunity.
>
> **Laurence Maurice**
> CEO Latin America

How do you engage customers and build loyalty in a highly intermediated market?

LM: Most of our customer acquisition is intermediated by banks, affinities, brokers and partners. But we manage all other key steps in the customer journey, including post sales services, renewals and claims.

We are digitizing all these touchpoints to allow our customers and intermediaries to choose their preferred method of communication and servicing. Marketing campaigns are tailored to cater to the unique needs, demands and preferences of our customers. In Chile, for example, 185,000 customers have signed up to our new loyalty program, Mundo Zurich. This has all contributed to a 16-point increase in our customer TNPS over the past two years.

How are you supporting customers to achieve their sustainability goals?

LM: We are developing sustainable products and services to help our customers in their transition and sustainable journeys. We launched 15 new sustainable offerings across Property & Casualty and Life during 2023. For instance, Seguro Planeta is a new specialist cover for hybrid and electric vehicles we launched in Ecuador; and Zurich Eco Cargo was introduced in Colombia for freight transporters, it compensates for CO_2 emissions by planting trees in the Colombian Amazon. We also rolled out Property Solar Panels and Property Renewables coverages in Brazil, and nomADN in Argentina, which insures sustainable urban mobility – from bicycles to skateboards.

Our business review of 2023

Our year in review.

Zurich strives to make a positive impact in the lives of our customers, in the communities we serve, and on the planet we all call home.

Our customers

Read more: ▶ Page 25

Our planet

Read more: ▶ Page 24

Our people

Read more: ▶ Page 26

Our business review of 2023 (continued)

Our planet

Taking action today to safeguard tomorrow.

Environmental challenges can impact all sectors of the real economy which we insure and invest in, and ultimately can have significant impacts on a company's long-term value. Understanding, measuring and managing these impacts – while seizing the opportunities that arise from the transition to a net-zero world – is essential to creating sustainable value for our stakeholders.

"When integrating sustainability into our business, we see mitigation and adaptation to climate change as one of our key priorities."

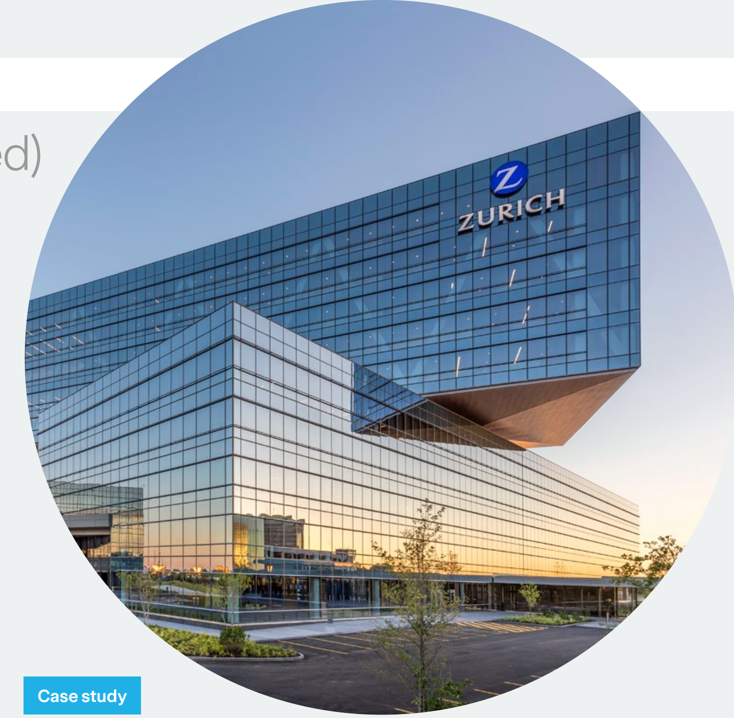
Linda Freiner
Group Head of Sustainability

Planet highlights

- Portfolio level scenario-based climate risk analysis confirms Zurich has necessary resilience and flexibility to adapt to impacts of climate change.
- As an investor, Zurich achieved a 43% reduction in the emission intensity of its corporate portfolio since 2019.
- Helped avoid a total of 4.5 million metric tons of CO2e emissions and benefited 4.6 million people in 2023 through our impact investing portfolio of USD 7.9 billion.
- As of the end of 2023, 52.1% of procurement spend[1] was with suppliers that have set science-based emission targets, while 49.4% was with suppliers that have set net-zero targets.

See our sustainability report for more information on our performance in this area: ▶ Page 137

1 Managed procurement spend (MPS) means the spend of approximately USD 2 bn annually managed centrally by Zurich's Procurement and Vendor Management function according to the 2022 baseline on goods and services that are required to enable Zurich to maintain and develop its operations, excluding suppliers no longer active in 2023.



Case study

Making a splash with innovative water harvesting system

Zurich North America (ZNA) is recycling thousands of gallons of groundwater every day to cool its state-of-the-art headquarters in Schaumburg, Illinois. With the installation of an innovative ground water harvesting system, ZNA is using far less water from the municipal water supply in addition to cutting costs. The cooling towers use 5 million gallons of water annually to cool the 783,000-square-foot facility. In order to reduce the amount of purchased water used in the cooling process, Zurich needed to harvest a significant amount of groundwater and used a sump located under ZNA's parking structure to channel groundwater through a storm sewer system. The result is an estimated daily saving of 14,400 gallons of treated water, or the equivalent of the annual water consumption of 45 households.

14,400 gallons
of treated water saved every day

Case study

Putting hydrogen on the road

Zurich Switzerland is the insurance partner of H2Energy and supports the company's goal of establishing hydrogen produced from renewable energy as a cornerstone of the energy system. Since the start of 2020, 17 new hydrogen filling stations have been built in Switzerland and 47 hydrogen trucks have been put on the road, saving more than 6,700 metric tons of CO2e as of January 31, 2024. A hydrogen refueling station network in Germany, Austria and Denmark and a gigawatt H2 production facility in Denmark for storing and refining offshore wind energy are in the pipeline.

17
new hydrogen filling stations built in Switzerland

Our business review of 2023 (continued)

Our customers

Building a brighter future together with our customers.

Zurich has made visible progress on all its strategic priorities on its journey to become a truly customer-focused company. Today, Zurich is more capable than ever of understanding the needs and expectations of customers and creating relevant, innovative products.

"We create value for our customers by helping them understand, prevent and protect themselves from risk.

Conny Kalcher
Group Chief Customer Officer

Customers highlights

- Revenues from sustainable solutions increased 69.8% to USD 1.4 billion.
- Maintained high customer retention levels of 81.6% in Retail, 88.6% in Commercial Insurance and 93.5% in Commercial Corporate Life & Pensions.[1]
- Won awards in more than 10 countries recognizing our market-leading claims services.
- Strengthened our privacy management capabilities and further deployed artificial intelligence to improve customer service.

See our sustainability report for more information on our performance in this area: ▶Page 180

1 Customer retention rate for Retail and Commercial Corporate Life & Pensions business, premium retention rate for Commercial Insurance business.

Case study

Engaging customers in Spain

Zurich Seguros launched Zurich Contigo, an initiative to increase the number of value-adding interactions with our customers in Spain by devising loyalty and engagement programs focused on sustainability and customer benefits. These included a sustainability campaign, a solidarity campaign following the earthquakes in Turkey and Syria, and free participation in Zurich-sponsored marathons through bib giveaways. The initiative targeted more than 400,000 customers and resulted in a clear increase in transactional net promoter score (TNPS) on Zurich Spain's website and at the point of policy renewal for participating customers.

Farmers Exchanges[1]

Farmers Group, Inc.[2] (FGI) and the Farmers Exchanges[1] completed several transformational initiatives to be better positioned for long-term, sustainable growth. These actions have led to four consecutive quarters of combined ratio improvement and an improved capital position of the Exchanges through improved organic surplus generation. To help foster a stronger Exclusive Agent channel, FGI acquired three brokerages from the Exchanges and introduced Farmers® Choice, a new initiative that gives consumers more coverage options while providing additional revenue opportunities for agents. Farmers Group, Inc. also agreed to reinsure the in-force individual life insurance book of Farmers New World Life Insurance Company with a third-party insurer.

1 Zurich has no ownership interest in the Farmers Exchanges, which are owned by their policyholders. The Farmers Exchanges are a leading player in U.S. personal lines insurance.
2 Farmers Group, Inc., a wholly owned subsidiary of Zurich Insurance Group (Zurich), provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

Case study

Helping customers build resilience

Zurich Resilience Solutions, the commercial risk advisory and services unit, and KPMG Switzerland, a leading professional services firm, formed a strategic collaboration to offer advisory services to address physical and transition risks, respectively, associated with climate change. The offering is initially available in Switzerland and later in other markets across Europe, the Americas and Asia Pacific regions. It is increasingly important that businesses address both physical climate risks and transition risks. Having a holistic approach to climate change risk can help companies to better protect their assets, operations, employees and the communities in which they work, while complying with relevant reporting standards, frameworks and regulations.

Our business review of 2023 (continued)

Our people

Shaping a future-ready workforce.

As a global employer and provider of protection solutions to millions of people, we are actively supporting our people to remain employable for the long-term, while addressing customer and societal needs. We attract, develop, engage and retain talent to deliver on our strategy, and we are committed to sustaining a positive work environment.

> We are committed to creating an environment where everyone can perform at their best, with purpose, a sense of belonging and a focus on wellbeing.

Jolanda Grob
Group Chief People Officer

People highlights

- We continue to prioritize internal hires over external hires, whenever possible, having a clear commitment to "internal first," reflected in the 73.4% internal hire rate in 2023.[1]
- The proportion of women in senior management positions rose to 30.3% in 2023, compared with 28.7% in 2022.
- We continued to focus on core professional skills and on cross-functional skill building. In 2023, we enhanced the Digital and Customer Academies, and we also developed the Zurich Sustainability Academy, which curates learning focused on our Sustainability Framework.

See our sustainability report for more information on our performance in this area: ▶ Page 192

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

Case study

Creating a more sustainable future by embracing diversity

We strive to integrate diversity, equity, inclusion and belonging into everything we do. To achieve this, we take targeted actions to increase and benefit from diversity within the workforce, to offer equal opportunities and to foster inclusion and belonging. Diverse minds create more innovation and feed the success of our organization. Zurich recognizes neurodiversity as significant talent. Yet many businesses fail to attract autistic talent, or have recruitment processes that exclude them. In Austria and the UK, Zurich has made adjustments to the job interviewing process to attract neurodivergent talent. And in 2021, Zurich signed a global service agreement with auticon, a social enterprise and IT/ data consultancy, which exclusively recruits autistic consultants. Since then, several countries have worked closely with auticon consultants, including Germany, Switzerland and Ireland.

Case study

Putting our people first

Zurich focuses on providing upskilling, reskilling and development opportunities to its employees. It prioritizes internal over external hires, whenever possible, as part of its aim to actively support its people to remain employable for the long-term. Zurich Santander – a joint venture between Zurich and Banco Santander – launched a new talent acquisition hub in 2023, making it easier for employees to move to new roles internally as part of their personal development and growth ambitions. The launch was advertised through a continuous communication campaign on internal channels, such as the intranet, email and periodic talent newsletters, as well as through communication between HR teams and managers.

Zurich Santander serves more than 18 million customers in five countries in Latin America and is headquartered in Madrid (Spain).

Z Zurich Foundation

Half a century of creating impact.

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

ZURICH Foundation

In just a few decades, the Z Zurich Foundation has evolved from a local charity into a globally recognized organization. In the past four years alone it has transformed the lives of more than 15 million people.[1]

To coincide with its 100th anniversary, Zurich created the Zurich Jubilee Foundation in 1973, formalizing its charitable work via a main vehicle. The Zurich Jubilee Foundation was renamed the Z Zurich Foundation in 2008 and has expanded over the years to respond to the growing needs of society worldwide. This could not have been done without the commitment of Zurich employees to their communities.

The 2023 anniversary was therefore a special year for the Z Zurich Foundation. It built on this milestone by launching special engagement initiatives for Zurich employees worldwide. To recognize the positive actions they undertake around the world, the Z Zurich Foundation recognized 50 individuals who are going above and beyond to support their communities through its Community Hero Award scheme. Each winner received a charitable donation to give away to increase their impact.

In 2023, Zurich employees' community support reached unprecedented levels. Employees recorded more than 146,000 hours of volunteering, up nearly 20 percent compared with 2022, and raised CHF 4.8 million (including matching from the Z Zurich Foundation) to help causes worldwide.

The year was also marked with significant developments of the strategic pillars of the Z Zurich Foundation, with about 50 new multi-year programs across the globe approved, some of which will start in 2024.

In 2023, the Z Zurich Foundation's Board of Trustees also approved the acceleration strategy of the Z Zurich Foundation for the next 12 years, starting with an initial four-year plan from 2024 to 2027. Over its next strategic cycle, the Z Zurich Foundation has the ambition to create brighter futures and more opportunities for 25 million vulnerable people.

“As the Z Zurich Foundation reaches this important landmark, I've reflected on the incredible journey of this organization. Throughout our history, we have continuously strived to stay agile to meet the challenges and needs of an ever-changing world.

Gregory Renand
Head of the Z Zurich Foundation

Discover the Z Zurich Foundation's history here:
▶ www.zurich.foundation/50th-anniversary/50-years-of-the-z-zurich-foundation

1 The final and audited 2023 figures will be disclosed in the Z Zurich Foundation's Impact Report, which will be published in June 2024. You can already find more information about Z Zurich Foundation's work in 2023 in our Sustainability Highlights (www.zurich.com/sustainability/highlights-2023).

Z Zurich Foundation (continued)

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

Enabling social equity

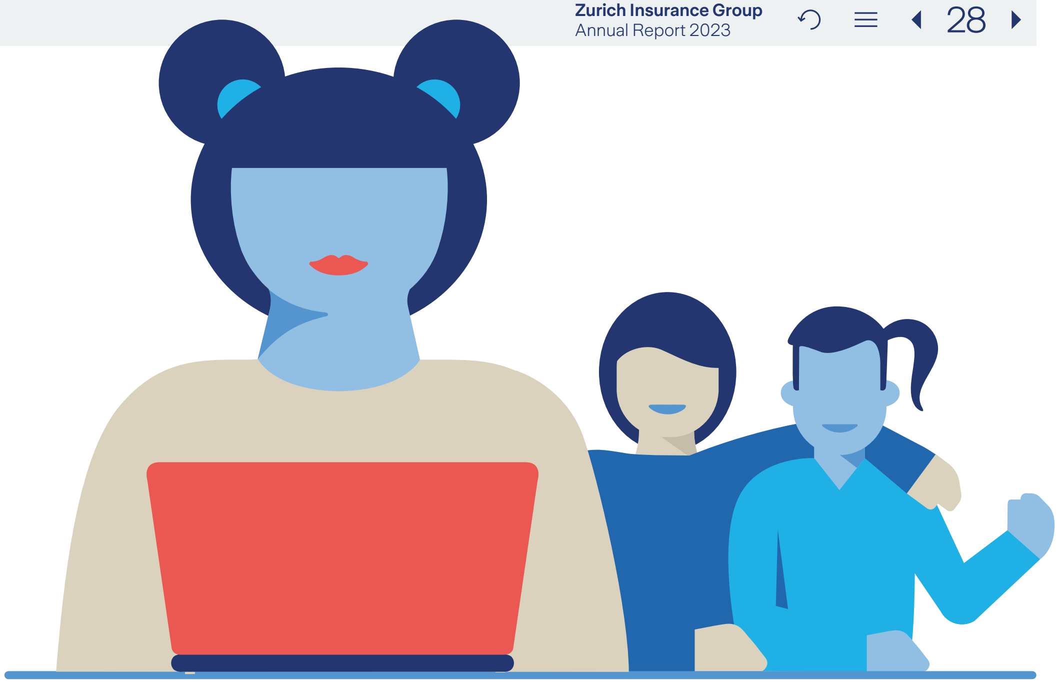
Adapting to climate change

Improving mental well-being

Responding to crisis

> "Just as our capabilities and ambition are growing, so are the needs of our communities. The role we can play directly in communities, through collaborations and in supporting system-level changes, can make a huge difference.

Gary Shaughnessy
Chair of the Z Zurich Foundation



Case study

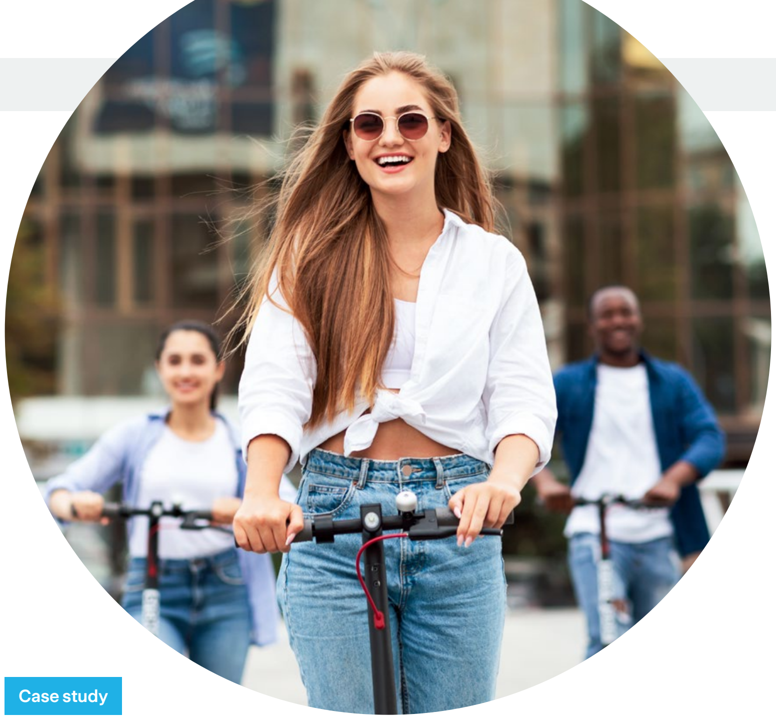
Equipping vulnerable young people with the skills and resources to reach their full potential

Through its local grants programs, the Z Zurich Foundation builds strategic collaboration with like-minded organizations and Zurich business units around the world. Zurich employees can volunteer their time and skills to support program beneficiaries.

In 2023, the Z Zurich Foundation strengthened its support for young people in collaboration with charitable organization Junior Achievement, adding more countries to their joint portfolio, which now comprises Canada, Indonesia, Italy, Spain, the U.S. and several countries in Africa. Education is one of the most powerful drivers for reducing poverty and ensuring equity and inclusion.

In August 2023, the Z Zurich Foundation made a four-year commitment to bring financial literacy to elementary students across the U.S. through Junior Achievement. The curriculum will be redesigned with enhanced digital components and to better reflect the communities Junior Achievement serves. Many Zurich North America employees are already active Junior Achievement supporters, and this new collaboration will expand the organization's volunteer efforts.

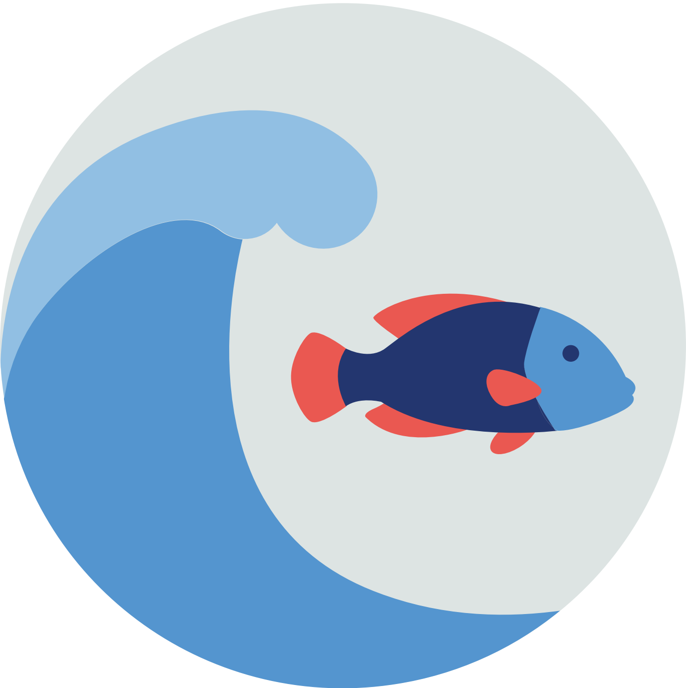
Z Zurich Foundation (continued)



Case study

Helping vulnerable communities adapt to climate change

Every day, we are faced with the effects of climate change and our actions, big or small, have the power to make a positive difference. Even when floods cannot be prevented, their impact can be significantly reduced. In Central Java, Indonesia, together with Mercy Corps and the Zurich Flood Resilience Alliance, the Z Zurich Foundation is making a tangible difference in communities – supporting them in safeguarding lives and livelihoods and working together to build a more resilient future. The impact of our joint work here is the most significant from a country program to date.



Case study

Creating a global movement to improve the mental wellbeing of young people

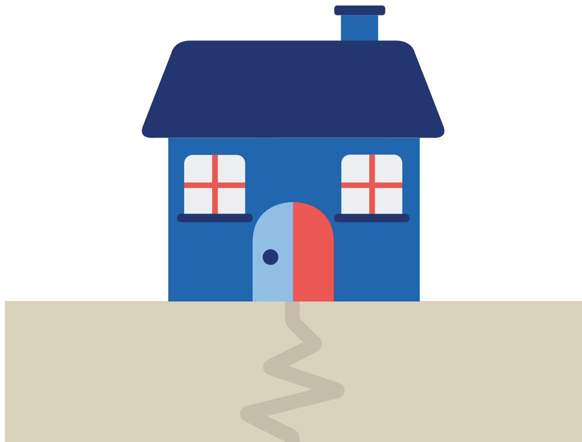
Through mental health promotion and prevention programs, we can help young people strengthen skills to positively influence their behavior, thoughts, feelings, and social interactions as well as enhance networks of support. We are convinced that prevention campaigns for mental wellbeing can benefit hundreds of thousands of people worldwide by focusing on promoting positive mental health and wellbeing practices, educating individuals about self-care and stress reduction and building resilience. In 2023, as part of a broader collaboration with UNICEF, the Z Zurich Foundation continued to support the OnMyMind global campaign, which launched new content, such as a video by young influencer and spoken word poet Taz. Moreover, three national campaigns, embedded in local grant programs of the Z Zurich Foundation, started in 2023. They are: Henka in Spain with Barcelona Children's Hospital Sant Joan de Déu; Head in the Game in the U.S. with the charitable organization Beyond Sport; and Side-by-Side in Turkey with charitable organization İhtiyaç Haritasi. These campaigns aim to empower individuals to proactively maintain good mental health and enhance overall wellbeing by providing them with information, resources, and support.

Case study

Assisting victims of disasters on the ground

In 2023, the Z Zurich Foundation provided ad-hoc funding to assist victims of 20 disasters around the world with the help of humanitarian organizations and Zurich employees. While the nature of catastrophes can be similar, their scale and impact depend on multiple factors, starting with the communities' readiness to face them. As a result, the Z Zurich Foundation provides tailored immediate support and also considers the evolution of the needs of those affected. For example, when earthquakes hit Turkey and Syria, the Z Zurich Foundation worked with local Zurich teams and existing collaborators to launch mental wellbeing assistance. This has helped address young people's mental wellbeing following the disaster.

With the launch of its next strategy cycle in 2024, the "responding to crisis" activities of the Z Zurich Foundation will be part of its core thematic pillars, alongside "adapting to climate change," "improving mental wellbeing" and "enabling social equity."



Governance

Sound governance and remuneration frameworks are needed in the midst of rapid evolution, creating the basis for stable, sustainable growth.

Message from our Chairman on corporate governance

> The global risk landscape continues to become more complex and unpredictable. But we excel at managing risk during periods of volatility.

Adapting to a changing risk landscape

Message from our Chairman on corporate governance (continued)

Dear Shareholder

During our investor roadshow at the end of 2023, a new theme emerged in my discussions with shareholders: the growing influence of artificial intelligence (AI).

The media furor over the launch of ChatGPT at the end of 2022 reignited a debate about the future of AI and whether these technologies will be a force for good or ill in society. It is no surprise that the Global Risks Report 2024 – developed by the World Economic Forum in collaboration with Zurich – ranks "adverse outcomes from AI technologies" among the top risks that concern the world.

At Zurich, we believe AI, like many emerging and fast-moving technologies, poses both significant opportunities and risks to our business and to our customers. We are already leveraging the benefits by using AI to improve claims processing, risk modeling and customer service and have plans to introduce new generative AI technologies to further enhance underwriting, risk engineering and agent support.

But there are also potential risks that may have profound impacts across all sectors of society. It means the response to these risks cannot only be led by technologists but shaped by everyone. It is why the Board considers the business opportunities and risks of AI carefully. AI poses a threat to data privacy and security, it could cause societal issues through job displacement, and there are ethical concerns that need to be thoroughly examined.

To mitigate these risks, Zurich has introduced technical controls and an AI Assurance Framework that is aligned with the OECD AI Principles and built on the foundations of transparency, fairness and accountability.

Future-proofing our governance and reporting

The AI Assurance Framework further strengthens our governance and along with our recently updated sustainability framework, ensures we have a long-term view of the emerging risks that may impact our business and customers.

Besides the future of AI, climate change remains perhaps the most complex risk society is facing today. For the first time, our shareholders will have the opportunity to vote on our sustainability report at our next annual general meeting (AGM) on April 10, 2024. This new requirement under the Swiss Code of Obligations will strengthen shareholder rights. But it also meets our goal to further improve transparency and to demonstrate the importance of sustainability reporting.

To ensure the Board continues to have the skills necessary to anticipate the risks and opportunities in today's ever-changing global environment, succession planning is a key consideration. This is why, following a thorough selection process, the Board proposes to shareholders that they elect John Rafter as a new Board member. John will contribute to the Board's diverse skill set with his background in finance and accounting and in-depth knowledge of the insurance industry.

Meanwhile, after 12 years on the Board of Directors, Dame Alison Carnwath will not stand for reelection at the next AGM. On behalf of the Board and the Zurich management team, I would like to thank Alison for her dedication to the role. Throughout her mandate, Alison has shaped Board discussions as Audit Committee Chair and as a valued Board member.

Geopolitical uncertainty

At this moment in time, it is impossible to ignore the increasingly precarious geopolitical landscape. Russia's war in Ukraine appears to have no end in sight, while turmoil in Israel and Gaza has the potential to further escalate across the Middle East with global ramifications.

The year 2024 will also be a year of key elections, including those in India, the UK, the EU, South Africa and then the U.S. presidential election in November. The outcomes will shape the geopolitical and economic environment throughout the second half of the decade and have a huge impact on global issues such as climate change and the future of AI. In fact, AI has the potential to influence the results of these elections through disinformation using the mass production of false messaging and the creation of fake images and videos. It further highlights how risks are interconnected.

The global risk landscape continues to become more complex and unpredictable. But we excel at managing risk during periods of volatility. Our customers will look to us to protect and guide them through these uncertain times. And our sound corporate governance frameworks, combined with good decision-making, will ensure we remain a beacon of stability.

Thank you for your continued trust, support and engagement.

Michel M. Liès
Chairman of the Board of Directors

Board changes

After 12 years on the Board, Dame Alison Carnwath will not stand for reelection at the next AGM on April 10, 2024. The Board proposes to shareholders the reelection of all other current members, and the election of John Rafter as a new Board member.

Executive Committee changes

Raul Vargas, former President of Distribution, Life and Financial Services of Farmers Group, Inc., became CEO of Farmers Group, Inc. as of January 1, 2023. He succeeded Jeff Dailey who retired.

Cara Morton, former CEO of Cover-More Group, became CEO Zurich Global Ventures as of February 1, 2024. She succeeded Jack Howell, who decided to leave Zurich.

Claudia Cordioli, former group finance director at Swiss Re, became Group Chief Financial Officer as of March 1, 2024. She succeeded George Quinn, who decided to leave Zurich.

Corporate governance report

Contents

Group governance

Our commitment to effective corporate governance

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

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

Effective corporate governance is complemented by a remuneration system that fosters the right behaviors. Information on remuneration, shareholdings and loans to Board and ExCo members is contained in the remuneration report (see pages 76 to 113).

Supervision

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

Operational Group structure

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

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

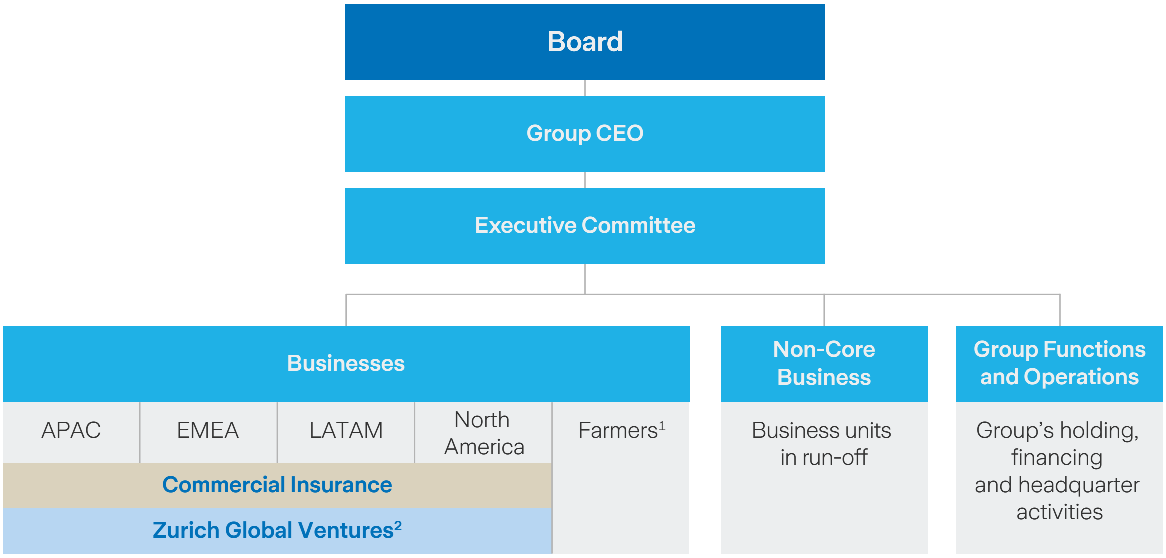
- Through regions (APAC, EMEA, LATAM and North America), the Group provides a variety of property and casualty and life products to retail and commercial customers as well as reinsurance propositions. Each region is headed by a regional CEO.
- Commercial Insurance brings together the corporate and commercial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

Group governance (continued)

The Group's activities further comprise the non-core business including certain business units in run-off that are under the responsibility of the Group Chief Financial Officer (Group CFO) and the CEO North America. Group Functions and Operations comprise the Group's holding, financing and headquarter activities and include, among others, the Group Chief Information and Digital Officer, Group Chief Risk Officer (Group CRO) and the Group CFO.

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

Operational Group structure
as of December 31, 2023



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

A detailed review of the 2023 business results can be found in the financial review starting on page 252. The Group's reportable segments can be found on pages 390 to 391.

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

A list of the Group's significant subsidiaries can be found on pages 405 to 406.

For further information on the ExCo, see pages 58 to 69.

Capital structure

Share capital and shares

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

As of December 31, 2023, ZIG's ordinary share capital amounted to CHF 14,635,575.40 divided into 146,355,754 fully paid-in registered shares with a nominal value of CHF 0.10 each. The market capitalization as of December 31, 2023 was CHF 64,337,989,458.

ZIG has an American Depositary Receipt (ADR) level 1 program with The Bank of New York Mellon (BNYM).[1] As of December 31, 2023, investors held 24,414,510 ADRs (representing 2,441,451 ZIG shares).

Please refer to page 363 for information about treasury shares. Further information on ZIG's shares can also be found under: www.zurich.com/investor-relations/our-shares.

Capital band and contingent share capital

On April 6, 2023, the AGM approved a capital band to replace the authorized share capital. Until and including April 6, 2028, the Board is authorized under the capital band to conduct one or more increases and/or reductions of the share capital within the upper limit of CHF 18,917,751.50, corresponding to 189,177,515 registered shares with a nominal value of CHF 0.10 each, and the lower limit of CHF 13,541,415.00, corresponding to 135,414,150 registered shares with a nominal value of CHF 0.10 each (art. 5bis of the Articles of Association). The upper limit of the capital band corresponds to about 129.3 percent and the lower limit of the capital band corresponds to about 92.5 percent of the total registered shares issued as of December 31, 2023. Share issuances from capital band where the shareholders' subscription rights are restricted or excluded are limited to 14,600,000 shares (i.e., about 10 percent of the total registered shares issued as of December 31, 2023).

Furthermore, the share capital of ZIG may be increased by an amount not exceeding CHF 2,992,160 by issuing up to 29,921,600 fully paid-in registered shares with a nominal value of CHF 0.10 each by the voluntary or mandatory exercise of conversion and/or option rights, which are granted in connection with the issuance of loans, bonds, similar debt instruments, equity-linked instruments or other financial market instruments (collectively, the "financial instruments") by ZIG or one of its group companies, or by mandatory conversion of financial instruments issued by ZIG or one of its group companies, that allow for contingent mandatory conversion into shares of ZIG, or by exercising option rights which are granted to the shareholders (art. 5ter para. 1a). This contingent share capital corresponds to about 20.4 percent of the total registered shares issued as of December 31, 2023.

Until and including April 6, 2028, the total number of new shares which could be issued from (i) the capital band under art. 5bis para. 5 where the subscription rights are restricted or excluded, and (ii) the contingent share capital in connection with financial instruments under art. 5ter para. 1 where the advance subscription rights are restricted or excluded is limited to 14,600,000 shares (i.e., about 10 percent of the total registered shares issued as of December 31, 2023).

Moreover, there is an additional contingent share capital (art. 5ter para. 2a) of CHF 409,509.20, representing 4,095,092 fully paid-in registered shares with a nominal value of CHF 0.10 each, which may be issued to Group employees. This contingent share capital corresponds to about 2.8 percent of the total registered shares issued as of December 31, 2023.

For further information, see art. 5bis and 5ter of the Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association) and the consolidated financial statements, note 18 on pages 361 to 363.

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

Capital structure (continued)

Changes in share capital

Changes in the ordinary share capital over the last three years

	Share capital in CHF	Number of shares	Nominal value in CHF
As of December 31, 2020	15,046,016.70	150,460,167	0.10
Newly issued shares from contingent share capital	0.00	–	–
As of December 31, 2021	15,046,016.70	150,460,167	0.10
Newly issued shares from contingent share capital	0.00	–	–
As of December 31, 2022	15,046,016.70	150,460,167	0.10
Newly issued shares from contingent share capital	0.00	–	–
Capital reduction under the capital band	(410,441.30)	(4,104,413)	0.10
As of December 31, 2023	**14,635,575.40**	**146,355,754**	**0.10**

Participation certificates, non-voting equity securities and preference shares

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

Convertible bonds and options

As of December 31, 2023, ZIG had no public convertibles or options outstanding. For information on employee share plans, see the consolidated financial statements, note 20 on pages 373 to 374.

Cross-shareholdings

As of December 31, 2023, ZIG had no cross shareholdings in excess of 5 percent of share capital, or voting rights with any other company.

Limitations on transferability and nominee registrations

There are no limitations on transferability except for the following:

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

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

Close periods

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

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

Persons in scope

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

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

Furthermore, Group insiders must take reasonable steps to facilitate compliance by their connected persons (such as spouse, life or civil partner, minor child, financial adviser, affiliated company, etc.) with the Policy, including communicating the dates of the close periods.

Shareholders

Securities in scope

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

- Securities admitted to trading (or for which a request for admission has been made) or which are traded on a stock exchange, a regulated market, a multilateral trading facility, an organized trading facility or over-the-counter market, in and outside Switzerland.
- Securities traded on the primary (e.g., initial public offering) market and over-the-counter on the secondary market.
- Over-the-counter (OTC) financial instruments (e.g., derivatives).
- Financial instruments deriving from securities whose price is materially dependent (i.e., Zurich securities weigh more than 20 percent) on the underlying security, including debt instruments or derivatives.

Exceptions

During a close or prohibited period, clearance to sell can be granted to the Group insider if the Group insider is not in possession of inside information about Zurich and there is an exceptional circumstance (such as a personal or family emergency involving a health matter or legal or financial emergency) in which selling Zurich securities is the only reasonably available course of action for the Group insider. The determination whether circumstances are deemed exceptional is made by the Group Chief Compliance Officer and the Chairman of the ZIG Board. In 2023, no such exceptions were granted.

Furthermore, provided the requirements of the Policy are met, periodic investments based on a pre-defined trading plan do not require clearance and may continue during close and prohibited periods. As of December 31, 2023, no pre-defined trading plans were in place.

Significant shareholders

According to the rules on disclosure of significant shareholdings in Swiss listed companies, a shareholding has to be disclosed if certain thresholds starting at 3 percent are reached, exceeded or if the shareholding subsequently falls below those thresholds. ZIG is obliged to announce third party shareholdings upon receipt of a notification that the shareholding has reached, exceeded or fallen below the relevant thresholds. During 2023, the Group received notifications from:

- UBS Fund Management (Switzerland) AG, Basel, whose shareholding crossed the 3 percent threshold.
- The Capital Group Companies, Inc., Los Angeles, whose shareholding fell below the 5 percent threshold.

As of December 31, 2023, ZIG was not aware of any person or institution, other than BlackRock, Inc., New York (>5 percent), The Capital Group Companies, Inc., Los Angeles (> 3 percent) and UBS Fund Management (Switzerland) AG, Basel (> 3 percent), which, directly or indirectly, had an interest as a beneficial owner in shares, option rights and/or conversion rights relating to shares of ZIG reaching or exceeding the relevant thresholds.

The announcements related to these notifications can be found via the SIX Disclosure Office's platform: www.ser-ag.com/en/resources/notifications-market-participants/significant-shareholders.html#/.

ZIG is not aware of any person or institution which, as of December 31, 2023, directly or indirectly, alone or with others, exercised or was a party to any arrangements to exercise control over ZIG.

Duty to make an offer

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

Clauses on changes of control

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

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

Shareholders (continued)

Shareholder structure

Number of shares held

as of December 31, 2023	Number of registered shareholders	% of registered share capital
1–500	135,201	17.7
501–1,000	5,218	5.2
1,001–10,000	4,245	14.4
10,001–100,000	420	16.7
100,001+	66	45.9
Total registered shares[1]	**145,150**	**100.0**

1 of registered shareholders.

Registered shareholders by type

as of December 31, 2023	Registered shareholders in %	Registered shares in %[1]
Individual shareholders	96.2	35.3
Legal entities	3.7	42.7
Nominees, fiduciaries	0.1	22.0
Total	**100.0**	**100.0**

1 of registered shareholders.

Registered shareholders by geography

as of December 31, 2023	Registered shareholders in %	Registered shares in %[1]
Switzerland	93.1	68.1
UK	0.4	11.1
North America	0.5	11.1
Asia	0.2	0.5
Latin America	0.1	0.1
Rest of the world	5.7	9.1

1 of registered shareholders.

Shareholders (continued)

Shareholders' rights

Overview

Pursuant to art. 14 of the Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association), each share whose owner or usufructuary is entered in the share register as shareholder with voting rights entitles its holder to one vote at shareholders' meetings and to exercise all other shareholder rights in respect of that share. Each share (excl. treasury shares) further entitles all shareholders to dividend payments. The Board will propose to the shareholders at the AGM on April 10, 2024 a gross dividend of CHF 26 per share (excl. treasury shares).

Voting rights restrictions and representation

There are no voting rights restrictions (other than set out under "Limitations on transferability and nominee registrations", see page 38).

A shareholder with voting rights can attend shareholders' meetings in person or may be represented by his/her legal representative or, by means of a written authorization, by another person who need not be a shareholder. A shareholder may also appoint the independent voting representative to represent him/her. Shareholders can order their admission card or authorize a representative either in writing or via the online platform of Computershare Switzerland Ltd.

The AGM elects the independent voting representative for a term of office until conclusion of the next AGM. The independent voting representative may be reelected.

ZIG generally informs the shareholders at the beginning of the shareholders' meeting of the aggregate number of shares represented by shareholders or their representatives physically attending the meeting and the number of shares represented by the independent voting representative.

Statutory quora

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

Convening of shareholders' meetings

Shareholders' meetings are convened by the Board or, if necessary, by the external auditor and other bodies in accordance with the provisions set out in art. 699 and 700 of the Swiss Code of Obligations. Shareholders with voting rights representing at least 5 percent of the share capital or votes in ZIG may call a shareholders' meeting, indicating the items to be discussed and the corresponding proposals. The invitation to shareholders is published in the Swiss Official Gazette of Commerce at least 20 calendar days before the meeting. In addition, the invitation is published on our website (www.zurich.com/agm) and may be sent by email or unregistered mail to registered shareholders.

The Board may convene shareholders' meetings as in-person, hybrid or virtual meetings. In the case of hybrid or virtual meetings, the Board must ensure that the shareholders can exercise their rights by electronic means (art. 11 para. 4 of the Articles of Association, www.zurich.com/investor-relations/our-shares/articles-of-association).

Agenda

The Board is responsible for setting the agenda. Shareholders with voting rights who together represent shares with a nominal value of at least CHF 10,000 may at the latest 45 days before the day of the meeting request in writing that:

- items be included on the agenda, at the same time stating the proposals; or
- proposals concerning agenda items are included in the notice convening the shareholders' meeting.

Registrations in the share register

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

Board of Directors

A diverse and independent Board.

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

Michel M. Liès
Chairman

Nationality
Luxembourg

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

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
▶ Page 48

Christoph Franz
Vice-Chairman

Nationality
Swiss and German

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

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
▶ Page 48

Joan Amble
Member of the Board of Directors

Nationality
U.S.

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

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
▶ Page 48

Catherine Bessant
Member of the Board of Directors

Nationality
U.S.

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

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
▶ Page 49

Board of Directors (continued)

Dame Alison Carnwath
Member of the Board of Directors

Nationality
British

Committee membership
Audit Committee

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
▶ Page 49

Kishore Mahbubani
Member of the Board of Directors

Nationality
Singapore

Committee membership
Remuneration Committee,
Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
▶ Page 50

Michael Halbherr
Member of the Board of Directors

Nationality
Swiss

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

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
▶ Page 49

Peter Maurer
Member of the Board of Directors

Nationality
Swiss

Committee membership
Governance, Nominations and
Sustainability Committee

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
▶ Page 51

Sabine Keller-Busse
Member of the Board of Directors

Nationality
Swiss and German

Committee membership
Remuneration Committee

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
▶ Page 50

Jasmin Staiblin
Member of the Board of Directors

Nationality
Swiss and German

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

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
▶ Page 51

Monica Mächler
Member of the Board of Directors

Nationality
Swiss

Committee membership
Governance, Nominations and
Sustainability Committee,
Audit Committee

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
▶ Page 50

Barry Stowe
Member of the Board of Directors

Nationality
U.S.

Committee membership
Audit Committee,
Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

Read more:
▶ Page 51

Board of Directors (continued)

Board of Directors

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

Board of Directors and its committees

as of December 31, 2023

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

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

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

Size and elections

The Articles of Association require that the Board shall consist of at least seven but not more than thirteen members (art. 21, www.zurich.com/investor-relations/our-shares/articles-of-association). Shareholders elect the Chairman and the other Board members individually at the AGM for a term of office ending with the conclusion of the next AGM. According to the Organizational Rules (art. 2.2, www.zurich.com/about-us/corporate-governance/corporate-documents), no Board member may serve for more than 12 consecutive terms, although the Board may extend this limit in exceptional circumstances.

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

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

Board of Directors (continued)

Independence

Zurich considers the independence of its Board members essential for good corporate governance. Zurich's independence criteria comply with applicable laws and reflect best-practice standards such as the SIX Exchange Regulation Directive on Information relating to Corporate Governance and the Swiss Code of Best Practice. The GNSC reviews Board members' independence status annually and reports its findings to the Board for final determination. The GNSC checks the independence criteria before recommending a Board candidate for election and, thereafter, for reelection on an annual basis. Board members are not deemed independent, if they (or if an immediate family member of a Board member), during the tenure as Board member, but at least within the past three years:

- Receive or have received, directly or indirectly, any consulting, advisory or other compensatory fees from the Group other than in their capacity as Board or committee members.
- Own or have owned more than 10% of the shares of ZIG.
- Are or have been employed or affiliated with the external auditors.
- Have or have had a material direct or indirect relationship with any member of the Group.
- Are or have been an employee of the Group (or in case of immediate family members, are an executive officer of the Group).

Upon the recommendation of the GNSC, the Board determined that, as of February 21, 2024, all Board members were non-executive and independent from management. For further information on the independence policy, please see section VII (B) (3) of the Annex I (Committees Charter) to the Organizational Rules (www.zurich.com/about-us/corporate-governance/corporate-documents). Board members are also subject to rules and regulations to avoid conflicts of interest and misuse of insider information.

Succession planning

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

To achieve this, the Chairman, supported by the GNSC, on a yearly basis leads a structured succession planning process involving an assessment of the Group's challenges and opportunities and the evaluation of skills, knowledge and expertise needed at present and in the foreseeable future. During succession planning discussions, the Board focusses on: skills, expertise, diversity and background, interplay of a candidate's individual personality, expertise and experience with that of incumbent Board members, high values and integrity and ability to commit adequate time (for further information, see section VII of the Annex I (Committees Charter) to the Organizational Rules under www.zurich.com/about-us/corporate-governance/corporate-documents).

In 2023, the GNSC had regular discussions on Board succession as some Board members approach the end of their tenure in coming years. In addition, the Board and Committee composition and desired skills have been discussed in detail.

Board of Directors (continued)

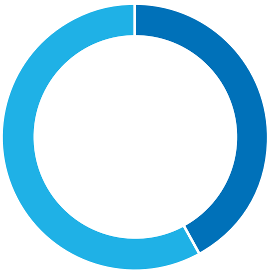
Composition

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

As of December 31, 2023, our Board:

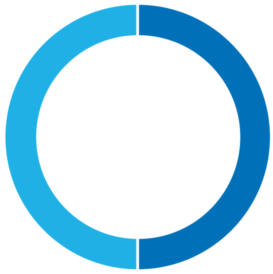
- Is 50 percent female.
- Represents an age range from 53 to 75 years.
- Comprises members of six different nationalities.
- Has an average length of tenure of 6.7 years.

Length of tenure
%, as of December 31, 2023



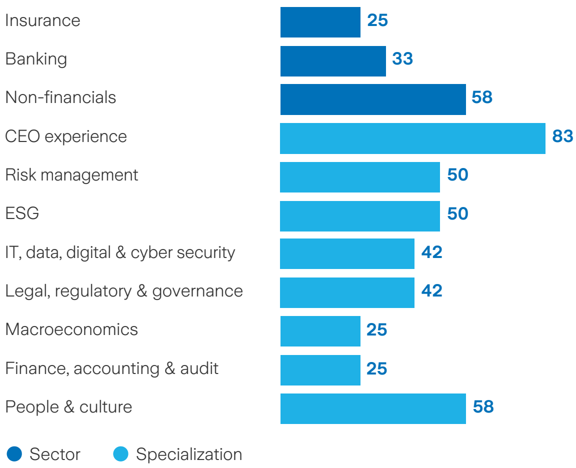
Less than 5 years	42
Between 5 and 12 years	58

Gender
%, as of December 31, 2023



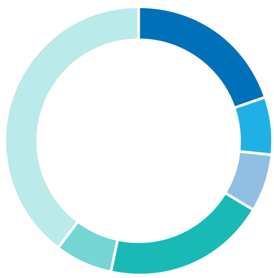
Male	50
Female	50

Background, experience, skills and knowledge
%, as of December 31, 2023



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

Nationality[1]
%, as of December 31, 2023



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

1 Percentages may not total 100 due to rounding.

Changes to the Board in 2023

There were no changes to the Board in 2023.

Board of Directors (continued)

Limits on mandates

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

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

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

Mandates for ZIG and its Group companies	No limit
Mandates exercised on behalf of ZIG or a Group company in legal entities not affiliated with the Group	5 maximum
Mandates in associations, professional or trade organizations, foundations, pension foundations, educational institutions and similar organizations	5 maximum
Mandates in structures managing the personal or family's assets of Board members and/or their related persons	5 maximum

Mandate means any membership in the board of directors, the executive committee or the advisory board (Beirat), or any comparable function under foreign law, in a company with an economic purpose. Mandates in different legal entities of the same group (including asset management structures in accordance with art. 33 para. 2 lit. d) and mandates in legal entities closely associated with the group (such as pension funds and joint ventures) are deemed one mandate. The maximum limits set forth in the Articles of Association do not discharge the Board members from their duties to act with due care and protect Group interests. Additional mandates may be assumed only where, upon assuming such mandates, time and resources remain available to perform the office held in the Group.

The disclosure of mandates under art. 734e of the Swiss Code of Obligations for the Board can be found on page 108 of the remuneration report. The Board CVs on the following pages take into account the rules set forth in the SIX Exchange Regulation Directive on Information relating to Corporate Governance and may include other engagements not disclosed in the remuneration report.

Board of Directors (continued)

Biographies

Michel M. Liès
Chairman

Born: 1954

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

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

Other directorships within the Group
Zurich Insurance Company Ltd

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

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

Christoph Franz
Vice-Chairman

Born: 1960

Skills and experience
Christoph Franz started his professional career in 1990 at Deutsche Lufthansa AG. From 1994 until 2003, he held different executive functions at Deutsche Bahn AG, including as member of the executive board and CEO of the passenger transport division. In 2004, he became CEO of Swiss International Air Lines Ltd, and in 2009 he was promoted to the role of deputy chairman of the executive board of Deutsche Lufthansa AG and CEO Passenger Airlines. From 2011 to 2014, Mr. Franz was chairman of the executive board and CEO of Deutsche Lufthansa AG and from 2014 to 2023 chairman of Roche Holding Ltd. He became a member of the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2014. He was elected Vice-Chairman in April 2018.

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

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

External appointments
Mr. Franz is a member of the board of Chugai Pharmaceutical Ltd. and of Stadler Rail Ltd. Mr. Franz serves as a member of the board of trustees of Ernst Goehner Foundation, of the Swiss Study Foundation and of the Lucerne Festival and is a member of the advisory board of the University of St.Gallen (HSG). He was named as an honorary professor of business administration at the University of St.Gallen in May 2017. In September 2017, the International Committee of the Red Cross (ICRC) appointed Mr. Franz as a member of its Assembly, the organization's top governing body, and in May 2018 he was elected to the Assembly Council. He is an advisory board member/industrial partner of Rantum Equity Participation GmbH & Co. KG.

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

Joan Amble
Member of the Board of Directors

Born: 1953

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

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

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Ms. Amble is a member of the board and the audit committee at Booz Allen Hamilton Holding Corporation and Spire Global, Inc. Until May 2023, she was a board member, audit committee chair and member of the nomination and governance committee at BuzzFeed Inc. and now acts as an adviser to them. She is also involved in supporting women in business, including as chair emeritus and co-founder of W.O.M.E.N. in America Inc., and through her various speaking engagements. Ms. Amble also participates in director and other forums and speaks on corporate governance and culture.

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

Board of Directors (continued)

Biographies (continued)

Catherine Bessant
Member of the Board of Directors

Born: 1960

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

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

Other directorships within the Group
Zurich Insurance Company Ltd

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

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

Dame Alison Carnwath
Member of the Board of Directors

Born: 1953

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

Committee membership
Audit Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Dame Alison is a non-executive member of the boards of PACCAR Inc., Bellis Topco 2 Limited, Coller Capital Ltd. and EG Group Holdings Limited. She is also a member of the supervisory board and chairs the audit committee of BASF SE. In addition, she serves as senior adviser of Evercore Partners.

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

Michael Halbherr
Member of the Board of Directors

Born: 1964

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

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

Other directorships within the Group
Zurich Insurance Company Ltd

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

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

Board of Directors (continued)

Biographies (continued)

Sabine Keller-Busse
Member of the Board of Directors

Born: 1965

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

Committee membership
Remuneration Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
Ms. Keller-Busse chairs the foundation board of the UBS Pension Fund. She is also a member of the foundation boards of the USZ Foundation of the University Hospital Zurich, the Swiss Entrepreneurs Foundation and the UBS Foundation of Economics in Society at the University of Zurich. She is a member of the board and board committee of the Zurich Chamber of Commerce.

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

Monica Mächler
Member of the Board of Directors

Born: 1956

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

Committee membership
Governance, Nominations and Sustainability Committee, Audit Committee

Other directorships within the Group
Zurich Insurance Company Ltd

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

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

Kishore Mahbubani
Member of the Board of Directors

Born: 1948

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

Committee membership
Remuneration Committee, Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

External appointments
In February 2021, Mr. Mahbubani was appointed chairman of the NUS Medical International Council and in October 2021, Jabil Inc. appointed Mr. Mahbubani as their adviser. In February 2022, he was appointed an adviser to TvF Capital and in September 2017, he was appointed non-executive chairman of the board of Aggregate Asset Management. Since January 2016, he has been an independent director of the board of Wilmar International Limited, Singapore. In addition, he has served on boards and councils of several institutions in Singapore, Europe and North America, and is currently a member of Yale's President's Council on International Activities (PCIA). He was named a member of the American Academy of Arts and Sciences in April 2019.

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

Board of Directors (continued)

Biographies (continued)

Peter Maurer
Member of the Board of Directors

Born: 1956

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

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

Committee membership
Governance, Nominations and Sustainability Committee

Other directorships within the Group
Zurich Insurance Company Ltd

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

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

Jasmin Staiblin
Member of the Board of Directors

Born: 1970

Skills and experience
Jasmin Staiblin brings to her role extensive knowledge of how business sectors transform and the growing importance of digitalization and sustainability as a competitive differentiator. She is recognized as one of Europe's top experts in the field of energy and served as CEO of Alpiq, a leading Swiss energy services provider and electricity producer in Europe, until 2018. She began her career in 1997 at the ABB Group, the Swedish-Swiss global technology company. She served in various global functions as a member of the management team for ABB's power technologies division. She held the positions of CEO of ABB Switzerland from 2006 to 2012 and CEO of Alpiq Holding Ltd from 2013 to 2018. From 2011 to 2023 she was a board member of Georg Fischer Ltd. She joined the boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2019.

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

Other directorships within the Group
Zurich Insurance Company Ltd

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

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

Barry Stowe
Member of the Board of Directors

Born: 1957

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

Committee membership
Audit Committee, Risk and Investment Committee

Other directorships within the Group
Zurich Insurance Company Ltd

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

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

Board of Directors (continued)

Self-assessment

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

In its 2023 self-assessment, the Board focused in particular on the adequacy of its composition, culture and the prioritization of topics for discussion at Board meetings. The Board members discussed the results and defined actions where necessary.

Meetings

During 2023, the Board held 10 meetings (of which six were partly attended by tele-/videoconference and seven were held over two days. One meeting was fully dedicated to the discussion of strategy. Six meetings lasted four or more hours during the course of a day and two meetings lasted less than three hours on average.

In 2023, average attendance at Board meetings was 93.33 percent. In the fulfillment of their duties, the Board members spent additional time participating in committee meetings and preparing for meetings. Committee meetings lasted more than an hour and 30 minutes on average.

During 2023, Board meetings were in part held virtually. In addition, several informal exchanges between Board members and between Board members and management were facilitated.

as of December 31, 2023	Board of Directors	Governance, Nominations and Sustainability Committee	Remuneration Committee	Audit Committee	Risk and Investment Committee
Minimum no. of meetings required	6	2	2	4	4
No. of meetings held	10	6	6	8	7
No. of members	12	6	6	5	6
Meeting attendance, in %	93.33	97.2	97.2	97.5	97.6

Meeting attendance individualized

Joan Amble	7/10	6/6	–	–	7/7
Catherine Bessant	10/10	–	5/6	8/8	6/6[1]
Dame Alison Carnwath	10/10	–	–	8/8	1/1[2]
Christoph Franz	8/10	5/6	6/6	–	–
Michael Halbherr	10/10	6/6	–	–	6/7
Sabine Keller-Busse	10/10	–	6/6	–	–
Michel M. Liès	10/10	6/6	6/6	–	–
Monica Mächler	9/10	6/6	–	8/8	–
Kishore Mahbubani	9/10	–	6/6	–	7/7
Peter Maurer	10/10	6/6	–	–	–
Jasmin Staiblin	10/10	–	6/6	8/8	7/7
Barry Stowe	9/10	–	–	7/8	7/7

1 Joined Committee on April 10, 2023.
2 Left Committee on April 10, 2023.

Board of Directors (continued)

Training

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

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

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

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

Furthermore, the Board's training needs are evaluated as part of the annual Board self-assessment or based on regulatory requirements and regularly reassessed throughout the year. In 2023, the Board or individual Board members received training on topics such as insurance risk, Commercial Insurance, the SST, customer strategy, investment management execution, current macroeconomic and geopolitical dynamics, various sustainability topics, cyber risk underwriting, Own Risk and Solvency Assessment (ORSA) process and scenario analysis, corporate governance and Group risk profile analysis.

Role of the Board

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

- *Strategy:* The Board approves the Group strategic plan and the overall Group strategic and financial targets upon the recommendation of the Group CEO and receives reports by the Group CEO on the implementation of and progress towards the Group strategy.
- *Sustainability:* The Board approves the Group's sustainability strategy and objectives, including non-financial targets having a material impact on the Group.
- *Finance:* The Board approves the Group financial plan for each financial year and accounting standards, control frameworks and significant changes thereto. Above certain thresholds, the Board approves major financing transactions and arrangements. It approves the dividend policy and its proposal for dividend (if any) to the AGM. Within its authority, the Board also makes resolutions on capital increases and/or reductions.
- *Reporting:* The Board reviews and approves the Annual Report, the half-year financial reporting of the Group, the Group's updates for the first three and nine months of the year, as well as the financial condition report.
- *Organization of the Group:* The Board establishes the organization and the overall governance of ZIG and the Group. In this respect, the Board also approves the Group's remuneration structure. Further, as part of its duty to convene the shareholders' meeting, it approves and submits proposals to the shareholders' meeting.
- *Business development:* Above certain thresholds, the Board approves entering new businesses, exiting an existing business, M&A transactions, internal reorganizations and certain investments.
- *Corporate culture:* The Board also approves and regularly reviews the Zurich Code of Conduct, which summarizes the Group's ethical standards and values.
- *Risk management:* The Board approves the Group's Key Risk Management Principles, including the Group's risk appetite and risk tolerance. It also oversees the Enterprise Risk Management framework and approves the internal control strategy and scope, the Group Recovery Plan as well as the Group ORSA report.

Additional information can be found in art. 2.1 to 2.4 of the Organizational Rules (www.zurich.com/about-us/corporate-governance/corporate-documents).

Board of Directors (continued)

Activities and focus topics in 2023 included:

- Delivery on strategic priorities for the cycle 2023–2025, including developments in all regions, implementation of customer strategy and new business models.
- Zurich's sustainability performance management, the sustainable operations journey and transition planning.
- Macroeconomic and geopolitical developments in 2023 and implications for the Group.
- Status and digital transformation of technology and operations.
- Risks and business opportunities of artificial intelligence.
- Discussion of IFRS 17 results and related communication.
- Risk management including risk appetite and tolerance and Internal Control framework, enabling integrated view of risks and customer trends, structural industry changes and new technologies.
- Mergers and acquisitions, including a review of respective value creation and investment management.
- Legal and regulatory environment.
- Board succession planning.

Role of the Chairman

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

- Presides over shareholders' meetings.
- Oversees accuracy and proper implementation of Board resolutions.
- Arranges that Board members receive accurate, timely and clear information.
- Takes the lead in crisis situations and resolutions on matters requiring immediate attention, subject to notification of the Board for acknowledgement and recording in the minutes of the subsequent Board meeting.
- Arranges the Board's onboarding and training program.
- Issues further guidelines on compliance with the fit and proper criteria of Board candidates and members.
- Arranges the Board's self-assessment.

Additional information can be found in art. 3 of the Organizational Rules (www.zurich.com/about-us/corporate-governance/corporate-documents).

Role of the Vice-Chairman

The Vice-Chairman supports the Chairman in fulfilling his responsibilities and assumes the Chairman's role in case of inability.

Role of the Board committees

The Board delegates certain responsibilities and authorities to committees, whose members and chairs are appointed by the Board except for the Remuneration Committee members. As a general rule, the committees provide their views and recommendations to the Board prior to its decision and do not have decision-making powers, unless specifically stated in Annex I (Committees Charter) to the Organizational Rules (www.zurich.com/about-us/corporate-governance/corporate-documents). If deemed necessary in a specific situation, the Board may attract any matter and resolve on it without involvement of the respective committee. Each committee informs the Board on its findings and actions in a timely manner.

All committees have the authority to retain external advice. To get an outside view, the Board and/or its committees occasionally invite external advisers (e.g., the independent executive compensation consultant of the Remuneration Committee, the external auditors) to attend a meeting and/or represent a specific topic.

Board of Directors (continued)

The Board has the following standing committees:

Governance, Nominations and Sustainability Committee

Key tasks and responsibilities:

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

Activities and focus topics in 2023 included:

- Driving and monitoring the implementation of the sustainability strategy, in particular the sustainability performance management, the sustainable operations journey, transition planning and people sustainability.
- Board and ExCo succession planning.
- Review of the changes to Articles of Association following the Swiss Corporate Law Reform and review of subsequent changes to the Organizational Rules and recommendation to the Board for approval.
- Developments affecting corporate governance, including changes to Swiss and international laws, regulations and trends.
- Review of the corporate governance report and recommendation to the Board for approval.
- Chairman roadshow.

Remuneration Committee

Key tasks and responsibilities:

- Annually evaluates the Group's remuneration architecture and system, as well as Zurich's remuneration rules, and proposes appropriate amendments to the Board, which is responsible for the design, implementation and monitoring of the remuneration framework.
- Annually reviews and proposes to the Board the remuneration terms of the Board members.
- Reviews and recommends to the Board the employment terms and conditions of the Group CEO and of the other ExCo members, including the annual review of performance objectives and performance against these objectives, as well as the targets and awards under the short-term and long-term incentive plans (STIP and LTIP) of the Group CEO, other ExCo members and the Group General Counsel, Group Chief Compliance Officer and Group Chief Auditor.
- Reviews the performance achievements against the predefined performance metrics related to STIP and LTIP, and makes a qualitative assessment of the performance.
- Reviews and recommends to the Board the funding of the STIP pools, the LTIP vesting level and the amount of the total variable remuneration pool.
- Reviews and recommends to the Board the maximum total amounts of Board and ExCo remuneration for submission to and approval by the shareholders' meeting.
- Liaises with the Group CEO on other important matters related to employment, salary and benefits.
- Discusses the legal and regulatory environment and risk management aspects regarding remuneration and related disclosure, and reviews and recommends the remuneration report to the Board.

Board of Directors (continued)

Activities and focus topics in 2023 included:

- Performance across the Group and the subsequent STIP award and funding levels, the LTIP vesting level, and the total variable remuneration for the period ending December 31, 2022.
- Performance and individual STIP awards for the Group CEO, the other ExCo members, and the Group General Counsel, Group Chief Compliance Officer and Group Chief Auditor.
- Remuneration structures of the Board, the Group CEO, the other ExCo members, and the Group General Counsel, Group Chief Compliance Officer and Group Chief Auditor.
- Share ownership of the Board and the ExCo in line with the guidelines.
- Proposals on the maximum total amounts of remuneration for the Board and the ExCo for the shareholder votes at the AGM 2024, and the results of the votes from the AGM 2023.
- The remuneration report, the information on the remuneration votes in the AGM invitation and other related disclosures as appropriate.
- Risk management aspects of the Group's remuneration architecture, together with the Risk and Investment Committee, as well as key activities with respect to identified key risk taker (KRT) positions, for example the risk-based assessment of KRTs.
- Zurich's remuneration rules, including the performance and incentive architecture.
- Appointment of a new independent adviser to the Remuneration Committee.
- Regulatory environment and external developments regarding remuneration and related disclosures.
- Activities of the Group Pensions Committee.

Further details of the Group's remuneration framework are set out in the remuneration report on pages 76 to 113.

Audit Committee

Key tasks and responsibilities:

- Serves as a focal point for communication and oversight regarding accounting as well as financial and non-financial reporting, internal control, actuarial calculations, actuarial analysis and compliance.
- Reviews the Group's annual and half-year financial statements, the Group's updates for the first three months and first nine months and the Annual Report of the Group .
- At least annually, reviews the standards of internal control, including activities, plans, organization and quality of Group Audit and Group Compliance.
- Oversees the work of the external auditors.

Activities and focus topics in 2023 included:

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

Board of Directors (continued)

Risk and Investment Committee

Key tasks and responsibilities:

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

Activities and focus topics in 2023 included:

- Enterprise risk management updates, including quarterly risk reports, strategic risk assessment (Group Total Risk Profiling), Internal Control integrated framework and scenario analysis discussions.
- 2024 Group risk appetite and tolerance statements.
- 2023 Group ORSA report and Group Recovery Plan.
- Regular updates from Investment Management incl. discussions on macroeconomic developments, impact on investment performance and a deep dive on execution of investments.
- Update on the Group's capital position with regards to economic and regulatory metrics.
- Model validation results 2022 and the plan for 2023.
- Update on credit and country risk and semi-annual derivative reports.
- Updates on accumulation management, commercial insurance underwriting, cyber underwriting, operational risk, own insurance, own cyber risk and reinsurance strategy.
- Group Risk Management strategy update as well as regional risk updates.
- Discussion on risk aspects of the remuneration architecture and update on KRTs in joint meeting with Remuneration Committee.

For further information on risk governance, see the risk review on pages 220 to 251.

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

Executive Committee

An Executive Committee focused on delivering results.

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

Mario Greco
Group Chief Executive Officer
Nationality
Italian
Read more:
▶ Page 64

Ericson Chan
Group Chief Information and Digital Officer
Nationality
Chinese (Hong Kong SAR)
Read more:
▶ Page 64

Peter Giger
Group Chief Risk Officer
Nationality
Swiss
Read more:
▶ Page 64

Jack Howell
CEO Zurich Global Ventures
Nationality
U.S.
Read more:
▶ Page 65

Executive Committee (continued)

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

Nationality
British

Read more:
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Sierra Signorelli
CEO Commercial Insurance

Nationality
U.S.

Read more:
▶ Page 66

Laurence Maurice
CEO Latin America

Nationality
French

Read more:
▶ Page 65

Kristof Terryn
CEO North America

Nationality
Swiss and Belgian

Read more:
▶ Page 67

Tulsi Naidu
CEO Asia Pacific

Nationality
British

Read more:
▶ Page 66

Stephan van Vliet
Group Chief Investment Officer

Nationality
Dutch

Read more:
▶ Page 67

George Quinn
Group Chief Financial Officer

Nationality
British

Read more:
▶ Page 66

Raul Vargas
CEO of Farmers Group, Inc.

Nationality
Argentinian and Spanish

Read more:
▶ Page 67

Executive Committee (continued)

Executive Committee

The Board delegated to the Group CEO the management of ZIG and the Group as well as any matters that are not reserved to the Board pursuant to mandatory laws and regulations, the Articles of Association, the Organizational Rules or other Board-approved documents. The Group CEO delegated specific responsibilities and authorities to individual ExCo members or Group CEO direct reports and authorized further delegation of specific responsibilities and authorities as appropriate. The ExCo serves as the core management committee of the Group CEO and as a forum for discussion, alignment and coordination for strategic, financial and business policy issues of Group-wide relevance.

The Group CEO is responsible for:

- Management and performance of ZIG and the Group.
- Development and implementation of the Group's strategy and the strategic plan approved by the Board and reporting to the Board on strategic performance.
- Representation of the overall interests of ZIG and the Group towards third parties to the extent such interests are not represented by the Board or the Chairman.
- Management, supervision and coordination of the activities of the ExCo members and other Group CEO direct reports.
- Succession planning at ExCo level.
- Specific other powers and duties pertaining to strategic, financial and organizational matters.

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

Additional information can be found in art. 7 of the Organizational Rules (www.zurich.com/about-us/corporate-governance/corporate-documents).

Group Management
as of December 31, 2023

Board of Zurich Insurance Group Ltd

Group CEO

Executive Committee

Management Committees

Group Balance Sheet Committee (GBSC) Chair: Group Chief Financial Officer	**Group Risk Committee (GRC)** Chair: Group Chief Risk Officer

Technical Committees

Asset/Liability Management Investment Committee Chair: Group Chief Investment Officer	**Group Pensions Committee** Chair: Gary Shaughnessy	**Disclosure Committee** Chair: Head of Group FAR

Executive Committee (continued)

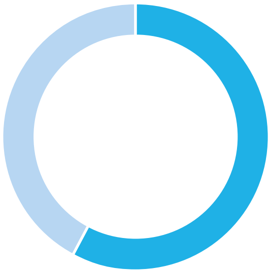
Composition

As of December 31, 2023, the ExCo included members of 10 nationalities. ExCo members' business experience covers a broad range of jurisdictions, giving the ExCo profound collective knowledge of international business practices.

The average length of tenure was 5.3 years.

Length of tenure

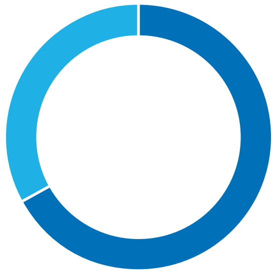
%, as of December 31, 2023



Less than 1 year	0
Between 1 and 5 years	58
More than 5 years	42

Gender

%, as of December 31, 2023



Male	67
Female	33

Nationality[1]

%, as of December 31, 2023

Argentina	7
Belgium	7
China (Hong Kong SAR)	7
France	7
Italy	7
Netherlands	7
UK	21
U.S.	14
Spain	7
Switzerland	14

ExCo members are allocated to one or more nationality.

1 Percentages may not total 100 due to rounding.

Changes to the ExCo in 2023

Raul Vargas, former President of Distribution, Life and Financial Services of Farmers Group, Inc., became CEO of Farmers Group, Inc. as of January 1, 2023. He succeeded Jeff Dailey who retired. The biography of Jeff Dailey can be found on page 62 of the 2022 Annual Report (www.zurich.com/investor-relations/results-and-reports).

Executive Committee (continued)

Limits on mandates

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

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

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

Mandates for ZIG and its Group companies	No limit
Mandates exercised on behalf of ZIG or a Group company in legal entities not affiliated with the Group	5 maximum
Mandates in associations, professional or trade organizations, foundations, pension foundations, educational institutions and similar organizations	5 maximum
Mandates in structures managing the personal or family's assets of ExCo members and/or their related persons	5 maximum

Mandate means any membership in the board of directors, the executive committee or the advisory board (Beirat), or any comparable function under foreign law, in a company with an economic purpose. Mandates in different legal entities of the same group (including asset management structures in accordance with art. 33 para. 2 lit. d) and mandates in legal entities closely associated with the group (such as pension funds and joint ventures) are deemed one mandate. The maximum limits set forth in the Articles of Association do not discharge the ExCo members from their duties to act with due care and protect Group interests. Additional mandates may be assumed only where, upon assuming such mandates, time and resources remain available to perform the office held in the Group.

The disclosure of mandates under art. 734e of the Swiss Code of Obligations for the ExCo can be found on page 109 of the remuneration report. The ExCo CVs on the following pages take into account the rules set forth in the SIX Exchange Regulation Directive on Information relating to Corporate Governance and may include other engagements not disclosed in the remuneration report.

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Executive Committee (continued)

Biographies

Mario Greco
Group Chief Executive Officer

Born: 1959

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

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

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

Ericson Chan
Group Chief Information and Digital Officer

Born: 1966

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

External appointments
Mr. Chan is the chairman of the board of the Jane Goodall Institute in Hong Kong and is also a member of the ETX Council at Insight Partners.

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

Peter Giger
Group Chief Risk Officer

Born: 1964

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

External appointments
Mr. Giger became a member of the Swiss Federal Institute of Technology (ETH) Risk Center's advisory board in February 2020. He has been a member of the CRO Forum Association since October 2019 and served as chairman from October 2022 to December 2023.

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

Executive Committee (continued)

Biographies (continued)

Jack Howell
CEO Zurich Global Ventures

Born: 1970

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

External appointments
None.

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

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

Born: 1974

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

External appointments
Ms. Martin is a councillor of the British-Swiss Chamber of Commerce.

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

Laurence Maurice
CEO Latin America

Born: 1965

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

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

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

Executive Committee (continued)

Biographies (continued)

Tulsi Naidu
CEO Asia Pacific

Born: 1973

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

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

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

George Quinn
Group Chief Financial Officer

Born: 1966

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

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

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

Sierra Signorelli
CEO Commercial Insurance

Born: 1975

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

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

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

Executive Committee (continued)

Biographies (continued)

Kristof Terryn
CEO North America

Born: 1967

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

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

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

Stephan van Vliet
Group Chief Investment Officer

Born: 1970

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

External appointments
Mr. van Vliet is a member of the board of trustees of the Foundation for Constructivist, Concrete, and Conceptual Art (Museum Haus Konstruktiv) in Zurich.

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

Raul Vargas
CEO of Farmers Group, Inc.

Born: 1975

Skills and experience
Raul Vargas has more than two decades of international leadership experience in global life and non-life insurance markets across the U.S., Latin America and Europe. Mr. Vargas was appointed CEO of Farmers Group, Inc. and became a member of the Executive Committee in January 2023. In his extensive career with the Zurich Insurance Group, he served most recently as President of Distribution, Life and Financial services for Farmers Group, Inc. in Los Angeles, overseeing sales and distribution activities, in addition to Farmers New World Life and Farmers Financial Solutions. From 2014 to 2022, Mr. Vargas was CEO of Zurich Santander Insurance America. Prior to this, he held a variety of leadership roles in different geographies, including Head of Distribution and Proposition Management of Zurich Santander in Madrid, Spain from 2011 to 2014, Head of Life Business Latin America in Miami, Florida, from 2007 to 2010, as well as Chief Life Actuary and Head of Product Development in Milan, Italy from 2004 to 2007.

External appointments
Mr. Vargas is a board member of The Institutes Risk and Insurance Knowledge Group and the Southern California Leadership Council.

Educational background
Mr. Vargas holds a degree in actuarial science and economics from the University of Buenos Aires.

Executive Committee (continued)

Management committees

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

Group Balance Sheet Committee (GBSC)

Members: Group CFO (Chair), Group CEO, Group CRO, Group CIO. The Group General Counsel attends the meetings ex officio but is not a voting member.

Key tasks and responsibilities: The GBSC acts as a cross-functional advisory body for matters that could materially affect the financial position of the Group as a whole. The committee issues recommendations to the Group CEO.

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

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

Core topics are:

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

Group Risk Committee (GRC)

Members: Group CRO (Chair), Group CFO, Group CIO, CEO EMEA and Bank Distribution,[1] CEO Commercial Insurance,[2] Group General Counsel. The Group Chief Auditor and the Group Chief Compliance Officer are invited ex officio to attend the meetings, but are not voting members.

Key tasks and responsibilities: The GRC's main function is to review and provide recommendations to the Group CEO on activities related to the Group's overall risk profile, including but not limited to property & casualty insurance risk, life insurance risk, market risk, credit risk, operational and strategic risks.

The GRC reviews and recommends actions on topics such as:

- The Group's overall risk profile including exposures and risk impacts to capital and liquidity, earnings and reputation compared to the Group's risk appetite and risk tolerance.
- Changes to governance documents such as the Key Risk Management Principles and the Zurich Risk Policy (ZRP).
- Key regulatory filings incl. the Group ORSA and Group Recovery Plan reports.
- The Group's Internal Control integrated framework (ICIF).
- Prospective changes to internal capital models with significant impact on economic solvency ratios.
- The annual independent model validation plan and outcomes including additional granularity on material findings.

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

Executive Committee (continued)

Technical committees

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

The Asset/Liability Management Investment Committee, chaired by the Group CIO, acts as a cross-divisional body and has primary responsibility for monitoring and reviewing the Group's asset/liability management and the strategic asset allocation of Zurich's invested assets.

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

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

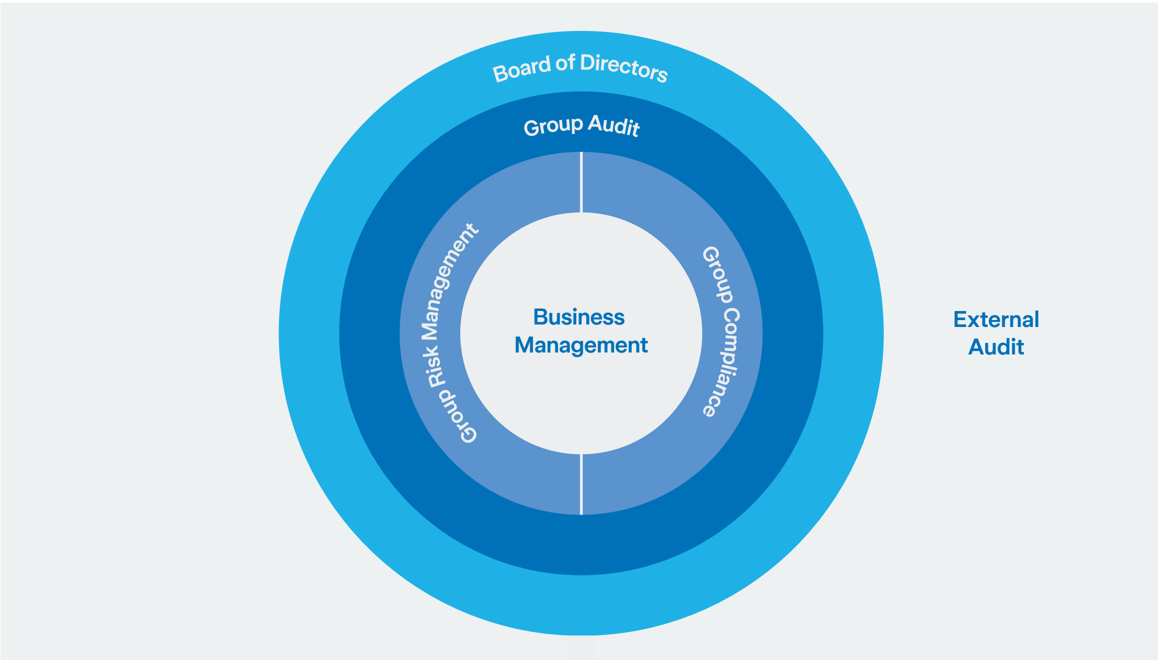
Governance and control functions

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

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

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

Three lines of defense at Zurich Insurance Group
as of December 31, 2023



First line: business management

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

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

During 2023, the Chairman regularly met with the Group CEO. The Chairman meets from time to time with other ExCo members and management outside regular Board meetings. The other Board members do so as well, including meetings with the Group CFO and the Group CRO, in particular.

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

Governance and control functions (continued)

Second Line: Group Risk Management and Group Compliance

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

Group Risk Management

Group Risk Management is responsible for supporting the development, implementation and maintenance of Zurich's Enterprise Risk Management and Internal Control frameworks. The Group CRO regularly reports risk matters to senior management committees, the Group CEO and the Board's Risk and Investment Committee (e.g., in the form of quarterly risk reports and updates). For more information, see the risk review on pages 220 to 251. The Group no longer separately describes this information in this corporate governance report.

Group Compliance

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

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

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

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

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

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

Governance and control functions (continued)

Third Line: Group Audit

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

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

Group Audit develops a risk-based plan and continuously updates it as the risks faced by the business change. The plan is based on the full spectrum of business risks including issues raised by the Audit Committee, management and other stakeholders. The Audit Committee approves the plan annually and any changes to the plan are reviewed and approved quarterly. The audit plan for 2023 comprised 466 audits, addressing key risks and regulatory requirements, across the Group.

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

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

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

External auditor

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

Ernst & Young Ltd (EY), Maagplatz 1, in 8005 Zurich, were reelected as Zurich Insurance Group Ltd (ZIG)'s external auditors for the financial year 2023 by the AGM on April 6, 2023. EY has been ZIG's external auditors since the financial year 2021.

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

Isabelle Santenac of EY is the global relationship partner and lead auditor. Thomas Fiepke, audit engagement partner, co-signs the auditors' report for 2023. Both of these partners took up office in 2021. Philip Kirkpatrick is the auditor in charge of the regulatory audit work since 2022. The Group together with EY ensures that the roles are rotated at least every five years.

The AGM elects the external auditors annually. The Board proposes to reelect EY at ZIG's AGM on April 10, 2024 as external auditors for the financial year 2024. EY fulfills all necessary requirements under the Swiss Federal Act on the Admission and Oversight of Auditors and is admitted as a registered auditing company by the Federal Audit Oversight Authority.

Audit fees

Total audit fees (including expenses and value added taxes) charged by EY in the year 2023 amounted to USD 46.7 million. This includes the audit of the Group's consolidated, sub-consolidated and statutory financial statements globally. It also includes any fees for interim reviews, assurance and attestation services related to any regulatory filings of the Group and its subsidiaries. Audit fees are approved annually by the Audit Committee and any unplanned overruns are reviewed and agreed with management.

Non-audit fees

Total fees (including expenses and value added taxes) in the year 2023 for non-audit services, such as tax advice, audit-related services and other services were USD 6.4 million.

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

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

The audit and non-audit fees of EY for 2023 and 2022 were as follows:

Audit and non-audit fees

in USD millions, as of December 31	2023	2022
Total audit fees[1]	**46.7**	**51.7**
Total non-audit fees[2]	**6.4**	**5.4**
– Tax advice	1.2	1.6
– Audit-related services[3]	4.8	3.1
– Other services[4]	0.4	0.7

1 The total audit fees include one-time audit fees for the auditors' additional work related to the Group's adoption of IFRS 17 in 2022 and IFRS 9 in 2023, the statutory adoption of these standards by the subsidiaries in 2023, as well as recurring scope changes resulting from M&A activities.
2 Rounded individual amounts may not always add up to the rounded total.
3 Primarily for attestation and assurance services (e.g., agreed upon procedures, service organization control reports) and limited/reasonable assurance for ESG/sustainability reporting.
4 In 2023, this primarily related to cyber crisis simulation, review of compliance and IT assessment.

External auditor (continued)

Supervision and control over the external audit process

The Audit Committee regularly meets with the external auditors. During 2023, the Audit Committee met with EY seven times. The external auditors regularly have private sessions with the Audit Committee without management present. Based on written reports, the Audit Committee and the external auditors discuss the quality of the Group's financial and accounting function and any recommendations that they may have. Topics considered during such discussions include strengthening of internal financial controls, applicable accounting principles and management reporting systems. In connection with the audit, the Audit Committee obtains from the external auditors a timely report relating to the audited financial statements of the Group.

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

The Audit Committee proposes the external auditors to the Board for (re)election by the AGM and is responsible for approving the audit fees (see page 73 for further information).

Information policy

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

Topic	Links
Shareholders' meeting invitation	is published in the Swiss Official Gazette of Commerce and on our website: www.zurich.com/agm It is also sent by e-mail or unregistered mail to registered shareholders.
Group's updates for the first three months and first nine months	www.zurich.com/investor-relations/results-and-reports
Letters to shareholders	provide an overview of the Group's activities as the year progresses and outline its financial performance based on the half-year and annual results. www.zurich.com/en/investor-relations/shareholder-area/letter-to-shareholders
Annual Report and Half-Year Report	www.zurich.com/investor-relations/results-and-reports
Media releases	www.zurich.com/media/news-releases
Free news subscription service	www.zurich.com/services/news-releases
Financial calendar	www.zurich.com/investor-relations/calendar
Chairman's roadshow	to engage with our investors on an annual basis. This year's roadshow took place in November 2023. www.zurich.com/investor-relations/presentations
Registered office, contact, phone number	see page 438 of this Annual Report.
Investor Relations	www.zurich.com/investor-relations

Message from our Chair of the Remuneration Committee

> Our remuneration framework serves as a lever that encourages employees to embrace the opportunities of an evolving environment.

Message from our Chair of the Remuneration Committee (continued)

Dear Shareholder

We have a responsibility to our customers to anticipate and positively navigate the challenges faced worldwide. The past year has shown the continued commitment of our people to act upon the Group's values, make a positive impact on the lives of those we serve and seize new opportunities. Our remuneration framework plays a vital role in encouraging our employees by aligning rewards with performance and stakeholder interests.

Zurich's achievements on the financial and strategic metrics relevant to the incentive plan awards are outlined in this report on pages 99 to 100 for the short-term incentive plan (STIP) and on page 101 for the long-term incentive plan (LTIP). These include a business operating profit (BOP) of USD 7.4 billion, a 21 percent increase on the prior year, and an increase in the customer transactional net promoter score (TNPS) of 4.3 points across the Group compared with the prior year.

As part of our commitment to transparency and accountability, you can read more on stakeholder engagement and changes made to Zurich's remuneration approach or disclosures for 2023 on page 82. We value the input received from our shareholders, employees and other stakeholders and have carefully considered their perspectives in the preparation of this remuneration report. In terms of disclosures for 2023 and in line with the Swiss Code of Obligations and the articles of association, the external mandates of the Board of Directors (Board) and the Executive Committee (ExCo) are newly included in the remuneration report on pages 108 to 109.

An outlook for 2024 is also provided on page 110, highlighting certain intentions in terms of our remuneration framework for the coming year. Our remuneration philosophy and system will continue to incentivize and reward contributors who play a pivotal role in supporting the Group to achieve its strategic targets.

In closing, we are looking forward to welcoming you to our upcoming Annual General Meeting (AGM) 2024. The AGM is an important forum for shareholders to express their views on the remuneration report, as well as vote on the maximum total amounts of remuneration for the Board and the ExCo. Further information can be found in the invitation to the AGM 2024 (www.zurich.com/investor-relations/shareholder-area/annual-general-meeting) and in this report on page 96 for the Board and page 103 for the ExCo.

We appreciate your support and trust as we continue on this journey together.

Christoph Franz

Christoph Franz
Chairman of the Remuneration Committee

Short-term incentive plan (STIP)

109%

STIP pool achievement level for the ExCo based on the business performance outcome for 2023 expressed as a percentage of target (2022: 107%)[1]

Long-term incentive plan (LTIP)

150%

Vesting in 2024 as a percentage of target following the 2021–2023 performance period (2023: 155%)

Total variable remuneration

CHF 842m

Amount of variable remuneration awarded or allocated across the Group for 2023 (USD 986m) (2022: CHF 818m/USD 885m)

1 The STIP pool achievement level for the ExCo is based on the Group BOP achievement against the BOP target set for the year. The overall amount awarded across all of the Group's STIP pools can be found on page 81.

Remuneration report

Contents

Remuneration summary 2023

The following pages provide an overview of the remuneration of Zurich Insurance Group Ltd and its subsidiaries (the Group or Zurich), including the link between business performance and variable pay decisions for 2023.

Zurich's remuneration

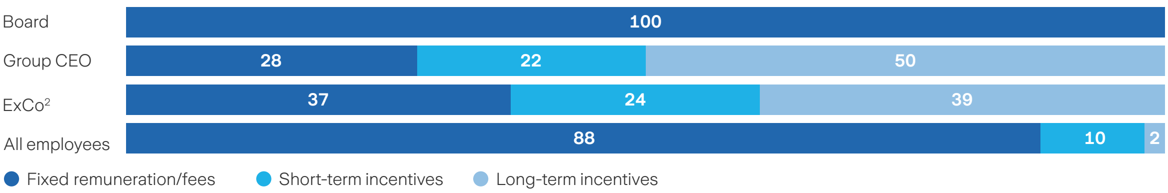
Zurich aims to provide competitive total remuneration opportunities and variable remuneration awards based on the achievement of results and positive impact. The remuneration system is embedded in the Group's Enterprise Risk Management framework and is designed to remunerate without encouraging or rewarding inappropriate risk-taking.

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

Read more on the remuneration framework:
▶ Pages 83–89

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

2023 remuneration structure[1]
%



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

Remuneration safeguards

Zurich's remuneration system and practices are embedded in the Group's Enterprise Risk Management framework and include key safeguards, in particular:

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

Remuneration summary 2023 (continued)

Remuneration for 2023 in light of business results

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

Key financial figures[1]

in USD millions, for the years ended December 31	2023	Restated 2022
Insurance revenue	56,099	50,792
Business operating profit (BOP)	7,381	6,123
Net income attributable to shareholders (NIAS)	4,351	3,964
Shareholders' equity	24,860	25,683
Return on common shareholders' equity (ROE)	18.1%	15.0%
Dividends paid to shareholders[2]	3,877	3,521
Total variable remuneration for all employees gross before tax[3]	986	885
– as a percentage of insurance revenue	2%	2%
– as a percentage of shareholders' equity	4%	3%
– as a percentage of dividends paid to shareholders	25%	25%

1 Applicable figures align with those presented in the consolidated financial statements and include restated figures for 2022 according to the adoption of the new accounting standard IFRS 17, 'Insurance contracts', including the impact of the overlay approach for certain financial assets backing participating insurance contracts.
2 Dividend at transaction day exchange rate in 2023 and 2022.
3 The corresponding amount of total variable remuneration in Swiss francs is CHF 842m for 2023 and CHF 818m for 2022.

As can be seen from the metrics in the table, relative to Zurich's overall revenue and shareholders' equity, the amount of variable remuneration awarded or allocated remains relatively small.

The total variable remuneration for 56,228 employees across the Group in 2023, amounted to CHF 842 million (CHF 818 million in 2022 for 54,640 employees) and included the following elements:

- The total expenditure on cash incentives to be paid for the performance year 2023 comprising the amount of the aggregated funding pools under the Group's STIP, and the amounts to be paid under local short-term incentive plans.
- The amount of share allocations and other deferred remuneration, including performance share unit (PSU) allocations under the LTIP, made in 2023.
- The total amount of sign-on payments[1] committed in 2023, regardless of when the payments are due, for people taking up their employment in 2023.
- The total amount of severance payments[2] committed in 2023, regardless of when the payments are due.

Commission payments made to employed sales agents are not included in the total variable remuneration amount. The sales commission plans of employed agents are not considered part of the profitability-based incentive plans. Sales commissions, like the commissions paid to a broker or other external distributors, represent a distribution cost. The employed sales agents do not generate financial risks as they are not involved in establishing the price levels for the products they sell. With regards to operational and reputational risks, in particular due to potential mis-selling, the control of these risks is addressed by the mandatory Group-wide adherence to the Zurich Enterprise Risk Management framework and the Group's code of conduct.

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

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

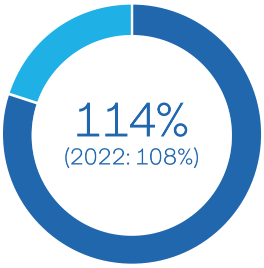
Remuneration summary 2023 (continued)

Variable remuneration outcomes

Short-term incentive plan

Short-term cash incentives support employees to focus on their performance, as measured against key business metrics and individual goals that are set at the beginning of the year. For the performance year 2023, based on the business performance achievements across all STIP pools, the Board approved funding of 114 percent of target (108 percent for 2022) for all participants.

STIP funding 2023



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

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

More than 90 percent of STIP participants are in a STIP pool which incorporates customer metric outcomes to determine the STIP pool achievement level. For ExCo members, where only the Group BOP outcome determines the STIP pool achievement level, customer metrics are instead included in the individual goals of the ExCo members with a 40 percent weight to emphasize the personal responsibility each member has on customer focus.

An overall qualitative assessment of business performance is also carried out, including a risk-based review, which the Board considers when determining the final level of STIP funding.

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

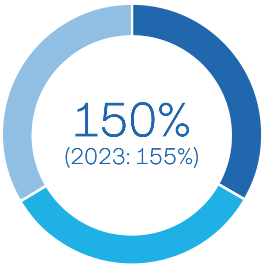
Read more on the Group's STIP:
▶ Pages 85–87

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

Long-term incentive plan

The LTIP links remuneration with future performance and risk, thereby aligning participants with the long-term interests of the Group and its shareholders and encouraging them to operate the business in a sustainable manner. The vesting level in 2024, based on the achievements of the predefined metrics for performance in the period 2021 to 2023, was calculated as 150 percent of target (155 percent in 2023). The Board did not exercise any discretion when determining the final vesting level.

LTIP vesting level 2024



Performance metrics and weights for the 2021–2023 LTIP:

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

1 Following the transition to the IFRS 17 and 9 accounting standards as of 2023, an adjusted NIAS ROE for the 2023 performance year was used to determine the vesting level. Further information can be found on page 82.

Read more on the performance achievements of the 2021–2023 LTIP and the resulting vesting level in 2024:
▶ Page 101

Read more on the Group's LTIP for the 2023–2025 performance period:
▶ Pages 87–89

Remuneration summary 2023 (continued)

Total remuneration for 2023

Remuneration amounts

in CHF millions, for the years ended December 31	Fixed remuneration/ Fees[1]	Variable remuneration Short-term incentives[2]	Variable remuneration Long-term incentives[3]	Total remuneration 2023[4]	Total remuneration 2022[4]
Board	5.85	–	–	5.85	5.63
ExCo	18.07	18.68	19.16	55.91	55.72
All employees[5]	5,460	675	167	6,302	6,121

1 For Board members, the amount includes payments in cash and in sales-restricted shares, as well as legally required employer pension contributions. For the ExCo and all employees, fixed remuneration includes base salaries, pension benefits and other remuneration such as employee benefits.
2 Comprises cash incentives earned for the year, including the amounts under the Group's STIP and other local short-term incentive plans which may be subject to approval by the applicable local boards. Payments such as sign-on and severance payments in cash are also included.
3 Comprises deferred equity or cash-based allocations made during the year, as well as sign-on payments in shares and other equity-based remuneration. This includes performance share unit allocations made under the Group's LTIP which will be assessed for vesting in 2026. The value of equity-based long-term incentives considers the share price used to determine the number of share units that were allocated.
4 Amounts are gross. For the Board, these amounts now also include the legally required employer pension contributions.
5 Includes the remuneration of ExCo members, as well as all other individuals employed by the Group and remunerated for work performed in respect of the Group.

Stakeholder engagement and review of the remuneration framework

We continually seek areas for improvement in our remuneration framework and disclosures by engaging in regular dialogue with key stakeholders, along with reviewing market practices and legal and regulatory requirements. As part of this dialogue, the Chairman of the Board met investors representing approximately 38 percent of voting shares in 2023. The enhanced disclosures in the remuneration report 2022, particularly the increased clarity on STIP awards for the Group CEO, were well received and are included again in this report. Support on the consultative vote for the remuneration report at the AGM 2023 subsequently increased to 82.1 percent from 73.9 percent in the prior year.

Following reviews of our remuneration system and practices, the following additional enhancements were made to our remuneration approach in 2023 and to our disclosures in this remuneration report.

Topic	Details	Read more
LTIP metrics for 2021 and 2022 in-flight plans	As communicated in the remuneration report 2022, the implications of the IFRS 17 and 9 accounting standards on the metrics of the 2021 and 2022 in-flight long-term incentive plans, were assessed in 2023. Upon review, the only LTIP metric impacted by the change in accounting standards is the NIAS ROE which is no longer comparable as of 2023. The Board has therefore agreed to use an adjusted NIAS ROE for the: – 2023 performance year in the 2021–2023 LTIP. – 2023 and 2024 performance years in the 2022–2024 LTIP. This is to calculate the average NIAS ROE across the performance period for each plan. The adjusted NIAS ROE considers the business operating profit after tax (BOPAT) along with the average adjusted shareholders' equity and includes a 2.5 percentage point reduction on the return on equity (ROE). The change to BOPAT and the reduction on the ROE more closely aligns the outcome to the NIAS ROE calculated under the previous IFRS 4 standards and was determined using a comparison of historical information with the new accounting standards. The performance expectations outlined in the vesting grids for the 2021–2023 and 2022–2024 LTIP have not changed and the NIAS ROE targets still apply.	Outcomes of the 2021–2023 LTIP on page 101 and 2023–2025 LTIP on pages 87 to 89.
LTIP 2021–2023 metric achievements	In addition to disclosing the vesting outcomes of the individual metrics in the LTIP, the actual achievements of each of the metrics during the three-year performance period are now also disclosed in this report. This provides greater transparency on the determination of the calculated vesting level for the target shares vesting in 2024.	Outcomes of the 2021–2023 LTIP on page 101.
Board and ExCo external mandates	In accordance with art. 734e of the Swiss Code of Obligations and art. 33 of the articles of association, the external mandates of the Board and ExCo are newly disclosed in the remuneration report.	External mandates of the Board and ExCo on pages 108 to 109.

Read more on the remuneration framework enhancements and outlook for 2024:
▶ Page 110

Remuneration framework

Philosophy

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

Guiding principles of the remuneration philosophy

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

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

Equal pay for equivalent work

At Zurich we believe it is important for every employee to be treated in an inclusive and equitable way. The methodology we use to track our progress on achieving equal pay for equivalent work has been aligned with EDGE certification requirements. We conduct equal pay analyses on an annual basis in the majority of our businesses that have 100 or more employees. In addition, business units may choose to review remuneration across additional parameters such as ethnicity, LGBTQ+, disability, or full- and part-time work arrangements.

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

Elements of remuneration

Total remuneration

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

Remuneration framework (continued)

Remuneration elements

	Fixed remuneration		Variable remuneration	
	Base salary	Pensions and employee benefits	Short-term incentives	Long-term incentives
Description	Fixed pay for the role performed, to attract and retain employees. Reviewed annually.	Employee benefits are provided to attract and retain employees, are in line with market practices and targeted around the market median.	Incentive awards to reward achievement of key business and individual goals during the performance year.	Annual allocation of performance share units, subject to vesting in accordance with predefined performance criteria. Designed to support Zurich's longer-term goals, encourage participants to operate the business in a sustainable manner and align the Group's long-term interests with those of shareholders.
Drivers and/or performance metrics	Can include scope and complexity of the role, level of responsibility, professional experience and geographic location, among other factors.	Market practice	Award is driven by: – The relevant business profitability achievements, as well as customer experience where applicable. – Individual goal achievements, including behaviors in line with Zurich's code of conduct.[1]	Vesting is determined based on (i) relative TSR, (ii) average BOPAT ROE, (iii) cumulative net cash remittances and (iv) operational CO2 equivalent (CO2e) emissions.
Duration	n.a.	n.a.	1 year	3–6 years Target shares are subject to 3-year cliff vesting and for the ExCo half of the vested shares are sales-restricted for an additional 3 years.
Range of opportunity	Generally paid within an 80–120 percent range around the relevant market median.	n.a.	Award of 0–200 percent of an individual's target amount.	Vesting level of 0–200 percent of an individual's target shares.
Eligibility	All employees	Location specific	Location specific (around 47,000 Group STIP participants in 2023)	ExCo members and a defined group of the most senior positions, including key risk-takers (1,281 plan participants as of December 31, 2023).
Delivery	Fixed cash	Location-specific benefits	Performance-based cash	Performance-based shares
Clawback, malus and hedging	n.a.	n.a.	– Variable remuneration is subject to clawback provisions for ExCo members and also for additional participants in some jurisdictions as required by local laws and regulations, to allow for the forfeiture or recovery of awards. – Malus conditions to reduce or eliminate awards are applicable to all STIP and LTIP participants. – Individual hedging of share-based remuneration is prohibited.	

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

Remuneration framework (continued)

Fixed remuneration

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

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

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

Variable remuneration

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

Short-term incentives

Short-term (one-year) incentives are performance-driven based on the following design for 2023:

Short-term cash incentives support employees to focus their performance on the achievement of key financial, customer and individual goals set at the beginning of the year. They are delivered primarily through the Group's STIP, although there are local plans in some countries.

The Group's STIP is utilized across the organization and in many countries covers all employees. In some countries, based on market practice in that location, only the most senior individuals participate. Determination of the final individual STIP award for the year ending December 31, 2023, is based on an individual's STIP target amount, the performance of the business in line with the pool to which an individual has been allocated, and an individual's personal achievements in terms of goals and behaviors. An overview of the approach is set out on the next page. For employees below a certain job level, markets also have the option to base the award solely on an individual's STIP target amount and the achievement level of the relevant pool to which they have been allocated, provided minimum standards of individual performance and expected behaviors have been demonstrated.

Remuneration framework (continued)

STIP target x Business performance x Individual performance = STIP award

Target amount

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

STIP pool achievement

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

Key metrics for the STIP pools:

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

Individual goal achievements

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

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

Partially met (0% to 75%)

Fully met (80% to 120%)

Exceeded (125% to 185%)

Resulting STIP award

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

The resulting STIP award is paid in cash.

1 The transactional net promoter score (TNPS) is a global best practice standard for measuring customer experience and one of the key measures (20 percent weight) used to determine the business performance in markets where there is sufficiently robust data. Over 90 percent of STIP participants are in a pool where funding is impacted by customer satisfaction achievements.
2 Other Group pools include the wider leadership team, employees in control functions, and employees in Group and regional roles.
3 Includes a separate pool for Farmers New World Life. Farmers Group, Inc., a wholly owned subsidiary of Zurich Insurance Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as attorney-in-fact and receives fees for its services. The Farmers Exchanges are owned by their policyholders.

Remuneration framework (continued)

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

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

Long-term incentives

Long-term (three- to six-year) incentives are performance-driven based on the following design for the performance period 2023–2025:

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

In alignment with the Group's risk profile and business strategy, and considering established best practices, long-term incentives are provided with a deferral element that takes into account material risks and their time horizon. Such deferred remuneration is structured to promote the risk awareness of participants and to encourage participants to operate the business in a sustainable manner. An overview of the LTIP for the performance period 2023–2025 is set out on the following page.

Details of the LTIP relevant for the 2024 vesting decision following the performance period from 2021–2023 can be found in the remuneration report 2021 (www.zurich.com/en/investor-relations/results-and-reports) and the performance outcomes are detailed in the remuneration and shareholdings section of this report on page 101.

Details of the LTIP for the next performance period beginning in 2024, can be found in the outlook section on page 110.

Remuneration framework (continued)

Target shares

Performance share units (PSUs) + Dividend equivalent units (DEUs) x Vesting level = LTIP award

Target allocation

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

Alignment with shareholder interests

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

Performance assessment

The percentage of target shares that will vest depends on the achievements of the performance criteria detailed in the vesting grid below for the three-year performance period 2023-2025.[1] The performance criteria are reviewed by the Board annually to ensure alignment with the strategic and financial targets and are agreed ahead of the commencement of the performance period.

Resulting LTIP award

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

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

Performance criteria	Weight	Details	0% vesting	50% vesting	100% vesting	150% vesting	200% vesting
Relative TSR position	30%	Considers Zurich's performance in comparison with an international peer group of insurance companies. The Remuneration Committee reviews the peer group regularly to ensure that peers exhibit a strong TSR correlation and reflect the Group's business profile and geographic spread. There were no changes to the industry peer group for 2023 which includes the following companies: AIG, Allianz, Allstate, Aviva, AXA, Chubb, Generali, Legal & General, Manulife Financial Corp, MetLife, Munich Re, Progressive Ohio, Prudential Plc, QBE, Swiss Re, The Hartford, Travelers Cos. Inc.	18th–13th	12th–10th	9th – 7th	6th – 4th	3rd – 1st
Average BOPAT ROE	30%	Supports the alignment of LTIP participants with shareholder interests and reflects the targets in the financial plan. Linear interpolation is used to determine the level of vesting.	<15% p.a.	15% p.a.	20% p.a.	21% p.a.	≥22% p.a.
Cumulative net cash remittances	30%	Key component of Zurich's financial targets ensuring Zurich generates sufficient cash and demonstrates a commitment to creating liquidity for the business and shareholder requirements. Linear interpolation is used to determine the level of vesting.	<USD 11.5bn	USD 11.5bn	USD 13.5bn	USD 14.0bn	≥USD 14.5bn
Operational CO2e emissions	10%	Supports the Group's operational CO2e emissions[2] reduction target and is based on approximately 90 percent of CO2e emissions from Zurich's operations.[3] The remaining 10 percent have been excluded from the calculation methodology used for LTIP due to time lags in the availability of data that do not align with the timing for the assessment of the LTIP vesting level. This considers facilities and data center emissions, both of which have been minimized through the use of renewable power in 2022 and onwards. Reasonable assurance on the data is sought each year.[4] Linear interpolation is used to determine the level of vesting.	>68,250 metric tons	68,250 metric tons	65,000 metric tons	58,500 metric tons	≤52,000 metric tons

1 As communicated in the remuneration report 2022, the vesting grid was updated for the performance period 2023-2025 to reflect the new financial targets of the 2023-2025 strategic cycle, IFRS 17 and 9 accounting changes, and a new metric on operational CO2e emissions. The vesting grid for the 2021-2023 plan, relevant for the vesting decision in 2024, can be found on page 101.
2 CO2e includes carbon dioxide and the carbon dioxide equivalent of other greenhouse gases, most commonly methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons, sulfur hexafluoride and nitrogen trifluoride.
3 Considering operations within the control boundary as specified in footnote 1, table 14, on page 179 of the sustainability report.
4 The assurance statement can be found under www.zurich.com/sustainability/planet/net-zero-in-operations.

Remuneration framework (continued)

Exceptional adjustments

The Board may exercise discretion when determining the overall vesting level to prevent unreasonable outcomes, or to reflect the financial impact of decisions taken to implement the strategy, or to deal with exceptional circumstances. An adjustment of +/–25 percentage points to the calculated vesting level may be applied. No discretionary adjustment was made to the calculated vesting level for 2024 following the 2021–2023 performance period.

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

Clawback and malus conditions for variable remuneration

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

Remuneration governance

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

Read more on the Remuneration Committee's activities and responsibilities:
▶ Pages 55–56

In 2023, the Remuneration Committee and the Board received independent advice from the executive compensation practices at Alvarez & Marsal and from an appointed lead advisor at Willis Towers Watson. Neither Alvarez & Marsal, nor the appointed lead advisor at Willis Towers Watson, provided any other services to the Group. The Remuneration Committee reviews their mandates and fees and evaluates ongoing performance.

The Chairman, the Group CEO or other members of the ExCo, are not present in the Remuneration Committee or Board meetings where decisions are made on their individual remuneration.

The remuneration approval framework is set out as follows:

An effective governance framework ensuring alignment of interests with shareholders

Remuneration governance

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

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

Remuneration governance (continued)

Legal and regulatory requirements

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

- Art. 734a–734f of the Swiss Code of Obligations.
- Chapter 5 of the Directive on Information Relating to Corporate Governance of the SIX Exchange Regulation.
- Circular 2010/1 on minimum standards for remuneration schemes of financial institutions issued by the Swiss Financial Market Supervisory Authority, FINMA.
- Swiss Code of Best Practice for Corporate Governance.

AGM remuneration votes

Shareholders approve the maximum total amount of remuneration for the Board for the next one-year period from AGM to AGM and the maximum total amount of remuneration for the ExCo for the subsequent financial year (art. 18 para. 1 articles of association: www.zurich.com/en/investor-relations/our-shares/articles-of-association). In addition, shareholders are invited to express their opinion on the remuneration report through an advisory vote. Details on the votes can be found in the AGM invitation 2024 (www.zurich.com/en/investor-relations/shareholder-area/annual-general-meeting) and in the respective sections of the remuneration report for the Board (page 96) and for the ExCo (page 103). Art. 18, 28, 32 and 34 of the articles of association outline the approach regarding the votes on pay, supplementary amounts for any new members of the ExCo during a period for which the remuneration for the ExCo has already been approved, performance-related remuneration for the ExCo, allocation of shares, contracts with Board and ExCo members, and loans.

Remuneration and risk

The Remuneration and the Risk and Investment Committees meet jointly once a year to discuss a risk review of the remuneration architecture and the remuneration governance framework. The assessment of risk in making reward decisions, and the ability to apply risk adjustments and exercise malus and clawback, if required, are features of Zurich's remuneration framework. Group Risk Management evaluated the remuneration architecture in 2023 and reported that the remuneration architecture does not encourage inappropriate risk-taking that exceeds the Group's risk appetite and tolerance.

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

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

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

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

Remuneration governance (continued)

Share ownership guidelines

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

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

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

At the end of 2023, all Board and ExCo members who have served at least five years on the Board or the ExCo, respectively, met the required share ownership level.

Share dilution

Zurich did not issue any new shares in 2023 or 2022.

Share dilution as of December 31

		2023	2022
Share dilution	Shares issued during the year[1]	–	–
	Capital reduction under the capital band	(4,104,413)	–
	Registered shares as of December 31	146,355,754	150,460,167
LTIP	Total number of unvested target shares[2]	1,249,450	1,386,835
	– as a percentage of the registered shares	0.85%	0.92%

1 During 2023 and 2022, share-based compensation awards were funded with own shares repurchased on the market.
2 Given the vesting level of 150 percent of target for the share allocations vesting in 2024 and assuming 100 percent vesting in 2025 and 2026. For 2022 the amount represents vesting of 155 percent in 2023 with assumed vesting of 100 percent for 2024 and 2025.

Remuneration and shareholdings 2023

Audited

The information provided according to art. 734a–734f of the Swiss Code of Obligations contained in the remuneration report needs to be externally audited following the audit requirements of art. 728a of the Swiss Code of Obligations. All audited sections have been highlighted accordingly.

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

Board of Directors

Board member fees

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

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

Fee structure for Board members[1]

	Fee elements in cash (CHF 000)	Fee elements in sales-restricted shares (CHF 000)	Total fees 2023 (CHF 000)	Total fees 2022 (CHF 000)
Basic fee for the Chairman of the Board[2]	1,000	1,000	2,000	2,000
Basic fee for the Vice-Chairman of the Board[2]	225	225	450	450
Basic fee for a member of the Board	120	120	240	240
Committee fee[3]	80	–	80	80
Chair fee for the Audit Committee	100	–	100	100
Chair fee for the Remuneration Committee[4]	80	–	80	80
Chair fee for the Risk and Investment Committee	80	–	80	80
Chair fee for the Governance, Nominations and Sustainability Committee[4]	80	–	80	80

1 These amounts are for the period from AGM to AGM. The table excludes other fees for board memberships of Zurich subsidiaries.
2 Neither the Chairman nor the Vice-Chairman receive additional fees for their committee work on the Boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd.
3 Amount remains the same irrespective of the number of committees on which a Board member serves.
4 For 2023 and 2022 no Chair fee has been paid for the Governance, Nominations and Sustainability Committee or the Remuneration Committee, as these committees were chaired by the Chairman and Vice-Chairman, respectively.

Remuneration and shareholdings 2023 (continued)

The committees on which the members of the Board serve are set out in the corporate governance report on page 44. In 2023, the Board consisted entirely of non-executive directors independent from management.

Where a Board member is also a member of one or more subsidiary boards of Zurich Insurance Group Ltd (other than Zurich Insurance Company Ltd), the Board member is entitled to an additional fee of CHF 50,000 per annum, plus CHF 10,000 per annum if they also chair an audit committee of such a board. The fee structure for subsidiary boards can be modified in certain circumstances, for example, if the additional time commitment to discharge the duties of a board member warrant it. None of the Board members had an additional mandate in a subsidiary board of Zurich in 2023 or 2022 (other than Zurich Insurance Company Ltd).

The following tables set out the actual fees paid to Board members for 2023 and 2022 in Swiss francs. The employer contributions to pension systems are now also included in the tables for applicable Board members where such payments are legally required. In the remuneration report 2022, these contributions were disclosed in aggregate in a footnote accompanying the table.

In 2023, 12 members served for the full year. In 2022, 11 members served for the full year and one member served for part of the year. The total aggregate fees, including legally required employer contributions to pension systems, amounted to CHF 5,846,358 for the calendar year 2023, which is higher compared with the corresponding amount for 2022 of CHF 5,631,894, due to the number of Board members in 2023.

Audited

Board member fees 2023

in CHF	2023[1]						
	Fee elements in cash						
	Basic fee	Committee fee[2]	Chair fee[3]	Total cash	Basic fee in sales-restricted shares[4,5]	Pension costs[6]	Total fees
M. Liès, Chairman[7]	1,000,000	n.a.	n.a.	1,000,000	1,000,000	–	2,000,000
C. Franz, Vice-Chairman[7]	225,000	n.a.	n.a.	225,000	225,000	4,202	454,202
J. Amble, member	120,000	80,000	–	200,000	120,000	–	320,000
C. Bessant, member	120,000	80,000	75,000	275,000	120,000	–	395,000
A. Carnwath, member	120,000	80,000	25,000	225,000	120,000	–	345,000
M. Halbherr, member	120,000	80,000	–	200,000	120,000	6,577	326,577
S. Keller-Busse, member	120,000	80,000	–	200,000	120,000	–	320,000
M. Mächler, member	120,000	80,000	–	200,000	120,000	–	320,000
K. Mahbubani, member	120,000	80,000	–	200,000	120,000	–	320,000
P. Maurer, member	120,000	80,000	–	200,000	120,000	–	320,000
J. Staiblin, member	120,000	80,000	80,000	280,000	120,000	5,579	405,579
B. Stowe, member	120,000	80,000	–	200,000	120,000	–	320,000
Total in CHF[8]	**2,425,000**	**800,000**	**180,000**	**3,405,000**	**2,425,000**	**16,358**	**5,846,358**

Remuneration and shareholdings 2023 (continued)

Audited

Board member fees 2022

in CHF	2022[1]						
	Fee elements in cash						
	Basic fee	Committee fee[2]	Chair fee[3]	Total cash	Basic fee in sales-restricted shares[4,10]	Pension costs[6]	Total fees
M. Liès, Chairman[7]	1,000,000	n.a.	n.a.	1,000,000	1,000,000	–	2,000,000
C. Franz, Vice-Chairman[7]	225,000	n.a.	n.a.	225,000	225,000	–	450,000
J. Amble, member	120,000	80,000	–	200,000	120,000	–	320,000
C. Bessant, member	120,000	80,000	–	200,000	120,000	–	320,000
A. Carnwath, member	120,000	80,000	100,000	300,000	120,000	–	420,000
M. Halbherr, member	120,000	80,000	–	200,000	120,000	6,433	326,433
S. Keller-Busse, member	120,000	80,000	–	200,000	120,000	–	320,000
M. Mächler, member	120,000	80,000	–	200,000	120,000	–	320,000
K. Mahbubani, member	120,000	80,000	–	200,000	120,000	–	320,000
P. Maurer, member[9]	30,000	20,000	–	50,000	60,000	–	110,000
J. Staiblin, member	120,000	80,000	80,000	280,000	120,000	5,461	405,461
B. Stowe, member	120,000	80,000	–	200,000	120,000	–	320,000
Total in CHF[8]	**2,335,000**	**740,000**	**180,000**	**3,255,000**	**2,365,000**	**11,894**	**5,631,894**

1 Amounts are gross and do not include any business-related expenses incurred in the performance of the members' services.
2 Members of a committee receive a cash fee of CHF 80,000 for all committees on which they serve, irrespective of the number. The committees on which the members of the Board serve are set out in the corporate governance report.
3 Committee chairs receive an annual fee of CHF 80,000 and the chair of the Audit Committee receives an additional CHF 20,000.
4 The shares allocated to Board members are not dependent on the achievement of performance criteria and are sales-restricted for five years.
5 As of June 16, 2023, Michel M. Liès was allocated 2,336 shares, Christoph Franz was allocated 525 shares and the other Board members were allocated 280 shares. The closing share price on June 15, 2023 (CHF 428.00) was adopted to calculate the number of shares on half of the basic fee amount. Where the value of shares allocated did not equal exactly half the member's basic fee amount, the difference was paid in cash.
6 Legally required employer contributions to pension systems in line with the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) were paid in accordance with the minimum required benefit for eligible members. Any personal contributions by Board members to pension systems are included in the fee amounts shown in the table.
7 Neither the Chairman nor the Vice-Chairman received additional fees for their committee work on the Boards of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd.
8 In addition, Zurich also paid legally required employer contributions to social security systems which amounted to CHF 246,067 in 2023. The amount in 2022 was CHF 244,332. Any personal contributions by Board members to social security systems are included in the amounts shown in the table. Swiss-based Board members are eligible for selected employee benefits.
9 At the AGM on April 6, 2022, Peter Maurer was elected as a new member of the Board. He assumed this role as of October 1, 2022.
10 As of June 16, 2022, Michel M. Liès was allocated 2,346 shares, Christoph Franz was allocated 528 shares and the other Board members, aside from Peter Maurer, were allocated 281 shares. As of October 1, 2022, Peter Maurer was allocated 140 shares. The closing share price on June 15, 2022 (CHF 426.10) was adopted to calculate the number of shares on half of the basic fee amount, or on a pro rata amount, as applicable. Where the value of shares allocated did not equal exactly half the member's basic fee or the applicable pro rata amount, the difference was paid in cash.

Remuneration and shareholdings 2023 (continued)

Audited

Remuneration and loans for current Board members

No additional remuneration has been provided to current Board members during 2023 and 2022 other than what is set out earlier in this report. In 2023 and 2022, no replacement payments were made to members of the Board. As of December 31, 2023 and 2022, no current Board members had any outstanding loans or credit facilities.

Remuneration and loans for former Board members

No remuneration has been provided to former Board members in connection with their former role during 2023 and 2022. As of December 31, 2023 and 2022, no former member of the Board had any outstanding loans or credit facilities that were granted on conditions other than the customary market conditions.

Payments and loans for parties related to Board members

No payments (or waivers of claims) outside of market practice have been provided in 2023 or 2022 to parties related to current or former Board members. As of December 31, 2023 and 2022, no party related to current or former Board members had any outstanding loans or credit facilities that were granted on conditions other than the customary market conditions.

Board remuneration voting at the AGM

A summary of the total amount of remuneration paid to the Board for a one-year period from AGM to AGM, along with the respective maximum total amount of remuneration approved by shareholders, is outlined in the table below for the past two periods. The total amount of legally required employer contributions to pension systems for applicable Board members is now also included in the table. The amounts provided earlier in this report relate to a calendar year whereas the amounts in the table below are for a one-year period from AGM to AGM.

Summary of fees paid to the Board over the last two periods[1]

		Fees					
Period AGM to AGM	Number of members	in cash (CHF 000)	in shares (CHF 000)	Pension costs[2] (CHF 000)	Total (CHF 000)	Maximum amount approved at the AGM (CHF 000)	Percent of votes in favor
2023–2024[3]	12	3,405	2,425	18	5,848	6,000	96.8%
2022–2023	11.5	3,305	2,365	12	5,682	6,000	96.9%

1 In addition to the amounts shown in this table, Zurich also pays the employer contributions to social security systems as required by law. For reference, Zurich paid an amount of CHF 246,067 and CHF 244,332 for the calendar years 2023 and 2022 respectively.
2 Legally required employer contributions to pension systems in line with the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG) are paid in accordance with the minimum required benefit for eligible members.
3 Includes an estimate of the employer pension costs for the first quarter in 2024 and assumes the amount of fees to be paid for the first quarter in 2024 remains unchanged.

Information on the proposed maximum total amount of remuneration for the Board for the one-year period from the AGM 2024 to the AGM 2025 can be found in the AGM invitation 2024 (www.zurich.com/en/investor-relations/shareholder-area/annual-general-meeting).

Remuneration and shareholdings 2023 (continued)

Audited

Shareholdings of Board members

The shareholdings of Board members who held office in 2023 are shown in the following table for the past two years. All interests shown include the portion of shares allocated to Board members as part of their fees, shares acquired in the market and shares held by parties related to the members of the Board.

Board member shareholdings[1]

Number of Zurich Insurance Group Ltd shares as of December 31	Ownership of shares	
	2023	2022
M. Liès, Chairman	15,133	12,797
C. Franz, Vice-Chairman	8,171	7,711
J. Amble, member	3,377	3,097
C. Bessant, member	2,422	2,142
A. Carnwath, member	2,002	4,022
M. Halbherr, member	1,599	1,319
S. Keller-Busse, member	881	601
M. Mächler, member	3,925	3,645
K. Mahbubani, member	3,377	3,097
P. Maurer, member	1,195	565
J. Staiblin, member	2,469	2,189
B. Stowe, member	1,599	1,319
Total	**46,150**	**42,504**

1 None of the Board members, including parties related to them, held more than 0.5 percent of the voting rights of Zurich Insurance Group Ltd shares as of December 31, 2023 or 2022, respectively.

Executive Committee

ExCo remuneration

The total remuneration for ExCo members for 2023 comprises the value of base salaries, pension benefits, other remuneration including employee benefits, short-term cash incentives and the target share allocations made under the LTIP in 2023. In order to assist with decisions regarding the remuneration structure and the mix of the individual remuneration elements for ExCo members, the Board conducts benchmarking studies on a regular basis, taking into account relevant market practices within peer groups, as well as internal relativities.

The remuneration structures and practices of a core peer group, consisting of the following insurance and reinsurance firms in 2023, were analyzed:

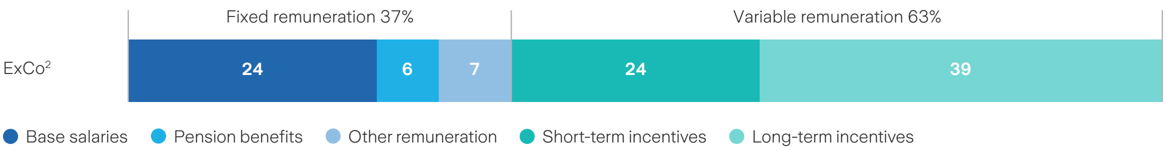
AIG, Allianz, Allstate, Aviva, AXA, Chubb, Generali, Legal & General, Manulife Financial Corp., MetLife, Munich Re, Progressive Ohio, Prudential Plc, QBE, Swiss Re, The Hartford and Travelers Cos. Inc.

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

The distribution of the individual elements making up the total remuneration of the ExCo in 2023 is set out in the following chart. The variable performance-related remuneration is based on target values. It shows an appropriate balance of remuneration elements, with a significant emphasis on performance-related remuneration (STIP and LTIP), and particularly long-term, deferred remuneration.

2023 remuneration structure[1]

%



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

Remuneration and shareholdings 2023 (continued)

Amounts of remuneration for the ExCo

The following table shows the total remuneration in 2023 and 2022 for the highest-paid individual, who was Mario Greco, Group CEO, along with the total remuneration for all ExCo members (which includes the amounts for the Group CEO). One-off remuneration amounts, such as replacement payments for new ExCo hires, and the amounts of contractually agreed remuneration after stepping down from the ExCo and during the notice period, are shown below the total amounts.

Regarding the remuneration of the Group CEO, an adjustment was made to his annual base salary effective as of April 2023 following the successful close of the 2020–2022 strategic cycle. Total remuneration for all ExCo members in 2023 remained similar compared with the prior year. There was no change to the overall remuneration structure of the ExCo, although specific remuneration components were adjusted for certain members to reflect performance and support the execution of strategic objectives. The level of short-term incentive awards corresponds to performance outcomes against the targets set and the decrease in other remuneration in 2023 compared with 2022 considers costs relating to expatriates which is explained further in footnote 6 of the table.

Audited

Remuneration of the highest-paid individual and all ExCo members (including the highest-paid)[1]

in CHF millions, for the years ended December 31		Highest-paid individual (Group CEO)		ExCo	
		2023[2]	2022[2]	**2023[2,3]**	2022[2,4]
Fixed remuneration	Base salaries	1.76	1.70	11.69	11.34
	Pension benefits[5]	0.47	0.45	3.08	3.40
	Other remuneration[6]	0.06	0.07	3.30	5.29
Variable remuneration	Short-term incentives	3.55	3.37	18.68	16.63
	Long-term incentives[7]	3.99	3.82	19.16	19.06
Total in CHF		**9.83**	**9.41**	**55.91**	**55.72**
Total in USD[8]		**11.16**	**10.10**	**63.41**	**59.56**
in CHF million, for the years ended December 31		**2023[9]**	2022[9]	**2023[3,9]**	2022[4,9]
Other payments and share allocations[10]		–	–	–	0.65
Contractual remuneration after stepping down until termination[11]		–	–	–	–

1 In addition, Zurich also paid employer contributions to social security systems for current and former members of the ExCo as required by the applicable laws where the executives are employed. These amounted to CHF 2.50 million in 2023 and CHF 4.19 million in 2022. As of 2023, the disclosure of employer contributions to social security systems relates to the remuneration paid or allocated in the respective year based on best estimates. Applying this methodology for 2022 would result in an amount of CHF 2.67 million. Since the contributions are based on full earnings, whereas benefits are capped, there is no direct correlation between the costs paid to social security systems and the benefits received by the executives.
2 Amounts are gross for the time employees are members of the ExCo during the year and do not include any business-related expenses incurred in the performance of the members' services.
3 On the basis of 12 members of the ExCo, all of whom served in the ExCo during the full year in 2023. See the corporate governance report for details on the ExCo members in 2023.
4 On the basis of 12 members and former members of the ExCo, of whom 11 served in the ExCo during the full year in 2022.
5 The total value of pension benefits accruing to ExCo members during the year, calculated on the basis of company contributions and actuarially assessed company costs of accruing benefits.
6 ExCo members receive other remuneration in relation to employee benefits, perquisites, benefits-in-kind, expatriate allowances and associated costs including tax equalization in line with the Group's global mobility policy, and any other payments due under each member's employment contract. Benefits-in-kind have been valued using market rates. As of 2023, the disclosure of tax equalization relates to the remuneration paid or allocated in the respective year based on best estimates. Using the same approach in 2022 would have amounted to CHF 3.02 million of other remuneration.
7 The target allocation of PSUs made in 2023 using the closing share price of CHF 440.10 on the day prior to the allocation (second working day in April).
8 The amounts have been translated from CHF to USD at the relevant exchange rates throughout the year and the cash incentive to be paid in 2024 has been translated at the year-end rate in 2023.
9 Amounts are gross and do not include any business-related expenses incurred in the performance of the members' or former members' services.
10 These are extraordinary and include payments and share allocations to compensate incentive plan forfeitures with previous employers.
11 Relates to contractually agreed remuneration for leavers for the period of employment in 2023 or 2022 as applicable, after stepping down from the ExCo and during the notice period. Such remuneration may include pro rata base salaries, short-term incentives, LTIP target allocations, pension costs, employee benefits, expatriate allowances and associated costs, including tax equalization. Severance payments are not paid to ExCo members.

Based on these figures, total ExCo remuneration for 2023 consists of 32 percent in fixed remuneration, comprising base salaries, pensions and other remuneration including employee benefits, as well as 68 percent in variable remuneration, comprising short-term and long-term incentives (36 percent and 64 percent, respectively, in 2022).

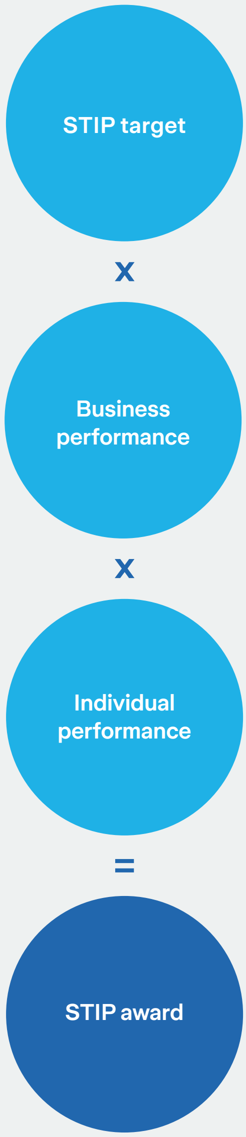
Remuneration and shareholdings 2023 (continued)

Variable remuneration outcomes of the ExCo

Short-term incentives

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

All Exco



STIP target

100 percent of the annual base salary is the STIP target amount for ExCo members.

Business performance

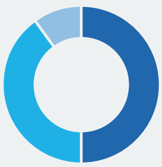
The 2023 STIP pool achievement level for the ExCo based on the Group's BOP.

in USD billions, for the years ended December 31	Group BOP[1] Target	Group BOP[1] Actual	STIP pool achievement level as % of target[2] (0–175%)
2023	6.8	7.4	109%
2022	6.0	6.5	107%

1 At actual foreign exchange rates. The Group BOP result shown here for 2022 remains in line with the amount reported in the Annual Report 2022. This was used to determine the 2022 STIP pool achievement level for the ExCo and has therefore not been restated for the implementation of IFRS 17, "Insurance contracts".
2 Considering a qualitative, including risk-based assessment of the performance achieved against plan as described on page 87.

Individual performance

Performance assessed against the targets set at the beginning of the year for each ExCo member considering the following target card framework:



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

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

Award levels can vary between 0–185% of an individual's target amount. To assess individual performance, each member conducts a self-assessment. Group Risk Management, together with other control and assurance functions, provide risk, compliance and audit information on each member. A discussion is then held between each member of the ExCo and the Group CEO.

In a rigorous process, the Group CEO and the Remuneration Committee review the individual performance achievements, including risk and behavior aspects. The performance of the Group CEO is assessed by the Remuneration Committee without his presence.

STIP award

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

Based on the business and individual performance achievements, the average STIP award across all ExCo members for 2023 is 160 percent of target.

Remuneration and shareholdings 2023 (continued)

Group CEO STIP award calculation

STIP target
CHF 1.78m
(100% of annual base salary as of December 31, 2023)

x

Business performance
109%

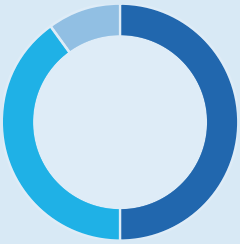
x

Individual performance
185%

=

STIP award
CHF 3.55m
(capped at 200% of target)

Group CEO 2023 target card and achievements



	Weight	Achievements	Outcome
Financial measures supporting strategy execution	50%	– Group BOP increased by 21% to a record USD 7.4 billion. – Property & Casualty (P&C): Combined ratio maintained at 94.5% and BOP rising 7% to USD 3.9 billion with strong growth in gross written premiums (GWP) of 9% on a like-for-like basis. – Life: BOP increase of 39% to USD 2.1 billion, while continuing to improve capital efficiency. – Farmers[1]: BOP up 10% to USD 2.3 billion. – Very strong capital position being maintained with Swiss Solvency Test ratio at 233%.	Exceeded
Customers	40%	– Increase across the Group of 4.3 points in the customer transactional net promoter score (TNPS). – Customer focus in Retail and SME areas reflected in the strong growth in GWP in 2023.	Exceeded
Employees	10%	– Engagement score surpassed high performing companies by 2 percentage points and other global finance and insurance peers using the same provider, by 4 percentage points.	Exceeded

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

- Strong start to the 2023–2025 strategic cycle with BOP at a record level of USD 7.4 billion and BOPAT ROE of 23.1%.
- Record-high Life BOP of USD 2.1 billion, with strong growth achieved across the franchise.
- P&C continues to grow profits, with volatility from natural catastrophes well controlled.
- Farmers performance shows strong signs of improvement reflecting significant management actions during 2023. Farmers New World Life reinsurance transaction completed.
- Revenue from sustainable solutions increased by 75% from USD 0.8 billion in 2022 to USD 1.4 billion in 2023.
- Announcement of entry into India with Kotak.

Group CEO overall individual performance achievement	**Exceeded 185%**

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

Remuneration and shareholdings 2023 (continued)

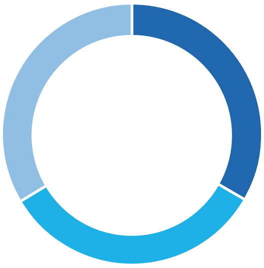
Long-term incentives

As disclosed on page 98, the value of the long-term incentive target allocation for ExCo members in 2023 amounted to CHF 19.16 million. The corresponding total number of performance share units (PSUs) allocated for the three-year performance period 2023–2025, was 43,531. The PSUs are valued using the closing share price of CHF 440.10 on the day prior to the allocation (second working day in April), and will be assessed for vesting in 2026 based on the metrics and targets outlined in the vesting grid on page 88. Dividend equivalent units (DEUs) may accrue during the vesting period.

The individual LTIP targets for ExCo members for the allocation made in 2023 varied between 125 percent and 225 percent of annual base salary. The final vesting level will be assessed in 2026 and cannot exceed a maximum of 200 percent of the aggregate number of target shares (PSUs and DEUs).

The LTIP vesting level in 2024 for target shares allocated in 2021 is 150 percent. This was determined against the vesting grid set for the 2021–2023 performance period outlined below and disclosed in the remuneration report 2021. No discretionary adjustment was made to the calculated vesting level.

LTIP vesting level 2024



Vesting grid for the performance period 2021-2023

	Weight	Achievement	0% vesting	50% vesting	100% vesting	150% vesting	200% vesting	Vesting
Relative TSR position	1/3	12th position	18th – 13th	12th – 10th	9th – 7th	6th – 4th	3rd – 1st	50%
Average NIAS ROE[1]	1/3	17.00% p.a.	<11.75% p.a.	11.75% p.a.	14.00% p.a.	15.125% p.a.	≥16.25% p.a.	200%
Cumulative net cash remittances	1/3	USD 13.8bn	<USD 10.5bn	USD 10.5bn	USD 11.5bn	USD 12.0bn	≥USD 12.5bn	200%
LTIP vesting level 2024								**150%**
LTIP vesting level 2023[2]								155%

1 Following the transition to the IFRS 17 and 9 accounting standards as of 2023, an adjusted NIAS ROE for the 2023 performance year was used to determine the average NIAS ROE across the performance period. Further information can be found on page 82.
2 Vesting grid for the 2020–2022 performance period applies.

Replacement payments

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

There were no replacement payments made in 2023. In 2022, replacement payments amounting to CHF 0.65 million were made to a new ExCo member who took up employment with the Group during the year and comprised cash payments in 2022 and 2023, as well as RSUs vesting in 2023 and 2024.

Remuneration and shareholdings 2023 (continued)

Audited

Remuneration and loans for current ExCo members

No additional remuneration has been provided to current ExCo members during 2023 and 2022 other than what is set out earlier in this report. As of December 31, 2023 and 2022, no current ExCo members had any outstanding loans or credit facilities.

Remuneration and loans for former ExCo members

In 2023, two former ExCo members received contractually agreed remuneration comprising amounts for outstanding base salaries, pension costs, other benefits and tax equalization related to their prior period of employment with Zurich. In addition, one of those members received remuneration for services as advisor and non-executive chairman of a subsidiary of Zurich. The total amount was CHF 0.52 million, plus the legally required employer social security contributions applicable on this amount. No additional remuneration has been provided to other former ExCo members in connection with their former role during 2023 and 2022 other than what is set out earlier in this report. As of December 31, 2023 and 2022, no former ExCo member had any outstanding loans or credit facilities.

Payments and loans for parties related to ExCo members

No payments (or waivers of claims) outside of market practice have been provided in 2023 or 2022 to parties related to current or former ExCo members. As of December 31, 2023 and 2022, no party related to current or former ExCo members had any outstanding loans or credit facilities that were granted on conditions other than the customary market conditions.

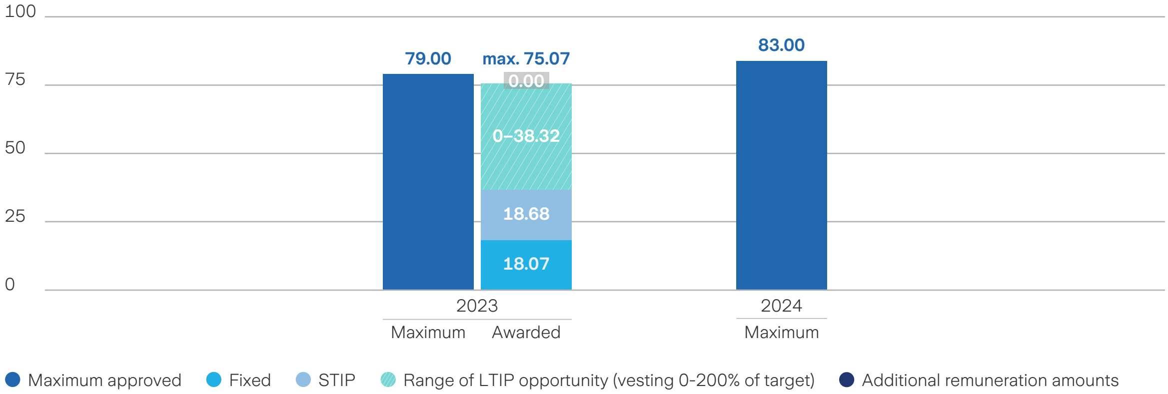
Remuneration and shareholdings 2023 (continued)

ExCo remuneration voting at the AGM

The following chart provides an overview of the maximum total amounts of remuneration for the ExCo approved by shareholders at the last two AGMs, along with the maximum awarded remuneration for 2023 considering the following amounts disclosed in the table on page 98:

- Actual fixed remuneration including base salaries, pension benefits and other remuneration.
- Short-term incentives awarded under the Group's STIP.
- Long-term incentives shown as the range of LTIP opportunity with possible vesting between 0 and 200 percent of the value of the target amount. The final amount will depend on the vesting level calculated in 2026 upon completion of the three-year performance period.
- Additional remuneration amounts, such as replacement payments and share allocations for new ExCo hires and contractual remuneration after stepping down and until termination for former members.

Maximum total amounts of remuneration approved and the awarded amount for 2023[1]
in CHF millions



1 LTIP amounts do not consider shareholder returns including dividend equivalents from the date of the target share allocation until the date of vesting, as well as the impact of share price and foreign exchange rate fluctuations. Zurich also pays the legally required employer contributions to social security systems which amounted to CHF 2.50 million for 2023.

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

The awarded amount for 2023, considering the maximum possible vesting of LTIP awards to be determined in 2026, does not exceed the maximum total amount of remuneration approved by shareholders at the AGM in 2022.

Information on the proposed maximum total amount of remuneration for the ExCo for 2025 can be found in the AGM invitation 2024 (www.zurich.com/en/investor-relations/shareholder-area/annual-general-meeting).

Remuneration and shareholdings 2023 (continued)

Unvested share allocations of the ExCo

As of December 31, 2023, the total number of unvested target shares (PSUs and DEUs) under the LTIP was 134,964 (146,175 as of December 31, 2022) and the number of unvested RSUs was 2,165 (2,608 as of December 31, 2022). RSUs are typically used for replacement payments which are explained in more detail on page 101.

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

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

A summary of the unvested share allocations of ExCo members as of December 31, 2023, is set out in the following table:

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

	Year of allocation	Year of vesting 2024	2025	2026	Total
Target shares under the LTIP[2]	2021	44,937	–	–	44,937
	2022	–	44,052	–	44,052
	2023	–	–	45,975	45,975
RSUs[3]	2020	158	–	1,683	1,841
	2021	–	–	–	–
	2022	324	–	–	324
	2023	–	–	–	–

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

Remuneration and shareholdings 2023 (continued)

Audited

Shareholdings of the members of the ExCo

The shareholdings of ExCo members in 2023 are shown in the following table for the past two years. All interests shown include the number of vested shares, whether sales-restricted or not, received under the LTIP, shares acquired in the market and shares held by parties related to the members of the ExCo. The table does not include the share interests of ExCo members that are currently unvested.

Shareholdings of ExCo members[1]

Number of shares, as of December 31	Shares	
	2023	2022
M. Greco, Group CEO	110,898	102,773
E. Chan, Group Chief Information and Digital Officer	3,868	174
J. Dailey, former CEO of Farmers Group, Inc.[2]	n.a.	33,721
P. Giger, Group Chief Risk Officer	9,808	4,974
J. Howell, CEO Zurich Global Ventures	13,029	20,677
A. Martin, CEO EMEA and Bank Distribution	20,939	18,976
L. Maurice, CEO Latin America	1,877	–
T. Naidu, CEO Asia Pacific	4,346	7,574
G. Quinn, Group Chief Financial Officer	70,597	70,670
S. Signorelli, CEO Commercial Insurance	9,793	7,693
K. Terryn, CEO North America	19,731	21,873
S. van Vliet, Group Chief Investment Officer	161	–
R. Vargas, CEO of Farmers Group, Inc.[2]	9,434	n.a.
Total	**274,481**	**289,105**

1 None of the members of the ExCo, together with parties related to them, held more than 0.5 percent of the voting rights as of December 31, 2023 or 2022.
2 Jeff Dailey retired as CEO of Farmers Group, Inc. and as a member of the ExCo on December 31, 2022 and was succeeded by Raul Vargas who was appointed as an internal hire effective January 1, 2023.

Trading plans

ExCo members may sell shares under predefined trading plans which require prior approval from the Chairman of the Board. The terms and conditions of the transactions under the trading plans must be defined and cannot be changed. Trading plans are reported to the SIX Swiss Exchange according to the rules on disclosure of management transactions. As of December 31, 2023, there were no trading plans in place. Furthermore, no trading plans were entered into in 2023 or 2022.

Remuneration and shareholdings 2023 (continued)

All employees

Remuneration of all employees

Please refer to the remuneration framework section on pages 83 to 89 for the key elements of remuneration and the benchmarking approach for all employees. The benchmarking analysis is mainly carried out and approved at a local level. The Group had 59,593 full-time equivalent employees as of December 31, 2023 (59,498 in 2022).

The following section shows the total remuneration of employees across the Group (including ExCo members) for 2023 and 2022. The amount of short-term incentives includes, among others, the awards across all pools in the Group's STIP. The performance achievements against the predefined metrics for the STIP pools resulted in an overall funding level of 114 percent of the target amount for 2023 across the Group (108 percent for 2022). The value of long-term incentives includes the target shares allocated under the LTIP in 2023, which will be assessed for vesting in 2026, as well as other deferred remuneration allocated during the year.

Total remuneration for all employees

in CHF millions, for the years ended December 31		**2023**	2022
Fixed remuneration	Base salaries, pension benefits and other remuneration[1]	5,460	5,303
Variable remuneration	Short-term incentives[2]	675	653
	Long-term incentives[3]	167	165
Total remuneration		**6,302**	**6,121**

1 Service costs for pension benefits represent the present value of the defined benefits from pension and post-retirement benefit plans, plus employers' contributions to defined contribution plans, arising from employee service over the accounting period. The amount included in this figure for defined benefit plans is calculated using actuarial factors and can vary year-on-year as economic conditions change. These numbers are explained in greater detail in note 19 of the consolidated financial statements. Other remuneration includes amounts for employee benefits and any other payments due under employment contracts.
2 Comprises cash incentives earned for the year, including the amounts under the Group's STIP and other local short-term incentive plans which may be subject to approval by the applicable local boards. Payments such as sign-on and severance payments in cash are also included.
3 Comprises deferred equity or cash-based allocations made during the year, as well as sign-on payments in shares and other equity-based remuneration. This includes performance share unit allocations made under the Group's LTIP which will be assessed for vesting in 2026. Of this amount, CHF 166 million were share allocations and CHF 1 million were cash allocations in 2023. The value of equity-based long-term incentives considers the share price used to determine the number of share units that were allocated.

Value of outstanding deferred remuneration

The Group's remuneration system includes instruments for the deferral of remuneration. The following table provides an overview of the overall value of outstanding equity-based deferred remuneration as of December 31, 2023 and 2022. In addition, the total amount of outstanding deferred cash allocations under local long-term incentives or to meet local short-term incentive deferral requirements for selected roles in some jurisdictions, was CHF 3 million as of December 31, 2023 (CHF 1 million as of December 31, 2022) considering the relevant year-end exchange rates.

Value of outstanding equity-based deferred remuneration for all employees[1]

in CHF millions, for the years ended December 31	**2023**	2022
Unvested target shares under the LTIP[2]	470	454
Unvested RSUs[2]	21	20
Vested but sales-restricted shares	177	244
Overall value of outstanding equity-based deferred remuneration	**668**	**718**

1 As of 2023, the deferred and unvested remuneration is valued considering the year-end share price for the relevant year. The 2022 amounts consider the relevant share price used to determine the number of share units at the original date of allocation. If the year-end share price was applied in 2022, the total outstanding equity-based deferred remuneration for that year would amount to CHF 835 million.
2 DEUs are credited during the vesting period and included in these amounts where they have already accrued. No further dividend equivalent share units will accrue on the DEUs.

Remuneration and shareholdings 2023 (continued)

Impact on net income in 2023 and 2022 from remuneration made in prior years

The LTIP vesting level determines the actual number of shares to be awarded to participants relative to the target shares initially allocated. Differences in value between the initial estimated amount expensed in the income statement for the LTIP and the actual shares vesting in 2024, are reflected in the 2023 consolidated income statement in line with accounting principles. For the 2021 plan with shares vesting in 2024, there was an increase of USD 44 million in the expense recognized in the 2023 income statement to reflect actual performance to date compared with original estimates. In 2022, there was an increase of USD 30 million to the expense recognized in the income statement to reflect adjustments due to actual performance for the 2020 and 2021 plans.

Sign-on and severance payments for key risk-takers

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

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

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

The following table discloses sign-on and severance payments committed to key risk-takers. Key risk-takers are incumbents of Zurich's most senior positions, as well as positions that have a significant influence on the risk profile of Zurich. All Group leadership team roles, which includes ExCo roles, are considered key risk-taker positions. For key risk-taker roles where the incumbent is a member of the ExCo, no payments in advance and/or severance payments have been made. Replacement payments for the ExCo in 2023 and 2022 are included where such payments were made.

Sign-on and severance payments for key risk-takers

in CHF millions, for the years ended December 31	**2023**		2022	
	Amount (CHF m)	**Number of beneficiaries**	Amount (CHF m)	Number of beneficiaries
Sign-on payments	3.99	11	2.21	3
Severance payments	0.00	–	3.93	2

Board and ExCo external mandates

In line with art. 734e of the Swiss Code of Obligations and art. 33 of the articles of association, the below table contains any membership in the board of directors, the executive committee or the advisory board (Beirat), or any comparable function under foreign law, in other companies with an economic purpose. The table includes any such membership held by members of the Zurich Board or ExCo as of December 31, 2023. Mandates in different legal entities of the same group and mandates in legal entities closely associated with the group are deemed one mandate (see art. 33 para. 3 of the articles of association) and marked with "*".

In addition, the corporate governance report contains the CVs of the Board (pages 48 to 51) and the ExCo (pages 64 to 67). These CVs take into account the rules set forth in the SIX Exchange Regulation Directive on Information relating to Corporate Governance and may include other engagements not disclosed in the tables below.

Audited

Board of Directors[1]	Art. 33 para. 1 of the articles of association Maximum 8		Art. 33 para. 2 of the articles of association Separate mandate limitations as noted below apply		
	Mandates in unlisted companies Maximum 5–8 depending on number of mandates in listed companies	Mandates in listed companies Maximum 3	Mandates exercised on behalf of Zurich Insurance Group Ltd or a Group company in legal entities not affiliated with the Group Maximum 5	Mandates in associations, professional or trade organizations, foundations, pension foundations, educational institutions and similar organizations Maximum 5	Mandates in structures managing the personal or family's assets of Board members and/or their related persons Maximum 5
Christoph Franz	– Advisory board member/industrial partner, Rantum Equity Participation GmbH & Co. KG	– Board member, member of the compensation committee, Chugai Pharmaceutical Co., Ltd. – Board member, chair of the nomination and compensation committee, Stadler Rail Ltd.		– Foundation board member, Ernst Göhner Foundation	
Joan Amble		– Board member, member of the audit committee, Booz Allen Hamilton Holding Corporation – Board member, member of the audit committee, Spire Global, Inc.			– Founder and president, JCA consulting, LLC
Catherine Bessant		– Vice chair, Global Strategy, member of the executive management team, Bank of America Corporation			
Alison Carnwath	– Board member, Bellis Topco 2 Limited – Board member, Coller Capital Limited – Board member, chair of the audit committee, EG Group Holdings Limited	– Supervisory board member, chair of the audit committee, member of the nomination committee and strategy committee, BASF SE – Board member, member of the audit committee and nominating & governance committee, PACCAR Inc.			
Michael Halbherr	– CEO, ABB e-mobility Holding AG – Board member, Bank Vontobel AG* – Chair of the supervisory board, German Bionic Systems GmbH – Chair of the leadership board, Nanoleq AG	– Board member, member of the nomination and compensation committee, Vontobel Holding AG*			– Chair of the board, Bergfuchs AG
Sabine Keller-Busse	– President of the executive board, UBS Switzerland AG*	– Group executive board member, president personal & corporate banking and president UBS Switzerland, UBS Group AG*		– Chair of the foundation board, Pensionskasse der UBS	
Monica Mächler		– Board member, chair of the audit and risk committee, Cembra Money Bank AG			
Kishore Mahbubani	– Chair of the board, Aggregate Asset Management Pte Ltd.	– Board member, chair of the board sustainability committee, Wilmar International Limited			
Jasmin Staiblin	– Chair of the supervisory board, chair of the personnel committee and mediation committee, Rolls-Royce Solutions GmbH* – Chair of the supervisory board, chair of the audit committee, presidential committee and mediation committee, Rolls-Royce Power Systems AG* – Board member, Zap Energy Inc.	– Board member, member of the audit committee, NXP Semiconductors N.V.			– Board member and managing director, Condir AG

1 As of December 31, 2023, Michel M. Liès, Peter Maurer and Barry Stowe did not hold any mandates which fall under the disclosure requirement of art. 734e of the Swiss Code of Obligations.

Board and ExCo external mandates (continued)

Audited

Executive Committee[1]	Art. 33 para. 1 of the articles of association Maximum 4		Art. 33 para. 2 of the articles of association Separate mandate limitations as noted below apply		
	Mandates in unlisted companies **Maximum 3–4 depending on number of mandates in listed companies**	Mandates in listed companies **Maximum 1**	Mandates exercised on behalf of Zurich Insurance Group Ltd or a Group company in legal entities not affiliated with the Group **Maximum 5**	Mandates in associations, professional or trade organizations, foundations, pension foundations, educational institutions and similar organizations **Maximum 5**	Mandates in structures managing the personal or family's assets of ExCo members and/or their related persons **Maximum 5**
Jack Howell					– Board member, The Head of the Lake, Inc. – Managing member, HH Wellington LLC – Managing member, Wardwell Pinehurst Farm LLC
Tulsi Naidu		– Board member, member of the audit, risk and compliance committee and nomination and remuneration committee/corporate social responsibility committee, Wipro Limited			
Kristof Terryn					– Director (sole proprietor), Terryn Investments B.V.

1 As of December 31, 2023, Mario Greco, Ericson Chan, Peter Giger, Alison Martin, Laurence Maurice, George Quinn, Sierra Signorelli, Stephan van Vliet and Raul Vargas did not hold any mandates which fall under the disclosure requirement of art. 734e of the Swiss Code of Obligations.

Outlook 2024

The Remuneration Committee reviews the Group's remuneration framework, system and practices annually to ensure it supports the execution of the Group strategy. Stakeholder feedback, market practices, as well as risk, legal and regulatory considerations form part of the review process. The following table outlines some of the key topics discussed during 2023 and decisions made by the Board for enhancements effective as of 2024.

Topic	Details
Board	No changes are proposed to Board fees for 2024.
ExCo	No changes are proposed to the overall structure of ExCo remuneration in 2024, although specific remuneration components may be adjusted for certain members. Relevant individual performance targets for 2024 are set to support the execution of the strategy, while also considering risk and behavior aspects.
LTIP 2024–2026	The LTIP vesting grid for the 2024–2026 performance period is shown below and reflects the next phase in our journey to reduce operational emissions with updates to the operational CO2e emissions metric. There are no changes to the other metrics in the LTIP vesting grid for this period.

LTIP vesting grid for the 2024-2026 performance period, vesting in 2027:

Performance criteria	Weight	0% vesting	50% vesting	100% vesting	150% vesting	200% vesting
Relative TSR position (no change)	30%	18th – 13th	12th – 10th	**9th – 7th**	6th – 4th	3rd – 1st
Average BOPAT ROE (no change)	30%	< 15% p.a.	15% p.a.	**20% p.a.**	21% p.a.	≥ 22% p.a.
Cumulative net cash remittances (no change)	30%	< USD 11.5bn	USD 11.5bn	**USD 13.5bn**	USD 14.0bn	≥ USD 14.5bn
Operational CO2e emissions (new targets)	10%	> 64,050 metric tons	64,050 metric tons	**61,000 metric tons**	57,950 metric tons	≤ 54,900 metric tons

Page 88 provides further information on the metrics included in the LTIP vesting grid.

Topic	Details
Remuneration governance	Our internal remuneration governance processes and documentation will be reviewed during 2024 with the objective of streamlining them for the business. The aim is to improve user-friendliness, enhance understanding and ease implementation of our governance processes.

The Remuneration Committee will continue to engage in dialogue with investors, proxy advisers and other stakeholders. In addition, shareholders are invited to express their opinion on the remuneration report 2023 through an advisory vote at the AGM 2024. They also have the opportunity to approve the maximum total amount of remuneration for the Board for the one-year period from the AGM 2024 to the AGM 2025 and for the ExCo for the financial year 2025, in the binding votes. More information on these votes can be found in the AGM invitation 2024 (www.zurich.com/investor-relations/shareholder-area/annual-general-meeting) and in the relevant sections of this report.

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Report of the statutory auditor

EY
Building a better working world

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To the General Meeting of
Zurich Insurance Group Ltd, Zurich

Zurich, February 21, 2024

Report of the statutory auditor on the audit of the Remuneration Report

Opinion

We have audited the Remuneration Report of Zurich Insurance Group Ltd (the Company) for the year ended December 31, 2023. The audit was limited to the information pursuant to Art. 734a-734f of the Swiss Code of Obligations (CO) in the tables marked “audited” of the Remuneration Report.

In our opinion, the information pursuant to Art. 734a-734f CO in the attached Remuneration Report complies with Swiss law and the Company’s articles of association.

Basis for opinion

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

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

Other information

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

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

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

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

Board of Directors’ responsibilities for the Remuneration Report

The Board of Directors is responsible for the preparation of a Remuneration Report in accordance with the provisions of Swiss law and the Company's articles of association, and for such internal control as the Board of Directors determines is necessary to enable

Report of the statutory auditor (continued)

Building a better working world

the preparation of a Remuneration Report that is free from material misstatement, whether due to fraud or error. The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's responsibilities for the audit of the Remuneration Report

Our objectives are to obtain reasonable assurance about whether the information pursuant to Art. 734a-734f CO is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Remuneration Report.

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

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

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

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

Ernst & Young Ltd

Isabelle Santenac	Yana Töngi
Licensed audit expert (Auditor in charge)	Licensed audit expert

Resilience creates growth opportunities. Adaptability means that we can find long-term, positive solutions to mitigate and engage with a changing world.

Sustainability report

Executive message on sustainability

We focus on sustainability as an important part of our business strategy.

Dear Shareholder,
At Zurich, many decisions are driven by our ambition to become more sustainable every year, prompted by customer expectations and a growing demand for social and environmental engagement. Our shareholders also take sustainability seriously, requiring us to deliver growth and profits all the while advancing our sustainability priorities.

That's why we continue to focus on sustainability as a vital part of our business strategy.

During the 2023-2025 financial cycle, we will be accelerating innovation in products and services offered to customers, and delivering on our sustainability targets in the areas of Planet, Customers and People.

Planet Sustainability

By Planet Sustainability, we mean our focus on achieving net-zero outcomes. A low-carbon economy will positively impact climate and society. Reducing emissions lies at the heart of our efforts.

As an investor, since 2019, we have achieved a reduction in emission intensity of 43 percent. Zurich's absolute financed emissions declined over the same period by 52 percent, mainly driven by portfolio activities and structural emission reductions of our investee companies.

In 2023, our impact investing portfolio of USD 7.9 billion helped avoid a total of 4.5 million metric tons of CO2e emissions and benefited 4.6 million people.

Besides our focus as an investor, we also work with suppliers who share our values, outlined in our supplier code of conduct. As of the end of 2023, 52.1 percent of our procurement spend[1] was with suppliers that have set science-based emission reduction targets and 49.4 percent of our spend was with suppliers who have set net-zero targets.

1 Managed procurement spend (MPS) is the spend of approximately USD 2 billion annually managed centrally by Zurich's Procurement and Vendor Management function according to the 2022 baseline on goods and services that are required to enable Zurich to maintain and develop its operations, excluding suppliers no longer active in 2023.

Executive message on sustainability (continued)

Customer Sustainability

To meet our customers' changing needs, we are constantly growing our range of sustainable products and services. They are designed to support activities that generate a positive environmental or social impact and contribute to the mitigation of climate risks.

These sustainable solutions, which include insurance products, add-on coverages, investment products and services, generated USD 1,360 million in revenues during 2023 (USD 801 million in 2022).

In 2023, Zurich Resilience Solutions expanded our Climate Resilience offering and we introduced two additional Carbon Neutral Funds to complement the Zurich Carbon Neutral World Equity Fund. Meanwhile, Zurich Global Ventures, which offers solutions such as LiveWell, invested in BOXX, a cyber-security company aiming to make the digital world a safer place.

We are determined to handle customer data responsibly as gaining and retaining customer trust is a critical part of how we do business. In 2023, we strengthened our privacy management capabilities and further deployed Artificial Intelligence (AI) to improve customer service, while mitigating risks through our own AI Assurance Framework.

People Sustainability

Our focus on People Sustainability reflects our aim to actively support our people to remain employable for the long-term, while addressing customer and societal needs. At Zurich, we provide employees with a range of opportunities to grow and to develop their skills and careers. We also support employees to protect their physical, mental, financial and social wellbeing. In 2023, we received a number of awards and certifications across the Group, recognizing our commitment to diversity, equity, inclusion and belonging.

Sustainability is an integral part of our value system and we are committed to making our own business more resilient as well as helping our customers prepare for the future. There's always more we can do and our Sustainability Framework will continue to evolve.

In this report, we share the progress we have made in 2023 across our Planet, Customer and People focus areas, detailing both our quantitative targets and our qualitative ambitions.

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

Sustainability performance highlights 2023[1]

USD 1,360m
revenues from sustainable solutions[2]

USD 9,272m
investments in climate solutions

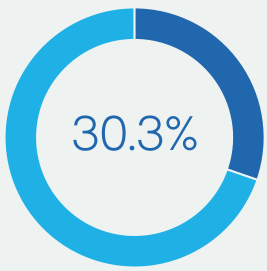
43%
reduced intensity in financed corporate CO2e emissions[3]

66%
reduction in CO2e emissions from our own operations[4]

4.5m
metric tons CO2e avoided through climate-related impact investments[5]

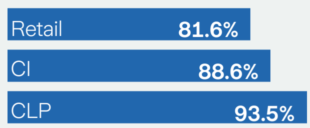
Supplier Engagement Leader
recognized as one of only five insurance companies by CDP[6]

Females in senior management[7]



73.4%
internal hire ratio[8]

High customer retention[9]



4.3-point
increase in our overall transactional Net Promoter System (tNPS) score[10]

USD 49.6m
donated via the Z Zurich Foundation[11]

1 Please note that parentheses around percentages or points indicate a reduction.
2 Based on our internal definition.
3 Compared to our 2019 baseline.
4 Compared to our 2019 baseline. Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third party vendors are out of scope.
5 Achieved through our impact investment portfolio of USD 7.9 billion.
6 CDP recognizes us among the top 8 percent of companies for supplier engagement on climate change. CDP is a not-for-profit charity that runs the global disclosure system for individuals and organizations to manage their environmental impacts.
7 Senior management represents the combination of career levels D and E.
8 As of 2023, we included Farmers Group, Inc. and Cover-More and have evolved the definition of this metric to include internal career opportunities generated for entry-level roles (career level A), international moves, re-hires, and changes in employment types from temporary to permanent. Entry-level roles (career level A) remain excluded from 'external hires' as these positions are, by nature, filled by external career starters.
9 Customer retention rate for Retail & CLP business, premium retention rate for CI business.
10 tNPS is a specific indicator that is calculated as part of the NPS program – with NPS being the global best practice standard for customer experience measurement.
11 The Z Zurich Foundation is a Swiss-based charitable foundation established by members of the Group. It is the main vehicle by which we deliver on our global community investment strategy.

Sustainability report 2023

Contents

1. Introduction

Introduction:

Sustainability is a long-term endeavor.

As an insurer, trust is vital to our success, built through doing the right things in the right way and being open about the impacts of our actions. We[1] continue to embed sustainability across our business through accountable, transparent, measurable initiatives and incentivize sustainable actions alongside financial performance. One of the ways we demonstrate that is with the inclusion of sustainability targets in management target cards and variable remuneration for the Group's senior positions, including the Executive Committee (ExCo).

"Sustainability is key to our continued long-term success. We have set ourselves ambitious targets and are making tangible progress. Measuring and transparently reporting on our progress against these targets demonstrates our commitment to being a responsible business and creating long-term value for all the stakeholders.

George Quinn
Group Chief Financial Officer

On reporting, we strongly believe in the need to disclose clear, comprehensive, and high-quality information on our performance against key sustainability indicators,[2] and have called for harmonization and rationalization of sustainability reporting frameworks. 2023 has seen significant developments in this area, moving from industry-led voluntary initiatives to more standardized frameworks, regulatory requirements and governmental actions. The implementation of new legal requirements in Switzerland under the Swiss Code of Obligations and the publication of the IFRS S1 and S2 standards by the International Sustainability Standards Board (ISSB) are noteworthy milestones. Additionally, the European Sustainability Reporting Standards (ESRS) as part of the EU Corporate Sustainability Reporting Directive (CSRD) will impact some entities within our Group from 2024.

While these are welcome developments, the challenge now is to ensure interoperability between different standards in various jurisdictions and crucially for companies to strike a balance between resources allocated to reporting and taking concrete actions towards sustainability. Reporting can be a valuable catalyst, but it is the synergy between reporting and action that paves the way for a sustainable future, where transparency fuels progress and tangible results become evident. For that, we continue to be guided by our refreshed Sustainability Framework[3] focussed on our customers, our planet and its people as the cornerstones to build a resilient organization that responds to the needs of our time.

Figure 1
Sustainability Framework

1 Comprising Zurich Insurance Group Ltd and its subsidiaries, the Group or Zurich.
2 www.zurich.com/sustainability/reporting/sustainability-report
3 www.zurich.com/sustainability/strategy-and-governance/strategy

1. Introduction (continued)

Selected 2023 sustainability highlights

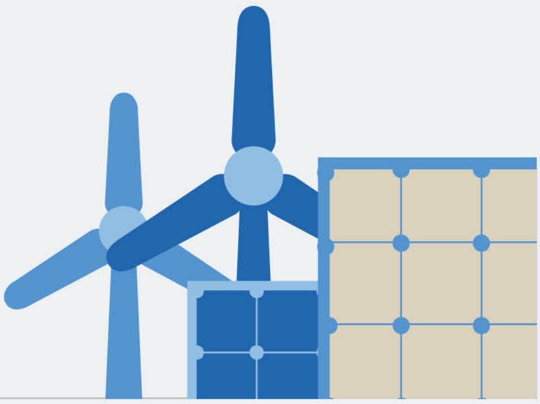
We highlight some of the sustainability actions and outcomes that we have accomplished in 2023.

Confirmation on the resilience of our strategy

We perform our portfolio level scenario-based climate risk analysis on our business, focusing on our underwriting, investments and operations. In line with previous cycles, analysis outcomes suggest that our customer-focused approach and diversified portfolios, supported by strong risk management practices, continue to provide the resilience and flexibility necessary to be able to adapt to the climate change impacts observed. The outcomes of these analyses are used to determine appropriate responses and confirm the resilience of our strategy.

A focus on our climate resilience offering

In 2023, Zurich Resilience Solutions (ZRS) expanded the reach of its Climate Resilience offering and started a collaboration with KPMG to offer advisory services to address physical and transition risks, associated with climate change.[1] In Germany we published an entrepreneur's guide for the installation of photovoltaics systems. The German government's new solar package is designed to accelerate the expansion of photovoltaics. To support customers from mid-sized companies and small businesses with this 'energy transition on the roof', the ZRS team in Germany has published a white paper to help risk managers identify potential hazards and take precautionary measures.[2] ZRS provides risk assessment services, plans review services and recommendations for risk improvement for the customer to achieve a "risk neutral" exposure.



1 This advisory service builds on more than a decade's experience in Zurich's natural hazards assessment methodology, expanding to climate change and addressing needs beyond immediate insurance requirements.
2 www.newsroom.zurich.de/documents/white-paper-photovoltaik-anlagen-434350

Endorsing proposals from shareholders – our voting

During AGM Season 2023, we analyzed and voted on more than 50 climate-related proposals submitted to shareholder votes, endorsing proposals driving sustainable practices and reducing carbon emissions. For instance, we used our proxy voting rights during the Annual General Meeting (AGM) of a major fossil fuel production company to extend our support to a shareholder proposal demanding the establishment of Scope 3 targets. This proposal stressed the critical necessity for the energy company to implement a medium-term emission reduction target specifically addressing greenhouse gas emissions stemming from the utilization of its energy products.

1. Introduction (continued)

Selected 2023 sustainability highlights (continued)

Including non-financial targets in Executive incentive plans

Entering our new 2023-2025 financial cycle, our long-term incentive plan (LTIP) includes, besides other factors, operational CO2e emissions showing the importance which we place on non-financial targets.

Achieving recognition with Supply Chain Engagement Leader status

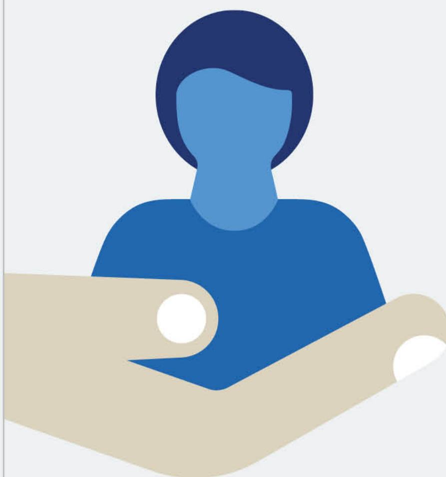
Our engagement towards sustainability within the supply chain has been recognized as we were one of only five insurance companies to be recognized with Supply Chain Engagement Leader status by CDP.[2] CDP recognizes us among the top 8 percent of companies for supplier engagement on climate change.

Providing new opportunities to our people

Our focus on providing new opportunities and development areas for our people is part of prioritizing internal hires. For example, Zurich Santander[1] launched a new Talent Acquisition Hub in 2023. The Hub focuses on making it easier for employees to move to new roles internally as part of their personal development and growth ambitions. This is possible thanks to a continuous effort in communication, both from our internal channels like intranet, mailbox and periodic talent newsletter, but also through communication between HR teams and managers.

Broadening the support to our customers

During 2023 we increased the number of hubs authorized to write renewable energy from four to ten. Each hub supports renewable energy customers based on local market requirements and bundles the required underwriting expertise. To broaden the support we can provide to our customers, we also introduced a new offshore wind proposition. We continue to upskill and cross train underwriters and recruit additional expertise as needed, including a green graduate program to further build our talent pipeline.



1 A joint venture between Zurich Insurance Group and Banco Santander.
2 CDP is a not-for-profit charity that runs the global disclosure system for individuals and organizations to manage their environmental impacts.

1. Introduction (continued)

Basis for presentation

The sustainability report is based on good practices, emerging regulations, standards and reporting frameworks, providing insights into the most material topics for our business and stakeholders. In 2023, we are reporting on the requirements from the Swiss Code of Obligations for the first time and continue to disclose on existing frameworks, including the Task Force on Climate-related Financial Disclosure (TCFD), the 21 core World Economic Forum (WEF) Stakeholder Capitalism Metrics, and the Sustainability Accounting Standards Board (SASB) standards for the insurance industry. The report adheres to the 'disclose or explain' approach, presenting all significant indicators directly in the sustainability report, labeled by the corresponding sustainability focus areas and reporting standard.

This year's report includes enhancements such as improved reporting on employee-led fundraising and volunteering, updates on progress towards sustainability targets, and a new section on respecting human rights.

The report covers data from January 1 to December 31, 2023, unless stated otherwise, with some data collected and reported earlier in the year. Where data is extrapolated to produce an annualized view (based on Group's internal methodology), this is indicated by footnotes in the respective tables. We provide detailed index tables[1] related to SASB, WEF and the planet chapter, on our website along with references to GRI. In addition we showcase our position against Bloomberg's Gender Equality Index in the respective index table, newly added. Lastly on the same webpage we include a link to our key metrics from the sustainability report.

Indicators discussed in this report are labeled to identify the sustainability focus area and framework or standard to which the reporting is linked. Please note that indicators might impact several areas across environment, social and governance. In this case, we highlight the most relevant impact area or areas as in some cases more than one of the impact areas will have the same level of importance and relevance.

Legend of icons used

External frameworks and our standards					Impact area		
TCFD	WEF IBC	SASB	Global Reporting Initiative	Zurich Sustainability Framework	Environmental impact	Social impact	Governance impact

The release of the reporting requirements from the International Sustainable Standards Board in 2023, which built on the Task Force for Climate-related Financial Disclosures (TCFD), and industry-based SASB Standards, as well as the World Economic Forum's Stakeholder Capitalism Metrics, means we have started reviewing how our own sustainability report will change.

1 www.zurich.com/sustainability/reporting/sustainability-report

2. Creating positive impact for stakeholders

2.1 Sustainability is about the way we do business

We believe social responsibility and care for our planet are aligned with shareholders' interests. For us, sustainability is a business opportunity as well as an urgent global imperative. That is why we have integrated sustainability across our business, both globally and locally. We will continue to use the levers we have as a global insurer to make a positive impact in the world. Sustainability is about how we do business.

Sustainability reporting captures our progress toward our qualitative ambitions and quantitative targets. Based on our Sustainability Framework, we cluster our reporting into three main focus areas: Planet, Customers and People reflecting the fact that we aim to achieve outcomes that benefit the planet, customers and people in the long term.

2.1.1 Our purpose

Living up to our purpose, create a brighter future together, will strengthen our core business and have a positive impact on our performance as an underwriter, investor and employer. With changing customer expectations and an increasing demand for social and environmental engagement, sustainability is increasingly becoming a driver for value creation. Our purpose inspires us to leverage our business model[1] to scale positive impact for the planet, customers and people, and to build partnerships that can drive transformative change.

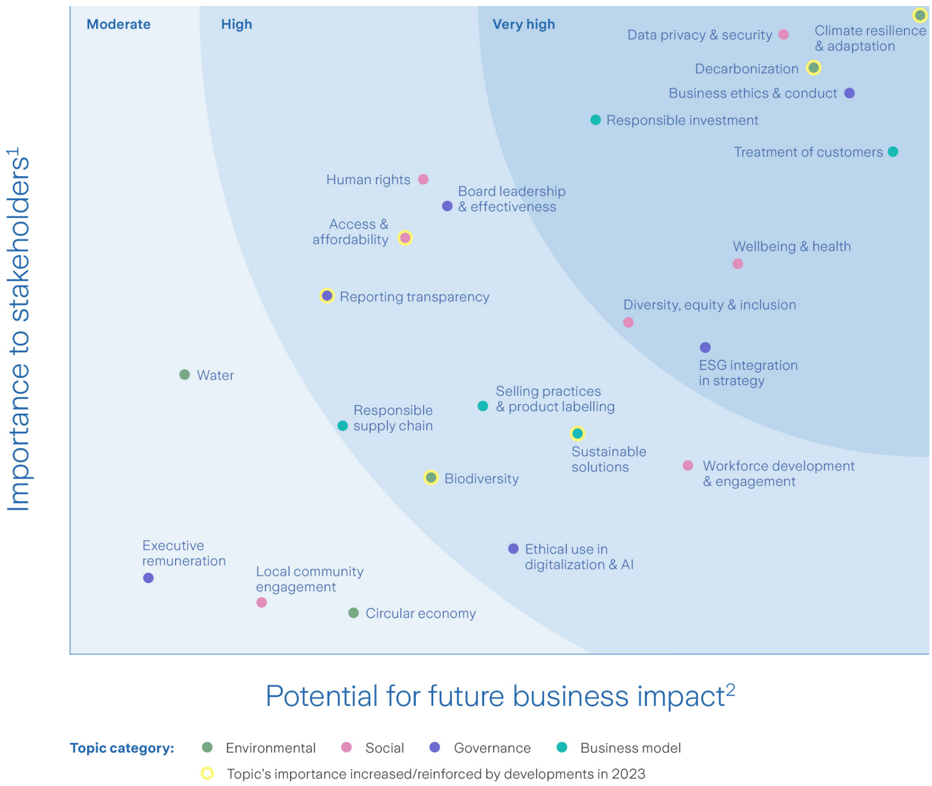
2.1.2 Assessing materiality

As the field of sustainability continues to evolve rapidly, we strive to have a clear view on our most material issues going forward and a deeper understanding of their risks and opportunities. Therefore, we conduct a full materiality assessment every three years ahead of the next financial cycle.[2] To ensure the ongoing relevance of our materiality matrix in years where we do not do a full data-driven update, we undergo a yearly qualitative review together with our Sustainability Leaders Council[3] to determine how some issues may be becoming more important. This enables us to better inform how to adjust our Group-wide approach given the rapid evolving nature of sustainability issues.

These materiality results were critical inputs for refreshing our Sustainability Framework, including numerous strategic foresight interviews with key leaders across the organization that helped translate specific materiality issues into the priorities and targets underpinning our overall approach to sustainability.

Figure 2
Materiality matrix 2023

Our materiality matrix including highlighted topics seen as more important developments in 2023



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

1 For more information on our business model, please refer to the Group overview on page 12.
2 The last full materiality assessment was conducted in 2022. For more information about the process of our robust data-driven materiality assessment, please visit www.zurich.com/en/sustainability/strategy-and-governance/strategy
3 Read more about our governance framework on pages 135 to 136.

2. Creating positive impact for stakeholders (continued)

2.1.2 Assessing materiality (continued)

Confirmation of the material topics throughout the 2023 qualitative materiality assessment review.

The table below highlights existing material issues that were reinforced by external developments in 2023.

Climate Resilience & Adaptation

Topic definition: Responding to the physical impacts of climate change through actions that build systemic resilience and effective adaptation of our business model and the companies and communities we serve.

Summary of key 2023 developments :

– Severe heatwaves and historical flooding seen throughout 2023 cemented climate adaptation and resilience as critically important for countries, companies, cities, and individuals - especially as ongoing emissions will continue to accelerate climate change and its physical impacts for decades.

Read more about our climate resilience:
▶ 4. Our planet: Drive positive impact, pages 137 to 179.
▶ Our Climate Resilience offering, page 185.

Decarbonization

Topic definition: Reducing greenhouse gas emissions across all economic sectors in line with the Paris Agreement.

Summary of key 2023 developments:

– Financial services companies have a considerable impact on the way to net-zero by supporting customers on their transition journeys through evolving products and engaging them clearly and effectively on their plans to transition.

– The need for robust transition planning grew significantly in 2023, with many European regulators adopting climate transition plan disclosure as mandatory already for FY2024 and already by the end of 2023 for UK financial institutions and listed companies.

– Rising climate risk awareness of society, investor demand, regulatory pressure, and climate litigation are set against a marked increase in ESG backlash and geopolitical volatility. Both these competing forces result in the topic gaining importance.

Read more about our commitment to net-zero and our targets:
▶ 4.4.1 Our targets, pages 164 to 165.

2. Creating positive impact for stakeholders (continued)

2.1.2 Assessing materiality (continued)

Topics confirmed to be of growing importance during the 2023 qualitative materiality assessment review

The table below highlights topics increasing in importance for Zurich during 2023.

Sustainable Solutions

Topic definition: Insurance products, add-on coverage, investment products and advisory services designed or adapted to support activities that generate positive environmental or social impacts and contribute to mitigating climate risks for our customers.

Summary of key 2023 developments:

- Zurich's refreshed sustainability framework launched in 2023, placed a clear strategic emphasis on growing revenue from sustainable solutions, making it a priority and opportunity for Zurich's business units.
- More people and companies are asking how can an insurer actively contribute to sustainability and/or mitigating the climate crisis. Therefore, services that support a more sustainable life and/or more sustainable business are increasingly coming into focus and will likely contribute to customer growth and retention in an increasing number of markets.

Read more about our sustainable solutions:
▶ 5.1 Customer experience and customer-centric solutions, pages 181 to 186.

Nature & Biodiversity

Topic definition: Preservation and regeneration of nature to ensure well-functioning ecosystem services that underpin the natural capital that all economies depend on.

Summary of key 2023 developments:

- The recognition of the importance of nature & biodiversity has gained significantly in acceptance across society, the scientific community, and increasingly businesses, in particular after the adoption of the Kunming-Montreal Global Biodiversity Framework.
- The release of the recommendations of the Taskforce on Nature related Financial Disclosures (TNFD) represents a significant milestone in facilitating delivery of the Global Biodiversity Framework.

Reporting Transparency

Topic definition: Regular reporting to all stakeholders on sustainability performance and execution of strategy in line with regulatory requirements and recognized frameworks.

Summary of key 2023 developments:

- Numerous regulators across our key markets are in the process of implementing large and complex reporting requirements related to disclosure and due diligence of sustainability-related topics across a company's value chain, significantly increasing the external reporting expectations and auditability of a growing number of non-financial KPIs.
- Similarly, greenwashing regulations are triggering more allegations and penalties for companies, therefore accurate disclosure of environmental performance is more important than ever to get right. Increased scrutiny is creating potential for reputational impacts and even extends beyond the typical boundaries of a company to its value chain partners.

Read more about our approach to sustainability reporting:
▶ 1. Introduction, pages 119 to 122.

Access & Affordability

Topic definition: Enhancing financial inclusion of society by offering fairly-priced and effective products and solutions that are easily accessible and target a wide audience in order to help close protection gaps.

Summary of key 2023 developments:

- Structural changes to the typical employee-employer relationship are quickly evolving with e.g., workers compensation solutions and hybrid work becoming an increasing proportion of the workforce, creating new risks and opportunities for adapting traditional social safety nets to expand access and relevance of insurance.
- Inflation pressures have been driving challenges to the affordability of insurance due to the cost-of-living crisis in many countries and the underlying inflation of the goods and assets covered by our claims payouts.

Read more about our approach to developing innovative solutions enhancing resilience for our customers:
▶ 5.1.2 Innovating for our customers, page 185.

2. Creating positive impact for stakeholders (continued)

2.1.3 Our refreshed Sustainability Framework

We have been working to integrate sustainability across our strategy, both globally and locally for many years. In 2023, we refreshed our strategic Sustainability Framework for the current financial cycle. It builds on our progress to date and aims to meet the current and future needs of our stakeholders. As an advocate, adviser and role model, we want to empower individuals and organizations to act today and create a better tomorrow.

Figure 3
Our three focus areas – Planet, Customer and People highlighting our ambitions and targets 2023[1]

Planet: Mitigate and adapt to climate change

- Net-zero operations by 2030, investments and underwriting by 2050
- Interim 2025 target set for operations and investments[2]
- Interim targets for underwriting to be set in 2024

Customer: Support transformation towards a sustainable future.

- Grow sustainable revenue
- Increase impact investments to 5% of invested assets
- Deliver digital sustainability

People: Future proof our people and enable more to thrive

- Increase share of internal hires
- Create values-aligned work environment embracing DEIB[3]
- Support people to protect their physical, mental, financial and social wellbeing

- Planet: We will focus on achieving net-zero outcomes, while also helping to improve the resilience of our planet and society.
- Customers: Working closely with our customers, we will grow solutions that support customers' transition to a net-zero future, while also encouraging people to adopt more sustainable lifestyles, enabling them to thrive today and flourish tomorrow.
- People: As a global employer and provider of protection solutions to millions of people, we are actively supporting our people to remain employable for the long-term, while addressing customer and societal needs.

In practice, these three focus areas are intertwined. For example, our innovative underwriting and claims solutions offer positive results for customers that can also benefit people and the planet.

To bring our sustainability ambitions to life, we will continue to use technology, innovation, learning, partnerships and governance as key enablers of implementation and scaling impact. Every part of our business has a role to play.

1 www.zurich.com/-/media/Project/Zurich/Dotcom/investor-relations/docs/investors/Chairmans-Roadshow-2023.pdf
2 More details in section 2.1.4 Our targets and ambitions on page 127.
3 Diversity, Equity, Inclusion and Belonging, read more in section 6.2.1 Our commitment to diversity, equity, inclusion and belonging.

2. Creating positive impact for stakeholders (continued)

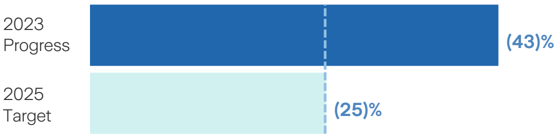
2.1.4 Our targets and ambitions

To execute our refreshed Sustainability Framework, we have set ourselves both qualitative ambitions and quantitative targets[1]. In line with our aim to be transparent, we report yearly on our progress against those ambitions and targets. Please note that parentheses around percentages or points indicate a reduction.

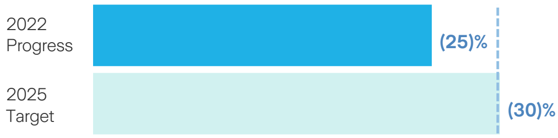
Investment management

Reduction of financed emissions

Reduce emissions intensity of listed equity and corporate bond investments
(metric tons CO_2e/USD million invested)
(compared to 2019)



Reduce emissions intensity of direct real estate investments
(kg CO_2e/m^2)
(compared to 2019)



Engagement

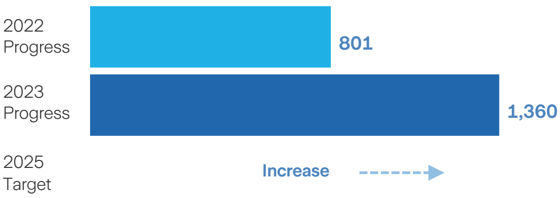
Engage companies producing 65% of portfolio emissions and lacking targets aligned with Paris Agreement (PA)

Impact engagement

Share of total invested assets in impact investments

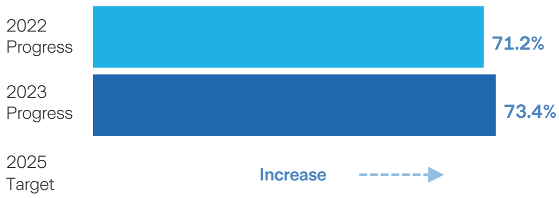
Underwriting

Revenues from sustainable solutions
(in USDm)



Our people

Internal hires[2]



Own operations and supply chain

Absolute reduction in all operational emissions[3, 4]
(compared to 2019)

Reduction of scope 1 and 2 emissions[3]
(compared to 2019)

Reduction of scope 3 emissions[3, 4]
(compared to 2019)

% of MPS[5] that is with suppliers having science-based targets[6, 7]

1 See pages 206 to 207 of the Appendix for more detail on our targets and ambitions.
2 As of 2023, we included Farmers Group, Inc. and Cover-More and have evolved the definition of this metric to include internal career opportunities generated for entry-level roles (career level A), international moves, re-hires, and changes in employment types from temporary to permanent. Entry-level roles (career level A) remain excluded from 'external hires' as these positions are, by nature, filled by external career starters.
3 Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third party vendors are out of scope.
4 Resulting from air, rental and rail business travel, employee commuting, strategic data centers, printed paper and waste, as well as indirect energy impact.
5 Managed procurement spend (MPS) means the spend of approximately USD 2 billion annually managed centrally by Zurich's Procurement and Vendor Management function on goods and services that are required to enable Zurich to maintain and develop its operations.
6 According to the 2022 baseline of managed procurement spend (MPS), excluding suppliers no longer active in the year of reporting.
7 We consider a supplier to have science-based targets when their emission reduction targets are approved by the SBTi, a similar scientifically accredited body or otherwise require a reduction of at least 42 percent in scope 1 and 2 emissions.

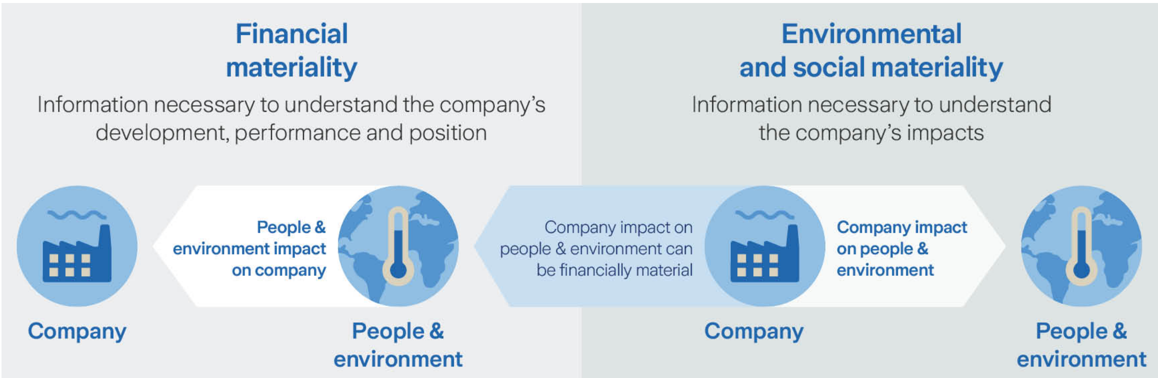
2. Creating positive impact for stakeholders (continued)

2.2 Managing risks and opportunities

Sustainability risks are identified as one of the risk types in Zurich's risk taxonomy[1] and as such are managed under the Zurich's Enterprise Risk Management (ERM) framework, which also supports the identification of potential business opportunities. We define sustainability risks as those risks which arise from events or conditions related to topics or trends relevant to our Sustainability Framework and which adversely impact the achievement of our business strategy or targets.

To carry out effective sustainability risk management, we follow our ERM framework and select different approaches to identify, assess, respond to and report on those risks according to their perspective and time horizon. In terms of perspective, sustainability risks are managed using the concept of "double materiality" (outside-in perspective and inside-out perspective). Regarding time horizon, sustainability risks can be current or emerging, the latter referring to when risk-based strategic insight is required over a time horizon extending beyond the financial cycle. Examples include risks associated with climate change and societal topics, such as human rights (child labor and forced labor) or banned weapons. Sustainability risks are also drivers of other risks in Zurich's risk taxonomy.

Figure 4
Our Enterprise Risk Management (ERM) framework[2]



Enterprise Risk Management (ERM) framework

Following key risk management steps are covered by our ERM framework applied in the context of sustainability risks:

Risk identification and assessment

For each of our Sustainability Framework's focus areas (Planet, Customer and People), we identified the risks and opportunities to set priorities during the current financial cycle. For example, the risks and opportunities associated with the focus area Planet include natural catastrophe modeling to efficiently manage our exposure to physical risks,[3] such as flood, wind storm and wildfires. For transition risks,[4] we monitor loss trends associated with electrical vehicles to reflect appropriate pricing in order to optimize our claims network for emerging technologies.

Emerging sustainability risks are identified and assessed at least annually through the update of the Zurich Emerging Risk Radar. For key risks that extend beyond the financial cycle, scenario analysis highlighting both risks and opportunities is performed. For further information on scenario-based climate risk analysis, see the Planet chapter (pages 145 to 161). The identification and assessment of current sustainability risks is done in line with the Total Risk Profiling™ methodology standard (TRP), which considers the frequency and severity of risks in terms of impact on earnings, capital, reputation and liquidity.

Risk response

For emerging risks, risk response can include sustainability risk positions, which describe Zurich's appetite for a particular sustainability risk. These positions may also trigger the development of new policies (see Group-wide exclusion policies, page 130), guidelines, products and services[5] (for example, enabling our customers to manage their sustainability risks), processes, projects or other management actions depending on the kind of risk response (e.g., risk transfer, risk mitigation or acceptance of the risk).

For current risks, the risk response could entail a new sustainability priority. Another example of a risk response is the ESG integration in our investment management activities. We believe that proactively integrating sustainability risks and opportunities in our investment decisions across asset classes alongside traditional financial metrics and state-of-the-art risk management practices will support us to achieve superior, risk-adjusted and long-term financial returns.

For more information on risk monitoring, please refer to our risk review on page 225.

1 For further information on Zurich's risk taxonomy, see our risk review on pages 233 to 251.
2 The diagram illustrates the double materiality perspective, as introduced by the European Commission in the "Guidelines on reporting climate-related information", https://ec.europa.eu/finance/docs/policy/190618-climate-related-information-reporting-guidelines_en.pdf
3 To learn more on physical risks, see section 4.1.2 Introduction to climate-related risks, page 139.
4 To learn more on transition risks, see section 4.1.2 Introduction to climate-related risks, page 140.
5 Read more about our sustainable solutions in section 5.1 Customer experience and customer-centric solutions, pages 181 to 186.

2. Creating positive impact for stakeholders (continued)

Risk reporting

Emerging and current sustainability risks are reported internally and externally as required by laws and regulations.

Figure 5

Our Enterprise Risk Management (ERM) framework

Managing sustainability risks in underwriting

We have established an approach to identify and assess the potential impact of sustainability issues in our wider value chain, particularly those that could arise from the activities of our customers. Using our proprietary risk-profiling methodology, we have prioritized key areas of concern on the Group level. This prioritization takes into account our overall Sustainability Framework and the Zurich Code of Conduct.[1]

In addition, we have an underwriting-specific policy in place to avoid being complicit in potential adverse impact on human rights by identifying and excluding customers who have a verified record of human rights violations without evidence of remedial actions, such as the use of forced or compulsory labor or child labor, bribery or corruption.

For projects in mining, oil and gas and hydroelectric dam construction, sectors, which have been identified as carrying particularly high sustainability risks, underwriters have to perform dedicated screening for environmental impacts on protected areas and specific human rights abuses, such as relocation of local communities without due process.

Specifically our policy prohibits us to insure oil and gas drilling and production in the Arctic[2] due to the environmentally sensitive nature of the local ecosystem. Furthermore we do not insure new greenfield oil exploration projects unless meaningful company net-zero transition plans are in place.

1 www.zurich.com/about-us/corporate-governance/code-of-conduct
2 Defined as anything north of 66 degrees latitude with the exception of the Norwegian continental shelf.

2. Creating positive impact for stakeholders (continued)

Group-wide exclusion policies[1]

Banned weapons

We will not enter into new business relationships with companies that produce, stockpile, distribute, market, or sell banned cluster munitions (as defined by the Convention on Cluster Munitions 2010 or the Oslo Convention) or anti-personnel landmines (as defined by the Anti-Personnel Mine Ban Convention 1997 or the Ottawa Treaty).

If we become aware of potential involvement of an existing customer or investee company in such activities, we will engage in dialogue over a maximum period of two years to explain our position on this sustainability issue and expect compliance with the relevant international treaties. During that period, we will neither quote new business nor increase direct investments in the company. We will stop business dealings in a phased way if a customer has not committed to stopping the activity after one year. Business dealings include the provision of insurance products and services and direct investments.

Thermal coal, oil sands and oil shale

The most carbon-intense fossil fuels (thermal coal, oils sands and oil shale) create a particular challenge for global greenhouse gas emissions. That is why we have focused on reducing our exposure to these fossil fuels in particular and therefore will not underwrite or invest in companies that:

- Generate more than 30 percent of their revenue from mining thermal coal, or produce more than 20 million tons of thermal coal per year.
- Generate more than 30 percent of their electricity from coal.
- Are in the process of developing any new coal mining or coal power infrastructure.
- Generate at least 30 percent of their revenue directly from the extraction of oil from oil sands.
- Are purpose-built (or "dedicated") transportation infrastructure operators for thermal coal or oil sands products, including pipelines and railway transportation.
- Generate more than 30 percent of their revenue from mining oil shale, or generate more than 30 percent of their electricity from oil shale.

While the implementation of the policy for our existing portfolio is completed, we continue to screen new clients and investee companies and will only consider new clients or investee companies that are already below those limits or have near-term commitments in place to bring them below the limits.

This position does not apply to workers' compensation, other employee protections, or considerations, which have a positive impact on human health and the environment. It also does not affect green bonds that support the transition. On thermal coal, in our insurance and underwriting and investment management activities, we also engage with companies on the phase out of thermal coal production and use in OECD and EU-27 countries by 2030 and the rest of the world by 2040.[2] In addition we will phase out thermal coal completely from our underwriting portfolio by 2030 in OECD and EU-27 countries and 2040 in the rest of the world.

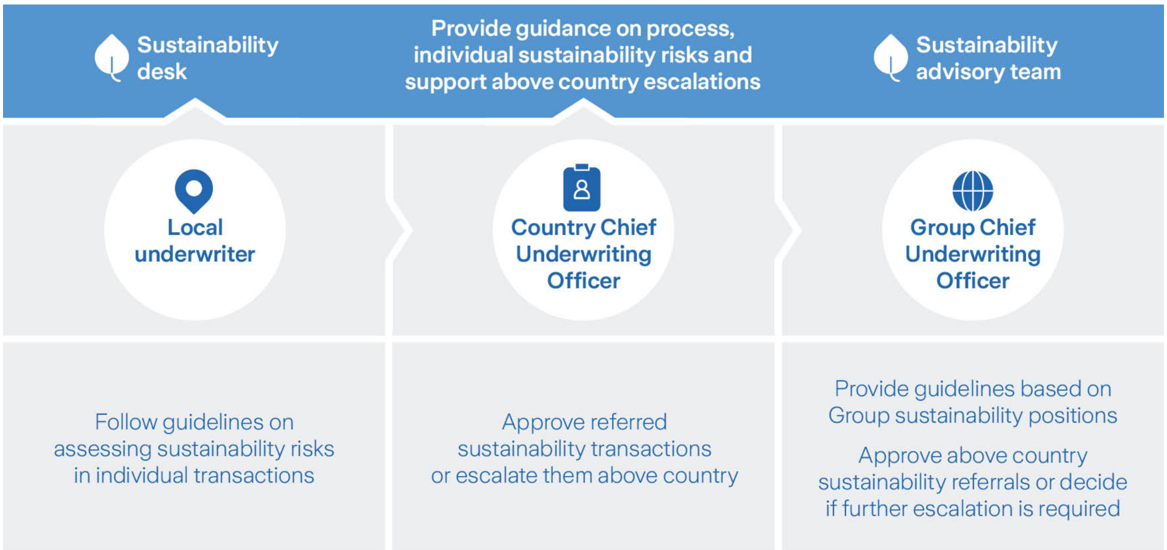
Our sustainability in business transaction process is embedded in our underwriting process and guidelines. It is also subject to the same governance and assurance procedures as Zurich's underwriting guidelines to maintain policy documentation and to track process adherence.

1 Both Group-wide exclusion policies are the result of previous assessments and have been in force for several years.
2 For more information, see https://ca1-clm.edcdn.com/assets/report_coal_phase_out_2019.pdf

2. Creating positive impact for stakeholders (continued)

Figure 6

Our process to manage sustainability risks in underwriting



Underwriters are required to perform sustainability assessments where customers are identified as having a high risk of violating one of Zurich's policies, based on company level third-party information and guidance on sensitive industry and country combinations where third-party information is not available.

While these inputs provide the first materiality assessments, decisions on how to proceed with a customer rely on individual assessments by the relevant underwriters, with support from the global Underwriting sustainability desk, if required. These assessments leverage both customer information, such as sustainability reports and policies, as well as external media reporting on negative environmental and human rights-related impacts associated with the customer.

Based on the assessment outcome, the customer will either be cleared for business, restricted for business or, if more information is needed, temporarily cleared under the condition of ongoing engagement. Assessment outcomes are recorded in Zurich's Customer Relationship Management tool to make those decisions available for other underwriters within Zurich working on the same customer.

Sustainability assessments depend on the customer's disclosure of issues or on coverage of sustainability issues through media reporting. New sustainability issues and new relevant information can emerge over time. Sustainability assessments are therefore required for new business but also for existing customers, so potential issues can be addressed as soon as relevant information becomes available.

2.3 Involving our stakeholders

The success of our approach to sustainability greatly depends on the willingness of our stakeholders to be involved in, and contribute to, our ambitions. For further details on our interactions with customers and employees, please see pages 180 to 191 and 192 to 204, respectively. In addition, we strive to involve our investors, suppliers and vendors, as well as the communities in which we operate in diverse ways. We frequently interact with groups such as regulators, NGOs and industry associations.

2.3.1 Investors

A demonstrable commitment to sustainability is of critical importance to many of our investors. We are proactive in developing and communicating our Sustainability Framework, particularly on the topics that are most material to investors, such as climate resilience and adaptation, decarbonization, business ethics and conduct, and Board leadership and effectiveness.

We articulate clear, qualitative ambitions and quantitative targets for each of our three sustainability focus areas (Planet, Customers and People) and report progress towards them on an annual basis.

We engage consistently and openly with investors, analysts, rating agencies and proxy advisors. As part of our outreach, we have established dedicated annual interactions between our Board and investors to explain our approach to sustainability and performance.

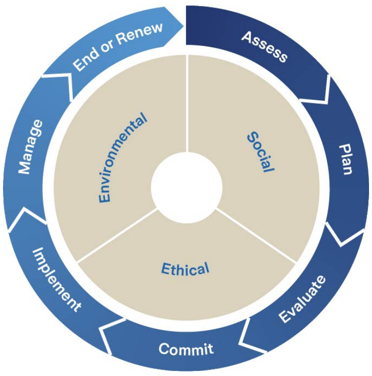
This engagement gives us invaluable insights into investors' rapidly developing expectations and supports the development of our strategy toward a more sustainable future.

2. Creating positive impact for stakeholders (continued)

2.3.2 Supply chain

Due to the nature of our business, we are predominantly a consumer of services. Compared with other industry sectors such as manufacturing, the risks associated with the environmental, social, human rights[1], and governance impact of our supply chain are low. Nonetheless, we are committed to effectively managing such issues. As part of this, we have established a sustainable sourcing program[2], which aims to enhance the resilience of our supply chain, supports our commitment to net-zero and creates a positive social impact.

Figure 7
Sustainable sourcing program



It comprises three pillars, which address environmental, social and ethical factors. Its objective is to embed these factors throughout the sourcing cycle, align suppliers with our values and be transparent about our expectations. We have developed a supplier code of conduct (SCOC)[3] to lay a clear foundation for systematically integrating responsible business conduct in our supply chain and provide online training videos for suppliers to familiarize themselves with our expectations.

We aspire to use our influence as a buyer of goods and services to accelerate the adoption of sustainable business practices among our suppliers by asking them to comply with this code. The SCOC has been integrated into our third-party governance framework (TPGF), which provides a framework of minimum standards that apply to the onboarding and management of third parties with which we work, including suppliers. The TPGF adopts a risk-based approach to establish onboarding and management measures, such as third-party due diligence processes, that are relevant and proportionate to the nature and risk of any particular transaction.

We consider supplier alignment with the SCOC as part of our due diligence processes and request selected suppliers to complete a self-assessment. We review the self-assessment results and internally audit a sample of the responses. As of the end of 2023, we confirmed that 72.2 percent[4] of our managed procurement spend (MPS)[5] is with suppliers that meet or exceed the key expectations of our SCOC, following a self-assessment.

In April 2023, we took a significant step to support our suppliers improve their sustainability performance by publishing tools and resources for suppliers to use within their own businesses. This included a carbon emissions calculator, training videos and policy statement templates. The tools are designed to address common areas in which multiple suppliers fall short of our expectations and support us to drive up supply chain standards. We will continue to work with our suppliers to address these areas in the short to medium term. Where our engagement fails and suppliers cannot or refuse to embed the minimum standards, we will review the relationship and examine appropriate measures, including phasing it out to protect our commitment to doing the right thing.

In 2023, we published a new learning academy for our Procurement & Vendor Management colleagues to ensure they are equipped with the necessary knowledge and skills to successfully engage suppliers on sustainability topics. The content includes internally produced online courses covering climate change, human rights and social procurement. We also published a course covering the supplier due diligence processes (including in relation to human rights) that have been implemented under the TPGF. The completion rate of the supplier due diligence training for calendar year 2023 is 100 percent.

Net-zero supply chain
To complement, our net-zero goals for our own operations, we are looking to our supply chain to set emissions reduction and net-zero targets. Our goal is for 75 percent of our MPS to be with suppliers that have science-based emissions reduction targets by 2025 and net-zero targets by 2030. As of the end of 2023, 52.1 percent[6] of our MPS is with suppliers who have set science-based targets and 49.4 percent[7] of our MPS is with suppliers who have set net-zero targets. We aim to use our influence and press for change, expecting suppliers to set their own targets. **In 2023, we were one of only five insurance companies to be recognized with Supply Chain Engagement Leader status by CDP.[8] CDP recognizes us among the top 8 percent of companies for supplier engagement on climate change.**

2.3.3 Responsible tax

We strive to manage the costs and risks associated with tax for the benefit of our customers, employees, shareholders and for society as a whole. This is reinforced by our ambition to be a responsible corporate citizen in the communities in which we operate.

1 For more information on our commitment to human rights, including human rights due diligence and human rights risk assessment, please see 6.3 Respecting human rights on pages 201 to 203.
2 www.zurich.com/sustainability/planet/sustainable-sourcing
3 www.zurich.com/en/sustainability/governance-and-policies/-/media/project/zurich/dotcom/sustainability/docs/sustainable-sourcing-supplier-code-of-conduct-2021.pdf?v=4
4 According to the 2022 baseline of managed procurement spend, excluding suppliers no longer active in the year of reporting.
5 Managed procurement spend (MPS) means the spend of approximately USD 2 billion annually managed centrally by Zurich's Procurement and Vendor Management function on goods and services that are required to enable Zurich to maintain and develop its operations.
6 We consider a supplier to have science-based targets when their emission reduction targets are approved by the SBTi, a similar scientifically accredited body or otherwise require a reduction of at least 42 percent in scope 1 and 2 emissions.
7 We consider a supplier to have net-zero targets when their net-zero target is approved by the SBTi, a similar scientifically accredited body or otherwise has a public target to neutralize any residual scope 1 and 2 emissions.
8 CDP is a not-for-profit charity that runs the global disclosure system for individuals and organizations to manage their environmental impacts.

2. Creating positive impact for stakeholders (continued)

2.3.3 Responsible tax (continued)

Being a responsible taxpayer is one of the ways we support the economic and societal development of these communities. We consider tax compliance to be a key objective and allocate significant resources to ensure that the tax affairs of the Group are managed in a sustainable, well-governed and transparent manner.

We are subject to tax in countries in which the Group operates according to local laws and regulations. The location of our subsidiaries and branches is driven by business reasons. We do not engage in aggressive tax planning or artificial structuring that has no business purpose or economic substance. In our consolidated financial statements, we only include a small number of companies operating in jurisdictions with low or nil tax rates, all of which are engaged in insurance, reinsurance, and asset management activities. We are committed not to use so-called 'tax havens' or secrecy jurisdictions for tax planning purposes and therefore do not transfer value created elsewhere to non-cooperative jurisdictions.

Our approach to tax is defined through our Group tax strategy,[1] which is guided by the Zurich Code of Conduct[2] and is supervised by the Board and executed by members of the Executive Committee (ExCo).

2.3.4 Community investment

Our community investment activities[3] are mainly delivered through the Z Zurich Foundation (the Foundation), a charitable organization funded by various members of our Group. Its purpose is to create a brighter future for vulnerable people. Its ambition for the past strategic cycle was to positively impact at least 11 million people worldwide by 2024, which was achieved in mid-2023. In 2023, the Foundation celebrated its 50th anniversary, using the occasion to launch its acceleration strategy for the next 12 years. To support this, the Foundation unveiled an initial four-year plan from 2024 to 2027. Over its next strategic cycle, the Foundation has the ambition to create brighter futures and more opportunities for 25 million vulnerable people.

The Foundation's highlights for 2023 include:

- Significant developments of the Foundation's three strategic pillars: 'adapting to climate change', 'improving mental wellbeing' and 'enabling social equity'. The Foundation approved and launched new multi-year programs to assist communities across the globe alongside like-minded organizations such as Junior Achievement in the U.S., ICLEI - Local Governments for Sustainability in Turkey, and the Mental Health Association of Hong Kong.
- Over USD 31.7 million[4] investment in community programming across the Foundation's strategic areas of work. This includes 20 donations to local disaster relief initiatives across the globe. An example are the earthquakes which shook southeastern Turkey and northwestern Syria. In addition to immediate relief efforts, the Foundation has worked with our local team and the charity organizations it already collaborates with in Turkey to address mental wellbeing needs in the mid and long term.
- The presentation of 50 Community Hero Awards to recognize Zurich employees who go the extra mile to support their communities.

Table 1
Employee-led fundraising and volunteering

	2023	2022	Difference
Fundraising and donations (USD millions)[1]	3.0	3.3	(9)%
Total time volunteered by workforce	146,433	123,490	19%
Workforce actively volunteering (% of total headcount)	20%	20%	0%

1 Includes fundraising and donations of our employees but excludes Z Zurich Foundation matching.

2023 was a record year for us in terms of employees volunteering their time. The increase in volunteering was driven by increased employee engagement across all regions. In 2022, a significant amount of employee donations were driven to the Foundation's specific appeal to assist people affected by the situation in Ukraine. As of 2023, we closed the time gap on reporting employee-led fundraising and volunteering numbers. Last year, we reported these numbers with a year's delay i.e., for 2021 but we are now able to report on 2023 together with the previous year's figures.

While the Foundation is the main vehicle by which we deliver on our global community investment strategy, our local business units also drive community support actions and actively engage with charity organizations to address local needs and priorities.

1 To find out more about our Group tax strategy, please visit www.zurich.com/en/sustainability/strategy-and-governance/policies-and-frameworks/being-a-responsible-taxpayer
2 www.zurich.com/about-us/corporate-governance/code-of-conduct
3 Our Group and employees contribute through fundraising, volunteering and cash contributions whereas the Foundation carries out community investment activities.
4 The final and audited 2023 figures will be disclosed in the Foundation's Impact Report, which will be published in June 2024. To find out more about the Foundation's work in 2023, please refer to the Group overview on pages 27 to 29 or see www.zurich.com/sustainability/highlights-2023

2. Creating positive impact for stakeholders (continued)

2.3.4 Community investment (continued)

Table 2
Charitable cash contributions

	2023	2022	Difference
Charitable cash contributions by Zurich business units[1]	17.8	29.2	(39)%
Charitable cash contributions by Zurich to Z Zurich Foundation[2]	49.6	41.5	19%

1 Charitable cash contributions capture contributions from our business units to charitable initiatives and organizations, excluding the Foundation. It is at the discretion of the individual business units to define what they deem eligible in their respective context. As such there are no limitation or exclusion (e.g., religious or political purposes) as there are for contributions executed by the Foundation.
2 Charitable cash contributions capture our contributions to the Foundation. The donations are made by various members of our Group.

The decrease in charitable contributions by our business units to charitable initiatives and organizations in 2023 compared with 2022 is mainly explained by a one-off donation of USD 10 million to the Zurich Forest Project[1] in 2022. We have decided to increase our financial support to the Foundation in order that it can adapt its response to those most in need in our societies, as those needs have grown significantly across all three of the Foundation's focus areas in 2023. The rise in our contributions is reinforced by foreign exchange rate effects due to the strengthening of the Swiss franc against the U.S. dollar in 2023.

1 www.zurich.com/en/about-us/sponsorship/zurich-forest

3. Governance: Sustainability is embedded in our governance framework

Governance: Sustainability is embedded in our governance framework.

The Board of Zurich Insurance Group Ltd has ultimate responsibility for the success of the Group, for delivering long-term sustainable value within a framework of effective controls. It sets our values and standards. As part of its strategic responsibility, the Board approves our sustainability strategy and objectives, including non-financial targets with a material impact on the company or the Group. It is supported by its Board Committees within their respective core mandates:

- The Governance, Nominations and Sustainability Committee (GNSC) recommends the sustainability strategy and objectives, reviews the transition plan and exercises oversight on sustainability-related matters.
- The Audit Committee provides oversight on sustainability reporting.
- The Risk and Investment Committee provides oversight of risks (including sustainability risks).
- The Remuneration Committee evaluates the remuneration architecture, including incentive plans which are linked to appropriate performance criteria supporting the execution of the strategy.

> Sustainability is simply about how we do business. We believe social responsibility and care for our planet are aligned with shareholders' interests.

Katja Roth Pellanda
Group General Counsel

Individual performance of the ExCo members for the 2023 short-term incentive plan (STIP) awards is assessed against financial and non-financial targets. The non-financial targets relate to customers and employees. In addition, consideration is given to execution against strategic priorities, including ESG factors and a risk-based review, to determine the final individual performance assessment outcome.

The Group's long-term incentive plan (LTIP) is used for a defined group of the most senior positions, including the ExCo. For the 2023-2025 financial cycle, the metrics include the relative total shareholder return position, average business operating profit after tax return on equity, cumulative net cash remittances, as well as operational CO2e emissions.

Read more on the remuneration of the ExCo in the remuneration report:
▶ Pages 97 to 105

The members of the Board receive fixed remuneration as an annual fee, of which half of the basic fee is paid in cash and half in five-year sales-restricted shares which are not subject to the achievement of any specific performance conditions.

Read more on Board fees in the remuneration report:
▶ Pages 93 to 97

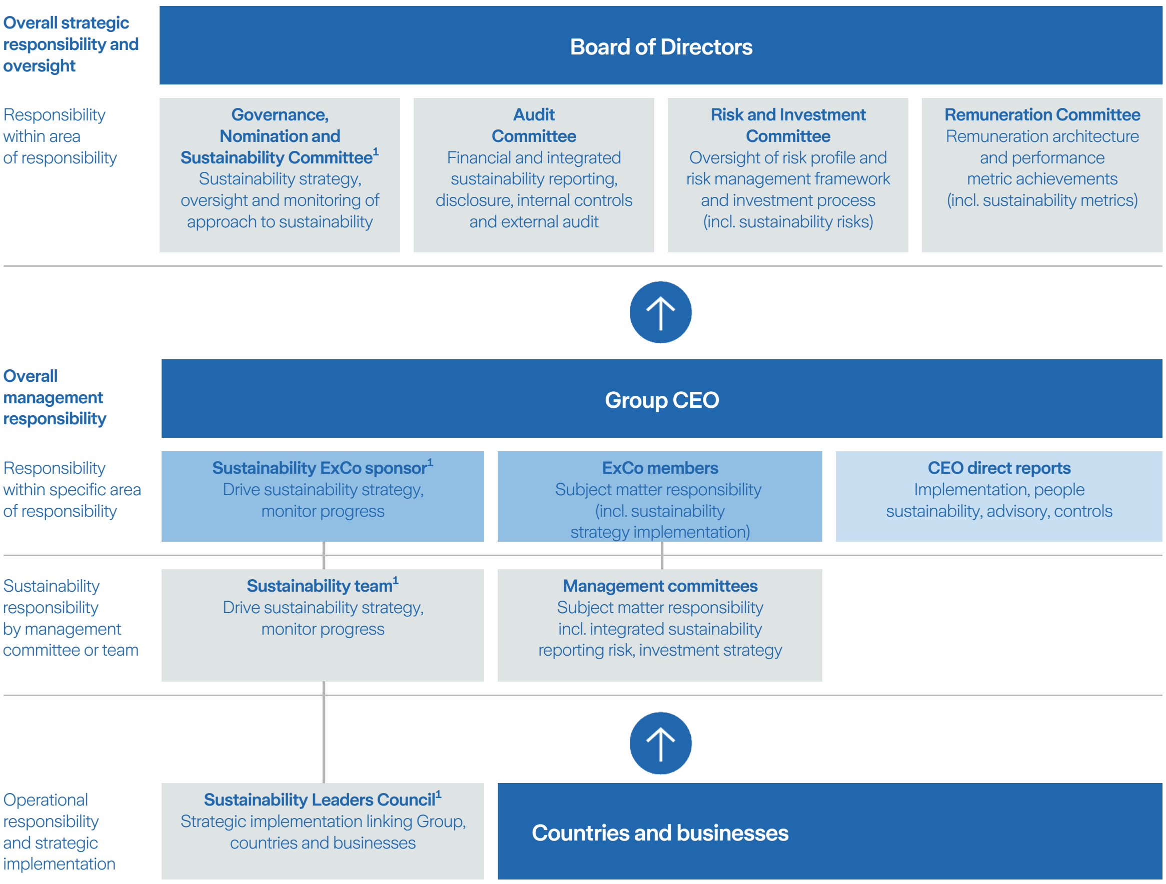
At management level, accountability for different areas of expertise, including sustainability aspects related to each of these areas, is assigned to an ExCo member or a Group CEO direct report. In addition, the Group CEO has designated the CEO EMEA & Bank Distribution as the ExCo level sponsor for Sustainability (Sustainability ExCo Sponsor). This role is supported by the Group Head of Sustainability and the Group Sustainability team. The sponsorship includes driving our Sustainability Framework and acting as a sounding board for strategic alignment of global sustainability priorities to assure a consistent approach and to facilitate oversight. The Sustainability ExCo Sponsor is also responsible for monitoring progress with respect to the sustainability priorities and targets and reporting thereon to the Board's GNSC, the Group CEO and the ExCo.

By opting for an integrated approach, our existing governance bodies are responsible for sustainability-related topics that concern their field of expertise.

3. Governance: Sustainability is embedded in our governance framework (continued)

The implementation of the sustainability strategy and objectives in the businesses, functions, regions and countries is facilitated by the Sustainability Leaders Council (SLC). The SLC comprises senior executives from across the Group and is chaired by the Group Head of Sustainability and sponsored by the Sustainability ExCo Sponsor.

Sustainability is embedded in our governance framework



1 Sustainability-specific responsibilities.

4. Our planet: Drive positive impact

Our planet

Taking action today to safeguard tomorrow.

We focus on enabling a positive socio-economic and environmental transition, while at the same time building resilience to evolving risks. A stable climate and healthy, diverse natural environment are critical to continuing human and economic development. As such, our revised Sustainability Framework expands our environmental focus beyond climate. Environmental challenges including nature loss and climate change can impact all sectors of the real economy which we insure and invest in, and ultimately can have significant impacts on a company's long-term value. Understanding, measuring and managing these impacts - while seizing the opportunities that arise from the transition to a net-zero world - is essential to creating sustainable value for our stakeholders. We aim to use our underwriting and investment activities, our operations, the collective skills and experience of our workforce and an engaging, collaborative approach with our stakeholders to address these challenges and create long term value.

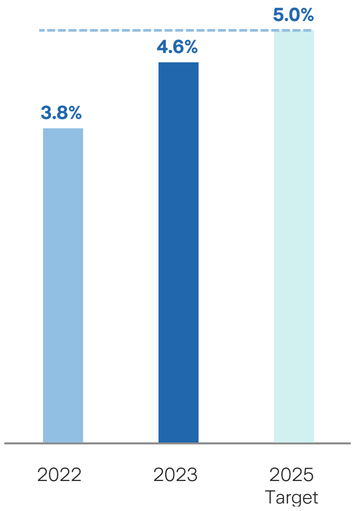
“When integrating sustainability into our business, we see mitigation and adaptation to climate change as one of our key priorities.

Linda Freiner
Group Head of Sustainability

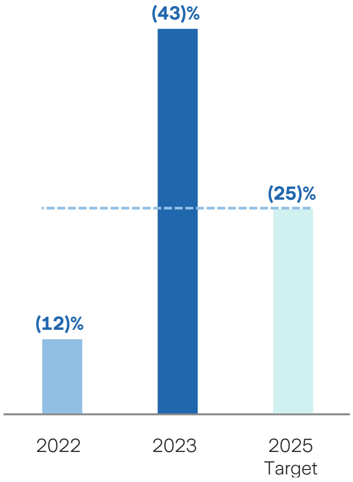
Scenario-based climate risk analysis

Resilient strategy confirmed

Share of total assets in impact investment
%



Reduction of financed emissions
%



4. Our planet: Drive positive impact (continued)

TCFD E

This section presents our disclosure in line with the recommendations of the TCFD. It outlines our understanding of the potential impacts of climate risk to our underwriting, investment activities as well as our own operations including supply chain. It represents our assessment of the resilience of our strategy to climate change risk. Also outlined is the governance we have established to make climate and sustainability an executive-level responsibility, our climate risk management processes and finally the metrics and targets we have implemented to track delivery of our stated targets. While climate change is the focal point of this section, we are dedicated to environmental aspects in a broader sense, e.g., revenues resulting from sustainable solutions, see Chapter 5. Our customers: Their needs are at the heart of everything we do (pages 180 to 191).

4.1 Strategy

TCFD E G

The actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.

Our approach to climate change focuses on supporting companies and people through the transition to a net-zero economy and demonstrates our commitment to using every lever of our business, from underwriting and investments to our operations, to accelerate this transition.

4.1.1 Our approach to climate change risk

Understanding and managing the impact of climate change is an important aspect of maintaining our short- and long-term profitability. Our approach to climate risk is part of our risk management process. It is managed in a way that is consistent with other risks to which the Group is exposed. Our approach acknowledges that while some impacts of climate change are felt today, others may take decades to manifest. We therefore employ a number of approaches and tools to achieve a holistic understanding of potential impacts. Assessments of the evolving physical and transition risk landscape are integrated into our underwriting and investment strategies.

Natural catastrophe modeling

To manage our short-term climate risks more effectively, we are investing in improving our understanding of them. Modeling the effects of physical risk on our portfolios is a key focus. We combine global circulation models and natural catastrophe models to provide a forward-looking view of the impact of changing natural catastrophes on our portfolios at the spatial resolution required for integration in our accumulation-risk and peril-region modeling. Based on our work so far, it has become clear that model adjustments are required in some peril regions to reflect the impact of climate trends on physical risk today.

Read more about natural catastrophe modeling:
▶ 4.1.3 Natural catastrophe modeling: current exposure to physical risk, pages 141 to 144.

Portfolio level scenario-based climate risk analysis

Our annual scenario-based climate risk analysis is our most prominent and detailed outside-in risk evaluation. Leveraging scenarios developed by the Network for Greening the Financial System (NGFS) and considering our core underwriting and investment portfolios, this analysis allows us to better understand potential risks associated with the transition to a net-zero economy over time horizons extending beyond the financial cycle horizon, something fundamental to formulating appropriate strategic responses and evaluating the resilience of our strategy. This analysis also helps us identify the lines of business in which we have an opportunity to support certain industries in their transition to net-zero. We employ a static balance sheet approach, fully recognizing that the analysis is a theoretical "what if" exercise, which is useful to stretch management thinking about the medium to long-term outlook, but not to inform insights from an immediate solvency, financial or capacity management perspective.

Read more about portfolio level scenario-based climate risk analysis:
▶ 4.1.4 to 4.1.9 pages 145 to 161.

4.1.2 Introduction to climate-related risks

We broadly categorize climate-related risks as physical and/or transition risk and outline below the potential impacts of these risks on our business. In sections 4.1.5 to 4.1.9 (pages 148 to 161) we discuss our own assessment and the expected impact from climate-related physical and transition risk. We outline our understanding of how climate change risk could impact our business activities, mainly focusing on the impact on demand (revenues) and losses (claims) from an insurance perspective and on assets from an investment perspective.

The section below should be read as an overview of expected effects of both physical and transition risks, while the scenario analysis provides more details on how each of these risks is expected to unfold and impact our business under different scenarios.

4. Our planet: Drive positive impact (continued)

4.1.2 Introduction to climate-related risks (continued)

Physical risks

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Figure 8

Climate-related physical risk

Physical risk

Acute physical risks
- Tropical and extra-tropical cyclones
- Severe convective storms
- Hail
- Floods (riverine, pluvial, storm surge)
- Heatwaves
- Droughts
- Wildfires

Chronic physical risks
- Sea level rise
- Variability in temperature
- Variability in precipitation
- Water stress

Impact channels

Changes to extreme weather events
- Changes in severity of events
- Changes in frequency of events
- Geographic shifts of events

Land degradation

Changes in productivity
- Agricultural production
- Labor productivity

Economic Impact

Individual companies
- Changes in revenue and costs from impacts on workforce and production assets
- Increased operating costs for climate change adaptation measures
- Changes in revenue and costs from changes in supply chain costs and reliability
- Write-offs and early retirement of assets
- Increased costs of capital

Macroeconomy
- Higher infrastructure costs
- Increased disaster relief and recovery costs
- Changes in GDP and growth rates
- Changes in borrowing costs
- Changes in interest rates

Impact to insurers' balance sheet

Liabilities (insurance)
- Changes in and shift of demand for products and services across geographies/ sectors/ lines of business
- Changes in loss ratios and profits
- Changes in loss frequency
- Changes in loss severity

Assets (investments)
- Valuation changes
- Changes in default rates

Greenhouse gas (GHG) emissions are leading to an increase in global surface temperatures, which is driving changes in climate and weather systems across the globe. Changes in extreme weather events can be attributed to human-induced increases in global surface temperatures with research suggesting continuing trends in emissions will further exacerbate the situation.

These developments will bring negative economic and societal impacts as extreme weather events increase in severity and frequency or undergo geographic shifts. The scientific understanding of how weather events will respond to climate change varies greatly, but we assume that further temperature increases will accelerate sea-level rise due to thermal expansion and melting of glaciers and ice sheets. It will also lead to more extreme temperatures, heatwaves and droughts, impacting agricultural production and human productivity.[1] As the warming atmosphere will also intensify evaporation, more extreme precipitation and variability in the global water cycle is seen as highly likely.

There is less certainty around how other weather events will react to climate change, such as tropical and extra-tropical cyclones, severe convective storms and hail. Secondary effects of climate change can also have negative impacts, such as extreme heat and drought leading to more wildfires, or the combination of sea-level rise and changes in hurricane intensity or tracks leading to higher storm-surge damage.

Impact to demand and loss profiles

Up to 2030, we expect changes driven by climate change to become increasingly relevant. However, these changes stop short of becoming a dominant loss driver over and above what is currently embedded into our risk appetite. We expect the inherent volatility and natural variability of extreme weather events and socioeconomic trends will continue to have a stronger influence on loss experience. Natural variability comes both from random fluctuations of extreme but rare events and multi-year variations in regional climate systems, such as the El Niño Southern Oscillation or Atlantic-Multidecadal Oscillation. This variability is also embedded in historic loss trends and taken into account in our pricing and capital management.

Socioeconomic trends, such as an increase in asset values and accumulation through population growth and concentration in urban areas, also contribute to increases in losses over time. The impact of such trends is considered in pricing and modeling, such that annual policy renewals provide mitigation against increasing physical risks for short-tail business and mitigate transition risk to the underwriting portfolio.

1 www.ipcc.ch/report/ar6/wg2

4. Our planet: Drive positive impact (continued)

4.1.2 Introduction to climate-related risks (continued)

Through certain lines of business, we can be directly impacted by the changes in physical risk caused by climate change, particularly through increases in severity and frequency of natural catastrophes, such as tropical cyclones, flood or hail, which can lead to higher losses by customers covered by our property policies. Other lines are less sensitive to physical risk and, within these, only a minority of our losses are driven by natural catastrophes (see section 4.1.3 Natural catastrophe modeling: current exposure to physical risk, pages 141 to 144).

Impact through valuation changes

Buildings may be at risk, due to their fixed locations, of suffering significant damage costs from the impact of climate change. We are currently exploring ways to assess physical risks for properties using our risk model on catastrophes and by integrating data into our central portfolio management system. The valuation of assets in our investment portfolio can also be affected by direct and indirect exposure to physical risk.

Businesses will be directly affected by impact on costs and revenues and the potential for supply chain disruptions and asset write-offs. The vulnerability of countries to physical risk, including costs associated with infrastructure and adaptation measures, disruptions and vulnerability to extreme weather events, may also have an impact on the valuation of sovereign debt.

Transition risks

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Figure 9
Climate-related transition risk

Climate transition risk

Policy and legal
- Increased pricing of GHG emissions and removal of subsidies
- Enhanced reporting requirements
- Restrictions on products and technologies

Technology
- New low-carbon technologies
- New energy efficiency technologies

Market and sentiment
- Changing customer behavior and consumer preferences
- Stigmatization of sectors and technologies
- Changed cost of production inputs

Impact channels

Changes in demand
- Increasing demand for low-carbon products and materials
- Reduced demand for carbon-intense technologies and products

Changes in costs
- Direct carbon costs
- Changes in operating costs (supply chain, commodity costs, compliance, new production processes)
- Abatement

Competition and pass-through effects
- Shifts in market share
- Passing costs through to end customers
- Products and services with low price elasticity

Economic Impact

Individual companies
- Lower product margins
- More operational break-downs
- Early write-offs and stranded assets
- Changes in borrowing costs
- Higher sales volumes and profits for companies providing low-carbon products and services

Macroeconomy
- Changes in GDP and growth rates
- Changes in borrowing costs
- Changes in interest rates

Impact to insurers' balance sheet

Liabilities (insurance)
- Changes in, and shift of, demand across geographies/sectors/lines of business
- Changes in loss frequency
- Changes in loss severity

Assets (investments)
- Valuation changes
- Changes in default rates

If society moves to limit global warming in line with the Paris Agreement to below 2°C, and optimally to 1.5°C, the required decarbonization of the global economy will bring its own set of risks. The legal, policy, technological and market changes necessary for the transition will lead to significant shifts in economic activity and asset valuation.

Impact to demand and loss profiles

The expected steep rise in carbon prices and the removal of subsidies on carbon-intensive resources and activities in this transition could lead to reduced profitability, stranded assets and impairments in sectors that are difficult to decarbonize and where additional costs cannot be passed on to customers. This will, in turn, affect demand for insurance from shrinking sectors.

For example, the transition will shift demand for insurance toward low-carbon technologies and products, creating opportunities for companies that provide new solutions or are able to reduce their emissions more efficiently than competitors.

The aggregate effect of transition risk will vary greatly across individual actors, depending on their detailed business models, assets and transition strategy. This complicates the assessment of aggregate transition impacts.

4. Our planet: Drive positive impact (continued)

4.1.2 Introduction to climate-related risks (continued)

There will also be aggregate macro effects arising in a transitioning scenario, including the impact on economic activity, inflation and, potentially, government borrowing costs.

As new policy measures and technologies are rolled out, uncertainties around their effectiveness and unintended consequences are likely to increase, with higher market volatility and uncertain loss ratios among possible outcomes. Transition risk will be highly dependent on how predictable policy responses are and the time available for the economy to decarbonize. More disruptive impacts can be anticipated with a faster transition.

Impact through valuation changes and other drivers

In the commercial real estate sector, transition risk will manifest from the need to adhere to tighter policies, carbon and energy costs, market preferences and challenges to achieve energy efficiency, and may impact asset values. The transition will also bring legal or litigation risks. Carbon-intense energy producers are already defending lawsuits seeking to hold them accountable for their alleged historical contribution to CO2e emissions. This current litigation could expand to other industries whose operations contribute to CO2e or other climate-impacting emissions. Companies may be sued for failing to disclose climate-related risks, for failing to mitigate the impact of their activities on climate change, for allegedly misrepresenting their level of climate impact, or for failing to adapt to the changing climate. Asset managers could be sued for financing climate change-inducing activities, or for inadequately driving emission reductions in their portfolios.

The global transition to a low-carbon society will also bring with it new and emerging technologies. These could also present new opportunities as well as unanticipated risks and new environmental concerns from both a resourcing and disposal aspect. Extreme weather events could present new risks to employers regarding worker safety or to companies engaged in building design, engineering and construction. Governments could enact laws seeking to hold companies accountable for the climate impact of their supply chains.

4.1.3 Natural catastrophe modeling: current exposure to physical risk[1]

TCFD | E

Approach

Current exposures to physical climate risk are expressed through Annual Expected Loss (AEL) and Probable Maximum Loss (PML). Modeled exposures are shown below.[2] Our approach to modeling is discussed further in the section on managing risks from climate-related natural catastrophes (page 163). We highlight how various drivers including exposed insurance portfolio and vulnerability changes, model updates, exposure data quality, foreign exchange rates and reinsurance can influence natural catastrophe modeling output (e.g., AEL, PML) over time.

Scope

The climate risk assessment is applied to our portfolios, namely the exposure of our Property and Casualty business to natural catastrophe perils, impacted by climate change that could materially impact us.

Quantification

AEL
AEL provides a view on the expected loss due to natural catastrophes per year, averaged over many years.

PML
PML is a tail metric that looks at severe, unexpected but still possible outcomes of natural catastrophes at a defined probability of occurrence.

Monetary losses
Amount of monetary losses attributable to insurance payouts from natural catastrophes.

1 Results from the Q4 2023 Group Catastrophe Model are presented in the analysis shown below. There are timing differences in the underlying exposures considered in this analysis (underlying exposures by peril region are generally as of June or September 2023, and in exceptional cases as of September or December 2022). See also 4.3.2 Managing risks from climate-related natural catastrophes on page 163.
2 Countries comprising the peril regions referred to here are as follows:
- Central Europe hail: Austria, Belgium, France, Germany, Italy, Luxembourg, the Netherlands and Switzerland.
- Europe wind: Austria, Belgium, Czech Republic, Denmark, France, Germany, Guernsey, Ireland, Isle of Man, Jersey, Luxembourg, the Netherlands, Norway, Poland, Sweden, Switzerland and the UK.
- Europe flood: Austria, Belgium, Germany, Italy, Switzerland and the UK, and including others like Guernsey, Isle of Man, Jersey, San Marino and Vatican.
- CB, MX and U.S. hurricane: Caribbean, Mexico and the U.S.

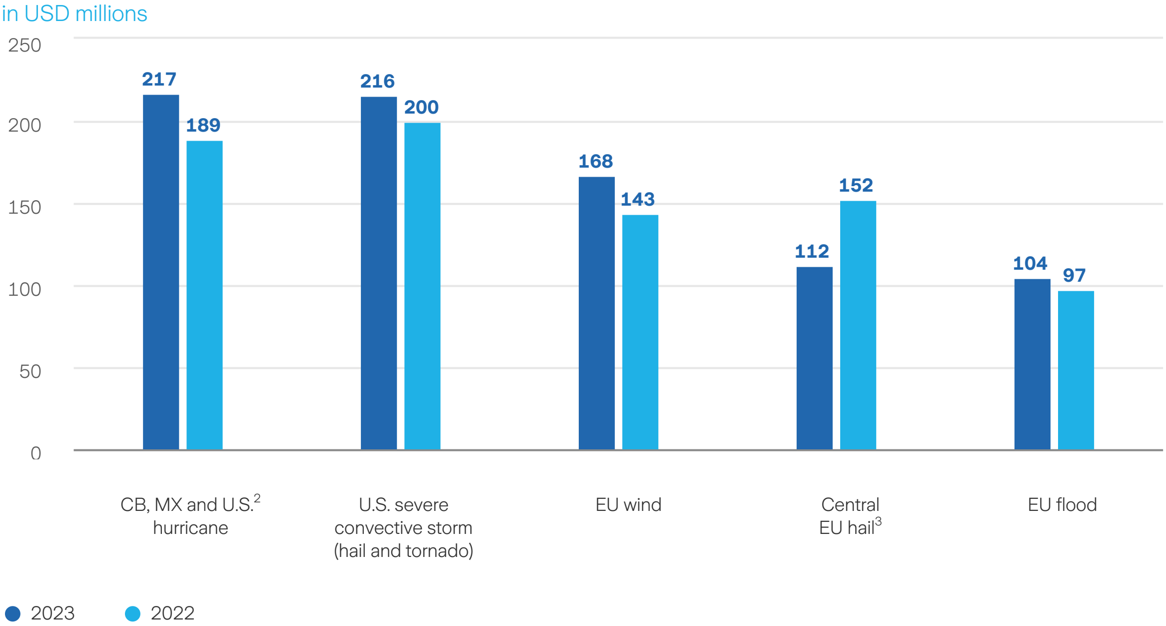
4. Our planet: Drive positive impact (continued)

4.1.3 Natural catastrophe modeling: current exposure to physical risk (continued)

TCFD E

Annual Expected Loss

Figure 10
Annual Expected Loss for top five peril regions[1]



1 AEL excludes Farmers Re's participation in the Farmers Exchanges' all lines quota share treaty of 10 percent as of 31 December, 2023. This treaty contributes to Zurich Group's AEL for U.S. severe convective storm with USD 112 million and for U.S. hurricane with USD 19 million.
2 The hurricane model was enhanced since the last reporting leading to about 20 percent higher gross AEL. 2023 is reported based on the enhanced hurricane model and therefore reflects the model change in addition to exposure, reinsurance and exchange rate changes. The geographic scope includes correlated exposure in the Caribbean (CB) and Mexico (MX). The AEL for U.S. hurricane only is USD 203 million in 2023.
3 The central EU hail model was enhanced since the last reporting leading to about 27 percent lower AEL. 2023 is reported based on the enhanced central EU hail model and therefore reflects the model change in addition to exposure, reinsurance and exchange rate changes.

Our modeled AEL from climate-related natural catastrophes provides an indicator of our current exposure to perils that might be affected by climate change. The AEL analysis above reflects our current top five peril regions, net of reinsurance, before tax and excluding unallocated claim adjustment expenses. This analysis helps us manage risks related to insuring these perils, such as accumulation risk. Risk appetite limits by peril region are in place and exposure is currently within appetite.

2023 numbers generally reflect exposure, reinsurance and exchange rate changes since the last reporting. The increase for U.S., Mexico and Caribbean hurricane is driven by a model change. It is noted that the gross hurricane exposure for the U.S. only, decreased in line with our underwriting strategy. The decrease for Europe severe convective storm is also driven by a model change.

4. Our planet: Drive positive impact (continued)

4.1.3 Natural catastrophe modeling: current exposure to physical risk (continued)

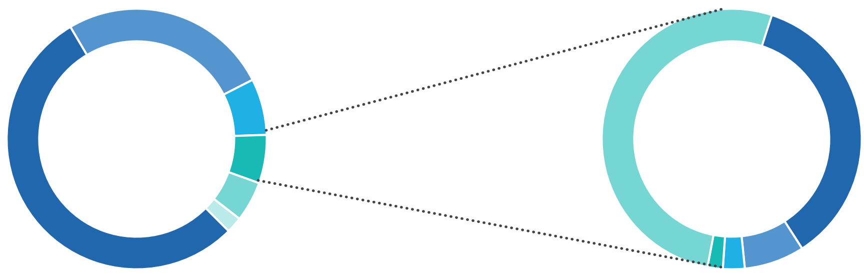
Probable Maximum Loss

The graphs below show the materiality of catastrophe risk relative to other risk types and the materiality of our climate-related perils to overall catastrophe risk.

Figure 11

Swiss Solvency Test (SST) by risk type and climate-related perils as proportion of natural catastrophe total SST

SST total risk capital contribution by risk type | **Climate-related perils as a fraction of nat cat SST total risk capital[1]**



SST total risk capital contribution by risk type	
Market risk	54%
Premium & reserve risk	26%
Business risk	7%
Natural catastrophe risk	6%
Life insurance risk	5%
Other credit risk	2%

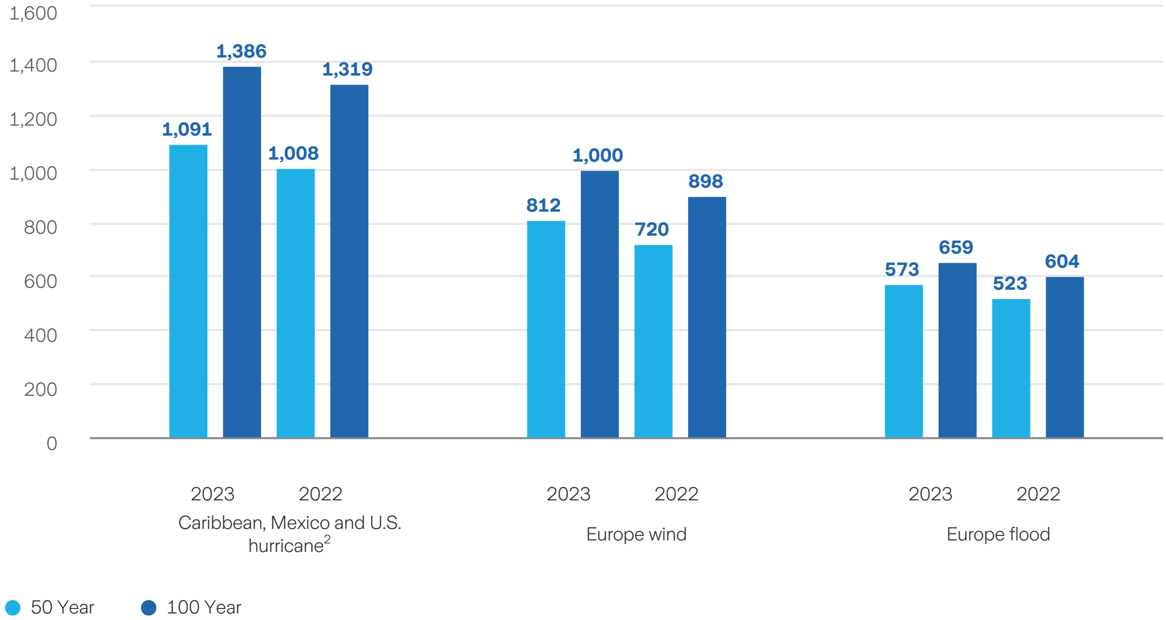
Climate-related perils as a fraction of nat cat SST total risk capital	
North America hurricane	36%
Europe wind	8%
Europe flood	3%
Other climate-related	2%
Non-climate-related	52%

1 The natural catastrophe SST total risk capital is defined by the 1 percent worst annual losses. These are driven by peril regions with large potential losses beyond 100-year return period (e.g. North America hurricane).

Figure 12

Probable Maximum Loss by top three peril regions[1]

in USD millions



1 PML excludes Farmers Re's participation in the Farmers Exchanges' all lines quota share treaty of 10 percent as of 31 December, 2023. This treaty increased Zurich Group's PML for US hurricane by USD 94 million for the 50-year PML and by USD 112 million for the 100-year PML.
2 The hurricane model was enhanced since the last reporting leading to higher 50- and 100-year PMLs. Both 2022 and 2023 exposures are reported based on the new model. 2023 is reported based on the enhanced hurricane model and therefore reflects the model change in addition to exposure, reinsurance and exchange rate changes.

4. Our planet: Drive positive impact (continued)

4.1.3 Natural catastrophe modeling: current exposure to physical risk (continued)

The net annual aggregate 50- and 100-year PML are shown above for the top three peril regions measured by SST total capital contribution.[1]

2023 numbers generally reflect exposure, reinsurance and exchange rate changes since the last reporting. The increase for U.S., Mexico and Caribbean hurricane is driven by a model change.

Total monetary losses from natural catastrophes

Our loss ratio for 2023 was 66.2 percentage with 0.7 percentage points attributable to the following natural catastrophe experienced in 2023. We follow the Group's Catastrophe Response Group (CRG) governance for natural catastrophe identification. Here we report events where the total net loss is above USD 200 million. The European hail event and figure has been reviewed by the CRG, a cross-functional committee which oversees and recommends to the ExCo the best-estimate ultimate loss for material catastrophes. The term "catastrophe" in the context of the CRG covers both man-made and natural catastrophe peril events that are relatively infrequent or are phenomena that produce unusually large aggregate losses.

Table 3

Total amount of net losses[1]

Event name (by event and region)	Total net losses in USDm (2023)
European hail events (hail, Europe)	310
Total	310

1 Only events above USD 200 million are reported.

An important aspect of our proprietary view on natural catastrophe risk is the evaluation of patterns and trends in catastrophe activity with time. Natural variability of event activity is an integral part of our view on natural catastrophe risk, as are statistically significant trends that may be detectable in our claims experience or credible, conclusive modeling of past, present and future climate as a driver of loss activity. We regularly revisit our risk views and underlying models on climate-related perils in order to reflect trends in the hazard, whereas exposure trends are naturally captured by exposure data updates. Natural variability is at the same time evaluated and kept up-to-date as part of the regular reviews of our natural catastrophe risk view, which underpins the structuring and purchase of reinsurance along with the profitability assessment and strategic capacity allocation for risk assumed from customers.

We follow a gross-line underwriting strategy and focus substantial time and resources on ensuring risk-adequate underwriting and pricing of the business we assume up-front, including consideration of potential climate change induced trends. Reinsurance is used as a means to maximize diversification of net retained risks and to protect shareholders against earnings volatility. We engage with a core panel of reinsurance partners to secure the required capacity at sustainable pricing over the medium term. Given our financial strength, we have the option to weigh the benefits and cost of reinsurance against other forms of risk financing and thus adapt to supply-side changes in the reinsurance market as a potential consequence of the macroeconomic response to climate change adaptation.

1 Our disclosure shows our efforts to provide additional details, however it is acknowledged that full compliance is not envisaged e.g., due to our reporting standards (no disclosure of gross losses), or our industry's catastrophe modeling standards. There are generally no catastrophe models available for example, for chronic diseases, droughts and extreme heat and therefore no PMLs can be provided. Tsunami risk is correlated (and modeled) with seismic risk and therefore cannot be reported on a stand-alone basis as part of insured products from weather-related natural catastrophes, which are the scope of the standard.

4. Our planet: Drive positive impact (continued)

4.1.4 Portfolio level scenario-based climate risk analysis

In the following chapters, we assess climate-related risk and opportunities in the context of our business: underwriting, investment management and own operations.

Legend of icons used

Underwriting

Investment Management

Own Operations

Analysis framework

Scenario analysis allows us to assess the strategic implications of climate change over time horizons extending beyond the financial cycle horizon and assess the resilience of our strategy to potential climate risks. This section outlines the time horizons, scenarios and quantification approaches used.

Time horizons

We consider medium- and long-time horizons to be most relevant to our scenario-based analysis of climate risk.

	From (years)	To (years)	Comment
Short term	0	3	This is aligned with our financial cycle horizon. Over this timeframe, we adapt pricing, underwriting and portfolio management strategies based on observed trends in claims and model insights, hence scenario-based climate risk analysis is less relevant.
Medium term	3	10	While we operate with a three-year financial cycle horizon, a consideration of longer time horizons allows us reflect potential risks and opportunities associated with climate change in the formulation of appropriate responses.
Long term	10	30	While the three to 10-year horizon suits the formulation of strategic responses to potential climate related impacts, our net-zero commitment requires that we extend our time horizons to 2050 to consider more fully the potential risks and opportunities associated with aligning our business with a net-zero future. Such time horizons are well suited to certain long-term risks such as real-estate investments and life assurance risks.

4. Our planet: Drive positive impact (continued)

4.1.4 Portfolio level scenario-based climate risk analysis (continued)

Scenarios used

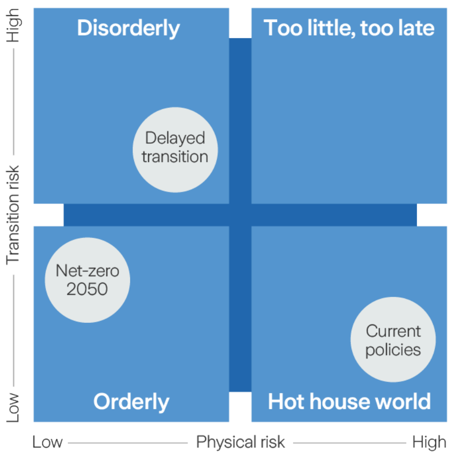
The scenarios used to analyze our underwriting and proprietary investment portfolios are drawn from the Network for Greening the Financial System (NGFS) suite, with scenarios chosen to cover a relevant set of emissions pathways. The emissions pathways of the selected scenarios correspond broadly to representative concentration pathways (RCP) 2.6 and 6.0.[1]

Net-zero 2050 limits global warming to 1.5°C through early adoption of stringent climate policies and innovation. Net-zero emissions reached around 2050, giving at least a 50 percent chance of limiting global warming to below 1.5°C by the end of the century, with no or low overshoot (<0.1°C) of 1.5°C in earlier years.

Delayed transition assumes no new climate policies until 2030 with high regional variation in policy implementation. Emissions exceed the carbon budget temporarily and decline more rapidly to ensure a 67 percent chance of limiting global warming to below 2°C.

Current policies assume that only currently implemented policies are preserved, leading to high physical risks. Emissions grow until 2080 leading to about 3°C of warming and severe physical risks.

Figure 13
NGFS scenario framework



The scenarios underpinning the analysis of our underwriting and investment activities are chosen to allow us consider a broad range of risks and opportunities of varying degrees of physical and transition risk.

The scenarios used to understand physical risk impacts to our own Operations are broadly aligned with those used for our insurance and investment analysis in terms of the RCPs assumed (RCP 2.6 and 8.5).[2] Our scenario analysis leverages a third-party model and associated data to assess both our insurance and investment businesses. A high-level overview of the model, data sources and key assumptions are provided in the risk management section (pages 162 to 164).

Our disclosure focuses on both net-zero 2050 and current policies scenarios to demonstrate the resilience of our strategy in both net-zero aligned and high physical risk future states.

1 As described by NGFS, "the RCPs are greenhouse gas concentration scenarios that are commonly used in the climate modeling community. They were officially adopted by the Intergovernmental Panel on Climate Change (IPCC) and provide a basis for the projections and predictions of the Fifth Assessment Report of the IPCC." The correspondence between NGFS scenarios and RCP pathways is based on the emissions trajectory in those scenarios over time. The correspondence is not exact, but NGFS net-zero 2050 and disorderly scenario temperature pathways fall in the range of RCP 2.6, and current policies fall in the range of RCP 6.0. (More details available in the NGFS technical documentation).
2 These correspond to SSP1-2.6 and SSP5-8.5, respectively, according to the new designations from the IPCC.

4. Our planet: Drive positive impact (continued)

4.1.4 Portfolio level scenario-based climate risk analysis (continued)

Quantification

Given the differing nature of the underlying activities, we employ different approaches to understand and quantify potential impacts of climate risk.

Underwriting

Quantification is performed to underpin our medium-term assessment (to 2030). This approach is reasonable for determining how to manage identified risks due to the flexibility of the annual policy renewal cycle. Outcomes of our medium-term analysis are used to inform strategic and risk responses. Impacts to 2050 are analyzed qualitatively.

Two metrics have been chosen to quantify scenario-based impacts of climate risk on our insurance business:

- Percentage change in demand is the estimated impact on size and composition of demand for insurance products due to the drivers of physical and transition climate risk in each scenario, compared with a 2030 baseline.
- Percentage change in expected losses is the estimated impact on claims due to the drivers of physical and transition climate risk in each scenario, compared with a 2030 baseline.

For both metrics, the baseline does not take into account any further climate action or climate change relative to present-day levels but reflects modeled impacts on demand (or losses) from GDP changes and industry sector growth or decline.

Investment Management

To allow us to better understand potential future impacts of climate risk on key asset classes, we conduct quantitative analyses for 2050.

The valuation of equity in the scenarios involves discounting future revenues and costs to arrive at a net present value of future cash flows.

Corporate credit impact is estimated by translating changes in equity valuations to changes in fixed-income instrument default risk and associated loss, using a ratings-based Altman Z-score[1] model and the Frye-Jacobs PD-LGD relationship,[2] respectively.

Real estate impairments due to transition and physical risk are estimated by country and property type. Transition risks are based on country level emissions data for residential and commercial real estate (scope 1 and 2). For the physical risk impacts to real estate, a third-party risk model is used, including coastal flooding, river flooding and tropical cyclones. The combined impact of transition and physical risks is calculated by multiplying the reduced valuation associated with impacts from transition and physical risk.

Sovereign bond impact reflects the macroeconomic shocks arising from changes in energy consumption, energy costs and the physical risks of climate change, as well as the response of governments and central banks to those shocks. The model uses macroeconomic outputs from NiGEM[3] to calculate changes in nominal forward interest rates and changes in default risk premia per risk scenario.

Scope[4]

Underwriting

The analysis of our Group portfolio uses third-party modeling to understand the potential relationship between key climate drivers and insurance demand and loss experience. The scope of the analysis was determined as follows:

Analysis of the Group by:

Lines of business	Region	Industry/sector

↓

Set of nine clusters with potentially high exposure to physical and transition risk representing:

64% of P&C	84% of Life protection

↓

Each cluster was analyzed in depth for:

Impact on demand	Impact on losses

Investment Management

The scenario-based assessment of our proprietary investment portfolio considers listed equities, corporate credit, real estate and a separate analysis of sovereign debt. Listed equities, corporate credit and real estate cover 36 percent of our proprietary investment portfolio and make a significant contribution to our investment-related market risk position as of 2022.

Within each asset class, the third-party model covers between 70 and 100 percent of investment management holdings based on number of securities. The coverage is higher if based on market values.

1 Altman (2019): 50 Years of Altman Z-score: what have we learned and the applications in financial and managerial markets, see: www.systemicrisk.ac.uk/sites/default/files/images/Evolution%20of%20Altman%20Z-Score.lse.pdf
2 Frye (2013), see: www.chicagofed.org/~/media/others/people/research-resources/frye-jon/frye-lgd-as-a-function-of-the-default-rate-091013-pdf.pdf
3 For more details on the NiGEM model, see: https://www.niesr.ac.uk/nigem-macroeconomic-model
4 For more details concerning the scenario analysis performed on our own operations, please see pages 160 to 161.

4. Our planet: Drive positive impact (continued)

4.1.5 Portfolio level scenario-based climate risk analysis – Underwriting

Underwriting analysis

- Monitoring of our P&C business indicates no material shifts to our medium-term risk profile.
- Medium-term demand impacts to our Life Protection business are noted to increase owing to several factors, including increased scope and changes to underlying data.
- No material shifts in the P&C underwriting portfolio industry or line of business mix were observed. No material changes in response are deemed necessary and we continue to execute against previously identified priority areas.

Sierra Signorelli
CEO Commercial Insurance

Analysis performed

Monitoring of our P&C business focused on identifying material shifts[1] in business mix (e.g. changes in line of business, industry and region mix) that may indicate a potential change to currently understood impacts. Revised natural catastrophe exposures based on updated catastrophe model results are considered part of monitoring.

The scope of the P&C analysis remained unchanged from previous cycles with focus on Europe and North America, reflecting the footprint of our business. The scope of our Life protection analysis was increased to include APAC in addition to our most significant exposures across EMEA and LATAM.

Analysis findings

No material shifts in the P&C underwriting portfolio industry or line of business mix were observed, with key drivers of change identified as increased rates, changing commodity prices and inflation (e.g. costs of construction) rather than increases in exposure or coverage.

Overall impacts to Group level P&C demand in 2030 under the scenarios modelled and with no change in assumptions are estimated to be of **low materiality**. For the net-zero 2050 scenario, the impact of rate change in construction and property as well as a higher growth rate in renewable energy that offsets a decline in premiums from the fossil fuel industry could drive increased upside opportunities. However, given the nature of rate change and commodity prices, we believe the impact would not be material when fully modeled. Note that where growth opportunities highlighted in the current policies scenario relate to the increase of fossil fuel supply, we expect to forgo opportunities that are not aligned with our net-zero commitments.

In both scenarios, impacts to Group-level P&C loss experience are observed to be more pronounced before mitigating actions are considered, due to the potential negative impact of physical losses related to weather events.

Estimated impacts to demand for Life protection policies in 2030 are observed to increase to medium under the current policies scenario and just above the threshold for high under the net-zero 2050 scenario. These increases were driven by the inclusion of higher levels of physical risk assumed in underlying NGFS scenarios and the addition of acute physical risk. Corporate risk business continues to be well diversified across industry sectors.

Our medium-term risk profile is presented below.

1 A change in industry or line of business mix of more than 5 percentage points year over year for either the Group, or European business and North America, independently.

4. Our planet: Drive positive impact (continued)

4.1.5 Portfolio level scenario-based climate risk analysis – Underwriting (continued)

No material shifts in the P&C underwriting portfolio industry or line of business mix were observed. **No material changes** in response are deemed necessary and we **continue to execute against previously identified priority areas**.

Figure 14

Potential climate change-related impacts to our underwriting portfolio under current policies and net-zero 2050 scenarios with strategically aligned responses

Sector	Line of business	Portfolio weight	Demand impacts: Current policies	Demand impacts: Net-zero 2050	Loss impacts: Current policies	Loss impacts: Net-zero 2050	Responses
All sectors	Retail and commercial motor						Monitor loss trends associated with electric vehicles to reflect appropriately in pricing. Optimize claims network for emerging technology.
All sectors	Property						Continue best-in-class CAT modeling, accumulation management and continued development of Zurich Resilience Solutions. Reshape portfolios in case of current policies.
Construction	–						Optimize expected growth in construction by continuing to balance risk across the portfolio and understanding risks associated with changing construction methods.
Financial services	–						Continue the strong lens on ESG related factors as part of the underwriting risk assessment within Financial Lines, with a focus on customers' climate-related reporting.
Agriculture	–						Continue investment in models to develop insights at commodity, product and country level to help adjust the mix. Assess potential growth in private products.
Heavy industry and mining	–						Leverage carbon capture and storage as well as knowledge of energy for customers developing own solutions. Explore customer activities around transition to understand growth opportunities.
Fossil fuels	–						Understand customers' transition plans and how Zurich can support. Increased focus on risk engineering maintaining facilities that may be in run-off.
Power	–						Grow market share in renewables to maximize growth above that modeled. Continue to build on existing specialist knowledge to manage risk.
All sectors	Life protection						Commercial sales expected to trend to sectors with high growth. Continue to develop monitoring of factors affecting vulnerability to climate including loss impacts.

Portfolio weight (% of GWP)
- High (>10%)
- Medium (5–10%)
- Low (<5%)

Impact thresholds
- High risk (managed through Group actions)
- Medium risk (managed through local actions)
- Low risk (managed through local actions)
- Low growth (managed through local actions)
- Medium growth (managed through local actions)
- High growth (managed through Group actions)

Definition of terms used:
- Sector: Industry group of the customer base except for transport, which was considered together with the total motor book, and property, which was considered across industry due to the overarching impact of physical risk associated with climate change.
- Weight in underwriting portfolio: Indicates how much the sector/geography/line of business being considered contributes to the overall underwriting portfolio.
- Demand impacts: High, medium and low risk relate to the potential decline in premium volume due to the various scenarios whereas high, medium and low growth indicate that there is a potential increase in premium due to the changing landscape driven by transition.
- Loss impacts: High, medium and low as above relate to the potential increase in losses in each sector if no strategic or mitigating action is taken as part of the underwriting strategy.

Conclusions and responses

In general, the diversification of both P&C and Life protection business in terms of geographic footprint, industry mix and line of business limits our potential exposure at a total Group level.

We can flexibly adapt our responses to balance near-term market movements against the mid-term strategic scenario expectations. With our portfolio mix remaining stable, **no broad adaptations** are **required** and we **continue** to **prioritize actions** in **markets** and **industries** that are potentially the most material to our business, either due to the size of the underwriting portfolio or the potential impact of transition or physical risk on our portfolios.

Based on our analysis, we do not expect material impacts to fee income received from Farmers Group, Inc. through to 2030.

4. Our planet: Drive positive impact (continued)

4.1.5 Portfolio level scenario-based climate risk analysis – Underwriting (continued)

Underwriting focus on building capabilities and continuing assessment on risks associated with both the transition and physical impact of climate change.

Retail and commercial motor: a closer look

Expanded focus on technological advancements in driving and vehicles.

Identified action following climate risk scenario analysis 2021

We increased focus on monitoring profitability trends associated with electric vehicles (EVs) to adjust our propositions appropriately. Additionally, we are seeking to optimize claims networks for emerging technology and expanded focus on technological advancements in driving and vehicles.

Rationale

Among the changes affecting mobility, from a climate perspective the transition from internal combustion engines (ICEs) to alternatively fuelled vehicles, mainly EVs, is most relevant. As overall motor insurance premium volume and the proportion of EVs continue to grow in many of our markets, the risk of a shrinking premium pool can be mitigated by harnessing these new technologies and their implications for the insurance industry. While the share of EVs in new vehicle registrations is already increasing considerably, even in high-income economies, it will take at least a decade until EVs represent half or more of cars driven on the roads. Such a gradual change over a decade and longer can be deceptive as impacts can go unnoticed without dedicated monitoring. Therefore, we are actively monitoring market developments and claims experience to explore new ways to evolve our propositions and capture transition opportunities.

Progress

Our share of EVs in the overall motor portfolio is consistent with our footprint and local EV market trends, showing that our evolving motor propositions adequately capture the growing EV penetration. However, expertise is required to understand claim trends considering conflicting factors such as rapidly evolving vehicle technologies (EVs and advanced driver assistance systems to name but two), but also an increasing average age of vehicles on the road overall. Separating individual technological and behavioral factors will result in better predictions of future claims experience.

Telematics and ADAS can effectively contribute to preventing and mitigating the impact of road accidents within motor fleets and we work with a panel of selected telematics providers to provide independent advice on the best telematics solutions for any organization.

Ongoing focus

We will continue our focus on e-mobility in four key areas:

1 Portfolio (e.g., overall market growth and adoption of EVs in fleets, other fuel alternatives).

2 Pricing and profitability (ADAS, telematics and other risk differentiators).

3 Performance (e.g., understanding of specific claims trends).

4 Proposition (especially in high EV growth markets and segments).

4. Our planet: Drive positive impact (continued)

4.1.5 Portfolio level scenario-based climate risk analysis – Underwriting (continued)

Property: a closer look

Physical impact of climate change continues to drive potential risk in the property book. Actions taken to counter this include a refined approach to managing natural catastrophe and optimizing exposure in key peril regions globally.

Identified action following climate risk scenario analysis 2021

We continued to develop our best-in-class catastrophe modeling and accumulation management, as well as focusing on building capabilities within Zurich Resilience Solutions, our risk management services unit.[1]

Rationale

Catastrophe management is key to creating a climate resilient underwriting portfolio and also allows us to inform customers of actions they should take to become more resilient in the face of potential impacts from climate change.

Progress

In 2023, we completed our initiative on rebalancing capacity deployment within our North American business.[2] Maintaining sound exposure management across our key peril regions will remain an ongoing focus, as will further rebalancing executed as part of ongoing business using in-house climate science experts and external advisors.

Ongoing focus

Optimizing exposure in key peril regions remains a strong focus area and relies on frequent, consistent and comprehensive review processes, which have been in place for many years and will continue to be a key part of our climate resilience strategy.

Energy transition: a closer look

Our sustainable energy strategy underpins the development of our energy book and helps support customers as they transition to lower-carbon operating models.

Identified action following climate risk scenario analysis 2021

Fossil fuels and power

Ways to support:

- We expanded our framework to review and support customers' transition plans beyond energy into an industry agnostic approach according to our engagement targets.
- We continued action to grow our market share in renewables where we have expertise.
- We continued to build on existing specialist knowledge to manage risk. Our sustainable energy strategy is built on three layers:
  - Engagement and review of transition plans.
  - Upskilling and cross-training in sustainable energy within underwriting, risk engineering and claims.
  - Continued development of solutions to address emerging technologies in this area.

Rationale

The future of energy depends on power generation transitioning from fossil fuels to sustainable energy sources. This transition will require traditional energy and power companies to decarbonize their business model and should also bring business opportunities for new, dedicated low-carbon energy companies. To reflect the transition requirements of existing energy customers, we restructured our team of experts, blending the old world of energy with the new to mirror our customers and better help them accelerate the energy transition. To adapt to this rapidly evolving market we continue to review our sustainable energy offerings and risk appetite. We have built further knowledge and expertise by developing skills in-house as well as hiring industry experts where needed.

1 See section 5.1 Customer experience and customer-centric solutions on page 181 for more information.
2 For more information, see section 4.1.3 Natural catastrophe modeling: current exposure to physical risk on pages 141 to 144.

4. Our planet: Drive positive impact (continued)

4.1.5 Portfolio level scenario-based climate risk analysis – Underwriting (continued)

Progress

In 2023, we further developed dedicated teams, or "energy hubs", so that the required expertise is available for all written transactions. Our integrated approach to energy allows us to access traditional power and fossil fuel customers that are transitioning to sustainable energy. The world's largest wind power owners, for example, are mostly traditional power companies or integrated energy companies. Globally, we increased the number of hubs authorized to write renewable energy from four to 10. Each hub supports renewable energy customers based on a local underwriting authority that is tailored to market requirements and underwriting expertise. In particular we introduced a new offshore wind proposition. Offshore wind turbines are considered to be a particularly challenging technology, as they often utilize prototypical equipment and operate in harsh environments. While mindful of those challenges, we are providing services in a way that allows us to gain experience of a rapidly evolving technology, develop a solid foundation for the long-term profitability of our energy business and remain a consistent partner for our customers during their energy transition. We are also working with a broker to provide a facility for hydrogen customers which will serve customer needs across our lines of business in this crucial area of the energy transition.

To increase and maintain the appropriate talent for our energy strategy, we continue to upskill and cross-train underwriters and recruit additional expertise as needed. We have established a green graduate program in order to further build our talent pipeline. In 2023, participants who focused on sustainable energy rotated through Claims, Underwriting and Risk Engineering roles as part of the program.

Ongoing focus

We are continuing disciplined and cautious growth of our sustainable energy business, focusing on areas where we have expertise and where we see opportunities for profitable business in a difficult market. We will continue to monitor new opportunities in emerging technology in this area and continue to revise our risk appetite as appropriate.

We are applying our alignment, commitment, delivery and communication (ACDC) approach to key transition-related

Figure 15
Transition assessment framework

Alignment	– Aligned to Paris Agreement – Science-based targets in place or in progress
Commitment	– Short-term plan to immediately decrease emissions – Evidence of capex allocation to fund transition actions
Delivery	– Demonstrate annual progress on targets ahead of renewal
Communication	– Transparent disclosures

4. Our planet: Drive positive impact (continued)

4.1.5 Portfolio level scenario-based climate risk analysis – Underwriting (continued)

Construction & engineering lines: a closer look

We recognize the investment required to support the energy transition and tackle the accompanying challenges, while decarbonizing both operational and embodied emissions.

Identified action following climate risk scenario analysis 2021	Rationale
We continued to balance risk across the portfolio and understand the risks associated with changing construction methods.	Buildings are a major driver of carbon emissions, both during construction and operational phases. Changes in materials and construction methods will be essential if the economy is to successfully decarbonize. Understanding how the use of those materials and methods will change underwriting risk will be a prerequisite to maintaining profitability in this changing market. We focus on growth and innovation in our construction business line through talent acquisition and new product development, with a heavy focus on the U.S. market as a first step.

Progress

Premium from our proprietary policies for mass timber master builders risk and project builders increased to USD 6.3m compared to 2022. These policies offer customized coverage and market-leading capacity of up to USD 50 million for qualified risks using mass timber, a low-carbon alternative to concrete and steel. Zurich construction in North America also continues with its weather parametric product which provides non-physical damage coverage for perils including rain, wind, heat, cold and snow accumulation. With this being a unique product in the market, we continue work on product awareness and applicability of the product solution for our customers.

We are actively working on the portfolio analysis of the current in force sustainable energy construction business with the object to continue to refine our go-to market strategy.

Ongoing focus

Alternative construction methods still represent only a small part of the overall market, however we will continue to gather experience through our existing products and will continue to monitor the market to adapt propositions and risk appetite as needed.

Strategic implications for overall underwriting portfolio

The extent to which the risks and opportunities identified in our scenario assessment will materialize over time depends on the development of the global economy. We continue to hone our skills and build experience for emerging risks and technologies, while underwriting in areas where we already have expertise. In this way, we can capture emerging opportunities, as outlined above, and are well placed to react to any potential further acceleration in the transition of the economy.

Maintaining portfolio profitability is also core to our approach to insuring the net-zero transition. We will continue to selectively accelerate growth or adapt risk appetite based on the growth prospects and profitability of the individual business opportunities, while taking cue from our net-zero underwriting ambition.

4. Our planet: Drive positive impact (continued)

4.1.6 Portfolio level scenario-based climate risk analysis – Investment Management

Proprietary investment portfolio analysis

– A model-based assessment of climate change-related risk to asset valuation across key asset classes suggests no major risk to our capital position under the scenarios considered.

– Under the current policies scenario, we observe low or moderately low physical risks for our portfolios. The model simulates high physical exposures for a few sectors, such as agriculture and activities in tropical areas, to which we currently have limited exposure.

– Under the net-zero 2050 scenario, the accumulated impact for our portfolios is limited. However, we observe elevated transition risk levels and thus higher modeled impact on valuation for carbon-intensive sectors.

– We believe that our multi-faceted responsible investment strategy is adequately set up to adapt to the impacts underlined in this scenario analysis. Our strategic response to climate change related risks that we observe, is our long-term commitment to decarbonize our investment portfolio to net-zero GHG emissions by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels. To support the net-zero commitment, we have set interim targets for engagements, financing solutions and emission reductions.

Stephan van Vliet
Group Chief Investment Officer

Analysis performed

A model-based assessment was performed to understand potential climate change-related impacts to asset valuations of our capital positions. The third party model used integrates reliable physical and transitional climate-related risk variables under a number of climate scenarios as outlined in section 4.1.4 Portfolio level scenario-based climate risk analysis (see pages 145 to 147). Our analysis considers key asset classes, including listed equity, corporate credit, sovereign bonds and real estate. Impacts to our listed equity and global corporate portfolios are assessed in comparison with broad market benchmarks.

Analysis outcomes

In line with previous cycles, analysis indicates that climate change-related risk to asset valuation would **not pose a major risk to our capital position**. Our methodology considers a major risk as one that can have a negative impact on capital in excess of USD 5 billion. This conclusion considers equity, credit and real estate, which represent approximately 36 percent of our assets under management (AuM). Changes in observed impacts are attributable to changes in modeling methodology, input data and the composition of Zurich's proprietary investment portfolio.

Under the current policies scenario, we observe low or moderately low physical risks for our portfolios. The model simulates high physical exposures for a few sectors, such as agriculture and activities in tropical areas, to which we currently have limited exposure. Further, physical risks are estimated to mature and impact the asset valuation more profoundly further out in the future compared with the maturity patterns of transitional risks.

Under the net-zero 2050 scenario, the accumulated impact for our portfolios is limited. However, we observe elevated transition risk levels and thus higher modeled impact on valuation for carbon-intensive sectors. The higher climate-related impacts for carbon-intensive sectors can be explained by several potential market changes such as regulatory changes, carbon pricing, technological changes, climate abatement costs, increase in demand for low-carbon products and services and reduced demand for fossil fuel-related products and services. The future development of each factor is uncertain and we monitor them closely to be able to timely react to impacts and risks.

Our sovereign bond analysis suggests mildly inflationary outcomes for both current policies and net-zero 2050 scenarios, Under the current policy scenario, interest rates rise somewhat due to a negative effect on the economy caused by the physical impact of climate change. Negative effects include decreased labor productivity under warmer weather conditions. For the net-zero 2050 scenario, price pressures may arise due to the rising cost of carbon and stronger investment demand, spurred by the transition. This will result in moderately higher sovereign bond yields and lower bond prices. The impact on inflation and interest rates is estimated to be higher in the net-zero 2050 scenario than in the current policies scenario.

4. Our planet: Drive positive impact (continued)

4.1.6 Portfolio level scenario-based climate risk analysis – Investment Management (continued)

Listed equities: a closer look

Overall, the **impacts** on our **global equity portfolio** are slightly **smaller** than those of a broad market benchmark. This can be explained by several factors, including geographic exposure, different sector weighting and specific security exposure.

Under the net-zero 2050 scenario, we generally observe high transition risk levels and thus higher modeled impact on valuation for carbon-intensive sectors (including energy, non-energy materials and consumer cyclicals), which compared with lower-emitting sectors can be profoundly impacted by higher carbon costs and regulatory changes. Opportunities are identified for sectors that can benefit from, and contribute to, a decarbonization of the economy. This is especially applicable to utilities that can benefit from renewable energy solutions and the development of new technologies. Compared with previous assessments, we generally notice lower asset valuation impacts, which apply both to the benchmark and to our equity portfolio. The overall driver for lower asset valuation impact levels is an update to the NGFS scenario variables, wherein carbon pricing and abatement costs have both decreased. A reduction in carbon prices and abatement costs reduces the competitive advantage of low-carbon intensity players and decreases the costs to high-carbon intensity players. Such a decrease results in lower valuation impacts for carbon-intense sectors, such as energy, and less opportunity impact for sectors such as utilities. Further, NGFS expects a slower EV demand compared with previous scenario iterations. Slower EV demand results in a reduced climate-related benefit for EV manufacturers, causing higher impacts on asset valuation for the consumer cyclicals sector (which includes auto manufacturers) compared with previous years and the benchmark.

For low-carbon sectors, including service sectors, finance and healthcare, we observe low impacts on asset valuations. This is a realistic assumption given the limited direct exposure to climate-related transitional risks. However, for finance, the indirect exposure via the financing of higher-emitting sectors is not captured within the modelling of the asset class valuation. In a scenario with increased carbon pricing, stricter climate-related regulations and/or low-carbon technological advancement, the finance sector could face more material climate transition risks which would require mitigation actions. Further, if a rapid transitioning of the economy led to energy scarcity, increased energy prices and bottlenecks in the economy, all sectors could potentially be severely impacted. Such market developments and the potential impacts on our portfolio require careful monitoring.

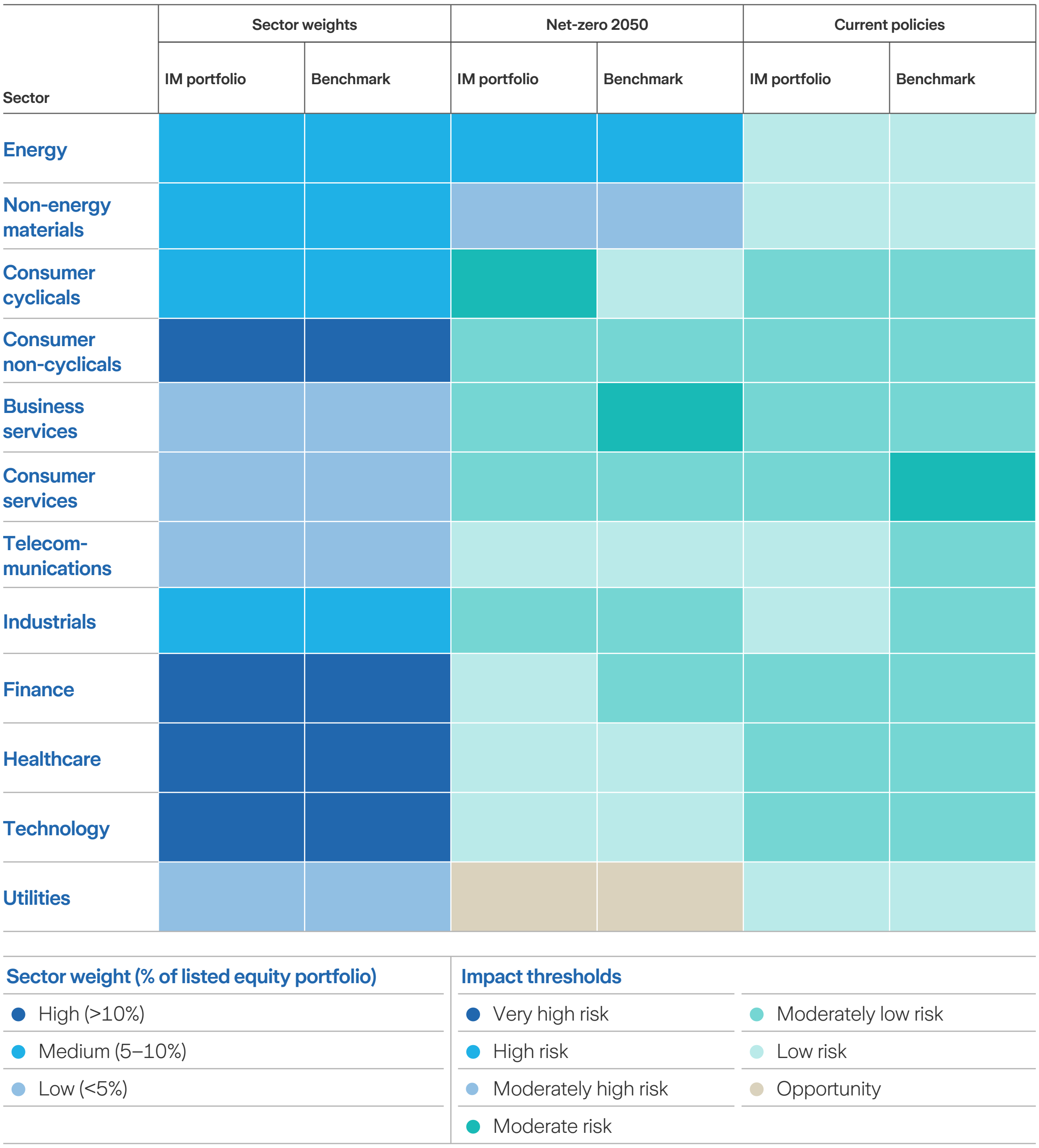
Physical climate-related risks anticipated under the current policies scenario are estimated to have a low to moderately low impact on the asset valuation, in contrast to the transitional risks emerging under the net-zero 2050 scenario. This is because most physical impacts of climate change are considered or modeled to be less impactful for the time span of the model as they materialize further out in the future compared with transitional risks. However, the impact on valuation from physical risks is higher across most sectors compared with previous assessments for both our equity portfolio and the designated benchmark.

4. Our planet: Drive positive impact (continued)

4.1.6 Portfolio level scenario-based climate risk analysis – Investment Management (continued)

Figure 16

Estimated impact on listed equity portfolio across net-zero 2050 and current policies scenarios in comparison to a well-diversified global equity benchmark[1]



1 The sector heatmap is calibrated to highlight relative impact per industry sector. Aggregate scenario level impacts are assessed in relation to our definition of financial materiality.

4. Our planet: Drive positive impact (continued)

4.1.6 Portfolio level scenario-based climate risk analysis – Investment Management (continued)

Corporate credit: a closer look

The outcome of the model shows that our corporate credit portfolio has **lower impact** levels than the benchmark in general.

We also see substantially lower climate-related impacts for our global credit portfolio relative to our listed equity portfolio. This can be explained by the shorter maturity of the credit portfolio, where bonds tend to mature before the strongest climate-related risks materialize. Further, risks associated with refinancing of debt are not considered in the model, which potentially leads to an underestimation of the true climate-related exposure. Compared with 2022 reporting, we observe only minor changes to the asset valuation of the portfolio.

Compared with our listed equity portfolio, finance has a higher weighting in our corporate credit portfolio. The model only addresses direct climate risks for finance and not the indirect impacts through portfolio-related activities, which could potentially be material. The indirect risks of finance will therefore be closely monitored to ensure that potential impact on valuation is adequately addressed over time.

Under the net-zero 2050 scenario, we see the same patterns for corporate credit as for listed equity, wherein carbon-intensive sectors experience higher transition risks and thus higher modeled impact on valuation compared to low carbon-intense sectors. For utilities, our corporate credit portfolio has a relatively higher weighting toward climate transition laggards compared with our listed equity portfolio, which has higher exposure to climate transition leaders. This difference can explain the big divergence in impact on asset valuation between the equity portfolio (estimated to benefit from opportunities in a net-zero 2050 scenario) and the credit portfolio (estimated to face moderate impacts in a net-zero 2050 scenario). Further, the benchmark has a higher exposure to utilities than the credit portfolio, which can explain higher impacts compared with our credit portfolio. For business services and industrials, slightly higher transition risks are anticipated for our corporate debt portfolios compared with the benchmark. This is because our portfolio has a relatively high exposure to entities within those sectors offering services associated with higher GHG emissions—and thus higher transition risks—such as waste management and environmental services. However, those sectors have a low overall weighting in our portfolio.

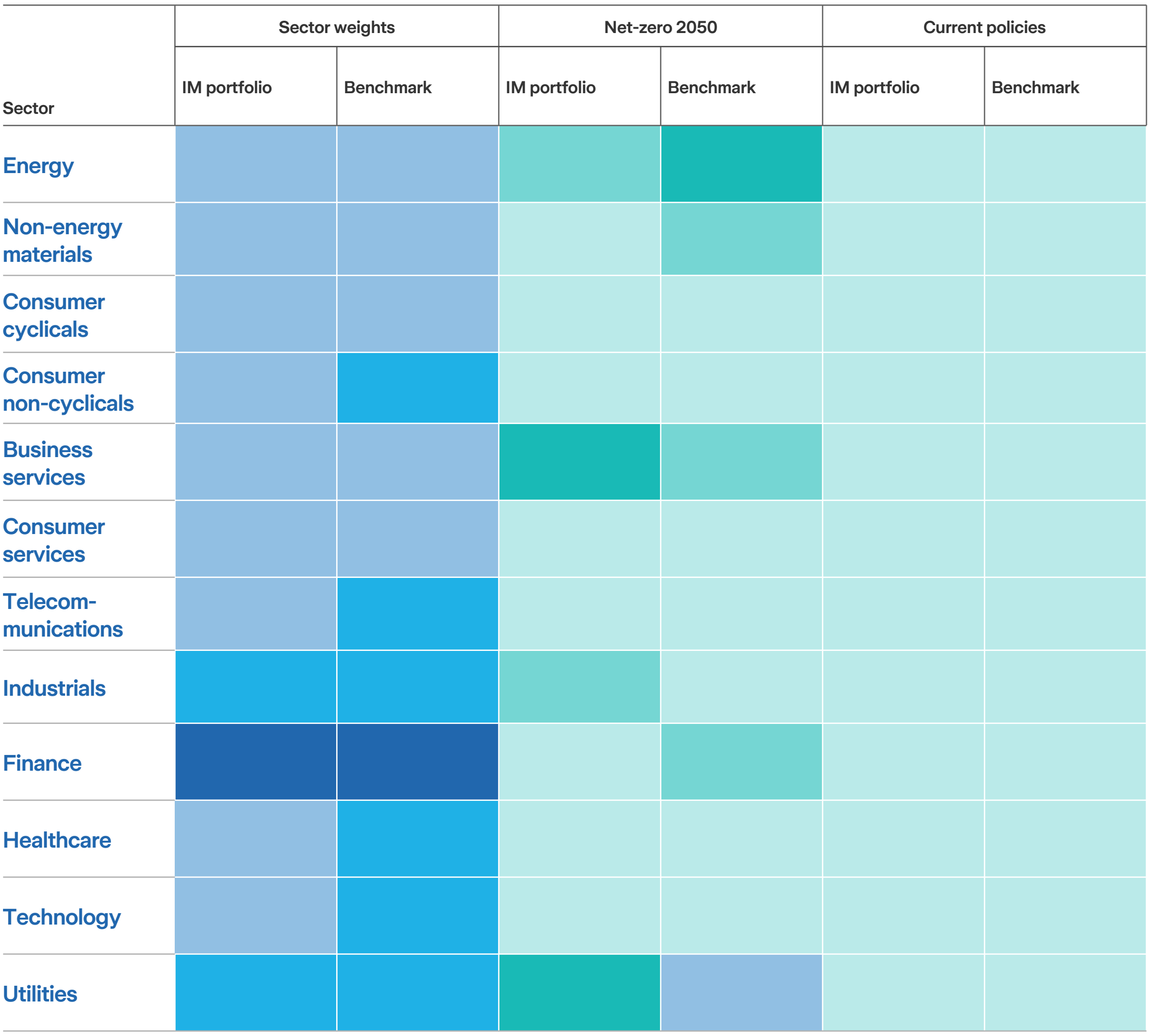
Under the current policies scenario, we observe low impact levels on asset valuation. The bonds in our corporate credit portfolio tend to mature before the strongest climate-related risks materialize.

4. Our planet: Drive positive impact (continued)

4.1.6 Portfolio level scenario-based climate risk analysis – Investment Management (continued)

Figure 17

Estimated impact on corporate bond portfolio across net-zero 2050 and current policies scenarios in comparison to a well-diversified global benchmark[1]



Sector weight (% of listed equity portfolio)
- High (>10%)
- Medium (5–10%)
- Low (<5%)

Impact thresholds
- Very high risk
- High risk
- Moderately high risk
- Moderate risk
- Moderately low risk
- Low risk
- Opportunity

Real estate: a closer look

When applying the third-party climate risk model to our real estate portfolio, we observe only **minor exposure** to climate change-related risks. This finding is similar to 2022 reporting. Compared with 2022, we see only a minor reduction in the impact on asset valuations. Given the almost unchanged regional and sectoral diversification for 2022 and 2023, the changes in impact on valuation compared with previous reporting is mainly driven by changes in the model variables. Due to a decrease in marginal abatement costs and carbon pricing as model input variables, impact valuation levels have decreased for the real estate portfolio, with the biggest impact in the net-zero 2050 scenario.

1 The sector heatmap is calibrated to highlight relative impact per industry sector. Aggregate scenario level impacts are assessed in relation to our definition of financial materiality.

4. Our planet: Drive positive impact (continued)

4.1.6 Portfolio level scenario-based climate risk analysis – Investment Management (continued)

More than 80 percent of our direct real estate investments are in Europe with an overweight in Switzerland and Germany. Under all the climate scenarios, our portfolio is most exposed to rising temperatures in Southern Europe,

Our main focus is the rapid decarbonization of our Swiss portfolio, which still uses mostly oil and gas for heating and producing warm water in residential buildings. To transform this portfolio, we have initiated several strategic investment programs to achieve our 2025 emission reduction target. In addition, we are continuing with our energy optimization project in Switzerland. The project, which started in 2014, has already led to a reduction in carbon emissions of more than 20 percent, compared with our 2010 baseline.

Conclusions and responses

Under the current assumptions from our climate scenario model simulation assessment, we observe that climate change-related risk to asset valuation would **not pose a major risk to our capital position**. The assessment shows that climate-related risks appear **well diversified** through our listed equity, corporate credit and real estate portfolios. However, as climate change-related risks can rapidly evolve and materialize faster than expected, we will conduct regular monitoring and active management of the risks. Our assessment shows that the most material climate-related risks—and thus higher modelled impact on valuation—appear for carbon-intensive sectors. We are already addressing these risks through a bottom-up approach with our emission reduction targets and coal, oil sands and oil shale exclusion policies.

We believe that our multi-faceted responsible investment strategy is adequately flexible to adapt to climate-related risks highlighted by this analysis and will continue to strengthen our practices to help us remain resilient to emerging risks. As a part of our responsible investor approach and our long-standing practice of ESG integration, we apply a specific security selection process, which takes into account good ESG practices and climate risks in the investment decision process. With respect to our exclusion policies, we have divested from equity holdings by December 2021, stopped investing in new debt and run-off existing holdings of companies that derive more than 30 percent of their revenues from mining or extracting thermal coal, oil sands and oil shale, or that generate more than 30 percent of their electricity from thermal coal, oil sands and oil shale.

Our structured and disciplined investment management approach is carefully crafted to match liabilities, minimize unrewarded risks and remain stable throughout the macroeconomic cycle. The resulting portfolio is highly diversified across asset classes, sectors and geographies. On an issuer level, both transition risks and opportunities are reflected through thorough ESG integration.

Strategic implications for overall investment management portfolio

Our strategic response to the climate change-related risks we observe is our long-term commitment to decarbonize our investment portfolio to net-zero GHG emissions by 2050, consistent with a maximum temperature rise of 1.5°C above pre-industrial levels. To support our net-zero commitment, we have set interim targets for engagements, financing solutions and emission reductions and have further strengthened our policy toward high emitting sectors.

To reach our interim targets for 2025, our near-term priorities include:

- Engaging with companies which have not yet set science-based emission reduction targets and convince them to do so and set up credible transition plans,
- Urge companies to exit coal-based business models by 2040 (2030 for OECD countries) at the latest.
- Enhancing our systematic approach to investee, asset manager engagement and policy advocacy.
- Following the TCFD recommendations to help us to better understand the climate-related risks of our portfolios and thus improve our ability to appropriately assess and price climate-related risks and opportunities.

To strengthen the decarbonization path of our investment portfolio, we have implemented an oil and gas policy for private debt investments in 2023. In addition to the group-wide exclusion on thermal coal, oil sand and oil shales, Zurich will not provide private debt financing of projects in the Arctic[1] and in new oil and gas upstream projects. We further specified investment boundaries for mid- and downstream projects, subject to local governance. Please see more details on sustainability risk on www.zurich.com/sustainability/strategy-and-governance/sustainability-risk.

While **increasing the resilience of our portfolio against climate transition risks**, our decarbonization strategy also contributes to **limiting the physical climate risks** showcased in the current policies scenario, which may materialize in our portfolio over the long-term. In addition to our emissions reduction target, we mitigate climate-related risks with our additional commitment of investing in climate solutions (our 5 percent impact investing target).

1 Defined as anything north of 66 degrees latitude with the exception of the Norwegian continental shelf.

4. Our planet: Drive positive impact (continued)

4.1.7 Portfolio level scenario-based climate risk analysis – own Operations and supply chain

Own Operations and supply chain

– In 2023, we conducted an additional assessment to consider climate risks for our offices, data centers and critical suppliers around the world.[1] The results of this analysis show that remediating strategies currently in force are sufficient to mitigate climate risk.

Analysis scope and approach

Approach

We performed a scenario-based assessment of physical and transition risks with quantification performed for 2030 and 2050. The assessment of physical risks utilized a third-party model and data.[2]

Scenarios used

We conducted an assessment of physical perils and transition risks to understand exposure level and criticality under two scenarios; net-zero 2050 and current policies.

Scope

The assessment considered:

– Offices with current lease terms greater than 10 years (13 locations).

– All strategic data centers (10 locations).

– Suppliers performing services with the highest level of criticality (according to internal supplier criticality classification system) for the Group, or for multiple business units (138 supplier locations).

Quantification

The physical risk assessment compared the variation in exposure levels between 2030 and 2050, with a focus on the degree of change. For supplier locations, an additional review was conducted on concentration risk identified in India. The qualitative hazard levels are based on specific physical parameters for each peril and include flood, wind, temperature, drought, hail, wildfire, precipitation, thunderstorms (lightning) and coastal flooding. The transition risk assessment involved the quantification of potential operational costs we are likely to incur as part of the transition to a low-carbon economy.

In 2023 our assessment focused on leased offices with a term greater than 10 years and also included ongoing monitoring of our strategic data center locations. We refreshed the supply chain assessment with higher quality supplier address data. This data came from the implementation of the Group Third-Party Governance Framework (TPGF).

The monitoring work confirmed results noted in previous years' assessments: Severity of hazard exposure is not expected to drastically change from current levels.

All critical processes performed at these office locations are included in **business continuity plans**, which contain appropriate recovery strategies aligned to a "loss of premises" scenario. These plans are reviewed and updated on an annual basis to address any changes in the threat landscape (e.g., energy crisis, pandemic, etc.). Based on the severity of threats highlighted and the fact there is little change to these threats over the evolving time periods, it is expected that these mitigation measures will continue to provide operational readiness of critical processes during disruptive events.

Backup data centers provide resilience for all regional strategic data centers.[3] Based on the current trend of moving applications from centralized data centers owned by the organization to cloud-based solutions, it could be assumed that the risk relating to the loss of strategic data centers may reduce over time as services become more decentralized.

Certain supplier locations (especially in India) are already exposed to high and very high physical risks and have shown high levels of resilience without directly experiencing any material service outages. While the analysis shows that the number of locations at high and very high risk is likely to increase, this risk is already actively managed by us and our suppliers. Measures including hybrid working practices, the adoption of "software as a service" and cloud technologies by us and our suppliers, reduces the potential impact of property unavailability due to physical risk.

We evaluate supplier business resilience measures for suppliers of critical services as part of its ongoing due diligence and monitoring processes under the TPGF. Where required and relevant, plans are tested and periodically reviewed. Contracts often include specific clauses regarding business continuity and disaster recovery.

1 The risk assessment of our own operations excludes certain businesses such as Farmers Group, Inc., Cover-More, Joint Ventures and other small subsidiaries. The supply chain assessment includes the spend of approximately USD 2 billion annually managed centrally by Zurich's Procurement and Vendor Management function on goods and services that are required to enable us to maintain and develop our operations.
2 Climate data sourced from Jupiter Intelligence, ClimateScore Global v2.3, Oct. 2021.
3 Large range impacts affect cities, regions or countries; distance between data centers >500km.

4. Our planet: Drive positive impact (continued)

4.1.7 Portfolio level scenario-based climate risk analysis – own Operations and supply chain (continued)

It is acknowledged that we have a degree of concentration risk due the number of locations operated by suppliers providing critical services and there is a requirement for our functions and countries to evaluate this under our internal policy framework and implement any reasonable mitigation actions. We use a software tool that employs artificial intelligence to screen news reports, social media posts and weather forecasts/reports to identify and monitor potential interruptions in the supply chain.

Transition risk exposure was also evaluated in 2023. This involved an evaluation of the potential operational costs we may incur as part of the transition to a low-carbon economy to mitigate climate change. We don't believe that any of the identified transition risks with relevance to our operations, such as risks arising from the introduction of global carbon taxes or the development of new low-carbon technologies, are likely to have a material impact on us given the low-carbon intensity of the operations of the insurance sector and our approach to continuously improve the way we manage operational sustainability risks and opportunities.

4.1.8 Other climate risk assessment outcomes

Our climate risk assessment includes consideration of both litigation and reputational risks.

Litigation risk: Though not a focus of our scenario analysis, some current litigation drivers were considered in specific areas of our in-depth analysis. None were identified as a material risk driver in the medium term. We closely monitor developments potentially impacting litigation-related risks and take actions to address them proactively.

Reputational consequences: We recognize the heightened public scrutiny that accompanies our climate-related ambitions and that any failure (real or perceived) to deliver on our objectives and targets could have an impact on our reputation. We believe a strong internal focus on delivery, coupled with monitoring through the governance structures described in Chapter 3 (see pages 135 to 136) and transparent public disclosure on progress, mitigate this risk.

4.1.9 Portfolio level scenario-based climate risk analysis – conclusion

Our annual portfolio-level scenario-based climate risk analysis considers our operations and material business activities across underwriting and investments.

- Overall, our P&C portfolio demonstrated relatively little movement compared with 2022, with no material shifts observed in industry or line of business mix. Consequently, modeled medium-term impacts are contained to the property and fossil fuel lines of business, with aggregate impacts across in-scope line of business considered to remain low. With our portfolio mix remaining stable, no broad adaptations are required to in-force responses which we can adapt to balance near-term market movements against the mid-term strategic scenario expectations.
- The scope of our Life protection analysis was increased and although medium-term impacts to demand were noted to be more material than previous assessments, increases were not sufficient to warrant additional responses.
- Similar outcomes are noted across our proprietary investments where analysis of key asset classes demonstrates a largely unchanged risk profile with physical risk having impact in few sectors to which we have limited exposure, and where transition risk primarily impacts carbon intensive sectors. In line with 2022, observed impacts do not suggest material risk to our capital position.

Analysis of our operations suggests existing business continuity planning for critical processes are sufficient to address observed physical risk impacts while transition risk analysis does not suggest material financial impacts under the scenarios considered.

In line with previous cycles, analysis outcomes suggest that our customer-focused approach and diversified portfolios, supported by strong risk management practices, continue to provide the resilience and flexibility necessary to be able to adapt to the climate change impacts observed.

We caveat these conclusions by acknowledging the hypothetical nature of the underlying scenarios, the uncertainty inherent in scenario modeling over the timeframes considered and the somewhat conservative modeling of physical and transition risk. As the effects of climate change gradually increase over the coming decades, adaptation efforts at the individual, company and state level will increase and provide resilience against expected impacts. This is likely to reduce societal and economic losses, however the details heavily depend on uncertain societal and technological developments. On the other hand, exceeding tipping points, such as accelerated melting of Antarctic ice sheets or permafrost thawing, could lead to large-scale discontinuities in the global climate systems and accelerate the impacts from physical climate risk. We believe our strategy of continually analyzing changing risk profiles and retaining customer focus gives us the flexibility required to maintain our resilience and continue to meet the needs of our customers as climate-related risk profiles evolve.

4. Our planet: Drive positive impact (continued)

4.2 Governance

TCFD G

The organization's governance around climate-related risks and opportunities.

As outlined in the governance section of the sustainability report (pages 135 to 136), sustainability — and therefore environmental topics, such as climate change and nature loss — are integrated into our existing governance structure in that the Board is supported by its Committees according to their core mandates. The Sustainability ExCo Sponsor is responsible for monitoring progress with respect to sustainability priorities and targets and reporting thereon to the Board's GNSC, the Group CEO and ExCo.

The GNSC has been mandated by the Board to oversee the Group's approach and conduct with regard to sustainability. Oversight with respect to sustainability risks, including risks associated with environmental topics such as climate change and nature loss, is achieved through regular updates from the Sustainability ExCo Sponsor and the Group Head of Sustainability, who present updates on material topics to the GNSC on a quarterly basis. The GNSC receives regular performance updates on climate-related targets, while the ExCo sponsor for Sustainability confirms the consolidated set of material actions arising from scenario-based climate risk analysis with the Group ExCo for Group CEO approval, and reports same to the Board's GNSC. In addition to this, the GNSC was engaged on several strategic topics throughout 2023, including operational emissions and our approach to both transition planning and sustainability performance management.

Within their assigned function or business, each ExCo member and CEO direct report is also accountable for sustainability, including climate and nature. Responsibilities for such a role include contributing to the development and implementation of the Group's climate-transition planning, assessing and managing climate-related risks and opportunities, managing progress against climate-related corporate targets and value chain engagement on climate-related issues. Furthermore, environmental topics, including climate change, are considered as part of merger, acquisition and divestment due diligence and decision-making processes.

Oversight regarding the implementation of climate-related objectives in the business, functions, regions and countries is facilitated through the SLC. Further, progress toward climate-related targets across regions and countries is discussed at least annually as part of regular business performance review meetings. This is in addition to regular monitoring performed at Group level across key business functions.

Further information on sustainability risk and its governance is set out in the risk review (see pages 250 to 251). Further information on our metrics and targets is available in section 4.4 Metrics and targets of this report (see pages 164 to 179).

4.3 Risk management

TCFD E

The processes used by the organization to identify, assess and manage climate-related risks

Peter Giger
Group Chief Risk Officer

4.3.1 Integration of climate risk within the overall risk management framework

We consider impacts from climate change to be drivers for other risks, such as market or natural catastrophe risks, which are managed within our existing risk management framework. Our approach to managing climate risk is embedded in our multi-disciplinary, Group-wide risk management framework, following the same objectives of informed and disciplined risk taking. The risk management framework is based on a governance process that sets forth clear responsibilities for taking, managing, monitoring and reporting risks. These responsibilities are:

- To identify, assess, manage, monitor and report risks including (but not limited to) climate change, that can have an impact on the achievement of our strategic objectives, we apply a proprietary Total Risk Profiling™ methodology standard (TRP). This assessment considers our planning horizon and allows us to classify risks according to their materiality based on the estimated severity and the likelihood of the risk materializing. This creates a relative rating for all risks, including specific aspects of climate risk (e.g., physical and transition risks), and, by definition, the prioritization of risk mitigation. Further, it supports the definition and implementation of mitigating actions. At Group level, this is an annual process involving senior management, followed by regular reviews and updates by management.
- To take the longer-term nature of climate change into account, we complement our TRP with portfolio-level scenario-based climate risk analysis. This provides an outlook on long-term risk developments relevant to our underwriting and investment portfolios, as outlined in the strategy section (see pages 138 to 161). The details of our risk management framework and risk type are outlined in the risk review (see pages 225 to 226).

4. Our planet: Drive positive impact (continued)

4.3.2 Managing risks from climate-related natural catastrophes

As outlined in the strategy section (see pages 138 to 161), changes in physical risks related to long-term[1] climate change could, over time, impact us through the property-related business via affected severity and probability of climate-related natural catastrophes. This is, in part, mitigated by the flexible nature of our underwriting portfolio, with contracts that are typically renewed annually. We recognize that the climate has been changing already in the past decades with impacts such as land-ice melt and rise in sea levels, that need to be considered in our assessment of physical risk. It is, however, clear that climate science indicates the greatest changes in physical risks related to climate change will occur over the longer term. We have established sophisticated natural catastrophe modeling capabilities to manage our underwriting selection, so that accumulations stay within intended exposure limits. The resulting view of natural catastrophe risk also underpins profitability assessments and strategic capacity allocation and guides the type and quantity of reinsurance we buy. To be globally consistent, natural catastrophe exposures are modeled centrally.

Third-party models provide a starting point for the assessment of natural catastrophe risk. However, they are generally built for the market average and need validation and adjustment by specialized teams to reflect the best view of risk. We have been a leader in natural catastrophe model validation since 2005 when we developed our proprietary 'Zurich View' of risk. This gives us nearly two decades of experience in applying a structured and quantitative approach to optimize our risk view. To arrive at the "Zurich View", which also aims to reflect the impact of potential climate change that happened until today already, models are adjusted in terms of frequency, severity and event uncertainty.

Adjustment factors address potential losses from non-modeled, property-related exposures or secondary perils to the extent not covered by the third-party models. Every catastrophe event provides an opportunity to learn from our own claims experience and the modeling framework provides a place to capture the new insights. We constantly review and expand the scope and sophistication of our modeling and strive to improve data quality by leveraging technology.

We supplement internal know-how with external knowledge (e.g., the Advisory Council for Catastrophes). We are a shareholder in PERILS AG, Switzerland, a catastrophe exposure and loss data aggregation and estimation firm. We are also a member of the open-source initiative Oasis Loss Modeling Framework and rejoined the Global Earthquake Model Foundation as a governor sponsor in 2023.

Catastrophe models based on historical data do not capture potential, much longer-term shifts of extreme weather events related to climate change. However, when combined with general circulation models (GCMs), which build representations of the Earth's physical climate systems, catastrophe models can help us understand the risk of future climate conditions. The quality of GCMs continues to evolve as scientific understanding of the Earth's climate systems increases and as progress is made in computing power and artificial intelligence. This science is evolving, and we have strengthened our catastrophe modeling team with dedicated resources to create methodologies to integrate forward-looking aspects into our modeling approach.

4.3.3 Portfolio level, scenario-based climate risk analysis

Assessments of the resilience of our business model to potential climate risks over time periods extending beyond the financial cycle are performed using scenario analysis. To achieve a consistent Group view on potential climate change pathways, scenarios selected for this analysis underpin all assessments Group wide, unless other local regulatory requirements exist. Assessment granularity and timeframes can be tailored to the specific requirements of the assessment.

An integrated modeling approach, leveraging a third-party model, is adopted for the analysis of our underwriting and proprietary investment portfolios to ensure, as much as possible, the consistent use of assumptions. To quantify impacts on Group assets, the model adopts a bottom-up approach to analyze the exposures of businesses and industries to physical and transition risk. To provide a map of vulnerabilities, it uses asset-level data on relevant risk drivers, including carbon emissions, abatement options, exposure to physical risks (including location-based exposure to acute physical risks), exposure to the greening of the economy, dependency on fossil fuels and competitiveness.

The strength of this bottom-up approach is that it provides a coherent framework for analyzing climate change-related risk at the industry and corporate sector level. Given the flexibility of our business model, in both our underwriting and asset portfolios and the static balance sheet approach adopted, scenario-based climate risk analysis is performed in the full recognition that it represents a theoretical "what if" analysis. It is a useful approach which can serve to stretch management thinking about the much longer-term outlook and to address consistency of disclosures expected through the TCFD framework, but it does not provide insights from an immediate solvency, financial or capacity management perspective.

Data underpinning the assessment of impacts on group assets are used in conjunction with premium and loss data to model impacts on our insurance business in a bespoke process.

1 This refers to time periods up to 10 years and even out to 30 years, as mentioned in section 4.1.4 Portfolio level scenario-based climate risk analysis on page 145.

4. Our planet: Drive positive impact (continued)

4.3.3 Portfolio level, scenario-based climate risk analysis (continued)

Figure 18
Underwriting analysis process

1 Develop heatmap

Objectives
- Assess and prioritize risk channels using consistent quantitative metrics
- Provide basis for selecting deep dives

Method
Criteria for heatmap include:
- Portfolio importance (underwriting volumes (GWP) by industry sector, line of business and geography)
- Demand impact (sectoral revenue change for physical and transition risks)
- Expected loss impacts (transition and physical risks)

2 Conduct in-depth analysis

Objectives
- Assess impact on underwriting volumes of key sectors, lines of business and geographies due to climate risks in 2030 (relative to the baseline scenario)

Method
- Impact on demand due to change in climate-related exposure
- Impact on expected losses arising from transition and physical risks

3 Conduct portfolio level risk assessment

Objectives
- Identify key risks and opportunities (for risk management framework and disclosure)
- Quantification of portfolio level impact on underwriting

Method
- Building on analysis in steps one and two, quantify impacts on underwriting volumes in 2030 (relative to baseline) due to climate risks

Data sources and assumptions

- We adopt a static, balance-sheet approach to better isolate potential medium- and long-term impacts of climate change. This implies quantified impacts assume no strategic reaction from us to the risks identified, and no movements in pricing to adapt to changing conditions.
- Scenario analysis is performed using year end 2022 financial data supplemented with latest available emissions data.
- Modeled impacts of acute physical risks on expected losses are, to every extent possible, based on our own natural catastrophe modeling. We work with a third-party model which enables us to search publicly available hazard data by type of hazard. We will expand our in-house modeling to cover a wider range of physical risks and this will be included in our own catastrophe modeling results.
- While the bottom-up approach adopted by the underlying model facilitates granular analysis of climate change-related risk, the model depends on certain assumptions, namely:
  - The assumption of smooth transitioning, as capital moves from carbon-intensive to low-carbon activities without bottlenecks or frictions (e.g., costs are passed to consumers), leads to a muted 'cost of transition', despite the carbon prices assumed in the underlying scenarios.
  - The assumption of perfect information, where action is only taken once new policies are in place, omits an important uncertainty effect.
  - Complex hazards such as inland floods, severe convective storms, tropical and extra-tropical storms including coastal flooding are assessed by catastrophe models that rely on simplified assumptions.
- For our own Operations, internal physical risk analysis of proprietary and third-party data was used.

For further details on our risk management process and supporting committees:
▶ See the risk review on pages 225 to 226.

4.4 Metrics and targets

We use numerous indicators across our underwriting and investment activities, as well as our own operations, to monitor, assess and manage climate-related impacts to, and of, our business. This section outlines the main targets underpinning our climate strategy and lists the key performance indicators (KPIs) we track.

TCFD
The metrics and targets used to assess and manage relevant climate-related risks and opportunities

4.4.1 Our targets

Our commitment to net-zero focuses primarily on supporting emissions reduction in the real economy. We believe we can best achieve this by focusing our approach on engagement with customers and investees and accompanying their transition. This reflects our principle, which holds that the private economy's most effective contribution to fighting climate change derives from assisting, incentivizing, and asking our investee companies, insurance customers, suppliers and other stakeholders to embark on their own decarbonization pathways. We hold ourselves accountable to the same expectations through leading by example with our own operations.

4. Our planet: Drive positive impact (continued)

4.4.1 Our targets (continued)

Outlined below are the principal targets we have set to align our business activities with the net-zero commitment. Those targets are also described in our roadmaps, which provide a transparent picture of our progress toward set targets and positions.

Target	Definition	Target years	Base year
Reduction of financed emissions	Our emission reduction targets cover both listed equity and corporate bond investments as well as direct real estate investments. We aim to: – Reduce the intensity of emissions (scope 1 & 2) of listed equity and corporate bond investments by 25 percent, in terms of metric tons of CO2e per USD million invested. – Reduce the intensity of emissions of direct real estate investments by 30 percent, in terms of kilograms of CO2e per square meter.	2025 (interim) 2050 (net-zero)	2019
Engagement[1]	We strongly believe that simply divesting from companies with carbon-intensive footprints is less effective than engaging with them to drive the shift to sustainable practices. Many of these companies have the knowledge and engineering capabilities required to make a green transition and harnessing this can benefit sustainability goals. – Engage with companies that produce 65 percent of portfolio emissions and lack targets aligned with the Paris Agreement. – Invite these companies to set targets aligned with the Paris Agreement. – Collaborate with asset managers to highlight best practice for climate-conscious active ownership and work together for a just transition. Over a period of at least two years, we will engage with companies directly and through organizations such as Climate Action 100+ and the NZAOA. We focus on engaging with carbon-intensive companies, such as those operating in the oil and gas sector, on the need to set science-based emissions targets. Should engagement fail and companies refuse to set targets after due dialogue, we will vote against board members at shareholder meetings and where relevant, as a last resort, will divest.	2025	2019
Climate solutions[1]	Our targets for financing climate solutions enhance our existing long-term engagement to provide green financing solutions under our impact investing strategy and also count investments in green certified buildings. – Increase allocation to investments in climate solutions. – Avoid 5 million metric tons of CO2e emissions per year through impact investments. – Contribute to a market environment that enables a growing pipeline of climate solution investments suitable for institutional investors, based on our experience of building a multi-asset class impact portfolio. In 2022, we set ourselves an additional target to allocate 5 percent of invested assets to impact investments by 2025.	Ongoing	2019

Target	Definition	Target years	Base year
Reduction in operational carbon emissions	Our targets for our own operations[2] against a 2019 baseline as follows: – Total emissions: absolute reduction in all operational emissions of 60 percent by 2025 (increased from 50 percent) and 70 percent by 2029. – Scope 1 & 2: reduction in emissions from the fleet and onsite heating as well as from purchased electricity, heat and steam (e.g., district heating) of 62 percent by 2025 and 80 percent by 2029. – Scope 3: reduction in operational emissions resulting from air, rental and rail business travel, employee commuting, strategic data centers, printed paper and waste, as well as indirect energy impacts of 60 percent by 2025 and 67 percent by 2029.	By 2025 (interim) By 2029	2019

1 Applies to our investment management portfolio.
2 Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third party vendors are out of scope.

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics

This section highlights the key metrics we use to measure and manage climate-related risks and opportunities. They represent a combination of metrics derived from the SASB and WEF IBC standards expanded with further metrics of our own, in line with guidance from the TCFD.

Underwriting

Carbon intensity

Leveraging the accounting method for insurance associated emissions, published by the Partnership for Carbon Accounting Financials (PCAF) in November 2022, we have already performed a first analysis of our insurance-associated emissions. This work will also form the baseline for our future targets.

Revenues from energy efficiency and low-carbon technologies[1]

Our products related to energy efficiency and low-carbon technology, separately priced, amounted to **USD 424 million** in 2023 (USD 155 million in 2022). This was mainly driven by the uptake of a **new solution** in 2023 on **portable electronics insurance** with premiums of USD 132 million where repair is the priority, in the case that damage has occurred, the device is repaired almost all of the time. Owing to a shift from ICE to EV solutions from existing and new customers across the market we saw an increase in revenues of USD 77 million. We have also seen an increase in renewable energy solutions premium providing for USD 20 million of the movement in 2023.

For more information on all our sustainable solutions, please see section 5.1.1 Revenues from sustainable solutions on pages 182 to 185.

Underwriting and Investment Management

Thermal coal, oil sands and oil shale

Our thermal coal, oil sands and oil shale engagement campaign officially ended after a two-year period in June 2021. Our restricted equity exposure had been divested by end of 2021 across all local entities (monitored and reviewed periodically), while our corporate credit was either sold or these securities were allowed to mature. Where we were aware of relevant exposure in our underwriting portfolio, those companies have been assessed and relationships exited in line with our exclusion policy.[2]

In line with our thermal coal, oil sands and oil shale policy, we continue to screen new investments and potential customers for involvement in policy-relevant activities. We will **not insure or invest** in companies that exceed our thresholds and do not have near-term commitments in place to bring themselves below these limits. As such, companies will be **added** to our **exclusion screen before any business relationship** has been established. This will not impact the amount of divestments or phased-out insurance premiums.

Existing customers and investee companies have the potential to become relevant for our exclusion policy through mergers or divestments. We will continue to monitor for such developments using third-party data sources but we will not separately report on such cases due to their low impact on our portfolio.

In line with our overarching net-zero targets for our insurance and investment portfolios, our performance management focus will move from individual sector exclusions to tracking our overall portfolio decarbonization and engagement targets. We monitor the progress of customer and investee companies against our thermal coal, oil sands and oil shale thresholds through third-party data and direct engagements.

Engagement for the transition

Company engagement

Engagement is a **key mechanism for investors** seeking to mitigate systemic climate risks and work towards net-zero.

In 2023, we **advanced** our **bilateral net-zero engagement campaign** (as illustrated below in Table 4 on page 168). We focused on companies with **heavy emissions** to understand the company's **current emission intensity** and their **transition plans**. In cases where the company has not yet established such a plan, we will work with the company to set up a transition plan with preferably externally validated targets.

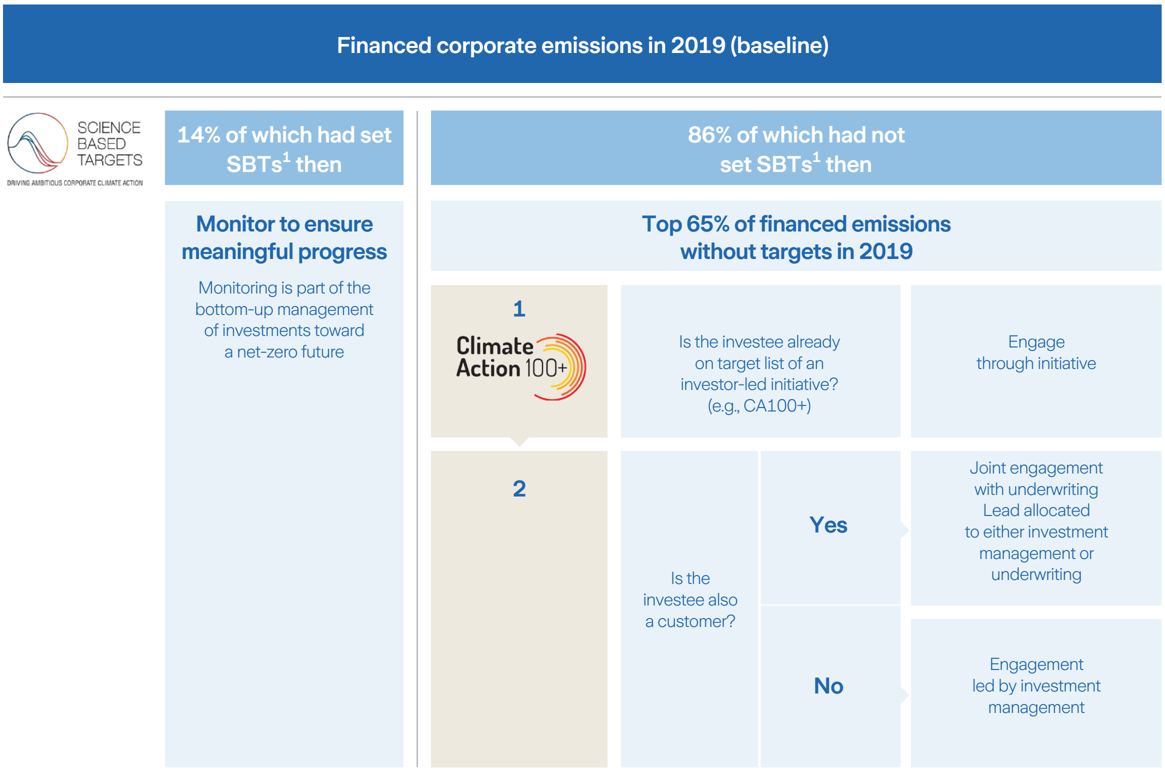
1 Revenues capture gross written premiums and other fee services.
2 For further information, see section 2.2 Managing risks and opportunities or visit our website: www.zurich.com/sustainability/strategy-and-governance/sustainability-risk

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

We see **collaborative engagement** as a key way to amplify our positive impact, especially on climate change issues as we work to decarbonize our portfolio without simply divesting from high-emitting sectors. We are a member of Climate Action 100+.

Figure 19
Our engagement approach



1 Science-based targets.

Case study

Since 2019, underwriting and investment management have worked together to continuously engage with customers and investee companies, so as well in the case of a European utility company.

Since the company had not publicly stated emission reduction targets, we started an engagement to learn more about the company's transition and encourage them to set science-based targets. The company embarked on a journey towards sustainability and decarbonization.

It acknowledged the challenges in scope 3 emissions accounting for utilities and grappled with the complexities of long-standing gas power plants. Despite these challenges, its ambition to set emission targets and invest in green hydrogen showcased its determination to lead in sustainability and renewable energy.

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

Table 4

Engagement progress

	2023	2022
Engagement started	60%	54%
Engagement not started	5%	11%
=Target	65%	65%
Started engagements undertaken…		
Collectively	25%	25%
Bilaterally	34%	29%
…with outcome		
Failed[1]	16%	16%
Ongoing[2]	24%	21%
Succeeded[3]	20%	18%

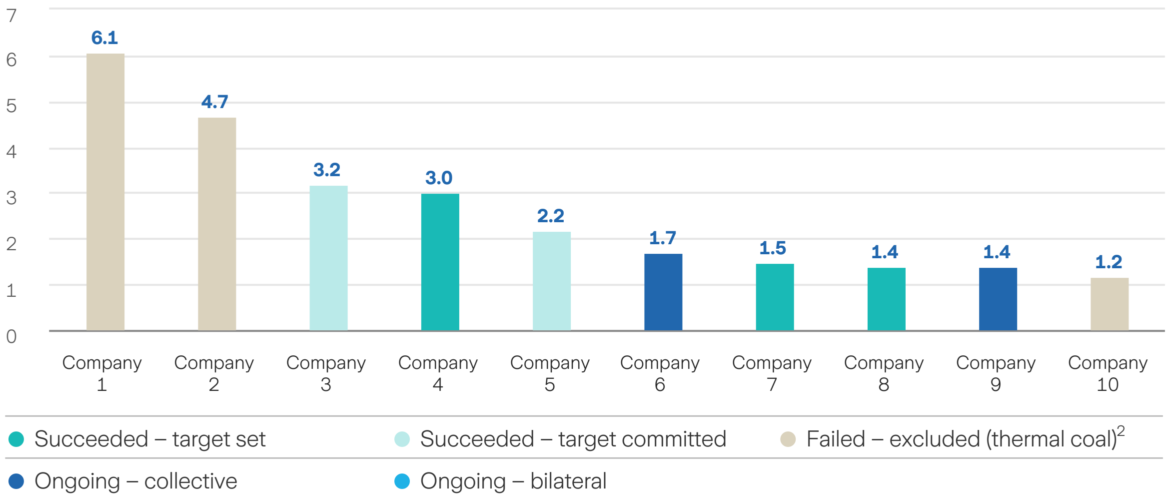
Note: All percent correspond to percent of financed emissions in 2019 (baseline) without net-zero targets, cumulative progress since 31.12.2019.

1 Engagement considered as failed under the thermal coal, oil sands and oil shale policy if it became clear the company would neither move under the 30 percent threshold nor set net-zero targets and was hence excluded; or that a company approached under the net-zero program refuses to set science-based net-zero targets.
2 Engagement considered as ongoing includes when a first contact is established with the company to engage in a meaningful conversation.
3 Engagement considered as succeeded if a company has publicly committed to science-based net-zero targets (under SBTi) or an equivalent scientific verification body, referring to Zurich only as a contributor to the outcome.

Figure 20

Engagement progress for top 10 emitters without science-based targets (SBTs)[1]

Financed emissions %



1 Company grouping according to our proprietary methodology, which considers ownership and operational control structures (corresponding to financed emissions in 2019 (baseline data)).
2 Failed engagement under thermal coal program means the company was added to the restricted list and hence equity exposure was divested and credit exposure put in run-off.

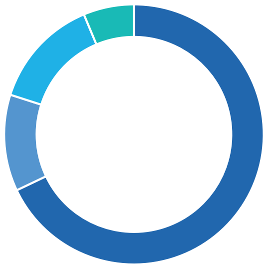
4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

Figure 21

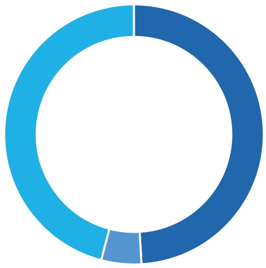
Top 10 emitters without science-based targets (SBTs) by sector and region[1]

Top 10 emitters by sector



Utility	68%
Metal and mining	12%
Government owned, no guarantee	14%
Energy	6%

Top 10 emitters by region



EMEA	49%
Americas	5%
APAC	46%

1 Corresponding to financed emissions in 2019 (baseline data).

Asset manager engagement

While bilateral corporate engagement – the most common form of investor engagement to date – is an important tool for addressing the financial risks of climate change, we aim to complement this approach by other, more systematic forms of engagement like collaborative, value chain, and asset manager engagement.

As an asset owner, one of the most important and impactful engagement opportunities we have is to engage with our asset manager partners to support greater climate action and 1.5°C alignment with low/no overshoot. This applies to asset managers investing on our behalf in both public and private markets. Asset managers consistently represent the long-term interests of their asset owner clients in their climate-related engagements, particularly when those clients have made their own ambitious climate commitments. This is a key aspect of alignment in the asset manager–owner relationship.

To ensure alignment between our investment philosophy and our asset managers, we are strengthening our **asset manager engagement process** to systematically address climate-related stewardship. The aim of our engagement is to:

1 **Increase asset manager ambition and accountability**: We evaluate the strength of asset managers' systematic stewardship efforts related to climate and we integrate that evaluation into our ongoing selection, appointment and monitoring processes. Our annual ESG questionnaire, which includes specific climate-related topics, and review meetings provide input for our **internal scoring system**. Where we identify areas that do not meet our expectations, we **engage** on those particular topics and ask for specific commitments to **implement improvements**. Our aim is to get asset managers to a transparent and consistent reporting.

2 **Encourage asset managers to act systemically on our behalf**: Asset managers often have long-standing and strong relationships with companies in their portfolios and hold more concentrated positions in companies than us. This gives clear weight and influence to any messaging that asset managers deliver to companies on the need to manage systemic risks. Furthermore, through thought leadership, public discourse and policy engagement, asset managers can help encourage the development of the policy frameworks and economic incentives that are needed to catalyze the systemic shifts that would limit warming to 1.5°C.

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

Investment Management

This section presents a progress update on our investment-related targets.

Financed emissions

In 2021, we set interim targets for 2025 following the guidance of the NZAOA for the asset classes of listed equity, corporate bonds and real estate. Since the announcement, we have been working on local objective setting, implementation and data improvements. We have broken down the global portfolio target by local business unit and region. This allows us to capture factors such as local market considerations, sector diversification and past and projected pathways of emissions.

We strongly believe that simply divesting from companies with carbon-intense footprints is less effective than engaging with them to support the shift to sustainable practices. The findings from our engagement efforts, as described above, will help guide us through portfolio construction and rebalancing actions, benchmark changes and, where relevant and as a last resort, divestments. We aim to reach our targets by phasing out exposures to already restricted names under our thermal coal, oil sands and oil shale policy, and active portfolio management. We are taking portfolio construction actions that allow for potential switches to issuers with a lower CO2e footprint and potential divestments for those cases where no valid transition plans are in place and hence where engagement fails.

Table 5

Assets under Management: corporate portfolio[1]

	In scope AuM (USDbn)		
	2023	**2019**	**Difference**
Zurich Corporate portfolio[2]	49.6	58.5	(15)%
By investment asset class			
Listed equity	6.7	10.6	(37)%
Corporate bonds	43.0	47.9	(10)%
By region			
APAC	5.3	4.5	19%
EMEA	32.0	38.2	(16)%
Americas	12.4	15.9	(22)%
By sector			
Utilities	4.0	4.4	(8)%
Government-owned company	1.9	2.7	(28)%
Energy	1.8	2.1	(16)%

1 AuM covers companies listed equities and listed corporate credit.
2 Between 2019 and 2023 the total AuM dropped by 16 percent.

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

Table 6

Absolute and relative emissions of the corporate portfolio[1]

	Absolute financed emission (million metric tons CO2e)[2]			Relative emission intensity (metric tons CO2e/1 million market value)			
	2023	2019 (baseline)	Difference	2023	2019 (baseline)	Difference	Target
Zurich Corporate portfolio	3.8	7.9	(52)%	77	136	(43)%	(25)%
By investment asset class[3]							
Listed equity	0.4	1.0	(60)%	57	90	(37)%	
Corporate bonds[3]	3.4	7.0	(51)%	80	146	(45)%	
By region							
APAC	0.9	1.8	(51)%	164	400	(59)%	
EMEA	2.2	4.5	(52)%	68	118	(42)%	
Americas	0.8	1.7	(53)%	63	105	(40)%	
By sector							
Utilities[3]	1.4	2.7	(46)%	358	616	(42)%	
Government-owned company	0.5	1.4	(64)%	262	529	(50)%	
Energy[3]	0.5	0.7	(20)%	290	305	(5)%	

1 In order to provide a comprehensive overview, details incl. prior year data are shown in the appendix on pages 206 and 209.
2 Financed emissions cover scope 1 and 2 of underlying companies (listed equities and listed corporate credit) attributed with enterprise value methodology and matched based on most recently available emission data.
3 Emission reporting for Zurich-validated green bonds in the Utility and Energy sectors was refined in 2022 to reflect the nature of the financed projects. Please see the green bond validation methodology in our white paper: www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/responsible-investment-at-zurich.pdf

Since 2019, we have **achieved** a **reduction** in the emission intensity of **43 percent**. Zurich's absolute financed emissions declined over the same period by 52 percent. This reduction in financed emissions was mainly driven by i) **changes in portfolio composition** and ii) **structural emission reductions of our investee companies**.

The majority of emission intensity reduction since the baseline year 2019, is driven by changes in the investment portfolios due to active decisions on reinvesting matured bond proceeds or new investments into lower emission intensive companies. We also observe an expected further meaningful drop in emissions from companies in run-off under the thermal coal/oil sands policy due to maturing assets in 2023.

Another large part of the achieved emission intensity reduction is driven by the reduction in emissions reported by the underlying portfolio companies. Our achieved emissions reduction in the energy and utility sectors are mainly driven by emission reduction (scope 1 and 2) by the companies since the 2019 baseline year.

Previous years have demonstrated the need to consider both absolute and relative indicators when measuring the emission performance of portfolios. Relative indicators are sensitive to changes in company valuation, whereas absolute emissions are sensitive to strategic shifts in asset allocation. Capital market price changes have a significant impact on reported financed emissions based on the formula applied, resulting in the sensitivity of reported targets. In the long run, it remains our view that alignment with the NZAOA methodology will provide us with a stable and robust metric describing the trajectory of our emission reduction pathway.

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

Table 7

Corporate portfolio emissions with commitments or in run-off[1]

	% of financed emissions with SBT[1]			% of financed emissions in run-off under coal/oil sands policy
	2023	2019 (baseline)	Difference	2023
Zurich Corporate portfolio	21.8	14.3	53%	4.7
By investment asset class				
Listed equity	22.2	22.6	(2)%	
Corporate bonds	21.8	13.2	66%	
By region				
APAC	6.3	1.2	448%	18.0
EMEA	32.8	22.9	43%	0.5
Americas	8.6	5.3	63%	1.6
By sector				
Utilities	16.8	14.4	17%	11.5
Government-owned company	40.1	5.4	637%	2.3
Energy	0.0	0.0	0%	0.6

1 Committed or set targets under SBTi.

Table 8

Assets under Management: real estate portfolio

	In scope AuM (USDbn)		
	2022[1]	2019 (baseline)	Difference
Zurich global real estate portfolio	10.3	11.7	(12)%
By region[2]			
APAC	0.1	NA	NA
EMEA	8.3	10.0	(17)%
Americas	1.8	1.7	9%

1 Real estate emissions are only available with a four-quarter lag. Emissions in 2023 will be reported in the 2024 report. Includes investment portfolio buildings only, as own-use buildings are part of our operational emissions target.
2 Direct real estate holdings form the base for the emission reduction targets.

Table 9

Absolute and relative emissions of the real estate portfolio

	Absolute emissions[1,2] (metric tons CO2e)			Relative emissions intensity[3] (kg CO2e/sqm)			
	2022	2019 (baseline)	Difference	2022	2019 (baseline)	Difference	Target
Zurich global real estate portfolio[4]	37,110	53,181	(30)%	16.2	21.6	(25)%	(30)%
By region[5]							
APAC	555	NA		56.0	NA	NA	
EMEA	27,183	41,153	(34)%	17.9	22.9	(22)%	
Americas	9,372	12,028	(22)%	12.4	18.0	(31)%	

1 The CO2e emissions are calculated according to the location-based method. In cases where the data is available or properties use onsite/offsite renewable energies, the market-based methodology is applied.
2 The emission factors are retrieved from the International Energy Agency (IEA, 2020) with the exception of Switzerland for local calculation references (Intep, REIDA 2022 and local authorities) which are aligned with IEA.
3 The relative emissions intensity is calculated based on gross floor area (GFA) of the buildings.
4 Real estate emissions are only available with a four-quarter lag. Emissions in 2023 will be reported in the 2024 report. Includes investment portfolio buildings only, as own-use buildings are part of our operational emissions target.
5 Direct real estate holdings form the base for the emission reduction targets.

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

For our direct real estate portfolio, we are aiming to reduce our relative emission intensity by 30 percent by 2025, from a 2019 baseline. Our target includes scope 1 and 2 emissions, the so called 'operational emissions.[1] Carbon emissions intensity has shown a reduction by 6 percent year-on-year and by 25 percent when compared to the baseline year of 2019. Most countries have been actively working towards reducing their emissions, and in 2022, Americas have stood out with year-on-year reductions by 19 percent. These reductions are driven by the **implementation of an AI program** at two of our office properties. This innovative program utilizes AI technology to optimize the operations of building systems, resulting in a **significant reduction in energy consumption**. Both buildings witnessed almost a 40 percent overall reduction. The portfolio also benefited from LED retrofit programs and mechanical upgrades at various properties. The completeness of our emission data – measured by the coverage ratio[2] – increased from 65 percent for 2021 to 82 percent for 2022.

Figure 22

Emission reduction target-setting methodology and scope

Absolute emissions[1]	Relative emissions (intensity)	Key
$\sum_{i=1}^{n}\left(\frac{C_i}{EV_i}\times I_i\right)$	$\frac{\sum_{i=1}^{n}\left(\frac{C_i}{EV_i}\times I_i\right)}{\sum_{i=1}^{n} I_i}$	I: Current value of investment on issuer i EV: Enterprise value of issuer i C: Carbon emissions* of issuer i * Carbon emissions = scope 1 and scope 2 emissions

In 2021, we announced our initial set of interim targets (2025). The targets cover the following:

- Listed equity, listed corporate debt and direct real estate.
- Thirty-six percent of our assets under management in the baseline year of 2019.

We chose to calculate corporate-financed emissions and the resulting relative emissions intensity using the protocol's preferred approach, which is based on enterprise value, not revenue.

While a revenue-based carbon intensity measure is a good way to compare companies based on their size and underlying technology, in line with the NZAOA methodology, we believe the enterprise value approach is a better way to convert a corporation's operational emissions (scope 1+2) into the "financed emissions." This can be attributed to company's underlying equity and/or debt investors, who are ready to take additional responsibility for the emissions. To calculate corporate financed emissions, we use the following methodology:

- Scope 1+2 emissions in line with the GHG protocol are provided by S&P Trucost.
- Enterprise value is defined as the sum of market capitalization of common stock at fiscal year end, the market capitalization of preferred equity at fiscal year end, and the book values of debt and minorities' interests minus the cash and cash equivalents held by the enterprise. When enterprise value is not available (for example for financial companies) it is substituted with market capitalization. Enterprise value data is provided by S&P Trucost.

Market value is defined as the market value of listed equities and listed corporate debt at fiscal year end. While all financial data (enterprise value and market value) is calculated as of December 31 of the reporting year, we use the latest available corporate emission data available as of January each year, when portfolio level financed emissions are calculated on an annual basis. This means that emissions data is systematically lagging. For example, financed emissions for 2023 will be largely based on full-year 2022 emissions data, as full-year 2023 emissions data will only be made available by investees in H1 2025, and tends to flow to data providers via CDP submissions in the fourth quarter of a given year.

1 In line with PCAF Global GHG Standard, see: carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf

Green certified buildings

To increase transparency and improve the quality of our real estate portfolio, we are aiming to increase the share of green certified buildings in our global real estate portfolio to 30 percent by 2025.

1 Scope 1 emissions, also known as direct emissions, are defined as emissions from sources that exist "on site" of an asset. These include primarily emissions from onsite heating systems. A common example of scope 1 emissions for real estate is natural gas and oil burned onsite. Scope 2 emissions are defined as emissions that are related to purchased electricity, heat, steam or cooling. This energy is consumed by the assets but generated offsite.
2 The coverage ratio is the gross floor area (GFA) in square meters (m2) of completed properties for which data is collected as a percentage of the total GFA area in m2 of all completed properties in the portfolio.

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

Table 10
% green certified buildings in total real estate[1]

	% green certified buildings					Target
	2023	2022	2021	2020	2019	2025
Zurich Global Real Estate Portfolio	23%	22%	19%	22%	25%	30%
APAC	0%	0%	0%	0%	0%	
EMEA	21%	23%	20%	23%	28%	
Americas	34%	17%	19%	18%	17%	

1 Market-value weighted and based on balance sheet investments, incl. buildings used by Zurich.

The investments in green certified buildings has increased slightly to 23 percent in 2023, compared to 22 percent in 2022.[1] This increase is driven by a higher share of green certified buildings in the US.

TCFD E

Climate solutions

Climate solutions are investments in economic activities that contribute substantially to climate change mitigation (including enabling activities) or adaptation. These are solutions that reduce greenhouse gases by avoiding emissions and/or by sequestering carbon dioxide already in the atmosphere. Further examples of solutions include investments in climate change adaptation that contribute to enhancing adaptive capacity, strengthen resilience and reduce vulnerability to climate change.

Our targets for financing climate solutions enhance our existing long-term engagement to provide green financing solutions under our impact investing strategy and also count investments in green certified buildings. For further information on our impact investment approach, please see pages 176 to 177.

Table 11
Climate solutions

	2023	2022	2021	2020	2019 (baseline)	Difference (to baseline)	Target
Climate solution investments (USDm)	9,272	8,192	8,203	8,054	7,408	25.2%	upward trend
of which green impact investments[1]	5,792	4,640	5,115	4,424	3,662	58.2%	
of which green certified buildings[2, 3]	3,480	3,552 [5]	3,088	3,631	3,747	(7)%	
Million metric tons CO2e avoided through climate-related impact investments[4]	4.5	3.2	4.6	2.9	2.8	58.9%	5

1 Values refer to the environmental share of our impact investments displayed in Table 13: Impact investing portfolio on page 177.
2 Green certified buildings based on balance sheet investments, incl. buildings used by Zurich.
3 Values refer to the share of green certified buildings of our global real estate portfolio displayed in Table 10: % green certified buildings in total real estate on page 174.
4 Impact numbers for 2021 and following include methodology upgrade, as explained in our impact measurement methodology paper: www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/zurich-impact-measurement-framework.pdf
5 The reevaluation in Austria also affected the 2022 year and the value has dropped from USD 4,035m to USD 3,552m.

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Other Responsible Investment KPIs

At Zurich, we aim to create value for both our company and for society as a whole. As part of this approach, we expect and monitor our asset managers that they integrate ESG factors i.e. to fully reflect the risks and opportunities associated with ESG factors when choosing assets for our portfolios. We have implemented a global set of policies and investment processes across our entities to ensure a consistent approach to the integration of ESG topics. Through ESG integration we price and manage financially material sustainability risks and opportunities. Investments may also enable economic activities that can have positive impacts on our environment and society. We use various third-party data providers that provide information on the most material ESG risks and opportunities, as well as adverse impacts and ongoing controversies per company in the context of the sector they operate in. We have integrated ESG information, including climate data, into our systems and have information about the environmental, social and governance performance of our portfolios.

1 Due to a reevaluation of Austrian assets from green building certification to energy performance certifications the share in 2022 is 22 percent, 3 percent lower than stated in last year's report.

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

In addition, our in-house portfolio managers and analysts have direct access to ESG research and analysis sourced from specialized providers and are trained to assess these risks and opportunities.

The following section shows the progress we have made with our responsible investment strategy in 2023 and in the past. Our responsible investment strategy is aimed at successfully managing Zurich's proprietary investment assets, while mitigating costs to the environment and delivering benefits to society. Our strategy is based on three pillars:

- **ESG integration:** integrate ESG factors into the investment process – across asset classes and alongside traditional financial metrics while generating superior risk-adjusted, long-term financial returns.
- **Impact investing**: build an impact investing portfolio that makes a positive contribution to the environment and society, to improve the lives of 5 million people and to help avoid the emission of 5 million metric tons of CO2e per year.
- **Advancing together**: make responsible investment mainstream through interaction with other industry participants and engaging with policy makers to build markets in which ESG risk is priced efficiently and decarbonization is incentivized.

Table 12
Investment portfolio managed by responsible investors

	2023	2022	Change (2023 to 2022)	2021	2020	2019
Assets managed by responsible investors[1]	99.8%	99.6%	0.3 pts	99.6%	99.6%	98.2%
Total amount of impact investments (USD millions)	7,882	6,328	24.6%	7,037	5,770	4,555
% of Investment portfolio	4.6%	3.8%	0.8 pts	3.3%	2.5%	2.2%
Investment portfolio (USD millions)[2]	171,200	168,478	(2)%	211,334	226,389	204,803

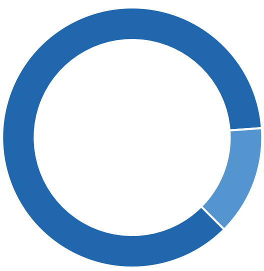
1 A United Nations supported PRI signatory or asset manager that fulfills our minimum requirements for ESG integration. Please see our responsible investment white paper: www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/responsible-investment-at-zurich.pdf
2 Investment portfolio is calculated on a market basis, and is different from the total Group investments reported in the consolidated financial statements, which is calculated on an accounting basis and doesn't include cash and cash equivalents.

Proxy voting

As part of our active ownership strategy, we require all our managers for listed equities to exercise their voting rights on directly held equities. For our in-house asset management, we seek that outcomes of engagements are linked to the proxy voting process to form a consistent active-ownership approach. This means that where engagement as part of our net-zero program fails and companies refuse to set targets after due dialogue, we will vote against board members at shareholder meetings.

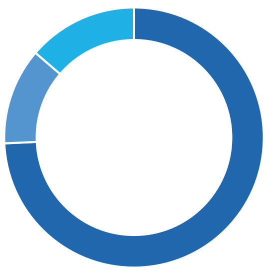
Figure 23
Proxy voting

Our voting activities



Votes cast	86%
No votes cast	14%

Our voting behavior



Voted with management	74%
Voted against management	12%
No votes cast	14%

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

In 2023, we voted 86 percent of our in-scope equity. Approximately 80 percent of our equity investments are in scope for proxy voting.[1] The share of voted equity remains stable over the past years, reflecting the successful full rollout of proxy voting to Zurich's externally managed equity portfolios. We measure the votes we cast based on assets under management. Reasons for votes not cast are a combination of portfolio turnover, cost/benefit considerations and voting restrictions (such as demands to vote in person, share blocking or requirements that increase the cost of voting).

Case study

During AGM Season 2023, we analyzed and voted on more than 50 climate-related proposals submitted to shareholder votes, endorsing proposals driving sustainable practices and reducing carbon emissions.

For instance, we used our proxy voting rights during the Annual General Meeting of a major fossil fuel production company to extend our support to a shareholder proposal demanding the establishment of Scope 3 targets. This proposal stressed the critical necessity for the energy company to implement a medium-term emission reduction target specifically addressing greenhouse gas emissions stemming from the utilization of its energy products.

The decision to lend our support to this proposal was motivated by the notable absence of progress exhibited by the energy company in the realm of climate mitigation, particularly when compared to its peers in the industry. We firmly maintain that companies involved in fossil fuels should have a credible and ambitious transition strategy and should commence this transition without delay to realign their actions with global climate objectives in accordance with the Paris Climate Agreement.

Impact investing

Impact investments are investment opportunities that allow us to intentionally target a specific and measurable social or environmental impact. Zurich has set a target to help avoid 5 million metric tons of CO2e emissions per year, and, separately, make a positive contribution to the lives and livelihoods of 5 million people through its impact investing portfolio. We also committed to investing 5 percent of our proprietary investment portfolio to impact investments by end 2025, which will help grow our allocation to climate solutions and investments benefiting society.

We are proud that our impact investment approach won two awards in 2023, recognizing our thought leadership as institutional investor in this area.

In 2023, our **impact investing portfolio of USD 7.9 billion** helped **avoid a total of 4.5 million metric tons of CO2e emissions** and **benefited 4.6 million people**.[2] As in the previous year, we see the majority of 'avoided emission' coming from our green, social and sustainability bond portfolio, while private equity is also a large contributor to 'people benefited'.

After engaging in impact reporting for several consecutive years, we have witnessed positive changes in the landscape, including a notable increase in standardization and clarity. The dedication to precision in both reported and actual impact measures reflects heightened efforts by impact managers, particularly in measuring the real impact post-project development. Additionally, we have noticed a growing trend where impact managers exercise conservatism in defining the scope of reported projects.

Furthermore, our own impact portfolio has undergone transformations due to bond maturities and exits in portfolio companies. These shifts have contributed to the fluctuation in impact numbers on a portfolio level from year to year. Despite this volatility, we view these developments as positive news for the industry, recognizing that enhanced measurement practices lead to more effective impact management.

1 Please see proxy voting policy for further details: www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/zurich-proxy-voting-policy-and-guidelines.pdf
2 Please see www.zurich.com/sustainability/customers/investing-responsibly/impact-investment for more details on impact investing approach. Impact numbers for 2021 and following include methodology upgrade, as explained in our impact measurement methodology paper: www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/zurich-impact-measurement-framework.pdf

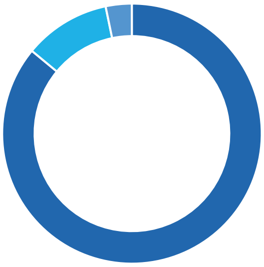
4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

Figure 24

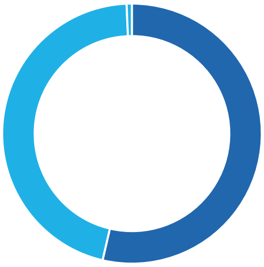
Impact metrics

4.5 million metric tons CO2e emissions avoided



Green, Social and Sustainability bonds	86.0%
Impact private equity	10.8%
Impact infrastructure private debt	3.2%

4.6 million people benefited by positive contribution to their lives and livelihoods



Green, Social and Sustainability bonds	53.7%
Impact private equity	45.7%
Impact infrastructure private debt	0.7%

Table 13

Impact investing portfolio

	2023	2022	Change (2023 to 2022)	2021	2020	2019
Total amount of impact investments (USD millions)	7,882	6,328	25%	7,037	5,770	4,555
Total amount of impact investments - environmental share	73%	73%	NA	73%	77%	80%
Total amount of impact investments - social share	27%	27%	NA	27%	23%	20%
Green, Social & Sustainability bonds (USD millions)	6,857	5,247	31%	5,846	4,677	3,645
Impact private equity (USD millions)	216	213	1%	211	189	163
Impact infrastructure private debt (USD millions)	808	867	(7)%	980	904	747

Case study

Private equity as an asset class is particularly suited to impact investing: the companies receiving capital from private equity investors usually tend to be small and agile, and more easily evaluated against impact objectives. An illustrative example is Zurich's investment in a private equity fund that holds equities in NG Group (NG) since 2017.

NG is an enterprise contributing to sustainable development by repurposing waste from household and industries. Its services extend from waste sorting to mass recycling, including separating contaminated and dangerous waste in order to provide appropriate treatment. Such services are essential to ensure that potentially heavy polluting waste is safely processed and is not discarded in a harmful way to people or the environment. At the other end of its processing line, NG also acts as a market for recovered resources including plastic and other materials linked to the extraction of natural resources. This service is core to its mission of abolishing waste and is a major step towards the circular economy. Zurich's investments helped to avoid approximately 12,000 metric tons CO2e through NG Group recycling activities, such as sending waste to material recycling compared to extracting virgin materials.

We employ private equity investments to foster a positive impact in supporting NG's mission to advance the circular economy. Zurich's investment in NG is aimed at facilitating innovative business models that enable the repurposing, reutilization and repair of materials already in circulation for a transition to the low carbon economy.

Advancing together

Responsible investment will only have an impact if this approach becomes mainstream. Supporting collaborative initiatives and joining member-led organizations to advance responsible investment practices forms an integral part of our approach.

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

We have signed the UN-backed PRI as well as the Principles for Sustainable Insurance (PSI) and collaborate with several industry initiatives and research bodies. For instance, we are a founding member of the UN-convened Net-Zero Asset Owner Alliance (NZAOA), co-chairing it's Policy and Transition Finance work tracks, demonstrating leadership in addressing climate change by committing to ambitious targets but also benefiting from having access to resources, tools, and expertise provided by the UN and other partners. We are also founding member of the Investment Leaders Group, facilitated by the Cambridge Institute for Sustainability Leadership, working on developing and promoting best practices for responsible investing. We are Executive Committee members of the Green and Social Bond Principles and represent asset owners on the Advisory Board of the Operating Principles for Impact Management.

Own Operations

Our operational sustainability framework applies to daily operational processes such as the provision of workplaces, information technology, travel and transport, and the procurement of goods and services. The framework follows four core principles:

Transparency:

We report on the carbon dioxide equivalents (CO2e) of the following sources of emissions to track progress towards our science-based targets for reducing emissions, in line with efforts to cap global temperature rise at 1.5°C:[1]

- Scope 1 emissions from fleet and onsite heating in our workplaces.
- Scope 2 emissions from purchased electricity, heat and steam in our workplaces.
- Scope 3 emissions from air, rental and rail business travel, employee commuting, strategic data centers, printed paper and waste, as well as indirect energy impact.

Accountability:

We set clear targets to demonstrate accountability for our operational footprint.[2] See our operational emissions reduction targets and our performance in the table below.

We have been carbon neutral since 2014 through the use of high quality offsets, which we apply only after prioritizing emissions reductions. In 2021 we launched our path to net-zero operations with our first carbon removal purchases.[3]

Zurich also has set an internal price on carbon. In 2023 the price was USD 50 per metric ton. The price is applied to actual emissions to determine the value of our carbon fund which supports our carbon neutrality and net-zero carbon commitments, and other innovative solutions to drive down emissions from operations, as well as those from other sources related to our business. The fund is governed by the SLC.

Collaboration:

We can only be successful if we address sustainability risks and opportunities together. In addition to cross-functional collaboration, which is required internally to deliver our operational sustainability agenda, we focus on: employee engagement including raising awareness of the importance of making responsible and sustainable choices, engagement with our supply chain, and other external stakeholders such as universities, and NGOs to share knowledge, promote research and improve our own understanding of evolving operational sustainability risks and opportunities.

Continuous improvement:

Zurich's operational sustainability is based on a model of continuous improvement of processes: we focus on increasing the quality of our engagement, data transparency, and data coverage.

1 Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third party vendors are out of scope.
2 See 3. Governance: embedded in our governance framework on pages 135 to 136.
3 For further details about our approach to net-zero in our operations, visit our website: www.zurich.com/sustainability/planet/net-zero-in-operations

4. Our planet: Drive positive impact (continued)

4.4.2 Our performance metrics (continued)

Please see the table below for progress on Group targets for our own operations against a 2019 baseline.[1]

GRI TCFD E

Sustainable operations

Table 14

Absolute carbon emissions coming from our own operations[1]

		2023	2023 Progress against baseline	2022[2]	2022 Progress against baseline	2019 (baseline)	Target reduction 2025	Target reduction 2029
Absolute carbon emissions	Total	60,701	(66)%	55,118	(70)%	180,805	60%	70%
Absolute reduction in all operational emissions	Final	35,701		55,118				
	Initial estimate[3]	25,000						
Scope 1 + 2 emissions	Total	20,524	(57)%	21,227	(56)%	48,290	62%	80%
Reduction in emissions from the fleet and onsite heating as well as from purchased electricity, heat and steam (e.g., district heating)	Final	15,524		21,227				
	Initial estimate[3]	5,000						
Scope 3 emissions	Total	40,177	(70)%	33,892	(74)%	132,515	60%	67%
Reduction in operational emissions resulting from air,[4] rental and rail business travel, employee commuting, strategic data centers, printed paper and waste, as well as indirect energy impact	Final	20,177		33,892				
	Initial estimate[3]	20,000						

1 Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third party vendors are out of scope. We plan to include the aforementioned subsidiaries in the reporting for the financial year 2024. Data in the table shown as metric tons of CO2e.
2 www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/Zurich-environmental-performance-data-2022.xlsx
3 Emissions related to facilities data (electricity, heating and waste) and employee commuting are impacted by a time lag and are therefore estimated. Final data will be published in Q2 2024 on our website.
4 DEFRA emissions factors for air travel have not been updated to reflect the 2023 revision considering DEFRAs application of 2021 load factors in their most recent calculations. This would have inflated air emissions by an estimated 20% and would not reflect an accurate view of Zurich's travel activity.

In 2023, we announced the inclusion of an operational emissions target within the LTIP for the Group's senior positions, including the ExCo. The 2023 data still includes an estimation for employee commuting emissions (which are part of the LTIP scope) and facilities data. Further information can be found in the remuneration report on pages 88 and 110.

We have included estimated emissions for the purpose of presenting a total operational footprint for 2023,[2] comparable to previous years' performance.[3]

As anticipated, we continued to transition to the post pandemic world, hence emissions increased compared to 2022. This was mostly driven by increases to commuting emissions as workers spent more time in the office, and increases in business travel occurred. While we maintain our ambition to keep air emissions 70 percent below 2019 levels in the long run, prioritizing the needs of our customers and partners has resulted in a reduction in air travel emissions of 66 percent. We are watching developments in the sustainable aviation fuel (SAF) market to understand if, in the future, we can supplement minor shortfalls to our ambition with SAF purchases. We continue to make progress towards emissions reductions in our car fleet as we work towards our goal to fully electrify our car fleet by 2029, per our EV100 commitment.[4]

1 Zurich's environmental reporting methodology follows the GRI Standard, which is based on the requirements of the Greenhouse Gas Protocol Corporate Accounting Standards. For more details on methodology visit our website: www.zurich.com/sustainability/planet/net-zero-in-operations
2 Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third party vendors are out of scope.
3 Final figures will be presented upon conclusion of the reasonable assurance audit in Q2 2024.
4 EV100 is a global leadership initiative bringing together influential businesses committed to accelerating the transition to electric vehicles.

5. Our customers: Their needs are at the heart of everything we do

Our customers

Building a brighter future together with our customers.

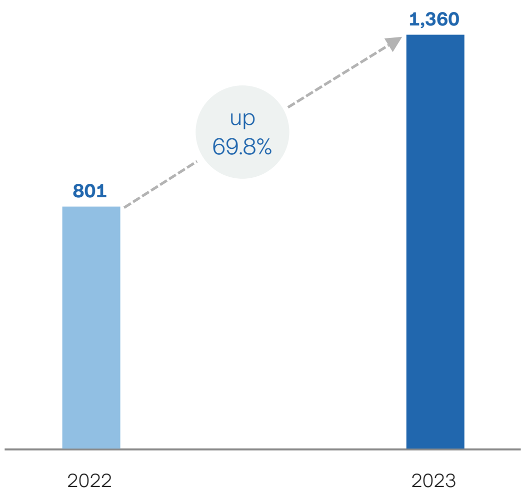
Our customers are at the heart of everything we do. During our last financial cycle, we defined our new purpose – Create a brighter future together – alongside a new brand framework, defining our values and behaviors as well as our promise to our customers: Your needs at the heart of everything we do. We also defined the experience that we want our customers to have. In 2022, we launched our new customer experience vision: 'Build a meaningful relationship', which aims to transform our transactional sales process and provide a more personalized approach.

In 2023, we have made visible progress on all our strategic priorities by delivering on our Brand Strategy and our Customer Experience Strategy, enhancing customer capabilities with our employees through structured training programs delivered group-wide, and delivering value to our customers from the optimal and responsible use of customer data, insights and analytics. Today, we are more capable than ever to understand our customers' needs and expectations to create relevant, innovative products and frictionless customer experiences.

> At Zurich, we don't insure against. We ensure for. We understand that our customers' needs are as unique as they are. That's why we offer personalized solutions to help them prevent and manage risk, achieve their goals, no matter how big or small, and thrive.

Conny Kalcher
Group Chief Customer Officer

Revenues[1] from sustainable solutions in 2023
USDm



1 Due to the adoption of IFRS 17 'Insurance Contracts' in 2023, the measurement of revenues from sustainable solutions in our Life business was remeasured and aligned to net flows.

High and stable retention[2]

Providing innovative solutions for our customers

- **Wellbeing - LiveWell**
- **Equity fund - Investments**
- **Digital solutions - Global ventures**

2 Customer retention rate for Retail & CLP business, Premium retention rate for CI business.

5. Our customers: Their needs are at the heart of everything we do (continued)

5.1 Customer experience and customer-centric solutions

To provide our customers with the experience that we want them to have, we defined the Zurich Customer Experience Standards (Zurich CX Standards), for Retail (2021) and Commercial Insurance (2022) that our entire organization can strive towards. These standards aim to go above and beyond local laws and regulations to address our customers' evolving needs. They cover a range of touchpoints throughout the customer journey and are set at three different levels of ambition to 'meet customer expectations' beyond regulatory requirements, to 'exceed their expectations', and ultimately to 'make us unique in their eyes'.

These standards inform initiatives at both Group and local level, including the development of sustainable options or alternatives throughout our retail products and services, as well as foster behaviors that consider customers' physical, mental, financial and social wellbeing at all times. We periodically assess each business unit to evaluate our progress against these standards, set targets for improvement and define actions to be taken – obtaining a global view on how our customers experience our brand to date.

Initiatives that help improve performance to meet Zurich's CX Standards are centrally recorded, tracked and mapped against customer KPIs, notably through transactional Net Promoter Score (tNPS)[1] and verbatim, and relational Net Promoter Score (rNPS). Our commitment to providing exceptional customer experiences has led to significant improvements in speed, responsiveness, and empathy across multiple geographies and customer journeys, reflected in a global tNPS increase of 13 points since 2019.

As an example of how Zurich CX Standards are applied, in 2023, we launched **Zurich One:** a customer portal and app designed to meet multiple Zurich CX standards, including, for example, digitalizing all customer documents and giving customers the ability to know the status of a process (e.g. a claim) at any given time. The first version of the portal was launched in Italy in the third quarter of 2023.

In 2023, we also expanded to a total of 5 countries and accelerated the implementation of our Customer Centricity Program, successfully introduced in 2022, which aims to meet our promise to our customers by shifting our relationships from transactional to deeper and more meaningful ones that increase loyalty. It is a **customer-focused distribution and sales approach** based on extensive customer data analytics and improved understanding of customer needs, supported by our centralized Customer Intelligence Platform, where we report and analyze customer data. The program helps inform the development of better and more targeted propositions and campaigns.

We acknowledge that customers can be exposed to different triggers at different stages of the customer journey which can hinder our ability to deliver on our customer promise. By understanding and anticipating their needs and delivering relevant, personalized propositions and seamless experiences, we contribute to mitigating the risk of designing products, services and experiences that do not meet the needs of our customers.

1 tNPS provides us with feedback on our performance in the eyes of our customers and delivers insight on how specific interactions affect their experience.

5. Our customers: Their needs are at the heart of everything we do (continued)

5.1.1 Revenues from sustainable solutions

Measuring our sustainable solutions through our internal definition

In 2021, we established our own definition of sustainable solutions and measured their associated revenues for the first time. A solution must undergo a thorough assessment and meet our **stringent criteria** to be included and reported as sustainable revenue. Any new solutions brought forward by the countries are approved on a quarterly basis by our dedicated advisory group.

Table 15

Internal definition of revenues from sustainable solutions

The term sustainable solution refers to insurance products, add-on coverages, investment products and advisory services that are designed or adapted to support activities that generate a positive environmental or social impact and contribute to the mitigation of climate risks.

The table below provides detailed examples of revenues from sustainable solutions across three categories (environmental, social and investment).

Revenues from sustainable environmental solutions	Solutions related to technologies and/or activities that have an impact on reducing greenhouse gases, preserve or enhance biodiversity as well as enable the responsible use of natural resources. These solutions aim to mitigate and support resilience against the adverse impact of environmental-related risks on our customers.	Examples include: – Insurance coverage for electric vehicles. – Insurance coverage for carbon mitigation solutions. – Risk prevention services that contribute to more customer awareness and resilience to the adverse impacts of climate change e.g., flood resilience.
Revenues from sustainable social solutions	Solutions that enhance the social or financial inclusion of socially disadvantaged people, or are designed to incentivize healthy lifestyles and safe behavior.	Examples include: – Life protection for customers with existing chronic diseases such as diabetes or cancer. – Life protection policies sold in a bundle with LiveWell. – Micro-insurance for low-income customers, e.g., insurance for smallholder farmers.
Revenues from sustainable investment solutions	Investment products with a focus on sustainability both specific, and not-specific, to environmental and social aspects.	Examples include: – Unit-linked products investing in funds focused on sustainable environmental and social factors, e.g., ESG funds.

Several products incentivize health, safety, and/or environmentally responsible actions/behaviors for our customers. Here are some examples:

As part of our workers' compensation proposition in Australia, we assess **all** physical injury claimants for mental health risk factors. If the assessment shows the possibility of poor mental health, we **proactively** link our customers with support services to help them cope and address any potential mental health issues. This aims to provide assistance to customers who may not have recognized or sought mental health support before.

In North America, Zurich Resilience Solutions (ZRS) helps customers to have the programs and training they need, to effectively spot potential human trafficking exposures. We also acknowledge that human trafficking is not limited to sex trafficking and provide guidance on how to spot potential exposures in their supply chains.

ZRS in the UK offers a service that reviews new build designs and considers property-related issues. These include overall:

– construction type and system
– fire performance from a property protection perspective
– flood resilience and resistance measures
– potential security exposures and protections and other perils such as escape of water vulnerabilities and suitable prevention measures

5. Our customers: Their needs are at the heart of everything we do (continued)

5.1.1 Revenues from sustainable solutions (continued)

In Switzerland, damage coverage linked to the Sharely platform, encourages people to lend their items by renting them out, for example, garden tools such as lawnmowers, hedge trimmers, or carpet cleaning products for your home, as well as e-bikes. Encouraging this behavior reduces the need to buy new which saves resources and reduces additional carbon generation.

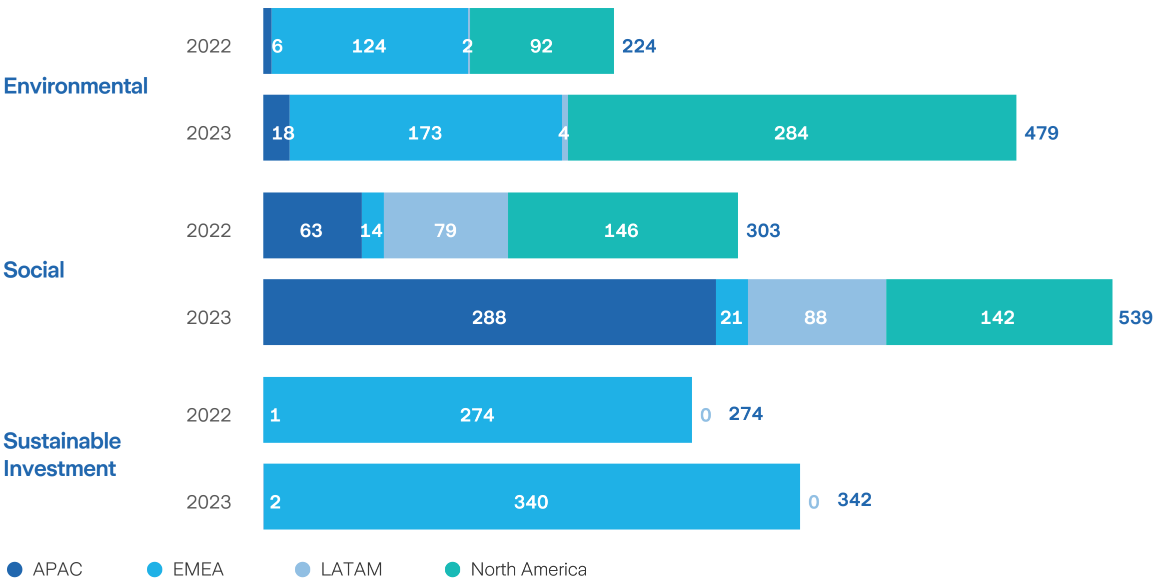
Sustainable solutions meeting our internal criteria generated USD 1.4 billion (1.7 percent of our total gross written premiums, fees and net flows) in revenues during 2023 (USD 801 million in 2022). We continue to **strive** to create new solutions that help our customers on their journey to becoming more sustainable.

Since 2022 we have increased our approved solutions across our environmental, social and sustainable investment categories from 247 to 335 in 2023, mainly driven by our environmental category with 78.

Figure 25

Revenues from sustainable solutions split by region & sustainable category

In USD millions



EMEA contributes USD 533.9 million (39.3 percent), an increase of USD 122.3 million. This is mainly driven by increased revenues generated from our existing approved sustainable investments solutions category, at USD 129.9 million from unit-linked manged accounts and individual funds, coupled with the contribution from the environmental category (USD 20.9 million mainly through electric vehicle (EV)) solutions from Germany. Switzerland also contributes with an increase in revenues from existing approved EV solutions of USD 20.0 million. This is offset by a reduction in revenues from existing approved solutions in Italy of USD 68.1 million (ESG unit-linked).

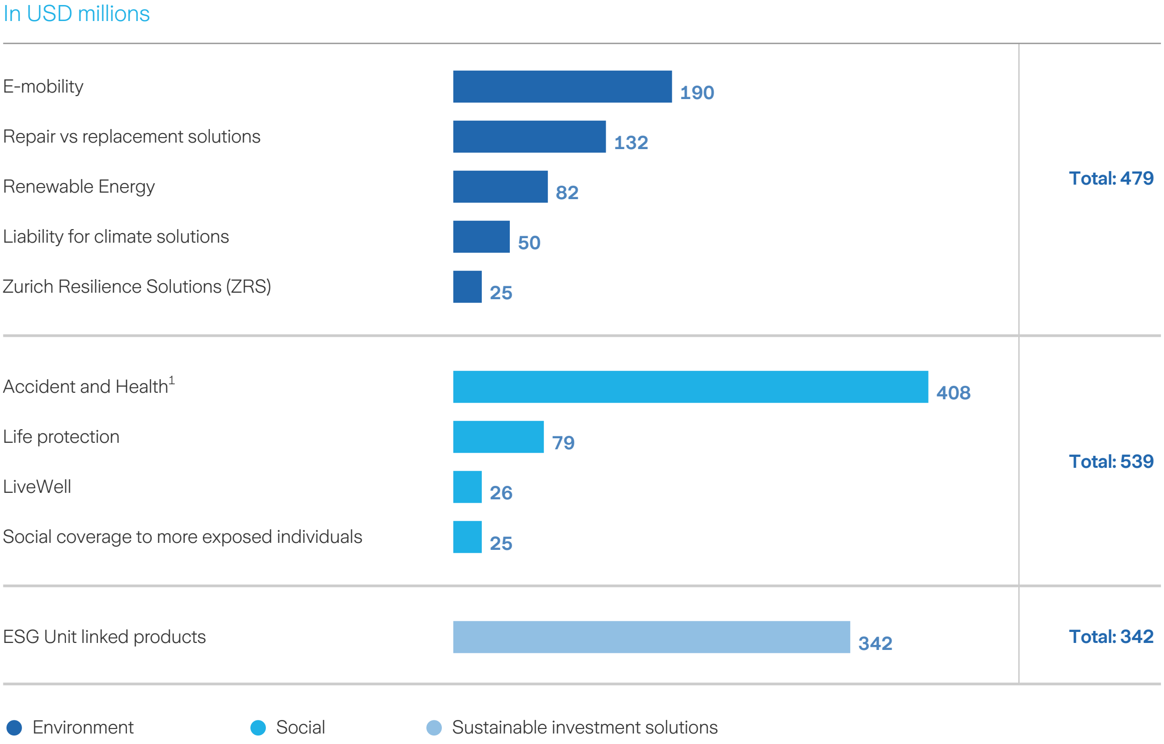
North America contributes USD 426.4 million (31.4 percent) an increase of USD 189.0 million. The increase from North America is mainly driven by a newly approved environmental solution in 2023 for portable electronics (USD 131.7 million), an appliance warranty product that is a service contract, where repair has priority over replacement. In almost all cases the devices are repaired. We have also seen an increase in the revenue generated from existing, approved renewable energy solutions (USD 24.0 million) and EV solutions (USD 15.2 million).

APAC region has seen a large increase of USD 237.4 million from our social solutions and is driven by two newly approved solutions in 2023, coming from Japan in personal accident coverage, both for the elderly (USD 196.2 million and low income individuals (USD 70.0 million), with a combined revenue of USD 266.2 million. This has been slightly offset by the sale of some of our business.

5. Our customers: Their needs are at the heart of everything we do (continued)

5.1.1 Revenues from sustainable solutions (continued)

Figure 26
Revenues from sustainable solutions by product category



1 Includes social solutions from ZRS.

Our environment solutions totaling USD 478.6 million consist of e-mobility, (USD 189.6 million), providing cover for EVs plus theft of charging cables, damages to home infrastructure (home charging) and liability for charging stations, battery cover and protection against loss/theft of the charging card. Repair vs replace solutions contribute USD 131.7 million, and renewable energy solutions (USD 81.9 million) provide liability cover for large scale production of renewable energy, i.e. hydro-electric, wind, geothermal and solar, as well as the installation of small photovoltaic systems mounted on balconies to support the power generation on property.

Social solutions, our biggest contributor with at total of USD 538.9 million, are providing affordable accident and health cover to more exposed individuals i.e., they find it difficult to obtain insurance owing to the nature of their work (gig and truckers) and households with low income (those earning less than the national average in some countries) standing at USD 408.4 million. Our approved Life protection solutions are following the same approach as the accident and health category by providing cover to those who could not ordinarily afford it and contribute USD 79 .0 million.

Sustainable investments solutions coming from our ESG unit-linked products are contributing USD 342.2 million to our total sustainable revenues for 2023. These solutions are mainly coming from EMEA region with Germany's savings and pension plan providing for USD 285.3 million, Italy's ESG unit linked pension products contributing USD 38.7 million and Switzerland providing USD 15.0 million from its Green bonds and Zurich Carbon Neutral World Equity Fund.[1]

1 See section 5.1.2 Innovating for our customers - Unit linked business on page 186 for further information.

5. Our customers: Their needs are at the heart of everything we do (continued)

5.1.1 Revenues from sustainable solutions (continued)

Case study

Repair vs replace solutions

In our North America commercial business there are two new solutions for warranties, one an appliance warranty product that is a service contract, where repairing the product has priority over replacement. In the case of damage almost all the time, devices are repaired, thus reducing the electronic waste going to landfill sites. In case of inability to repair, a new device of like kind is used as a replacement.

A second solution specifically focuses on home appliances. Home warranty uses the most resource-efficient (e.g., energy star rating) appliances to replace broken ones. When a replacement is necessary, within the cover there is a directive to source the most energy efficient models or party, therefore encouraging customers to change their behavior.

Innovative home solution

In 2023, Hong Kong developed a new home solution in its retail market. The home insurance plan takes a holistic approach to making your property more sustainable by:

– Providing a referral service to help recycle home electronic goods
– Encouraging recycling by incentivizing repair instead of replace with additional claim quotas.
– Including the installment of solar panels into the building cover to support the use of renewal energy.
– Incentivizing saving electricity with an e-voucher for year-on-year electricity savings.

5.1.2 Innovating for our customers

We believe insurance can make a **significant contribution** to the change required to achieve the low-carbon transition. We work with customers and collaborate with public and private organizations to **develop innovative solutions** that enhance resilience and help prevent or minimize damage and harm from climate-related perils. Our insurance and risk management solutions are developing with the release of new technologies, business models and approaches that are needed to achieve a climate-neutral economy. Our expertise helps with the management of the associated risks during implementation. We use capital markets to search for and fund solutions to many pressing social or environmental issues. Our sustainable revenues provide our customers with innovative solutions, for example, one life insurance solution includes additional services to promote a healthy lifestyle, such as an active health program, nutritional consultation, health check, and second medical opinion without any extra cost to the customer.

Climate Resilience offering

Zurich Resilience Solutions advisory service builds on more than a **decade's experience i**n Zurich's natural hazards assessment methodology, expanding to climate change and addressing needs beyond immediate insurance requirements.

Our dedicated Climate Resilience team brings together **experts in multiple disciplines,** all of which are needed in order to assess the impact of climate change on a customer's operations and propose adaptation measures. From climate data, data analytics, mathematics, atmospheric and environmental science, to engineers specialized in climate change and natural hazards resilience assessments – we put our knowledge and data to work to assist customers in their climate adaptation journey. The output of our service helps businesses better understand how climate change risk may affect their operations, strategy and financial position. It also helps them complete their climate disclosure requirements (i.e. TCFD, EU-mandated disclosures and other relevant frameworks) and ultimately strengthen their resilience to climate risks.

2023 was another year where many more organizations had additional requirements to act on climate risk, motivated by climate-related losses, disclosure requirements or stakeholder demands. In response to this need, we have **expanded** our offering in the following ways:

– We enhanced our capabilities and increased the range and diversity of expertise and skill sets in our team.
– Our climate resilience portal evolved further, to meet customer demand and needs. It reflects the needs of a wide range of stakeholders in our customer organizations who are using our portal to better visualize and communicate climate risks, leading to a clearer strategy on implementation of adaptation measures. The output of the climate resilience portal maps the evolution of elements critical to business under different climate scenarios and time horizons. Part of the output is also the **prioritization** of high-risk sites, for a deeper analysis of their vulnerabilities, allowing the development of a climate adaptation plan.
– We served customers from multiple industries, extending our services from the corporate to the local government sector.
– We formed an alliance with an external consulting firm in order to provide customers with a holistic view of climate risk, both from a physical and a transition risk perspective.

5. Our customers: Their needs are at the heart of everything we do (continued)

5.1.2 Innovating for our customers (continued)

Unit-linked business

We continue our **strong focus** on responsible investment in the Life and Wealth Business. It is our ambition to provide each customer with a range of investment solutions that not only meet our high-quality standards, but also their sustainability preferences and beliefs. There is a combination of Group-wide and local initiatives underlining this effort.

Our Zurich Carbon Neutral World Equity Fund is a strong example of our Group initiatives which was launched in 2021. The fund combines a well-diversified investment in global equities across developed markets with a low carbon investment strategy and carbon-offsetting.[1] The fund is aligned with the goals of the Paris Agreement and is available in eight different countries. As of December 2023, the fund had net flows of EUR 267 million with Assets under Management reaching EUR 591 million.

Since the fund's launch, we have received positive feedback from our customers and distributors, which has inspired us to expand and refine our offering. In May 2023, we introduced a revised benchmark for the Zurich Carbon Neutral World Equity Fund, adding a sustainable investment threshold at the benchmark level as well as requiring an **increased share of green revenues** from the fund's investment holdings. We also applied **stricter exclusions** related to controversial sectors. We implemented these tighter investment restrictions to further improve the sustainability profile of the fund. The fund's benchmark index is overseen by an external service provider.

In addition to the Group-wide initiatives, we are proud of local initiatives that further demonstrate our commitment. One example from Germany, is the Managed Accounts ETF Climate Focus, which received the Cash Financial Advisor Award in 2022. Building on this success, the proposition was onboarded in 2023 by Deutsche Bank, the largest distribution partner of Zurich Germany, and is included in the offerings to its customers.

Zurich Global Ventures

Focused on innovating the customer experience, Zurich Global Ventures develops digital products and services to help individuals and businesses be better prepared for the future. Where insurance traditionally provides customers with risk transfer, Zurich Global Ventures also **helps customers prevent risks.** This includes supporting customers in their sustainability journeys to help them address expanded environmental and societal issues. Here are some key initiatives:

LiveWell encourages users to improve their **wellbeing** through a behavioral science approach, spanning physical, mental, social and financial health, and enters partnerships to build a broad wellbeing and 'do good' ecosystem. In 2023, together with the Z Zurich Foundation and based on materials developed and field tested by UNICEF, it launched Connecting Generations, a new digital tool – available to anyone, at any time – to help caregivers better support their own mental wellbeing and that of the adolescents and the young people they care for.

Cover-More continuously innovates to help travelers stay connected, are protected and safe at every step of their journeys. In 2023, it established a third sophisticated Command Center in the UK, which together with the existing centers in Canada and Australia, give travelers unprecedented access to 24/7 travel risk management and assistance services. With its ability to provide travelers with **real-time,** proactive safety information and tap-to-call assistance at their fingertips, Cover-More's app for leisure travelers was awarded the prestigious 'Travel Insurance Product Innovation of 2023'[2] Another example is Cover-More's digital-first proposition, Freely, which allows travelers to **tailor their policies** on the go to ensure they are protected at all times. Equipped with motion detection functionality, the Freely app can sense when a customer gets, for example, on a motorbike. The customer is then prompted to ensure they have the right cover insurance for that activity, and if they don't, they can purchase it straight away through the app and get protection in minutes.

BOXX, a cyber-security company which Zurich Global Ventures has invested in, has the purpose to make the digital world a safer place. Through its prevention, mitigation and recovery solutions, BOXX helps build more digitally resilient communities – supporting individuals, families, and small and medium-sized businesses.

1 For the carbon offsetting, Zurich partners with one of the largest REDD+ peat swamp forest projects in the world. REDD+ is a United Nations-backed framework that aims to curb climate change by stopping the destruction of forests. REDD stands for "Reducing Emissions from Deforestation and forest Degradation"; the "+" signifies the role of conservation, sustainable management of forests and enhancement of forest carbon stocks.
2 Travel Product Innovation award - Awarded by the International Travel & Health Insurance Journal (ITIJ).

5. Our customers: Their needs are at the heart of everything we do (continued)

5.2 Customer retention

Figure 27
Retail[1]

Retention rate 2022
83.2%

Retention rate 2023
81.6%

We continue to focus on our customer ambition "to become the insurer of choice for our customers by earning their loyalty" and measuring customer revenue retention to track our progress. Customer retention rate for retail remains stable across most markets, despite economic pressure due to rate increases and a challenging macroeconomic environment. At the same time, we have accelerated our partnership building capabilities, broadened our access to large customer bases and enriched the experiences we deliver through them. This has resulted in strong acquisition rates through the growth of our core customer base as well as **key partnership** renewals in Germany, Spain, UK, Brazil and Chile.

Figure 28
Commercial Corporate Life & Pensions (CLP)[2]

Retention rate
2023
93.5%

Our Corporate Life and Pensions (CLP) business has 51,594 customers globally[2]. CLP enjoys long-term relationships with customers due to its proven relationship management model, with dedicated specialists both locally and globally who focus on our strategic distributor and customer relationships. In 2023, we grew the customer base by 8.5 percent, primarily driven by **innovative products** and distribution channels in markets including Australia (Zurich Corporate Care product) and Italy (4care partnership), the successful launch of a digital SME portal in the UK, and growth in our employee benefits captive and Europe Freedom of Service businesses. CLP continues to **invest** in technology platforms so that it can both reach new customers and serve existing customers better and more efficiently.

Figure 29
Commercial Insurance - P&C[3]

Premium retention rate 2022
87.8%

Premium retention rate 2023
88.6%

In Commercial Insurance, we have continued to execute our customer-focused strategy throughout 2023, successfully achieving customer growth and premium retention whilst maintaining underwriting discipline. Adoption and commitment to our Customer Experience Standards has reinforced our focus on the needs of both our **existing and new customers.** This has enabled us to achieve desired retention levels while attracting new customers to the portfolio. Our ongoing pursuit of success in maintaining customer satisfaction and loyalty is a multifaceted approach and through the roll out of our Broker Experience Standards (Zurich BX Standards) we have continued to build upon the existing strong relationships with both our valued customers and trusted distribution partners. These partnerships extend across multiple geographies and segments, enabling us to effectively serve a diverse range of clients and seize opportunities for growth.

1 The customer retention rate is calculated based on retail core customers, excluding our affinity partners in Brazil, Germany, Indonesia P&C, as well as the joint ventures in Banco Sabadell and Banco Santander due to the lower degree of operational control we have on the retention rate of these customers. Turkey, Colombia and Isle of Man are excluded due to ongoing onboarding onto the Customer Intelligence Platform. When calculating the customer retention rate, the attrition of customers in employer-sponsored plans (e.g., life insurance plans) due to turnover (voluntary or involuntary is not applicable. Additionally, the split between voluntary and involuntary lapse was not made.
2 First time reporting on customer retention rate for CLP.
3 Premium retention rate for Commercial excluding our Crop, Programs, Direct market, Group Captives and Surety business in North America.

5. Our customers: Their needs are at the heart of everything we do (continued)

5.3 Fair and transparent advice and engagement

In line with our Group's Code of Conduct, we strive to manage the risk of poor outcomes for our customers and conduct our business in a way that treats them fairly. We believe that **clear and transparent** communication is critical to mitigating the risks that our customers face throughout their journey with us and empower them to make informed decisions and choices for themselves. The Zurich Code of Conduct outlines **key behaviors** that guide and inspire us to work with the highest ethical, legal and professional standards. We have a Global Customer-Facing Conduct (CFC) framework[1] in place to support strong customer management, including fair communication practices, in all our business units.

CFC refers to the activity undertaken to maximize the likelihood of **fair and positive** outcomes for our customers. The CFC framework at Zurich is designed to support business units in identifying, evaluating and mitigating the risks related to customer-facing conduct. It also supports in developing detective and preventive control activities in existing processes across the customer lifecycle. Group Compliance supports and advises the business to enable effective management of CFC risks in alignment with the changing needs of our customers, new business models and the continued evolution of expectations from regulators and other stakeholders.

Listening to our customers

We continue to evolve our customer experience by listening to and acting on customer feedback through our tNPS programs. We **surveyed around 1.25 million customers** in 2023 across our business and acted based on their feedback. Actions ranged from local optimizations of processes to more sizeable and Group-led measures. One example is the improvement of customer experience at our Retail Protection service call center in the UK, which piloted our new Customer Empathy Training program to empower call handlers to tailor the call experience to the customer, embedding our Customer Experience Standards around delivering personalized experiences and leading with empathy. This resulted in an improvement of +22.8 points in our tNPS score for this touchpoint over a period of six months. Global and targeted actions to improve the customer experience across the Group resulted in continued high levels of customer satisfaction, achieving a **4.3 point increase in our overall tNPS score[2] in 2023.**

5.3.1 Customer communication

Our products and services are provided in more than 200 countries and territories. Our local businesses **strive** to align our approach to informing customers about our products with both regulatory and customer expectations. Our customers have access to detailed information about our products and services, including but not limited to policy coverage, cost structures, exclusions, product suitability etc. Information on our products and services is available through several channels, including our website, intermediaries, email, social media, television, press, digital and print advertising. The introduction of the Zurich One customer portal in 2023 is **simplifying access** to information for our customers including an on-demand overview of the products they hold, available services to them, and suitable suggested products.

In 2023, we developed a new 'Tone of Voice' framework which redefines the way we communicate with our customers, rooted in our purpose to 'create a brighter future together'. The framework provides a set of **rules and guidance** which will provide increased warmth, clarity and conciseness in our communication with our customers about what we offer and any actions a customer needs to take. In addition we launched a new **Customer Empathy training program.** The program helps mitigate the risk of selling products and services that are not appropriate for our customers' needs, and the risk of failing to exhibit skill and care in the provision of services to our customers.

5.3.2 Continuously measuring and improving claims management

Customers purchase insurance to mitigate risks. Empathetic and competent claims management is critical to providing first-class customer service. We strive to put the customer at the heart of everything we do and to make the claims experience as **transparent, personal and responsive** as possible.

We consider the management of claims to be one of the **most important customer experiences** and, in 2023, we won awards in more than 10 countries recognizing our market-leading claims services.

In 2023 the claims tNPS score improved by 1.2 points. There has also been a 18.9 percent increase in the number of responses provided by our customers, showing both that we are increasing the opportunity for customers to provide feedback and more than ever customers want to tell us about their claims experience.

1 www.zurich.com/en/about-us/corporate-governance/code-of-conduct/we-care-about-our-customers
2 tNPS excludes Banco Sabadell, Colombia and Turkey. Prior year numbers for 2022 have been restated to exclude Sabadell owing to that entity's adoption of a different metric to tNPS.

5. Our customers: Their needs are at the heart of everything we do (continued)

5.3.2 Continuously measuring and improving claims management (continued)

We continue to develop our claims teams across our business to enable them to be equipped to respond to our customers when needed most. An example of this is our Japanese Accident & Health claims team, that developed and implemented a **Vulnerable Customer Training Program** to complement their Senior (over 65) Personal Accident Product.[1] This training has been rolled out to over 80 staff members and has helped embed an empathetic claims service, that is tailored to the individual needs of the 28,000 customers supported in 2023. Using vision impairment goggles and noise-reducing headphones during their training, they put themselves in a position to understand their customers' specific challenges. This initiative contributed to high tNPS scores for the senior personal accident product and contributed to an increase of 2.8 points in the Zurich Japan claims score during 2023.

We have also established a **strong claims sustainability framework** across all countries, where claims are processed and handled, which includes defined best practices to support and align with our sustainability focus areas. Every country has a three-year action plan to achieve the desired benchmark set out by the framework. The best practices range from loss prevention and mitigation, to reskilling our workforce, as well as making sustainability a major determining factor in developing future relationships with our key third party service providers. We are committed to creating and working with all our providers to deliver innovative sustainable solutions ranging from growing the circular economy to providing extra support and care to our customers. For example:

In Brazil, we have continued our partnership with our motor repair body shops that have been certified with an independently accredited "Green Seal". This arrangement supports local businesses, enables more sustainable practices, and raises awareness of sustainable measures that can be put in place, such as reducing water consumption and safe handling of waste. In 2023, we now have 221 "Green Seal" certified body shops in Brazil, an increase of 39 percent from 2022. This has resulted in 63 tons of metallic waste, 8.2 tons of cardboard/plastic waste, and 1,648 litres of liquid waste being disposed sustainably.

5.4 Digital confidence and trust

One of our goals is to make people and organizations more **resilient** by fostering confidence in a digital society. We aim to use this goal to improve customer experience. We are determined to be transparent about data management and Zurich's data protection and privacy policy, as this is a critical factor for **customer trust.**

During the past year, we have **strengthened** our privacy management capabilities, further developed our artificial intelligence (AI) solutions, with particular focus on generative AI, as well as our AI Assurance Framework, and invested in a digital platform that enhances our business impact analysis (BIA) and business continuity planning (BCP) globally, in line with our customer promise.

We frequently educate our employees and senior management on our data privacy policy and Zurich's data commitment. Our annual data privacy training was **assigned** to all employees[2] in 2023, with a global completion rate of 99.96 percent. The completion rate was above 99.9 percent in all regions. The training highlights the importance of observing privacy rights and using personal data in a legal and transparent manner.

In addition, our annual information security awareness training covers a wide range of information security topics and behaviors **relevant** to all employees[2], with a completion rate of 99.6 percent. This annual education is supported throughout the year with smaller, supplemental offerings in the form of tip sheets, bite-sized learning campaigns and more. Topics include, working remotely and securely, creating strong passwords, social engineering and the many forms of phishing, including how employees can spot and report phishing attempts. Information security awareness training is reviewed and updated annually to remain on top of the latest developments with cyber threats and Zurich policies and controls.

1 See section 5.1.1 Revenues from sustainable solutions on pages 182 to 185.
2 Excludes employees on a long-term leave during the training window, new joiners who joined after the cut-off date for the annual training assignment and employees who left the company before the assignment due date.

5. Our customers: Their needs are at the heart of everything we do (continued)

5.4.1 Data commitment

In 2023, we continued our global investment efforts to deliver on our data commitment, focusing on enhancement of transparency on how Zurich manages customer data and **protects** customers' right to privacy.

We have reviewed the scope of business processes and applications dealing with personal data and re-assessed processes and controls in place across our businesses, to enable the continuous enhancement of their effectiveness, strength and robustness. Where areas for improvement have been identified, actions have been taken so that all our businesses are meeting the standards and guidelines in terms of transparency ahead of 2024.

Moreover, we have **implemented** more sophisticated data privacy, data discovery, data security, and consent management technologies, and strengthened governance and oversight across the three lines of defense. Our transformation and digitalization initiatives further support:

– Proactive customer engagement, informing customers about how their personal data is being used and how consent is being obtained;
– Enhancement management and fulfillment of customer rights;
– Mitigation of risk of a potential misuse of personal data.

As a result of the improvement actions taken in 2023, the strengthening of all aspects of data privacy and security will have a positive impact on customers' right to privacy and/or customers' trust in Zurich's privacy management practices.

5.4.2 Cybersecurity

In 2023, cyber crime and increased cyber risk due to geopolitical instability continued to be major concerns. International law enforcement and government agencies intensified efforts to combat cyber criminals and dismantle their infrastructure, resulting in some success in slowing down the spread of ransomware. Nevertheless, the growth of cyber threats due to the commoditization of malicious cyber capabilities, the relatively low barrier to entry, and continued investments and activities led by highly skilled threat actors, necessitates robust measures to protect valuable data.

We are addressing these evolving challenges through substantial investments to **strengthen** our cyber defenses and data protection strategies. In 2022, we expanded our multi-layered defensive approach, incorporating industry best practices and recognized frameworks, such as the U.S. National Institute for Standards and Technology (NIST) Cybersecurity Framework. This approach, coupled with our continuous improvement strategy, has proven effective in **safeguarding** Zurich's data in accordance with its data commitment. In 2023, we further increased our focus on the protection of unstructured data and managing third-party risk, as well as developing our understanding of the implications of artificial intelligence (AI) as both a threat to cyber defense and as a tool for increasing it.

Enhancing cyber defenses and data protection has been the focus of several key initiatives in 2023:

Harnessing the power of automation and AI
We deployed highly automated threat detection systems to respond to issues more rapidly. This significantly increased the capacity of our cyber teams and allowed them to meet the challenges of ever-increasing volumes of cyber threats. Additionally, we are embracing AI-enabled systems and have several AI initiatives underway to allow us to rapidly identify and mitigate potential cyber threats, enhancing our ability to protect Zurich's data from evolving risks.

Managing third-party risk
Recognizing the potential vulnerabilities associated with external business partners and suppliers, we have developed a comprehensive third-party risk management program, that addresses multiple risk areas, including cyber. This program incorporates a scalable platform to assess and monitor the cybersecurity practices of our partners,

Addressing unstructured data risk
The increased adoption of collaborative, cloud-based unstructured data management platforms has made data protection a top priority. As such, we have introduced stringent governance standards, as well as technical controls, to manage sensitive data, **detect and prevent** data loss and meet data privacy commitments.

Managing data incidents
At Zurich, we remain committed to transparency and accountability. We have **implemented a new** data incident management process that allows us to track, assess the impact of, and respond to, incidents that may compromise customer data while meeting all associated regulatory notification requirements.

As the cyber threat landscape continues to evolve, we are dedicated to staying at the forefront of emerging risks. By embracing new technologies, focusing on efficiency through automation and employing industry-recognized frameworks and best practices, we aim to strengthen our cyber defenses, detect and respond to threats more effectively and enhance our overall resilience in the face of evolving cyber threats.

5. Our customers: Their needs are at the heart of everything we do (continued)

5.4.3 Business resilience

In the first quarter of 2023, we **focused our efforts** on mitigating the risk from the energy crisis namely, the potential impacts of widespread power outages. We developed plans to provide a response capability for both expected and unexpected power outage events in Switzerland, the location of our headquarters. These plans, which were aligned with recommendations from local authorities, aim to ensure communication (e.g., phone, email) for key decision-makers remains possible even during power outages.

In parallel, we deployed a digital platform that enhances our business impact analysis (BIA) and business continuity planning (BCP) globally, thereby **standardizing** our resilience approach and tools across the organization. The platform **supports the identification** of critical processes and their key dependencies (such as systems, people, third parties), allowing recovery strategies to be developed in the tool for the purposes of BCP. The platform has been implemented in all entities across the organization and in all our corporate functions.

In 2023, we developed a framework to meet new operational resilience regulations, which were released for Ireland in 2021 and the UK in 2022, and which were required to be implemented by 2023 (Ireland) and 2025 (UK). This framework will allow Zurich to address key regulatory requirements in a consistent way.

Testing and drills remain key to ensuring crisis management readiness. We have focused on enhancing our responsive and recovery capabilities through multiple tests and scenario exercises conducted at different levels of the organization and across the various corporate functions.

5.4.4 Responsible use of artificial intelligence (AI)

In 2023, we made significant progress on implementing our global AI Assurance Framework (AIAF) to promote and ensure the **responsible use** of high-quality AI solutions across our businesses in line with OECD AI principles, centered around transparency, fairness and accountability, including the review and incorporation of emerging regulations. We continued expanding our AI capabilities along the insurance value chain, including product development, marketing, sales and distribution, insurance fraud detection, and operations. We are leveraging AI in more than 160 use cases, providing advanced data insights to help underwriters, claims adjusters and risk engineers make better informed decisions. In the field of generative AI, we started exploring and developing new capabilities and solutions in a controlled environment to build comfort and trust with this rapidly evolving technology.

Examples where we leveraged AI technology included improving customer quote and claimant journeys through the **automation** of medical evidence reviews for life assurance and medical claims, improved assessment of fire risk using individual property attributes and data direct from the fire service, and using speech analytics to better address customer concerns in contact centers. Using AI technology in this manner helps us to further improve our customers' digital experiences and drive operational efficiency.

In view of the growth of generative AI, we strengthened our AI Assurance Framework to address the new and shifting risks and opportunities in relation to technological advances, specifically generative AI and large language models (LLMs). In particular, we set up a centralized LLM facility, including an **application** that provides all employees with the opportunity to use this technology as an assistant for daily business tasks as well as a platform for data scientists to develop LLM-based use cases, current explorations include underwriting and risk engineering as well as agent support. A **centralized** approach means, we are in a position to effectively manage the risks associated with generative AI through technical controls, and to promote LLM-driven innovation in a safe, compliant, protected and responsible environment. In order to explore and mitigate the risks that are specifically related to Generative AI, Zurich is a founding member of the international GenAI Red Teaming Network that work on advancing AI safety and governance for all our customers and operations.

To strengthen the governance and oversight of our AI operations overall, we have further **refined** and built out our global AI inventory, our AI risks and impact assessment methodology and operationalized governance processes and technical controls for AI solutions in support of our responsible AI principles of fairness, Transparency and Accountability. We have **established** a network of AI Champions globally and delivered responsible AI trainings across the organization. Taking this approach to prioritizing digital confidence and trust and the use of AI for the benefit of our customers, through sustainable and innovative solutions, builds upon our Data Commitment launched in 2019.

6. Our people: Let's grow together

Our people

We're actively supporting the long-term employability of our people, while addressing customer and societal needs.

For Zurich, being a responsible and impactful business is more than a story we tell. It's a principle that informs every action we take. It's who we are.

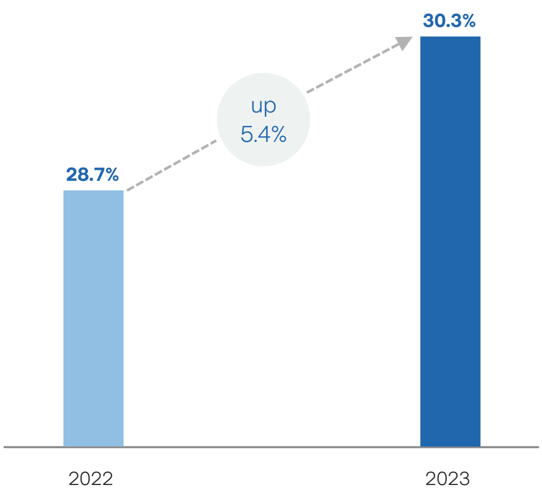
When our people are at their best, Zurich excels in delivering exceptional experiences with its customers and business partners, while also positively contributing to society. We provide employees with a range of opportunities to grow, to develop their skills and careers, so they can be employable for the long term.

We are optimistic, caring and reliable. With forward thinking, determination and a sense of togetherness, we bring our purpose to life. Our distinct culture, guided by our values, and our positive work environment committed to diversity, equity, inclusion, belonging and wellbeing, support our people in achieving our purpose, together.

> Our people are at the core of what we stand for. We are committed to creating an environment where everyone can perform at their best, with purpose, a sense of belonging and a focus on wellbeing. With a mindset rooted in sustainability, we are shaping the workplace and the workforce of the future.

Jolanda Grob
Group Chief People Officer

More than 30 percent of senior management are female



Focus on internal hire[1]

73.4%

Emphasis on core professional skills

3 technical academies launched

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

6. Our people: Let's grow together (continued)

6.1 Attracting and retaining talent for a sustainable future

As a global employer and provider of protection solutions to millions of people, we are actively supporting our people to remain employable for the long-term, while addressing customer and societal needs. We attract, develop, engage and retain talent to deliver on our strategy, and we are committed to creating a positive work environment where everyone can perform at their best.

Our commitment to a sustainable future depends on our ability to maintain the required balance between focusing on internal hiring and offering development opportunities to our existing workforce, while attracting specific skills and workforce segments from the external world. The balanced combination allows us to deliver on our business growth plans at the required pace.

6.1.1 Attraction

In 2023, our Group headcount remained broadly stable at 61,067 employees (0.2 percent increase compared to 2022). We successfully continued to attract, develop and retain employees with key skills and capabilities to keep our people and organization ready for the future of work and evolving customer expectations.

WORLD ECONOMIC FORUM S

Table 16
New hires

Dimension	New Hires (#)	New Hires (%)
Female	5,584	54.8
Male	4,558	44.7
Other[1]	56	0.6
Baby boomers and prior generations (1964 or earlier)	572	5.6
Gen X (1965 - 1980)	2,095	20.5
Gen Y Millennial (1981-1996)	5,009	49.1
Gen Z (1997 and after)	2,522	24.7
APAC	1,372	13.5
Corporate Center	169	1.7
EMEA	4,012	39.3
Latin America	2,005	19.7
North America	2,640	25.9
Career level A	4,731	46.4
Career level B	2,965	29.1
Career level C	235	2.3
Career level D	60	0.6
Career level E	9	0.1
Unranked[2]	2,198	21.6
Total	**10,198**	**100.0**

1 'Other' refers to employees with no declared gender.
2 'Unranked' refers to those employees who are not assigned to any career level (12.5 percent of our workforce), comprising of employees in Germany (not ranked due to locally applicable restrictions preventing the use of this data, 8.6 percent of our workforce) and sales force teams (due to their higher volatility, 2.4 percent of our workforce).

Our internal grading system defines the following progression by career level:
– Career level A comprises all entry level and low specialization roles.
– Career level B includes frontline managers and technical staff.
– Career level C includes middle managers and highly specialized technical staff.
– Career level D comprises senior executives and senior experts.
– Career level E incorporates the most senior roles such as country CEOs and other senior business leaders.
Senior management comprises career levels D and E together. Middle management refers to career level C.

We focus on attracting and retaining employees from all generations to build a diverse workforce that creates a competitive advantage for us. We continue to evaluate and evolve our employee value proposition and the overall recruiting experience, using feedback from our candidate net promoter survey that provides actionable insights.

6. Our people: Let's grow together (continued)

6.1.1 Attraction (continued)

Our NextGen population[1] continues to grow as Gen Z increasingly enters our workforce. In 2023, 52.1 percent of our workforce belonged to NextGen, and this segment contributed 74.0 percent of new hires (compared to 68.1 percent[2] in 2022).

Aligned to our focus on NextGen, particularly Gen Z, as a growing segment of our workforce, we continue to place significant emphasis on supporting our apprenticeship, trainee and internship programs globally, offering opportunities for people at any stage in their career. As part of this commitment, we employ more than 1,200 apprentices, trainees and interns a year with particularly strong programs in the UK, Switzerland and Zurich North America (ZNA). In 2023, ZNA expanded its well-established ZNA Apprentice Program to include a path toward obtaining a bachelor's degree. If a candidate possesses an associate degree or 55-60 credits toward a bachelor's degree, they are eligible for this newly launched Bachelor's Degree Apprenticeship program. The first cohort of this new program onboarded 19 apprentices in January 2023, increasing the total number of ZNA graduate and apprentice intake to 302. For new graduates possessing a bachelor's degree, ZNA offers several Foundational Training Programs (e.g., Underwriting, Claims, Finance, Risk Engineering) as an entry point to grow their career within Zurich.

Table 17
Internal hires[1, 2]

Metric	Dimension	Career Level A	Career Level B	Career Level C	Career Level D	Career Level E	Senior Management	Total % 2023 – Independent of career level	Total % 2022 – Independent of career level[3]
Internal Hires (%)	Female	60.6	51.8	44.2	34.2	30.8	34.1	52.1	45.7
Internal Hires (%)	Male	39.1	47.9	55.5	65.8	69.2	65.9	47.6	54.3
Internal Hires (%)	Other[4]	0.3	0.3	0.3	0.0	0.0	0.0	0.3	–
External Hires (%)	Female	–	45.7	40.5	32.2	30.0	31.9	45.0	44.3
External Hires (%)	Male	–	53.8	57.2	59.3	70.0	60.9	54.2	55.7
External Hires (%)	Other[4]	–	0.5	2.3	8.5	0.0	7.2	0.8	–
Total Internal Hires (%)		**100.0**	**64.2**	**83.3**	**85.8**	**56.5**	**84.3**	**73.4**	**71.2**
Total External Hires (%)		–	35.8	16.7	14.2	43.5	15.7	26.6	28.8

1 As of 2023, we included Farmers Group, Inc. and Cover-More and have evolved the definition of this metric to include internal career opportunities generated for entry-level roles (career level A), international moves, re-hires, and changes in employment types from temporary to permanent. Entry-level roles (career level A) remain excluded from 'external hires' as these positions are, by nature, filled by external career starters.
2 Excludes unranked employees who are not assigned to any career level (12.5 percent of our workforce), comprising of employees in Germany (not ranked due to locally applicable restrictions preventing the use of this data, 8.6 percent of our workforce) and sales force teams (due to their higher volatility, 2.4 percent of our workforce).
3 2022 is based on the previous definition and does not reflect the extension to include Farmers Group, Inc. and Cover-More, which have been included in 2023.
4 'Other' refers to employees with no declared gender.

We continue to prioritize internal over external hires, whenever possible, having a clear commitment to "internal first". By promoting accelerated internal mobility among our employees, we support their continuous upskilling, re-skilling and career diversification. Our promotions reflect an equal gender split i.e., **50.0 percent of all promotions were women**. Our approach contributes to our people remaining employable for the long-term, irrespective of their seniority, gender, age, or any other personal characteristics.

At a senior level, we have also strengthened our internal leadership pipeline to support career growth through vertical, lateral or international moves. This is reflected in our internal hire rate of 84.3 percent for the senior management population. External hires at this level aim to bring in people with critical skills and are an opportunity to increase the diversity of our employee population globally.

As an example of investing in employees long-term employability, Zurich Santander launched a new Talent Acquisition Hub in 2023 to foster internal movement and encourage talents to reach for growth within the company. The business is committed to publishing all positions across the Zurich Santander geographies and prioritizing internal candidates. The Net Promoter Score (NPS) for the process will be introduced in 2024. In the meantime, the business has seen a higher participation of internal candidates in the recruitment process and more interest from employees in applying to different functions in the company.

1 The NextGen population refers to individuals born after 1981, comprising both Gen Y Millennials (born between 1981-1996) and Gen Z (born in 1997 and after).
2 The NextGen population share of new hires in 2022 was recalculated to 68.1 percent to include Farmers Group, Inc. and unranked employees, while Cover-More is excluded.

6. Our people: Let's grow together (continued)

6.1.2 Learning and development

We invest in the development of our people through coaching, mentoring, secondments, part-time assignments and formal learning, including accredited learning and degrees. Our global learning platform, MyDevelopment offers more than 28,000 courses, including the full library of LinkedIn Learning. Through technical academies we aim to build capabilities that are core to our business. In 2023, we enhanced the Digital and Customer Academies, deployed programs such as Brand Mastery, Customer Empathy and Customer Experience to build customer capabilities across the organization. In 2023, we also developed the **Zurich Sustainability Academy**, which curates learning focused on our Sustainability Framework. Additionally, we maintain local academies. In the UK, for instance, through the Future Skills academies we upskilled and re-skilled around 180 employees in areas such as Data Science, DevOps, Automation, Coaching, and Leadership, leveraging the Apprenticeship Levy.

Our Commercial Insurance Academy offers unique and interactive courses tailored to meet the needs of our customers, brokers and employees. In 2023, we rolled out externally awarded global technical training programs, which include Property Business Interruption[1] and International Program Business.[2] We also prepared our employees for the future of work by refining their professional skills through our Winning in the Market branded programs, or by developing their business and communication skills to further their career as highlighted in our 'Grow your Impact' program, launched as a collaborative effort between CI Germany and CI Switzerland in 2023.

Table 18
Average learning hours[1, 2]

	Average learning hours 2023 (# hours)	Average learning hours 2022 (# hours)
Female	21.4	28.4
Male	18.9	24.2
Other[3]	22.7	57.3
Baby boomers and prior generations (1964 or earlier)	14.7	20.7
Gen X (1965 - 1980)	18.9	24.6
Gen Y Millennial (1981-1996)	20.7	27.5
Gen Z (1997 and after)	28.8	39.4
Career level A	22.0	27.6
Career level B	18.7	24.6
Career level C	21.0	24.4
Career level D	14.1	21.7
Career level E	9.3	19.1
Senior Management	13.9	21.7
Unranked[4]	16.9	22.6
Total Learning Hours	20.2	26.4

1 Hours tracked on our global learning platforms (i.e., physical, digital as well as mandatory and voluntary training sessions).
2 Reporting on learning hours excludes Farmers Group, Inc. and Cover-More.
3 'Other' refers to employees with no declared gender.
4 'Unranked' refers to those employees who are not assigned to any career level (12.5 percent of our workforce), comprising of employees in Germany (not ranked due to locally applicable restrictions preventing the use of this data, 8.6 percent of our workforce) and sales force teams (due to their higher volatility, 2.4 percent of our workforce).

In 2023, our employees dedicated over 1.1 million hours to online learning, compared to 1.2 million hours in 2022.[3] This translates to an average of 20.2 hours per employee, a decrease from 26.4 hours in 2022. This is primarily due to the shorter length of available learning content; the individual learning consumption (i.e., the number of courses started or completed) per employee increased since 2022.

In 2023, we spent more than USD 39 million on learning, an average of USD 644 per employee.[4]

1 The Property Business Interruption is a winner of the Brandon Hall 2023 HCM Excellence Award (www.linkedin.com/feed/update/urn:li:activity:7105503712487333888) in three categories: best results of a learning program, best advance in creating a learning strategy and best use of blended learning.
2 The International Program Business is also a winner of the Brandon Hall 2023 HCM Excellence Award (www.linkedin.com/feed/update/urn:li:activity:7100080248372748289) in learning & development.
3 Reporting on learning hours excludes Farmers Group, Inc. and Cover-More.
4 This learning spend per employee compares to an average USD 728 in 2022, when reporting excluded 26 percent of our workforce.

6. Our people: Let's grow together (continued)

6.1.3 Engagement

In 2023, we launched our new Group-wide Zurich Experience Survey (ZES).[1] This allows us to collect richer insights about employees' perceptions of their experience at Zurich, as well as better understand their levels and drivers of engagement. The 2023 response rate was 82 percent, in line with typical practices of our external provider's high-performing client companies.

We scored positively in all categories of the ZES 2023, with results particularly strong for Leadership, Strategy & Values and DEIB & Wellbeing. Globally, the drivers of our employee engagement are linked to career and personal development opportunities and an effective work environment where people feel they belong. The engagement score, including measuring pride in the organization, referral behavior, intent to stay and intrinsic motivation, was 2 percentage points better than those in high performing companies and 4 percentage points better than other global finance and insurance peers working with the same provider.[2] Employees' willingness to recommend Zurich as a great place to work is 5 percentage points better than those in high performing companies and 8 percentage points better than other global finance and insurance peers.

A number of regional and local initiatives, certifications and awards support our employees' perceptions, for example:

- The #APACMovesTogether regional year-long initiative brought together our employees across the region to align their individual actions and accelerate their impact in support of our sustainability ambitions. Around 50 events, activities, gatherings and volunteering opportunities made the People Month (March 2023) contribute to increasing levels of engagement and pride to work for Zurich. In Asia-Pacific, we have been awarded the Great Place To Work 2023[3] certification for five businesses (China, Hong Kong, Indonesia, Malaysia, Singapore).
- In EMEA, we received or maintained employer awards and have been ranked as #1 employer in the insurance sector, for example, in Germany (Focus award as Top Employer 2023),[4] Italy (Top Employers Italia 2023),[5] Ireland (EDGE Move), Spain (Top Employer España 2023,[6] re-certified for EDGE Move,[7] #1 insurer on Glassdoor), Switzerland (Top Employer 2023),[8] Turkey (Great Place to Work 2023, Best Workplaces for Millennials 2023),[9] or the UK (Best Insurance Employer 2023).[10]
- In Latin America, we are also an employer of choice in most of our business units, for instance, in Brazil (EDGE Move, Great Place to Work),[11] Columbia or Mexico (EDGE Move, Great Place to Work).
- In North America, Canada was recognized as one of Greater Toronto's Top Employers,[12] and ZNA features on Forbes' list[13] of America's Best Employers By State 2023 as well as on the lists of America's Best Employers for Women 2023 and America's Best Employers for Diversity 2023.

6.1.4 Retention

Employees' intention to stay working for Zurich, as measured in the ZES 2023, is better than the external benchmarks: 2 percentage points better than high performing companies and 3 percentage points better than other global finance and insurance peers. While the total employee turnover increased to 14.3 percent compared to 12.9 percent in 2022, the trend is significantly influenced by the increase in involuntary turnover as result of reorganizations in North America. Over the years, we observed minimal variance in the entry and exit patterns based on gender. In 2023, 53.6 percent of the individuals voluntarily or involuntarily departing our organization were female (compared to 51.9 percent in 2022).

Our NextGen employees continue to have a higher voluntary turnover rate compared to other generations, in line with external market trends. As we remain focused on getting insights from various sources, our aim is to continuously improve, and remain an attractive employer for all who look to start and develop careers.

1 The 2023 Zurich Experience Survey was done in May 2023 across the Group, excluding Farmers Group, Inc. and Cover-More. Until 2022, Zurich was administering a global employee net promoter scores (eNPS) survey, see our Annual Report 2022, section 6.1.1 Attraction and retention of talent in the Integrated sustainability disclosure.
2 All benchmarks are from our external provider's client companies.
3 www.linkedin.com/posts/zurich-insurance-company-ltd_zurichapac-cultureofgrowth-greatplacetobe-activity-7135447383290564609-ns-X/?trk=public_profile
4 www.newsroom.zurich.de/pressreleases/doppelt-haelt-besser-zurich-erneut-mit-maximaler-punktzahl-unter-den-top-arbeitgebern-deutschlands-3235395
5 www.zurich.it/gruppo-zurich/comunicazione/comunicati-stampa/zurich-top-employer-2023
6 www.zurich.es/notas-prensa/zurich-mejor-empresa-para-trabajar-2023
7 www.edge-cert.org/article/zurich-insurance-company-spain-attains-edge-move-recertification-and-edgeplus/
8 www.handelszeitung.ch/insurance/zurich-zahlt-2023-zu-den-beliebtesten-arbeitgeberinnen-der-schweiz-573159
9 www.greatplacetowork.com.tr/workplace/item/2981/ZUR%C4%B0CH+S%C4%B0GORTA
10 www.zurich.co.uk/about-us/awards
11 www.edge-cert.org/certified-organizations/?search=zurich
12 reviews.canadastop100.com/top-employer-zurich-canada
13 www.forbes.com/companies/zurich-north-america/

6. Our people: Let's grow together (continued)

6.1.4 Retention (continued)

Table 19
Turnover[1]

Dimension	Voluntary turnover (%)	Involuntary turnover (%)	Total turnover (%)
Female	8.6	6.4	15.0
Male	7.0	6.4	13.5
Other[2]	21.2	11.0	32.2
Baby boomers and prior generations (1964 or earlier)	3.0	15.4 [3]	18.4
Gen X (1965-1980)	4.9	5.4	10.3
Gen Y Millennial (1981-1996)	10.5	5.2	15.6
Gen Z (1997 and after)	16.4	7.2	23.6
APAC	10.5	2.9	13.4
Corporate Center	3.8	3.8	7.6
EMEA	4.9	3.4	8.2
Latin America	6.2	7.3	13.5
North America	11.5	11.5	23.1
Career level A	13.6	7.3	20.9
Career level B	6.7	6.2	13.0
Career level C	4.4	6.9	11.4
Career level D	3.1	6.9	10.1
Career level E	6.7	5.7	12.4
Unranked[4]	2.6	4.3	6.9
Total	**7.9**	**6.4**	**14.3**

1 Total turnover is calculated as the sum of number of voluntary leavers and the number of involuntary leavers, divided by the average headcount of the selected year. Voluntary turnover refers to employees deciding to leave the company, e.g., for personal reasons. Involuntary turnover refers to cases where the decision to leave is not entirely made by the employee, e.g., retirement and mutual agreement. Reporting excludes temporary employees and interns.
2 'Other' refers to employees with no declared gender.
3 The high involuntary turnover for Baby boomers and prior generations is largely attributed to retirement.
4 'Unranked' refers to those employees who are not assigned to any career level (12.5 percent of our workforce), comprising of employees in Germany (not ranked due to locally applicable restrictions preventing the use of this data, 8.6 percent of our workforce) and sales force teams (due to their higher volatility, 2.4 percent of our workforce).

6.2 A positive work environment

We value diverse perspectives, aim to foster a sense of belonging and always look to uphold fairness. We prioritize the wellbeing of our employees, supporting their physical, mental, financial and social health through proactive guidance and resources. We encourage open communication and collaboration, creating a connected community where collective ideas flourish.

6.2.1 Our commitment to diversity, equity, inclusion and belonging

We strive to integrate diversity, equity, inclusion and belonging (DEIB)[1] into everything we do by taking targeted actions to increase and benefit from diversity within the workforce, to offer equal opportunities and to foster inclusion and belonging.

We continue to leverage and support our employee resource groups (ERGs)[2] across the organization, to foster exchange across functions, geographies, hierarchies and generations. We strive to raise awareness of and promote diversity and inclusion, cultivate a sense of belonging and create social networks to drive cultural change. Our ERGs provide thought-provoking and developmental programs throughout the year that everyone can benefit from. In ZNA, for instance, one out of every three employees is a member of at least one ERG. We encourage engagement in these groups in order to strengthen our Zurich community. Our women's innovation network (WIN) is our biggest ERG with several thousand members across all continents.

1 www.zurich.com/careers/deib
2 Our Group-wide ERGs are: WIN (women's innovation network), ZurichNEXT (promoting intergenerational dialogue), Pride@Zurich (alliance of LGBTQ+ employee networks) and YouMatter (supporting employee wellbeing). Our business units have in addition several other local ERGs.

6. Our people: Let's grow together (continued)

6.2.1 Our commitment to diversity, equity, inclusion and belonging (continued)

In 2023, we received a number of awards and certifications across the Group, recognizing our commitment to DEIB. Zurich UK, for instance, was recognized in 2023 as Stonewall's one of the Top 100 employers in workplace equality (with additional Gold award for UK's Pride network). It also received the 5-Star Diversity, Equity and Inclusion Award from Insurance Business UK and won in four categories of the FT Advisor Diversity in Finance Award.[1] Zurich Canada received the 5-Star Diversity, Equity and Inclusion[2] award, and is actively partnering with organizations such as the Canadian Centre for Diversity and Inclusion, Pride at Work Canada, Canadian Association of Black Insurance Professionals, LINK Canada, Insurance Supper Club Group, or the National Centre for Truth and Reconciliation.

We continuously foster equal representation of all genders across the organization. As of the end of 2023, 52.0 percent of our employee population were female. In addition, we undertake targeted actions and monitor gender representation across multiple dimensions, including career levels and generations. As in previous years, we have been included in the 2023 Bloomberg Gender-Equality Index.[3] We continue to support the development of female talents to accelerate their readiness for leadership positions. A few examples:

- In Asia-Pacific, the Female Leaders Advocate Group (FLAG) was formed in March 2023 to identify key interventions to close the gender representation gap across Asia-Pacific. The three main region-wide initiatives (i.e., Gender Diversity Target Setting, Female Acceleration Program, and FLAG talk series) were being implemented throughout 2023. Asia-Pacific remains a signatory of the G20 Alliance for the Empowerment and Progression of Women's Economic Representation advocating women's advancement to leadership positions.
- In EMEA, UK is running a mid-level momentum talent program, as a result of which it registered moves for 42.5 percent of the cohort with females achieving more moves and more promotion. Switzerland is also running a third cohort of a NextGen talent program, with a purposeful 50/50 gender split.
- In Latin America, the Z-Women's Empowerment Program was established in Colombia, an all-female, high-potential program encompassing interviews, assessments, SWOT analysis and coaching to support participants to realize their career objectives. The talent retention of the participants is 90 percent, and 90 percent of the participants of the program are now on leadership succession plans, 20 percent of them leading a critical project.
- In North America, the ZNA Women's Senior Leader Program was developed with Northwestern University's Kellogg School of Management for senior women leaders who aspire to increased impact and who would benefit from developing leadership and influencing skills, financial acumen as well as increased visibility. The first cohort of 29 completed the program in 2023 (NPS of 100), the second cohort has been selected and will kick off in early 2024.

These and other initiatives have helped drive improvements in gender balance between 2017 and 2023,[4] particularly in senior management (career levels D and E). In 2017, 22.4 percent of senior management were female. **At the end of 2023, female employees represented a combined 30.3 percent in senior management** (compared to 28.7 percent in 2022). Moreover, 42.5 percent of our people managers (compared to 41.3 percent in 2022) and 53.9 percent of our individual contributors are women (compared to 53.8 percent in 2022). We also have initiatives in place to develop women's STEM careers, with several senior IT appointments in 2023. **Currently, 33.3 percent of our employees working in IT or Engineering roles are female** (compared to 30.5 percent in 2022).

We also value generational diversity in our workforce by supporting the employability of individuals at all stages of their careers and providing flexibility for smooth transitions to new opportunities. Our early-in-career programs are successful in recognizing internal talent and developing employees' skills for the future needs of our organization via workshops, coaching sessions and experience-based project work. These prepare participants for leadership opportunities within the company. In Ireland, for instance, we had 18 employees participating in the Zurich Achieve early-in-career program in 2023; UK added a Sustainable Energy Graduate and Internship program to its early-in-careers offerings to address the gap for sustainable energy skills as we support and encourage global customers in the energy sector with their transition plans.[5]

ZNA established a new program, Encore (Phased Retirement@Zurich) to support a collaborative and flexible transition when employees decide to retire and have unique and valuable skills, knowledge, and essential relationships to pass along to others. Feedback from participants and their managers has confirmed that both employees (via a smoother transition to retirement) and our company (via standardized knowledge transfer) are strongly benefiting from the program.

1 www.zurich.co.uk/about-us/awards - Zurich UK won in four categories of the FT Advisor Diversity in Finance Award: Championing Gender Inclusivity 2023, Championing Women's Equality 2023, Diversity Marketing or Recruitment Initiative of the Year 2023, Trailblazing Company of the Year 2023. UK also partners with several other organizations to further our commitment to DEIB, e.g., The Valuable 500, ISC Group, Financial Services Skills Commission, Women in Finance Charter, Disability Confident, #10000 Black Interns and Bright Network. For more information, see www.zurich.co.uk/sustainability/diversity-and-inclusion/who-we-work-with
2 www.insurancebusinessmag.com/ca/best-insurance/5star-diversity-equity-and-inclusion-321664.aspx
3 See our index table on our website: www.zurich.com/en/sustainability/reporting/-/media/Project/Zurich/Dotcom/sustainability/docs/bloomberg-GEI-2022.pdf, and www.bloomberg.com/company/press/bloomberg-2023-gei for more information on the index.
4 Reporting on 2022 data and earlier excludes Cover-More.
5 In Zurich UK's Sustainable Energy Graduate and Internship program graduates rotate across Energy, Marine & Construction Underwriting, Claims, and Zurich Resilience Solutions to develop expertise in assessing and reducing risk, claims, pricing and insurance frameworks in the field of sustainable energy.

6. Our people: Let's grow together (continued)

6.2.1 Our commitment to diversity, equity, inclusion and belonging (continued)

In addition to gender and generations, our business units stand for all other aspects of diversity, including intersectionality, creating opportunities for all. Related to LGBTQ+, for instance, we have an active global employee resource group, and we have been recognized, for the sixth consecutive year, as a Top Global Employer for the LGBTQ+ community by Stonewall. In fact, we progressed to a silver award for 2023, on Stonewall's Global Workplace Equality Index,[1] a benchmarking tool for LGBTQ+ workplace equality. Zurich UK not only publishes its diversity policies[2] but also leads by example in publishing pay gap reports linked to gender, ethnicity, LGBTQ and disability. Additionally, ZNA earned the top score of 100 on the Human Rights Campaign Foundation's 2023-2024 Corporate Equality Index,[3] the USA's foremost benchmarking survey and report, measuring corporate policies and practices related to LGBTQ+ workplace equality. In Chile, we participated at Expo Inclusion 2023,[4] a job fair for the inclusion of people with disabilities and older adults on the employment market, a demographic with occasional difficulties accessing employment.

Table 20
Workforce composition[1]

Dimension	Career Level (%) A	B	C	D	E	Senior Management (%)	Total % 2023	Total # 2023
Female	64.7	49.0	37.9	30.6	25.2	30.3	52.0	31,747
Male	35.0	50.8	61.9	69.1	74.8	69.4	47.8	29,187
Other[2]	0.3	0.2	0.2	0.3		0.3	0.2	133
Baby boomers and prior	6.7	9.9	9.8	11.7	10.8	11.7	9.5	5,828
Gen X (1965-1980)	26.5	38.1	54.2	69.8	87.4	70.9	38.3	23,383
Gen Y Millennial (1981-1996)	47.0	48.6	35.8	18.4	1.8	17.4	44.1	26,948
Gen Z (1997 and after)	19.8	3.5	0.2	0.1		0.1	8.0	4,908
National	69.2	53.9	49.4	54.1	31.5	52.8	62.5	38,162
Non-national	6.1	7.5	11.7	22.0	45.0	23.4	8.0	4,865
Undisclosed[3]	24.7	38.6	38.9	23.9	23.4	23.8	29.5	18,040

1 The data includes 'unranked' employees who are not assigned to any career level (12.5 percent of our workforce), comprising of employees in Germany (not ranked due to locally applicable restrictions preventing the use of this data, 8.6 percent of our workforce) and sales force teams (due to their higher volatility, 2.4 percent of our workforce).
2 'Other' refers to employees with no declared gender.
3 'Undisclosed' refers to employees for whom we do not hold nationality/citizenship information, mostly from North America.

We see a tendency for non-national employees to have greater representation at more senior career levels. This can be explained by the movement of experienced, internal talent to new opportunities across our organization.

Ratio of compensation to areas of equality

We actively promote equal opportunity and pay equity in all the markets we operate and continuously monitor to ensure that we meet this ambition.[5] As part of the annual remuneration cycle, the majority of our businesses with 100 or more employees[6] perform an equal pay analysis to ensure gender is not a factor when it comes to remuneration. This process has successfully generated engaged conversations across our organization, and our leaders are fully dedicated to promote pay balance across genders or any other demographic (which may apply locally).

As new legislation is being implemented related to pay equity and pay transparency, we are proactively responding to these new requirements.[7] Local entities publish the results externally in accordance with local laws and regulations. In 2023, we made progress in many markets with some of the examples cited below.

In Australia, we use an externally accredited tool to analyze both pay equity and gender pay gap. We identified where any inequities existed and made required adjustments accordingly to maintain gender pay equity for like-for-like roles. With a focus on increasing female representation in leadership roles, we reduced the gender pay gap by 5 percent over a 12-month period and we are now below the insurance industry average in Australia.

1 www.stonewall.org.uk/top-global-employers/full-list-top-global-employers
2 www.zurich.co.uk/sustainability/diversity-and-inclusion
3 www.hrc.org/resources/corporate-equality-index
4 www.expoinclusion.cl
5 We pay 100 percent of our workforce, at all locations, at or above local minimum wage.
6 Cover-More Argentina and Cover-More Australia will be onboarded in 2024.
7 To find out more about equal pay for equivalent work, please see www.zurich.com/en/careers/deib/equity

6. Our people: Let's grow together (continued)

6.2.1 Our commitment to diversity, equity, inclusion and belonging (continued)

In 2023 we boosted education on gender pay equity and pay gap for leaders and we communicated our current position to all employees via our CEO on Equal Pay Day in August 2023. From early 2024, all employers in Australia with more than 100 employees will have their gender pay gap published by the Workplace Gender Equality Agency (WGEA).[1]

In Spain, we are proud of being re-certified for the fourth time with EDGE and, in 2023 awarded EDGE Move and EDGEplus.[2] This is a result of our efforts monitoring employee experience from an intersectional perspective of gender, gender identity and age, as well as continuously improve policies and practices for our employees. The key highlights from this recertification are that 92 percent of our employees consider they achieve work-life balance, the results of our equal pay analysis position us within the tolerance range of below five percent and we have equitable recruiting practices related to gender (EDGE Move), sexual identity and age (EDGEplus).

6.2.2 Our approach to wellbeing

The wellbeing of our employees is a cornerstone of our ambition to be a sustainable employer. We continue to strengthen our credentials in this space by providing guidance and solutions to cultivate a work environment in which employees can thrive. We have developed a global holistic wellbeing framework[3] that provides our people with tools and resources to stay healthy and empowered. We aim to support[4] measures that allow employees to grow in the four dimensions of wellbeing – physical, social, mental and financial – and be their best selves every day and everywhere.

Physical wellbeing[5]

We support healthy lifestyles through health-promotion activities and competitions via health centers and sports clubs, or sponsor marathons. In Austria, for example, we received an award for workplace health promotion for the fifth time: with various workshops, seminars, lectures, preventive examinations and a broad-based network, Austria's Zurich Vital team received an occupational health award,[6] based on a comprehensive assessment of the company's internal health services, integrated into regular operations, and awarded for employee- and family-friendly companies.

We recognize that every family is unique and balancing responsibilities is important to all of us. We continuously evolve our policies to better reconcile work and family life, for instance, by supporting greater flexibility in childcare and eldercare. Our FlexWork@Zurich program serves as the basis of our commitment to fostering work-life balance and empowering our employees to optimize their productivity. Through this program, we offer flexible working arrangements that accommodate individual lifestyles. Furthermore, to support employees to reduce work-life pressures for working parents and carers, we have partnered in Australia with Parents@Work[7] to ensure we have a family-friendly work environment. In Australia, we also launched the Zurich Care Hub, which delivers training sessions, resources and additional wrap-around support such as our Parental Leave Transition Program.

Social wellbeing

We embrace a culture of dialogue and inclusion. Listening to employees and addressing concerns and needs is part of what we do. Our new yearly Zurich Experience Survey gives us actionable feedback (see also section 6.1.3 Engagement on page 196). Several of our countries engage in local programs designed to look after employees' social wellbeing. In Italy, for instance, we launched the program Action for Change (Azioni per il Cambiamento) as a result of which we analyzed more than 300 bottom-up ideas drafted to improve our ways of working.

Mental wellbeing

Our global mental wellbeing program is focused on reducing negative stress and anxiety. Access to our health app LiveWell is becoming part of our Employee Benefits packages with big corporates, and we offer it to our employees across the Group. In addition to our employee program, in 2023, the Z Zurich Foundation, UNICEF and Zurich's LiveWell partnered up[8] to promote the mental wellbeing of young people and their caregivers worldwide.

In Switzerland, we engaged the workforce in a resilience and mental health training, based on leaders' and employees' requests to proactively manage the demands of a modern working environment. Using a variety of formats, we trained more than 150 employees in 2023, and achieved an average participant NPS of 71 points. In ZNA, we have 300 employees certified as Mental Health First Aid Champions. In Australia, we also partnered with SmartCulture to deliver the Respect at Work program, which aims to embed awareness, education and the prevention of all forms of bullying, harassment and discrimination.

1 www.wgea.gov.au
2 www.edge-cert.org/article/zurich-insurance-company-spain-attains-edge-move-recertification-and-edgeplus
3 www.zurich.com/careers/wellbeing
4 For example, ZNA has hosted more than 100 wellbeing touchpoints, including mindful moments and movements, which build physical and emotional healthy habits in the workplace and at home. Webinars, in person presentations, new joiner connections and quarterly wellbeing learning days have provided opportunities to connect with colleagues across ZNA. Zurich UK also re-launched its online Wellbeing Hub to simplify and increase accessibility, enabling employees and line managers to quickly find advice and support in one place across the pillars of physical, financial, social and mental wellbeing.
5 For detailed health & safety KPIs, incl. number and rate of fatalities as a result of work-related injuries, please see the 2023 WEF index table on our website: www.zurich.com/en/sustainability/reporting/sustainability-report
6 www.gesundheitskasse.at/cdscontent/load?contentid=10008.776273&version=1680253735
7 www.parentsatwork.com
8 www.zurich.foundation/mental-wellbeing/global-program-with-unicef

6. Our people: Let's grow together (continued)

6.2.2 Our approach to wellbeing (continued)

For its societal benefits as well as an impactful way to manage mental wellbeing, all our businesses actively encourage volunteering.[1]

Financial wellbeing

We also offer support for financial wellbeing. For example, in the UK we introduced financial education, access to bespoke consultations to make homes more energy efficient, and interest and tax-free loans to fund home improvements. The UK also made one-off payments to employees to help with the cost of living, as well as access to emergency loans to cover unexpected expenses. Employees were also given access to a range of discount schemes, and advice and guidance on financial wellbeing and managing money.

6.3 Respecting human rights

We respect the protection of international human rights within our sphere of influence and work hard to avoid being complicit in human rights abuses. When interacting with employees, customers, investees, shareholders, suppliers, the public at large or any other stakeholder, we aim to promote the following best-practice standards to manage potential adverse human rights impact:

– United Nations Guiding Principles on Business and Human Rights: Implementing the United Nations "Protect, Respect and Remedy' Framework"
– OECD Guidelines for Multinational Enterprises
– United Nations Global Compact

These principles are embodied in our Code of Conduct,[2] which applies to everyone within the Group. All employees and board members receive mandatory training on the Code of Conduct annually.[3] We endeavor to work with third parties such as consultants, advisers, suppliers and agents who share our values, and we expect our business partners to adhere to the spirit of our code and embrace high standards of business conduct.

We assess possible adverse human rights impacts within our sphere of activity, which includes our role as employer, as an insurer, and as an investor as well as our own operations and supply chain and our position within society.

Our responsibility as an employer

We strive to maintain an environment free from all forms of discrimination and harassment. We do not tolerate harassment, discrimination or bullying in the workplace, whether based on race, ethnicity, color, age, sex, gender, gender identity or expression, sexual orientation, national origin, religion, disability, pregnancy, veteran status, or any other relevant characteristics protected under applicable law. This applies regardless of an individual's duties or positions within the organization.

Employees are encouraged to contact a people manager, Human Resources, Compliance, Legal or use the Zurich Ethics Line to raise any concerns regarding any instances of harassment, discrimination or bullying, or any other concern. These concerns can be raised anonymously. We do not tolerate retaliation against any employee or other person who reports a concern in good faith.[4]

We understand the importance of fostering diversity in voices, promoting inclusive behaviors, driving equity, and cultivating a strong sense of belonging among our people. We offer unconscious bias training to all employees. We recognize the right of employees to freedom of association and collective bargaining and to freely form and join groups for the promotion and protection of employment interests.

Our employees generally work in low-risk environments and are not exposed to significant health and safety hazards. Nevertheless, we adopt a systems-based approach to managing health and safety risks in a structured and consistent way across all our operations and have a global program in place to ensure we continually improve our health and safety performance.[5]

1 For more information, see section 2.3.4 Community investment on page 133.
2 www.zurich.com/en/about-us/corporate-governance/code-of-conduct
3 Excludes employees on a long-term leave during the training window, new joiners who joined after the cut-off date for the annual training assignment and employees who left the company before the assignment due date.
4 More information in section 6.4.3 Protected advice on page 204.
5 More information in section 6.2.2 Our approach to wellbeing on page 200.

6. Our people: Let's grow together (continued)

Our responsibility as an insurer

Our approach to assess non-respect or potential adverse impacts on human rights in business transactions has a particular focus on avoiding child labor and forced labor, human trafficking or operations that could jeopardize health and safety, or offer unfair remuneration.

The business activities of our customers include many sectors of the economy. Hence we pay special attention to activities that could:

- Contribute to adverse human rights impacts such as relocation of local communities without due process, inappropriate use of force or adverse impacts on vulnerable indigenous people.
- Support regimes, governments, government officials or other politically exposed persons in countries with poor governance (for example failed states, conflict or war zones and ineffective rule of law) or poor human rights records.
- Enable harmful child labor, poor health and safety conditions and unfair remuneration.

Through Zurich's underwriting guidelines and checklists, we apply a clear guidance on underwriting decisions including clear referral processes.

Our responsibility as an investor

We implemented a global set of policies and investment processes across the organization, which aim at ensuring a consistent approach on the integration of Environmental, Social and Governance ("ESG") topics, as part of our responsible investment strategy.[1] We proactively integrate ESG factors in our investment decisions. Material ESG factors include, but are not limited to:

- Climate change risks (transition risks, physical risks and litigation risks)
- Activities negatively affecting biodiversity
- Environmental and health impacts of hazardous chemicals, waste and pollution
- Resource inefficiency
- Deforestation, land degradation, and depletion of natural resources
- Exposure to controversial weapons
- Respect for human rights
- Corruption and Bribery matters
- Inadequate governance
- Tax evasion
- Breaches of regulation, international norms and conventions
- Inadequate handling of human capital or client relations

Working with suppliers

When working with suppliers,[2] we apply our third-party governance framework (TPGF), which establishes a framework of Group minimum standards for onboarding and management of third parties we work with. The TPGF adopts a risk-based approach to human rights due diligence and is underpinned by an annual risk assessment. The first step is to analyze the human rights set out in the United Nations Declaration of Human Rights, and seek to identify which, if any, of these fundamental human rights could be adversely impacted in our tier-one supply chain, i.e. those suppliers with whom we have a direct buying contract.

Our initial and subsequent analysis identified a limited potential for non-respect or potential adverse impacts on human rights. We also concluded that our supply chain presents overall low exposure to non-respect or potential adverse impacts on human rights and that the labor standards and workplace practices operated by our suppliers are a critical factor in the likelihood of adverse human rights impacts occurring. In 2023, we also conducted a separate assessment in the context of child labor,[3] which resulted in the conclusion that there is no reasonable suspicion of child labor within our supply chain.

To support our risk assessment, we maintain a database of high-risk countries and high-risk goods and services based on data and reports from reputable NGOs and our own internal expert judgement. Our assessment of high-risk goods and services categories is based upon the prevalence of human rights issues reported and an assessment of working practices at industry or sector level.

1 For further information on our approach relating to responsible investment, see www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/responsible-investment-at-zurich.pdf
2 For further information, see 2.3.2 Supply chain on page 132.
3 Pursuant to the Swiss Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labor.

6. Our people: Let's grow together (continued)

Our assessment of high-risk countries is based on:

- The reported prevalence of human rights issues.
- The degree of respect for worker rights, based upon local laws and actual practices.
- The extent of political freedom and civil liberties.
- The extent of corruption.

The aim of our human rights due diligence is to validate that the supplier has implemented measures to respect fundamental human rights. Accordingly we have a referral process in place to investigate or to resolve, as appropriate, any red flags identified during the due diligence process. We also use a software tool that uses artificial intelligence to screen news reports, social media posts and NGO reports to monitor potential ESG-related (including human rights) supply chain issues. We also published a course covering the supplier due diligence processes (including in relation to human rights) that have been implemented under the TPGF. The completion rate of the supplier due diligence training for calendar year 2023 is 100 percent.

6.4 Prevention of bribery and corruption

6.4.1 Group Policy Anti-Bribery and Anti-Corruption

WORLD ECONOMIC FORUM G

We invest heavily in controls to prevent and detect, among other risks, any bribery or corruption. We have put in place strong and effective controls and we monitor financial, legal and regulatory developments to conduct business in an ethical and compliant manner.

Zurich takes a risk-based approach for the development and implementation of its Group Anti-Bribery and Anti-Corruption Framework (the Framework). The Framework is designed to prevent and detect acts of bribery and corruption. The Group Policy Anti-Bribery and Anti-Corruption (Group Policy ABC)[1] sets out the minimum requirements and obligations, with which our subsidiaries worldwide, including their board members[2] and employees, need to comply. It also provides related guidance regarding anti-bribery and anti-corruption compliance that our business units should adopt.

The Group Policy ABC sets out minimum requirements in relation to the following topics, among others:

- Associated persons' due diligence
- Third-party payment due diligence
- Incentives
- Gifts, entertainment and other advantages

We perform due diligence in accordance with our Group Policy ABC before selecting a party to be an Associated Person.[3] The due diligence must be appropriate to the anti-bribery and anti-corruption risk the relationship with the Associated Person may present. Higher risk Associated Persons receive periodically recurring due diligence.

On third-party payments, our Group Policy ABC requires the establishment of documentation which provides, among other things, a business rationale for the relationship. Our Group Policy ABC requires Zurich employees to be alert to potential anti-bribery and anti-corruption "red flags"[4] that may be associated with improper third-party payments. Such red flags are to be addressed through a so-called "third-party payment due diligence process".

The Compliance function is mandated to provide assurance to stakeholders (business management, board and audit committees) that compliance-related risks are managed effectively, and that controls are designed adequately and operating effectively. In addition, Compliance supports business units in managing compliance-related risks appropriately and remediating gaps in operative compliance controls. It is important to note that anti-bribery and anti-corruption is part of the "compliance risk universe"[5] and subject to independent assurance by Group Compliance in accordance with the Zurich Compliance Charter and Zurich Compliance Program.

Assurance activities conducted by Group Compliance and Group Audit in 2023 confirmed the overall assessment that the Group's controls around ABC are well designed and working effectively.

1 The Group Policy ABC requires the appointment of an anti-bribery and corruption officer (ABCO) for each business unit. The ABCO's duty is to monitor compliance with the Group Policy ABC and the applicable local anti-bribery and anti-corruption framework. The ABCO also supports business management in maintaining the local anti-bribery and anti-corruption framework and reviewing it regularly to ensure that it appropriately addresses bribery and corruption risks in the business unit.
2 Subject to Group and local governance requirements.
3 Associated Persons are individuals or entities who perform services for, to, or on behalf of, an organization and may include: brokers, insurance agents and intermediaries, distributors, sub-contractors, employees of outsourcing partners, employees of Zurich, Group entities or subsidiaries, independent non-executive directors, joint venture partners, outsourcers, including external asset managers, other consortia members, other (non-insurance) agents in the process of conducting business, suppliers and service providers (e.g., property management companies).
4 Anti-bribery and anti-corruption "red flags" include, but are not limited to, the following: The recipient of the payment is a public official or a close relative of a public official, the transaction value appears to be high in relation to the goods or services provided, the payment is being made to a country that is different to the country in which the recipient is located or the services are/were rendered, etc.
5 The "compliance risk universe" captures common global compliance risk themes.

6. Our people: Let's grow together (continued)

6.4.2 Training and awareness

Fostering a culture of compliance among all our employees is important. To achieve this, it is critical to encourage general awareness and understanding of potential areas of bribery and corruption risk, applicable laws, and our policies.

We frequently educate our employees and Board members on topics related to compliance and ethics. This begins with mandatory Code of Conduct training.[1] This annual training raises awareness of what it means to do the right thing. It helps employees and managers feel more confident in making ethical decisions in their day-to-day work. It also helps employees to spot and report possible bribery and corruption incidents. In 2023, almost all our employees and senior management[2] completed the training, resulting in a global completion rate of 99.99 percent. The completion rate was above 99.9 percent in all regions.[3] In addition, all 12 members of our Group Board completed the training. Employees whose roles expose them to potentially greater bribery and corruption-related risks are also required to undergo enhanced training on how to identify and respond to potential bribery and corruption risks.

Group Compliance develops the training in line with the Group Policy ABC and in consideration of local risks, regulations and requirements for each jurisdiction. The training is reviewed on an annual basis to incorporate new developments and requirements. This keeps our employees and management at the forefront of the prevention of bribery and corruption and helps us fulfil our ambition of being a responsible and ethical business.

6.4.3 Protected advice

Anti-bribery and anti-corruption (ABC) is a risk which affects all business lines. Comprehensive regulatory requirements — some with extra territorial reach including the U.S. Foreign Corrupt Practices Act (FCPA) and the UK Bribery Act — as well as a high level of regulatory scrutiny and extensive criminal enforcement with large penalties, fines or settlements drive up the inherent anti-bribery and anti-corruption risk for Zurich.

As outlined above, our employees are all subject to our Group Policy ABC[4] and Zurich Code of Conduct,[5] and we provide them with training and other resources which aim to prevent and detect potential misconduct. If employees suspect misconduct, we want them to feel comfortable reporting their concerns and feel supported by the organization when doing so.

There are multiple channels for our employees and other stakeholders to report alleged wrongdoing or suspected or actual illegal, fraudulent, improper or unethical conduct ("integrity concerns") to people managers, Compliance, HR and Legal. They can also use the Zurich Ethics Line (ZEL) to report integrity concerns anonymously, either via telephone or online via a web form. We do not tolerate retaliation against any employee or other person reporting an integrity concern with reasonable grounds to believe the information reported was true at the time of reporting.

The ZEL is available globally and offers support in a total of 25 languages. All integrity concerns are reviewed by a triage committee comprising representatives of Compliance, HR and Legal.

1 The code of conduct training includes the topic of anti-bribery and anti-corruption.
2 In 2023, the code of conduct training was also shared with various business partners depending on country requirements.
3 Excludes employees on a long-term leave during the training window, new joiners who joined after the cut-off date for the annual training assignment and employees who left the company before the assignment due date.
4 www.zurich.com/en/about-us/corporate-governance/code-of-conduct/we-care-about-business-integrity
5 www.zurich.com/about-us/corporate-governance/code-of-conduct

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7. Appendix

Our targets and ambitions

To execute our refreshed Sustainability Framework, we have set ourselves both qualitative ambitions and quantitative targets. In line with our aim to be transparent, we report yearly on our progress against those ambitions and targets. Please note that parentheses around percentages or points indicate a reduction.

Table 21
Our targets and ambitions

Investment management

Our areas of focus	Our progress 2020 to 2023				Our targets 2025	2050	Targets without a deadline
Reduction of financed emissions							
Reduce emissions intensity of listed equity and corporate bond investments (metric tons CO2e/USD million invested) (compared to 2019)	2020: (6)%	2021: (21)%	2022: (12)%	2023: (43)%	(25)%	Net-zero investment portfolio	
Reduce emissions intensity of direct real estate investments (kgCO2e/m^2) (compared to 2019)	2020: (6)%	2021: (20)%	2022: (25)%		(30)%		
Engagement							
Engage companies producing 65% of portfolio emissions and lacking targets aligned with Paris Agreement (PA)		2021: 46%	2022: 54%	2023: 60%	65%		
Climate solutions							
Increase allocation to climate solution investments (compared to 2019)	2020: +9%	2021: +11%	2022: +17%	2023: +25%			Increase
Avoid CO2e emissions through climate-related impact investment organization (per year)		2021: 4.6 million metric tons CO2e	2022: 3.2 million metric tons CO2e	2023: 4.5 million metric tons CO2e			Avoid 5 million metric tons CO2e
Impact investment							
Share of total invested assets in impact investments	2020: 2.5%	2021: 3.3%	2022: 3.8%	2023: 4.6%	5%		
People to benefit from a positive contribution to their lives and livelihood (per year)		2021: 3.6 million people	2022: 4.7 million people	2023: 4.6 million people			5 million people

Underwriting

Our areas of focus	Our progress 2021 to 2023			Our targets 2025	2030	2040	2050
Revenues from sustainable solutions (in USDm)	2021[1]: 289	2022[2]: 801	2023: 1,360	Increase			
Full phase out of thermal coal from underwriting portfolio organization	Concluded on initial phase by 2021, ongoing monitoring of new business				OECD and EU[3]	Rest of the world[2]	Net-zero UWR portfolio

1 2021 amounts were calculated under IFRS 4 'Insurance Contracts' and not remeasured to IFRS 17 'insurance Contracts'.
2 Due to the adoption of IFRS 17 'Insurance Contracts' in 2023, the measurement of revenues from sustainable solutions in our Life business was remeasured and aligned to net flows.
3 Unless the company has formally approved science-based targets in place, which are approved by either SBTi or a similar scientifically accredited body.

7. Appendix (continued)

Our targets and ambitions (continued)

Own operations and supply chain

Our areas of focus	Our progress				Our targets		
	2020 to 2023				2025	2029	2030
Absolute reduction in all operational emissions[1] (compared to 2019)	**2020** (60)%[2]	**2021** (73)%	**2022** (70)%	**2023** (66)%	(60)%	(70)%	**Net-zero operational emissions**
Reduction of scope 1 and 2 emissions[1] (compared to 2019)	**2020** (41)%[2]	**2021** (56)%	**2022** (56)%	**2023** (57)%	(62)%	(80)%	
Reduction of scope 3 emissions[1,3] (compared to 2019)	**2020** (67)%[2]	**2021** (80)%	**2022** (74)%	**2023** (70)%	(60)%	(67)%	
% of MPS[4] that is with suppliers having science-based targets[5, 6]				**2023** 52.1%	**75% with science-based targets**[6]		
% of MPS[4] that is with suppliers having net-zero targets[5, 7]				**2023** 49.4%			**75% with net-zero targets**[7]

1 Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third party vendors are out of scope.
2 The 2020 numbers were restated as a number of data quality improvement opportunities were revealed during the assurance process. For a detailed overview, please see: www.zurich.com/-/media/project/zurich/dotcom/sustainability/docs/Zurich-environmental-performance-data-2021.xlsx
3 Resulting from air, rental and rail business travel, employee commuting, strategic data centers, printed paper and waste, as well as indirect energy impact.
4 Managed procurement spend (MPS) means the spend of approximately USD 2 billion annually managed centrally by Zurich's Procurement and Vendor Management function on goods and services that are required to enable Zurich to maintain and develop its operations.
5 According to the 2022 baseline of managed procurement spend (MPS), excluding suppliers no longer active in the year of reporting.
6 We consider a supplier to have science-based targets when their emission reduction targets are approved by the SBTi, a similar scientifically accredited body or otherwise require a reduction of at least 42 percent in scope 1 and 2 emissions.
7 We consider a supplier to have net-zero targets when their net-zero target is approved by the SBTi, a similar scientifically accredited body or otherwise has a public target to neutralize any residual scope 1 and 2 emissions.

Customer data

Our areas of focus	Our progress
	2020 to 2023
Keep customers' data safe	Never sell customers' personal data. Not share customers' personal data without being transparent about it. Put customers' data to work so Zurich can better protect them and so they can get the most out of life.

Our people

Our areas of focus	Our progress			Our targets
	2021 to 2023			2025
Internal hires	**2021** 68%	**2022** 71.2%	**2023[1]** 73.4%	**Increase**

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

7. Appendix (continued)

Table 22
Emissions profile

	In scope AuM (USDbn)						Absolute financed emissions (million metric tons CO2e)[1]					
	2023	2022	2021	2020	2019 (baseline)	Diff (2023 to baseline)	2023	2022	2021	2020	2019 (baseline)	Diff (2023 to baseline)
Zurich Corporate Portfolio	49.6	47.7	63.1	64.3	58.5	(15)%	3.8	5.7	6.8	8.3	7.9	(52)%
By investment asset class												
Listed equity	6.7	6.4	10.5	10.6	10.6	(37)%	0.4	0.5	0.7	0.8	1.0	(60)%
Corporate bonds	43.0	41.2	52.6	53.8	47.9	(10)%	3.4	5.1	6.0	7.5	7.0	(51)%
By region												
APAC	5.3	5.0	6.0	5.1	4.5	19 %	0.9	1.3	1.8	1.8	1.8	(51)%
EMEA	32.0	29.5	40.7	42.5	38.2	(16)%	2.2	3.2	3.9	4.8	4.5	(52)%
Americas	12.4	13.2	16.3	16.7	15.9	(22)%	0.8	1.2	1.1	1.6	1.7	(53)%
By sector												
Utilities	4.0	4.0	4.8	4.7	4.4	(8)%	1.4	2.2	2.9	2.7	2.7	(46)%
Government-owned	1.9	1.7	2.2	2.6	2.7	(28)%	0.5	0.9	0.8	1.3	1.4	(64)%
Energy	1.8	1.9	2.5	2.7	2.1	(16)%	0.5	0.7	0.8	1.0	0.7	(20)%

1 Financial emissions cover scope 1+2 of underlying companies (listed equities and listed corporate credit) attributed with enterprise value methodology and matched, based on most recently available emission data.
2 Committed or set targets under SBTi.

	In scope AuM (USDbn)					Absolute emissions (metric tons CO2e)				
	2022	2021	2020	2019 (baseline)	Diff (2022 to baseline)	2022	2021[3,4]	2020[3,4]	2019 (baseline)	Diff (2022 to baseline)
Zurich global real estate	10.3	11.1	12.5	11.7	(12)%	37,110	39,362	50,669	53,181	(30)%
APAC	0.1	NA	NA	NA	NA	555	NA	NA	NA	NA
EMEA	8.3	9.4	10.8	10.0	(17)%	27,183	27,897	37,244	41,153	(34)%
Americas	1.8	1.7	1.7	1.7	9%	9,372	11,465	13,425	12,028	(22)%

3 The CO2e emissions are calculated according to the location based method. In cases where the data is available or properties use onsite/offsite renewable energies, the market based methodology is applied.
4 The emission factors are retrieved from the International Energy Agency (IEA, 2020) with the exception of Switzerland for local calculation references (Intep, REIDA 2022 and local authorities) which are aligned with IEA.
5 The relative emissions intensity is calculated based on gross floor area (GFA) of the buildings.
6 Real estate emissions are only available with a four-quarter lag. 2023 emissions will be reported in the 2024 report. Includes investment portfolio buildings only, as own-use buildings are part of our operational emissions target.
7 Direct real estate holdings form the base for the emission reduction targets. There are no applicable figures for the APAC region available.

7. Appendix (continued)

Relative emission intensity (metric tons CO2e/1 million market value)							% of financed emissions with SBT						
2023	2022	2021	2020	2019 (baseline)	Diff (2023 to baseline)	Target	2023	2022[2]	2021	2020	2019 (baseline)	Diff (2023 to baseline)	% of financed emissions in run-off under coal/oil sands policy 2023
77	119	108	128	136	(43)%	(25)%	21.8	23.3	19.9	19.5	14.3	53%	4.7
57	84	71	74	90	(37)%		22.2	25.9	25.1	27.8	22.6	(2)%	
80	125	115	139	146	(45)%		21.8	23.0	19.3	18.7	13.2	66%	
164	261	292	355	400	(59)%		6.3	6.5	1.2	1.6	1.2	448%	18.0
68	108	95	113	118	(42)%		32.8	35.7	32.4	31.3	22.9	43%	0.5
63	89	70	98	105	(40)%		8.6	8.2	6.1	4.3	5.3	63%	1.6
358	547	600	565	616	(42)%		16.8	19.3	16.7	17.9	14.4	17%	11.5
262	518	375	498	529	(50)%		40.1	27.5	26.5	24.3	5.4	637%	2.3
290	383	310	384	305	(5)%		0.0	0.0	0.0	0.0	0.0	0%	0.6

Relative emission intensity (kg CO2e/sqm)					
2022	2021	2020	2019 (baseline)	Diff (2022 to baseline)	Target
16.2	17.2	20.4	21.6	(25)%	(30)%
56.0	NA	NA	NA	NA	
17.9	18.2	21.3	22.9	(22)%	
12.4	15.3	18.1	18.0	(31)%	

7. Appendix (continued)

Table 23
Swiss Code of Obligations reference table

The sections listed in the table below are the main source of information on a given matter. There may be additional information in other parts of the report.

Legal basis		Sustainability matters	Disclosure
Art. 964b para. 1	Information required to understand our business		– AR 7 section Group overview: Our performance – AR 8 section Group overview: Our business mix – AR 14 section Group overview: Business environment – AR 18 section Group overview: Our global business – AR 257 section Financial review: Financial highlights
Art. 964b para. 2 no. 1	Description of our business model		– AR 12 to 13 section Group overview: Our business model
Art. 964b para. 2 no. 2	Description of our policies (incl. the due diligence applied)	Environmental matters (incl. CO2 goals)	– AR 126 section 2.1.3 Our refreshed Sustainability Framework – AR 137 introduction to chapter 4. Our planet: Drive positive impact – AR 138 sections 4.1 Strategy and 4.1.1 Our approach to climate change risk
		Social matters	– AR 126 section 2.1.3 Our refreshed Sustainability Framework – AR 131 to 134 section 2.3 Involving our stakeholders – AR 180 to 191 chapter 5. Our customers: Their needs are at the heart of everything we do
		Employee-related matters	– AR 126 section 2.1.3 Our refreshed Sustainability Framework – AR 192 to 201 sections 6.1 Attracting and retaining talent for a sustainable future and 6.2 A positive work environment
		Human rights matters	– AR 132 section 2.3.2 Supply chain – AR 201 to 203 section 6.3 Respecting human rights
		Corruption matters	– AR 203 to 204 section 6.4 Prevention of bribery and corruption
Art. 964b para. 2 no. 3	Presentation of the measures we take to implement our policies and assessment of their effectiveness	Environmental matters (incl. CO2 goals)	– AR 137 to 179 chapter 4. Our planet: Drive positive impact
		Social matters	– AR 131 to 134 section 2.3 Involving our stakeholders – AR 180 to 191 chapter 5. Our customers: Their needs are at the heart of everything we do
		Employee-related matters	– AR 193 to 201 sections 6.1 Attracting and retaining talent for a sustainable future and 6.2 A positive work environment
		Human rights matters	– AR 132 section 2.3.2 Supply chain – AR 201 to 203 section 6.3 Respecting human rights
		Corruption matters	– AR 203 to 204 section 6.4 Prevention of bribery and corruption
Art. 964b para. 2 no. 4	Description of the main risks and how we are dealing with these risks	Environmental matters (incl. CO2 goals)	– AR 123 to 125 section 2.1.2 Assessing materiality – AR 128 to 131 section 2.2 Managing risks and opportunities – AR 138 to 161 section 4.1 Strategy – AR 162 to 164 section 4.3 Risk management
		Social matters	– AR 123 to 125 section 2.1.2 Assessing materiality – AR 128 to 131 section 2.2 Managing risks and opportunities – AR 181 to 191 chapter 5. Our customers: Their needs are at the heart of everything we do
		Employee-related matters	– AR 123 to 125 section 2.1.2 Assessing materiality – AR 128 to 129 section 2.2 Managing risks and opportunities – AR 193 to 201 sections 6.1 Attracting and retaining talent for a sustainable future and 6.2 A positive work environment
		Human rights matters	– AR 128 to 131 section 2.2 Managing risks and opportunities – AR 132 section 2.3.2 Supply chain – AR 201 to 203 section 6.3 Respecting human rights
		Corruption matters	– AR 128 to 129 section 2.2 Managing risks and opportunities – AR 203 to 204 section 6.4 Prevention of bribery and corruption

7. Appendix (continued)

Legal basis		Sustainability matters	Disclosure
Art. 964b para. 2 no. 5	Main performance indicators	Environmental matters (incl. CO2 goals)	– AR 117 Executive message, Sustainability highlights 2023 – AR 127 section 2.1.4 Our targets and ambitions – AR 164 to 179 section 4.4 Metrics and targets – AR 182 to 185 section 5.1.1 Revenues from sustainable solutions
		Social matters	– AR 117 Executive message, Sustainability highlights 2023 – AR 127 section 2.1.4 Our targets and ambitions – AR 131 to 134 section 2.3 Involving our stakeholders – AR 182 to 191 chapter 5. Our customers: Their needs are at the heart of everything we do
		Employee-related matters	– AR 117 Executive message, sustainability highlights 2023 – AR 127 section 2.1.4 Our targets and ambitions – AR 192 Introduction to chapter 6. Our people: Let's grow together – AR 193 to 201 sections 6.1 Attracting and retaining talent for a sustainable future and 6.2 A positive work environment
		Human rights matters	– AR 132 section 2.3.2 Supply chain – AR 201 to 203 section 6.3 Respecting human rights
		Corruption matters	– AR 203 to 204 section 6.4 Prevention of bribery and corruption
Art. 964b para. 3	References to national, European or international regulations		– AR 119 section 1. Introduction to the SR

7. Appendix (continued)

Table 24
Assurance scope

The below reference table gives an overview of the metrics which have been externally assured for the year ended 31 December 2023 unless otherwise stated. The assurance degree (reasonable, limited) and the framework or standard used are detailed for each metric.

Where	Assured metric		Assurance degree	Annual report	Framework/Standard
	Table / figures / KPI	Title			
Chapter 2 Creating positive impact for stakeholders					
	KPI	% of MPS with suppliers in compliance with or exceeding our SCOC	Limited	132	Zurich Insurance Group's methodology[1]
	KPI	% of MPS with suppliers that have science-based emissions reduction targets	Limited	132	Zurich Insurance Group's methodology
	KPI	% of MPS with suppliers that have net-zero targets	Limited	132	Zurich Insurance Group's methodology
	Table 2	Charitable cash contributions	Limited	134	Zurich Insurance Group's methodology
Chapter 4 Our planet: Drive positive impact					
	Figure 10	Annual Expected Loss for top five peril regions	Limited	142	Zurich Insurance Group's methodology
	Figure 12	Probable Maximum Loss by top three peril regions	Limited	143	SASB Standards
	KPI	Revenues from energy efficiency and low-carbon technologies	Limited	166	SASB Standards
	Table 4	Engagement progress	Limited	168	Zurich Insurance Group's methodology
	Figure 20	Engagement progress for top 10 emitters without science-based targets (SBTs)	Limited	168	Zurich Insurance Group's methodology
	Figure 21	Top 10 emitters without science-based targets (SBTs) by sector and region	Limited	169	Zurich Insurance Group's methodology
	Table 5	Assets under Management: corporate portfolio	Limited	170	Zurich Insurance Group's methodology
	Table 6	Absolute and relative emissions of the corporate portfolio	Limited	171	Zurich Insurance Group's methodology
	Table 7	Corporate portfolio emissions with commitments or in run-off	Limited	172	Zurich Insurance Group's methodology
	Table 8	Assets under Management: real estate portfolio (year-end 2022)	Limited	172	Zurich Insurance Group's methodology
	Table 9	Absolute and relative emissions of the real estate portfolio (year-end 2022)	Limited	172	Zurich Insurance Group's methodology
	KPI	Coverage ratio real estate portfolio (year-end 2022)	Limited	173	Zurich Insurance Group's methodology
	Table 10	% green certified buildings in total real estate	Limited	174	Zurich Insurance Group's methodology
	Table 11	Climate solutions	Limited	174	Zurich Insurance Group's methodology
	Table 12	Investment portfolio managed by responsible investors	Limited	175	Zurich Insurance Group's methodology
	Figure 23	Proxy voting	Limited	175	Zurich Insurance Group's methodology
	KPI	People benefited and emissions avoided through impact investment portfolio	Limited	176	Zurich Insurance Group's methodology

1 Regarding performance indicators in line with Zurich Insurance Group's methodology, a description of the methodology is included in the relevant sections of the sustainability report.

7. Appendix (continued)

Where	Assured metric: Table / figures / KPI	Title	Assurance degree	Annual report	Framework/Standard
Chapter 4 Our planet: Drive positive impact (continued)					
	Figure 24	Impact metrics	Limited	177	Zurich Insurance Group's methodology
	Table 13	Impact investing portfolio	Limited	177	Zurich Insurance Group's methodology
	Table 14	Absolute carbon emissions coming from our own operations	Reasonable	179	GRI Standards
Chapter 5 Our customers: Their needs are at the heart of everything we do					
	Figure 25	Revenues from sustainable solutions split by region & sustainable category	Limited	183	Zurich Insurance Group's methodology
	Figure 26	Revenues from sustainable solutions by product category	Limited	184	Zurich Insurance Group's methodology
	Figure 27	Retail	Limited	187	SASB Standards
	KPI	Employees completing data protection and privacy training	Limited	189	Zurich Insurance Group's methodology
	KPI	Employees completing information security awareness training	Limited	189	Zurich Insurance Group's methodology
Chapter 6 Our people: Let's grow together					
	KPI	Total Group headcount	Limited	193	Zurich Insurance Group's methodology
	Table 16	New hires	Limited	193	WEF IBC metrics
	Table 17	Internal hires	Limited	194	Zurich Insurance Group's methodology
	Table 18	Average learning hours	Limited	195	WEF IBC metrics
	KPI	Average training expenditure per full time employee	Limited	195	WEF IBC metrics
	Table 19	Turnover	Limited	197	WEF IBC metrics
	Table 20	Workforce composition	Limited	199	WEF IBC metrics
	KPI	Employees completing anti-corruption training overall and by region	Limited	204	WEF IBC metrics
WEF IBC index					
	KPI	Financial assistance received from the government	Limited	WEF Index table	WEF IBC metrics

8. Independent assurance report

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To the Executive Committee of
Zurich Insurance Group Ltd, Zurich

Zurich, February 28, 2024

Independent assurance report on sustainability KPIs in 2023 Annual Report

We have been engaged to perform assurance engagements on certain metrics disclosed in the Annual Report 2023 of Zurich Insurance Group Ltd and its subsidiaries (Zurich Insurance Group) for the year ended December 31, 2023 (the Report). Specifically, for the following metrics, contained in the Sustainability Report, integrated in the Annual Report 2023, we were engaged to provide:

- limited assurance on selected environmental, governance and social key performance indicators in the Report (KPIs in scope of limited assurance).
- reasonable assurance on selected environmental key performance indicators in the Report (KPIs in scope of reasonable assurance).

An overview of the KPIs in scope of the limited and reasonable assurance is attached as appendix to our independent assurance report (the Appendix).

Other than as described in the previous paragraph, which sets out the scope of our engagements, we have not conducted assurance procedures on the remaining information contained in the Report and, accordingly, we do not express a conclusion on this information.

Applicable criteria

Zurich Insurance Group defined as applicable criteria (applicable criteria):

- Global Reporting Initiative Standards (GRI) complemented by Zurich Insurance Group's methodology for environmental indicators 2023 for KPIs listed under 'Reasonable assurance' section in the Appendix. A description of the methodology is available under 'Zurich's path to net-zero operations' at: https://www.zurich.com/sustainability/planet/net-zero-in-operations, 'Overview of operational emissions targets and results'.
- SASB Insurance reporting standard for KPIs listed under 'SASB standard disclosures' section in the Appendix. The guideline is presented on the SASB webpage at: https://www.sasb.org/standards/download/.
- World Economic Forum's (WEF) Metrics of Sustainable Value Creation for KPIs listed under 'WEF IBC metrics' section in the Appendix. The guideline is presented on the WEF webpage at: https://www.weforum.org/stakeholdercapitalism/our-metrics.
- Zurich Insurance Group's own methodology for KPIs listed under 'Disclosures based on Zurich Insurance Group's own methodology' section in the Appendix. A description of the methodology for these performance indicators is included in the relevant sections of the sustainability disclosures as listed in the Appendix.

We believe that these criteria are a suitable basis for our limited and reasonable assurance engagements.

8. Independent assurance report (continued)

Responsibility of the management of Zurich Insurance Group
The management of Zurich Insurance Group is responsible for the selection of the applicable criteria and for the preparation and presentation, in all material respects, of the disclosed KPIs in accordance with the applicable criteria. This responsibility includes the design, implementation, and maintenance of internal controls relevant to the preparation of the KPIs that are free from material misstatement, whether due to fraud or error.

Independence and quality assurance
We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) of the International Ethics Standards Board for Accountants (IESBA Code), 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 Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our responsibility

Limited assurance:
Our responsibility is to express a conclusion on the KPIs in scope of limited assurance based on the evidence we have obtained.

Reasonable assurance:
Our responsibility is to express an opinion on the KPIs in scope of reasonable assurance based on the evidence we have obtained.

We conducted our limited and reasonable assurance engagements in accordance with the International Standard for Assurance Engagements (ISAE) 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. This standard requires that we plan and perform the engagement to obtain reasonable and limited assurance as to whether the KPIs in the Report are free from material misstatement, whether due to fraud or error.

Summary of work performed

Based on risk and materiality considerations we have undertaken procedures to obtain sufficient evidence. The procedures selected depend on the practitioner's judgment. This includes the assessment of the risks of material misstatements in the above mentioned KPIs.

Limited assurance:
The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in scope than, for a reasonable assurance. Consequently, the level of assurance obtained for a limited assurance is significantly lower than the level of assurance that would have been obtained had we performed a reasonable assurance engagement.

Although we considered the effectiveness of management's internal controls when determining the nature and extent of our procedures, our assurance engagement was not designed to provide assurance on internal controls.

8. Independent assurance report (continued)

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

- Assessment of the suitability of the underlying criteria and their consistent application
- Inquiries of Zurich Insurance Group's representatives responsible for collecting, consolidating, and calculating the KPIs to assess the process of preparing the data, the reporting system, the completeness of the data capture and compilation methods as well as internal controls to the extent relevant for the limited assurance engagement
- Inspection of the relevant documentation of the systems and processes for compiling, analyzing, and aggregating the KPIs and testing such documentation on a sample basis
- Analytical procedures and inspection of documents on a sample basis with respect to the compilation and reporting of the KPIs
- Checks that the calculations have been correctly applied in accordance with the methodologies outlined in the criteria
- Analytical procedures on the Report regarding plausibility and consistency with the KPIs
- Site visits, inquiries, and inspection of documents on a sample basis

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our limited assurance conclusion.

Reasonable assurance:
A reasonable assurance engagement in accordance with ISAE 3000 involves performing procedures to obtain evidence about the KPIs in scope of reasonable assurance. The procedures selected depend on the practitioner's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error, in the KPIs in scope of reasonable assurance. In making those risk assessments, we considered internal controls relevant to Zurich Insurance Group's preparation of the KPIs in scope of reasonable assurance.

Our reasonable assurance procedures included, amongst others, in addition to the procedures listed above for the limited assurance engagement, the following work:

- Site visits (physical or virtual) in selected countries to visually inspect operations, perform inquiries and inspect documents on a sample basis
- Testing, on a sample basis, of underlying source information to check the accuracy of the data
- Identification and testing of assumptions supporting calculations
- Evaluation of the overall presentation, structure and content of the environmental disclosures

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

Conclusion – limited assurance
Based on the procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the KPIs in scope of limited assurance have not been prepared, in all material respects, in accordance with the applicable criteria.

8. Independent assurance report (continued)

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Opinion – reasonable assurance
In our opinion, the KPIs in scope of reasonable assurance are prepared and presented, in all material respects, in accordance with the applicable criteria.

Ernst & Young Ltd

Yana Toengi	Mark Veser
Partner	Executive in charge

Appendix: Performance indicators in assurance scope

8. Independent assurance report (continued)

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Appendix: Performance indicators in assurance scope

Limited assurance

KPIs reported for year 2023

SASB standard disclosures

- Figure 12: Probable maximum loss by top three peril regions in Section 4.1.3 Natural catastrophe modeling: current exposure to physical risk on page 143, see also FN-IN-450a.1 in SASB index table online at: https://www.zurich.com/sustainability/reporting
- Revenues from energy efficiency and low-carbon technologies in Section 4.4.2 Our performance metrics on page 166, see also FN-IN-410b.1 in SASB index table online (see link above)
- Figure 27: Retail – customer retention rate 2023 in section 5.2 Customer attraction and retention on page 187, see also FN-IN-270a.3 in SASB index table online (see link above)

WEF IBC metrics

- Table 16: New hires in Section 6.1 Attracting and retaining talent for a sustainable future on page 193
- Table 18: Average learning hours in Section 6.1.2 Learning and development on page 195
- KPI on average training expenditure per full time employee in Section 6.1.2 Learning and development on page 195
- Table 19: Turnover in Section 6.1.4 Retention on page 197
- Table 20: Workforce composition in Section 6.2.1 Our commitment to diversity, equity, inclusion and belonging on page 199
- KPIs on employees completing anti-corruption training overall and by region in Section 6.4.2. Training and awareness on page 204
- Financial assistance received from the government in WEF IBC index table online, disclosure 'Employment and wealth generation', reference 'Economic contribution' at: https://www.zurich.com/sustainability/reporting

Disclosures based on Zurich Insurance Group's own methodology

- KPI on percentage of managed procurement spend (MPS) with suppliers in compliance with or exceeding Zurich's Supplier Code of Conduct (SCOC) expectations in Section 2.3.2 Supply chain on page 132
- KPI on percentage of managed procurement spend (MPS) with suppliers that have science-based emissions reduction targets in Section 2.3.2 Supply chain on page 132
- KPI on percentage of managed procurement spend (MPS) with suppliers that have net-zero targets in Section 2.3.2 Supply chain on page 132
- Table 2: Charitable cash contributions figures in Section 2.4.3 Community investment on page 134
- Figure 10: Annual expected loss for top five peril regions in Section 4.1.3 Natural catastrophe modeling: current exposure to physical risk on page 142
- Table 4: Engagement progress in Section 4.2.2 Our performance metrics on page 168
- Figure 20: Engagement progress for top 10 emitters without science-based targets (SBTs) in Section 4.4.2 Our performance metrics on page 168
- Figure 21: Top 10 emitters without science-based targets (SBTs) by sector and region in Section 4.4.2 Our performance metrics on page 169
- Table 5: Assets under Management: corporate portfolio in Section 4.4.2 Our performance metrics on page 170
- Table 6: Absolute and relative emissions of the corporate portfolio in Section 4.4.2 Our performance metrics on page 171
- Table 7: Corporate portfolio emissions with commitments or in run-off in Section 4.4.2 Our performance metrics on page 172

8. Independent assurance report (continued)

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- Table 10: % green certified buildings in total real estate in Section 4.4.2 Our performance metrics on page 174
- Table 11: Climate solutions in Section 4.4.2 Our performance metrics on page 174
- Table 12: Investment portfolio managed by responsible investors in Section 4.4.2 Our performance metrics on page 175
- Figure 23: Proxy voting in Section 4.4.2 Our performance metrics on page 175
- KPIs on people benefited and emissions avoided through impact investment portfolio in Section 4.4.2 Our performance metrics on page 176
- Figure 24: Impact metrics in Section 4.4.2 Our performance metrics on page 177
- Table 13: Impact investing portfolio in Section 4.4.2 Our performance metrics on page 177
- Figure 25: Revenues from sustainable solutions split by region & sustainable category in Section 5.1.1. Revenues from sustainable solutions on page 183
- Figure 26: Revenues from sustainable solutions by product category in Section 5.1.1. Revenues from sustainable solutions on page 184
- KPIs on employees completing data protection and privacy training in Section 5.4. Digital confidence and trust on page 189
- KPIs on employees completing information security awareness training in Section 5.4. Digital confidence and trust on page 189
- KPI on total Group headcount in Section 6.1 Attracting and retaining talent for a sustainable future on page 193
- Table 17: Internal hires in Section 6.1 Attracting and retaining talent for a sustainable future on page 194

KPIs reported for year 2022

Disclosures based on Zurich Insurance Group's own methodology

- Table 8: Assets under Management: real estate portfolio in Section 4.4.2 Our performance metrics on page 172
- Table 9: Absolute and relative emissions of the real estate portfolio in Section 4.4.2 Our performance metrics on page 172
- KPI on Coverage ratio real estate portfolio in Section 4.4.2 Our performance metrics on page 173

Reasonable assurance

GRI Reporting Initiative Standard disclosures

- Table 14: Absolute carbon emissions coming from our own operations in Section 4.4.2 Our performance metrics on page 179

Risk review

Achieving solid growth includes making the best use of resources in an unpredictable risk landscape. Risk management anticipates and adapts to change in a volatile environment.

Message from our Group Chief Risk Officer

> Proactive risk management has been central in enabling the Group to become accustomed to operating in today's highly uncertain and volatile environment.

Dear Shareholder

The uncertainty of recent years persisted in 2023, with the year dominated by a continued rise in geopolitical tensions and the ongoing challenge of bringing inflation under control in major economies.

The Group has become accustomed to operating within this volatile and uncertain external environment as it continued to deliver on its strategic objectives and remained financially robust in 2023. Managing risks has been at the center of this success, enabling the Group to adapt quickly to identify, assess and manage the threats arising from today's uncertain and rapidly changing world.

This foundational role has been attained by firstly providing all our employees with the right level of information to continue to take risks within the Group's appetite and tolerance, and secondly embedding a culture, driven by a deep understanding of risks, where risk-reward trade-offs are transparent, understood and appropriately managed.

Successful risk management in uncertain times

Message from our Group Chief Risk Officer (continued)

Effective risk identification and assessment to help protect our capital, liquidity, earnings and reputation remains more critical than ever in such a volatile operating environment. Our integrated Enterprise Risk Management framework, and in particular, the ongoing application of our Total Risk Profiling™ methodology preserves our focus on the risks that matter.

While there are, and will continue to be, significant and unexpected external challenges, our proactive risk management is a solid foundation upon which the Group can continue to build on its success in the years to come.

Responding to uncertainty

The recent turmoil in the Middle East adds to an increasingly fraught geopolitical landscape already complicated by the ongoing war in Ukraine, rising tensions between the U.S. and China and the reawakening of frozen conflicts.

These deteriorations are interlinked with, and are exacerbating, existing problems such as social polarization and cyber warfare, as well as driving further uncertainty in the global economy.

While central bank actions have helped to tame inflation somewhat, the impact of the unwind of expansionary monetary policy since the financial crisis on key economies remains unclear. Despite these policy reversals, inadequate preparation, competing interests and historic policymaking mean underlying challenges around high public debt and social imbalances remain largely unchanged.

The current uncertain and volatile environment means our expertise and tools, such as dynamic scenario and sensitivity analyses, to assess and proactively manage potential impacts, are more important than ever. We continue to use the output of scenario assessments, to develop, implement and monitor actions for the benefit of our customers, shareholders and other stakeholders.

Sustainability

The interlinkages between the challenges highlighted thus far also feed through to the main long-term threat facing the world: climate change. Despite the current geopolitical, economic and social upheaval, the Group continues to maintain its focus on its sustainability ambitions, with management of risks posed by climate change remaining a central part of Zurich's risk management approach.

The scale of the challenge we face means a cross-society approach is required. Zurich is playing its part in responding but also aims to adapt and grow with its customers and investees by continuing to promote best practices in managing the interconnectivity of sustainability risks.

Strong financial position

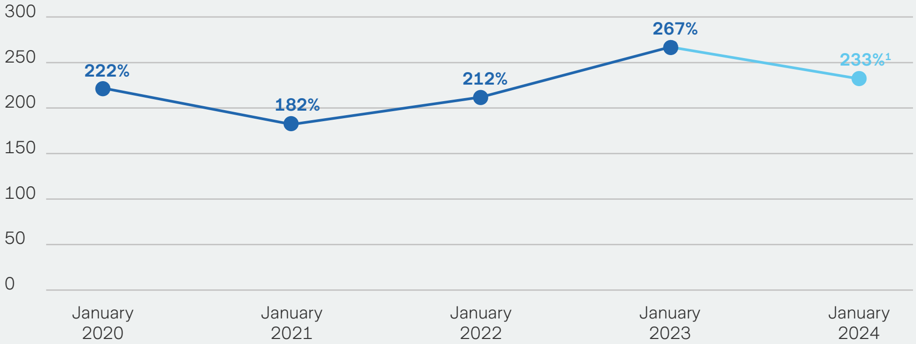
Our financial strength remained at historically strong levels during 2023 (see page 229 for Swiss Solvency Test results), reaffirming our resilience and ability to continue to support our customers through these volatile and uncertain times.

Peter Giger
Group Chief Risk Officer

Development of Swiss Solvency Test ratio

The Group Swiss Solvency Test (SST) ratio decreased to 233 percent[1] as of January 1, 2024 from 267 percent as of January 1, 2023. The development of the SST ratio in 2023 reflects strong underlying capital generation offset by portfolio management and capital actions including share buy back.

SST ratio
in %



1 The SST results as of January 1, 2024 are estimated and may differ from the final SST results, which will be presented in the Financial Condition Report at the end of April 2024.

Analysis of Group total risk capital
in %, as of January 1, 2023

Insurance risk	44%
Market risk, including investment credit risk	54%
Other credit risk	2%

Highlights by risk type

Insurance risk

The Group's insurance risk is diversified by geography, line of business, product and customer, supported by our centralized purchase of reinsurance which led to continued sound insurance outcomes in 2023 in the face of natural catastrophes and the inflationary environment.

Read more:
▶ Pages 233–239

Market risk

Required capital held by the Group for investment risk taking rose during 2023. This was largely driven by changed market conditions, including higher equity markets and a weaker USD against major currencies. Model changes contributed to the increase in risk. Market volatilities have remained relatively stable against the prior year. The Group's investment portfolio remains well diversified across risk drivers and geographies.

Read more:
▶ Pages 240–245

Other credit risk

Credit quality remained stable despite challenging macroeconomic and geopolitical conditions.

Read more:
▶ Pages 245–246

Operational risk

Zurich's operational risk management approach enables the Group to focus on high-priority matters under demanding circumstances.

Read more:
▶ Pages 247–248

Risk review

Contents

The risk review information marked 'audited' is an integral part of the consolidated financial statements.

Risk management

Audited

The risk review information marked 'audited' is an integral part of the consolidated financial statements.

Audited

Objectives of risk management

Taking and managing risk is an integral part of the insurance business. Zurich takes risks in order to support the achievement of its strategy and serve its customers in global and local markets. Risk management contributes to enhancing the value of Zurich by embedding disciplined and conscious risk taking, where risk-reward trade-offs are transparent and understood, and risks are appropriately rewarded.

The Group's objectives in managing risks are to:

- Support achievement of its business strategy and objectives, protect capital, liquidity, earnings and reputation by identifying, assessing, responding to, monitoring and reporting risks in line with the Group's risk appetite and tolerance.
- Enable the Board of Directors (the 'Board'), senior management and other stakeholders charged with governance and oversight, to discharge their risk management responsibilities, including risk reporting and external disclosures.
- Support transparency in decision-making processes by providing consistent, reliable and timely risk information.
- Embed a culture of risk awareness and disciplined and informed risk-taking.

Enterprise Risk Management framework

To achieve its risk management objectives, the Group manages risk according to an established Enterprise Risk Management (ERM) framework. The Group's ERM framework is the structure to manage risks within the organization. It is comprised of six components: risk governance and risk culture, risk appetite and tolerance, risk identification and risk assessment, risk response, risk monitoring, and risk reporting. The Group's ERM framework is documented by both policy and non-policy documents, including the Zurich Risk Policy (ZRP) and related risk policy manuals, and is complemented by training and guidance materials.

The Group's risk appetite and tolerance statement reflects Zurich's willingness and capacity to take risks in pursuit of value creation and sets boundaries within which the businesses act. Zurich protects its capital, liquidity, earnings, and reputation by monitoring that risks are taken within agreed risk appetite levels and tolerance limits. The Group regularly assesses and, as far as possible, quantifies material risks to which it is exposed.

The ZRP is a Group policy that articulates Zurich's approach to risks and sets mandatory requirements for risk management throughout the Group. The policy describes the Group's ERM framework and provides a standardized set of risk types. Risk-specific policy manuals provide requirements and procedures to implement the principles in the ZRP.

The Group identifies, assesses, manages, monitors and reports risks that have an impact on the achievement of its business strategy and objectives by applying its proprietary Total Risk Profiling™ methodology. The methodology allows Zurich to assess risks in terms of severity and likelihood, and supports the definition and implementation of mitigating actions. At Group level, this is an annual process, followed by regular reviews and updates by management.

To foster transparency about risk, the Group regularly reports on its risk profile at business, Group, and Board levels. The Group has procedures to refer risk topics to senior management and the Board of Directors in a timely manner.

The Group's solvency position is disclosed on the basis of the Swiss Solvency Test (SST) ratio. The Group's SST internal model is approved by the Swiss Financial Supervisory Authority (FINMA). Zurich's goal is to maintain capital consistent with a 'AA' financial strength rating for the Group, which translates into an SST ratio target of 160 percent or above.

The Group applies the Zurich Economic Capital Model (Z-ECM) as an internal metric. Z-ECM provides a key input into the Group's planning process as an assessment of the Group's economic risk profile.

Risk-based remuneration

Based on the Group's remuneration rules, the Board of Directors approves the design and structure of remuneration arrangements that support the achievement of strategic and financial objectives, without encouraging inappropriate risk-taking.

Group Risk Management's role in respect of remuneration and its interaction with Board committees is described in the remuneration report.

Risk management (continued)

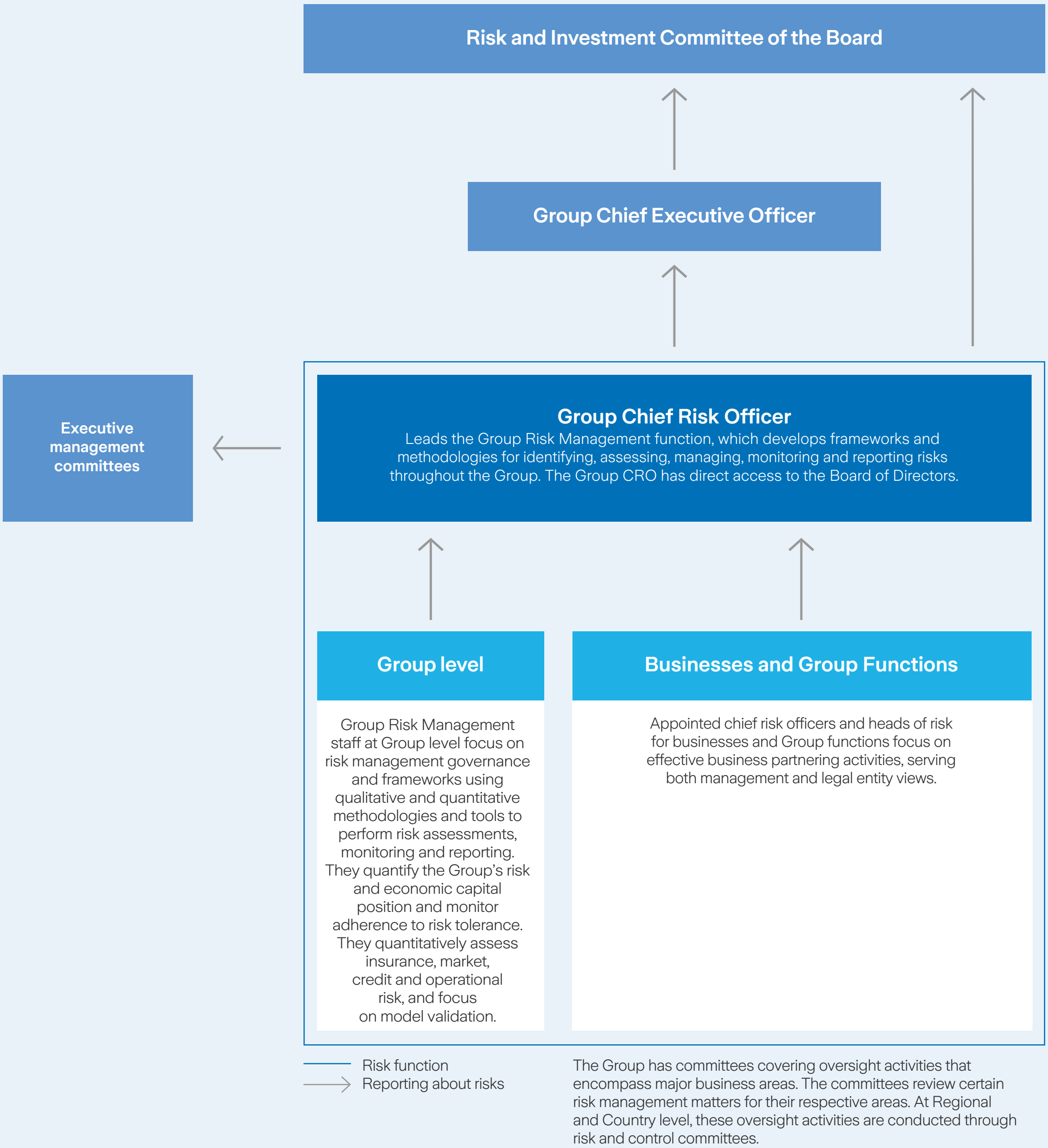
Audited

Risk governance and risk management organization

For information on the Group's overall governance, including the Board of Directors and Group executive level, see the corporate governance report (unaudited).

Risk management organization

The Group Risk Management function is a global function, led by the Group Chief Risk Officer (CRO).



The risk function is independent of the business by being a vertically integrated function. Unless otherwise required by local laws or regulations, chief risk officers and heads of risk report into the Group CRO, except for the Farmers Chief Risk Officer, who has a matrix reporting line to the Group CRO. They independently challenge, support and advise management on business decisions from a risk perspective.

Capital management

Audited

Objectives of capital management

The Group manages capital to maximize long-term value while maintaining financial strength within its 'AA' target range, and meeting regulatory, solvency and rating agency requirements.

As of December 31, 2023, shareholders' equity based on IFRS Accounting Standards of USD 24.9 billion and subordinated debt of USD 8.6 billion were part of the capital available in the Group's SST available financial resources (AFR). Further adjustments to derive SST AFR typically include deductions for proposed dividends and share buyback, goodwill and intangible assets, deferred tax assets and liabilities, as well as the market-consistent valuation of insurance liabilities, which includes market value margin (MVM) and the value of in-force business. The MVM, also known as risk margin, is the cost of future regulatory risk capital stemming from the present portfolio of assets and liabilities.

Zurich strives to simplify the Group's legal entity structure to reduce complexity and increase fungibility of capital.

From January 1, 2023 the Group applies IFRS 17 'Insurance contracts' and IFRS 9 'Financial Instruments'. For more information including the transitional effects on shareholders' equity from the transition to IFRS 9, refer to note 2 of the Group's consolidated financial statements.

Capital management framework

The Group's capital management framework forms the basis for actively managing capital within Zurich. The Group uses a number of different capital models, taking into account economic, regulatory, and rating agency constraints. The Group's capital and solvency position is monitored and regularly reported to the Executive Committee (ExCo) and Board of Directors.

Zurich's policy is to allocate capital to businesses earning the highest risk-adjusted returns, and to pool risks and capital as much as possible to operationalize its risk diversification.

The Group's executive management determines the capital management strategy and sets the principles, standards and policies to execute the strategy. Group Treasury and Capital Management executes the strategy.

Capital management program

The Group's capital management program comprises various actions to optimize shareholders' total return and to meet capital needs, while enabling Zurich to take advantage of growth opportunities. Such actions include paying and receiving dividends, capital repayments, share buybacks, issuance of shares, issuance of senior and hybrid debt, securitization and purchase of reinsurance.

The Group seeks to maintain a balance between returns for shareholders and the security that a sound capital position provides, also for our customers. Dividends, share buybacks, and issuances and redemption of debt have a significant influence on capital levels. During 2023, the Group:

- paid a dividend out of retained earnings,
- bought own shares, and
- repaid senior and hybrid debt to reduce financial leverage.

The Swiss Code of Obligations stipulates that dividends may only be paid out of freely distributable reserves or retained earnings. Apart from what is specified by the Swiss Code of Obligations, Zurich Insurance Group Ltd faces no legal restrictions on dividends it may pay to its shareholders. As of December 31, 2023, the amount of the statutory general legal reserve was more than 60 times the paid-in share capital. The ability of the Group's subsidiaries to pay dividends may be restricted or indirectly influenced by minimum capital and solvency requirements imposed by insurance and other regulators in the countries in which the subsidiaries operate. Other limitations or considerations include foreign exchange control restrictions in some countries, and rating agencies' methodologies.

For more information on issuances and redemptions of debt, see note 17 of the consolidated financial statements. For more information on acquisitions and divestments, see note 4 of the consolidated financial statements.

Risk and solvency assessment

Audited

Regulatory capital adequacy

The Group endeavors to manage its capital so that its regulated entities meet local regulatory capital requirements. In each country in which the Group operates, the local regulator specifies the minimum amount and type of capital that each of the regulated entities must hold in addition to their liabilities. In addition to the minimum capital required to comply with the solvency requirements, the Group aims to hold an adequate buffer under local solvency requirements to ensure regulated subsidiaries can absorb a level of volatility and meet local capital requirements.

Regulatory solvency regimes

Regulatory requirements in Switzerland

The Swiss Solvency Test (SST) adopts a risk-based and total balance sheet approach. Insurance companies are required to provide a market-consistent assessment of the value of their assets and liabilities. Possible changes to these balance sheet positions are modelled over a one-year period to arrive at the total required capital.

Under the SST, insurance companies and insurance groups can apply to use company-specific internal models to calculate risk-bearing and target capital, as well as the SST ratio. The SST ratio must be calculated as per January 1 and submitted to the Swiss Financial Market Supervisory Authority (FINMA). Zurich filed with FINMA an SST ratio of 267 percent (unaudited) as of January 1, 2023. Zurich met the regulatory solvency requirements in Switzerland throughout 2023.

The estimated SST ratio as of January 1, 2024 stands at 233 percent (unaudited). The final SST ratio as of January 1, 2024 will be filed with FINMA by the end of April 2024 and is subject to review by FINMA.

Regulatory requirements in the European Economic Area (EEA)

The main regulatory framework governing the Group's subsidiaries in the EEA is Solvency II. This is a risk-based capital framework which covers capital requirements (pillar 1), governance and risk management (pillar 2) and reporting (pillar 3). All EEA-based legal entities of the Group use the Solvency II standard formula for their pillar 1 requirements with the exception of Zurich Insurance plc (Ireland) that applies an approved internal model.

Effective January 2, 2024, Zurich Insurance plc moved to Germany, by means of a cross-border conversion under the European Directive on cross-border conversions, mergers, and divisions. In Germany, the company operates as Zurich Insurance Europe AG. The head office move had no material impact on ZIE's organization, customer facing and business activities in the local markets ZIE operates in.

A scheduled review of the Solvency II framework is currently being conducted by the European Insurance and Occupational Pensions Authority (EIOPA) and will entail changes to the standard formula, reporting and introduces new rules around macro-prudential supervision and sustainability. The revised framework is expected to become effective in 2026.

Regulatory requirements in the UK

The United Kingdom left the EU and the EEA on January 31, 2020 and the transition period ended on December 31, 2020, meaning UK regulations can diverge from Solvency II regulatory requirements. As of December 31, 2023 the UK regulations have not materially diverged. However, a review of the regulations (now called Solvency UK) was completed by the UK government in 2022, and this identified a number of areas where the regulations should be amended to better reflect the UK market. In 2023, the PRA and UK HM Treasury have worked to enable some of the UK government's proposals, with the rest of the implementation work expected in 2024.

Regulatory requirements in the U.S.

In the U.S., required capital is determined to be 'company action level risk-based capital' calculated using the National Association of Insurance Commissioners' risk-based capital model. This method, which builds on statutory accounts, measures the minimum amount of capital for an insurance company to support its overall business operations by taking into account its size and risk profile.

Regulatory requirements in other jurisdictions

Every country has a capital standard for insurance companies. Several jurisdictions (e.g., Brazil and Mexico) have implemented approaches similar to Solvency II.

Risk and solvency assessment (continued)

Swiss Solvency Test (SST)

SST ratio

The SST ratio is calculated as the Group's SST available financial resources (AFR) divided by the SST target capital (TC). Following the revision of the Swiss Insurance Supervision Ordinance in 2023, MVM is now part of the market-consistent valuation of insurance liabilities and thus SST AFR. Market value margin, also known as risk margin, is the cost of future regulatory risk capital stemming from the present portfolio of assets and liabilities.

The SST ratio of 233 percent as of January 1, 2024, is well above the Group's SST target of 160 percent. The development of the SST ratio in 2023 reflects strong underlying capital generation offset by portfolio management and capital actions including share buyback. Market movements had a small adverse impact on the SST ratio.

In the SST ratio calculations as of January 1, 2024, no allowance has been made for the planned sale of the German traditional life insurance back book. For more information about the status of this transaction, see notes 4 and 28 of the consolidated financial statements.

SST available financial resources (AFR)

The Group's AFR are derived from the SST net assets. The net assets represent the difference between the value of assets and liabilities according to the market-consistent valuation methodology under SST.

During 2023, the Group's AFR reduced by USD 3.7 billion to USD 34.3 billion as of January 1, 2024, compared to USD 38.0 billion as of January 1, 2023. The main drivers of the AFR decrease in 2023 were capital actions related to the announced share buy back and reduction of subordinated debt, as well as impacts from portfolio management actions and M&A activities.

SST target capital

The Group uses an internal risk model to determine the required target capital (TC).

The Group's TC as of January 1, 2024 amounted to USD 14.7 billion, an increase of USD 0.5 billion compared to USD 14.2 billion as of January 1, 2023, driven by an increase in market risk and insurance risks following unfavorable market movements, and impact from a model change in market risk. Portfolio management actions reduced target capital.

Table 1

Group Swiss Solvency Test (SST) ratio and underlying components

in USD billions	**January 1, 2024[1]**	January 1, 2023
Total risk capital	20.1	19.1
Other effects on target capital (TC)[2]	(5.4)	(4.9)
Target Capital	**14.7**	**14.2**
Available financial resources (AFR)	**34.3**	**38.0**
Of which Market value margin (MVM)	(4.1)	(4.5)
Group SST ratio	**233%**	**267%**

1 The SST results as of January 1, 2024 are estimated and may differ from the final SST results, which will be presented in the Financial Condition Report at the end of April 2024.
2 Other effects are expected business development over the forecasting horizon, additional business costs and FINMA requirements.

Risk and solvency assessment (continued)

Total risk capital by risk type and business segment

The chart below shows the total risk capital, split by risk type and business segment, as of January 1, 2024 and as of January 1, 2023. As of January 1, 2024, the largest components of total risk are market risk and premium and reserve risk, comprising 54 percent and 26 percent of the total risk capital, respectively.

The increase in total risk capital as of January 1, 2024 compared to January 1, 2023 is driven by an increase in market risk and insurance risks following unfavorable market movements and impact from a model change in market risk. Portfolio management actions partially offset the increase in total risk capital.

The contribution of market risk has increased to 54 percent as of January 1, 2024 compared with 50 percent as of January 1, 2023, following an increase in risk. Premium and reserve risk increased, reflecting underlying business growth and foreign exchange rate movements, leading to a slight increase in contribution to the total risk capital.

The reinsurance agreement entered by Farmers New World Life to reinsure the in-force individual life insurance book is the primary driver of the decrease in contribution of Business risk and the reduction in total risk capital in other segments.

Total risk capital, split by risk type and business segment

January 1, 2024
in %

Business segments	
P&C segment	55%
Life segment	42%
Other segments	3%

Risk types	
Market risk	54%
Premium & reserve risk	26%
Business risk	7%
Life insurance risk	5%
Natural catastrophe risk	6%
Other credit risk	2%

January 1, 2023
in %

Business segments	
P&C segment	52%
Life segment	40%
Other segments	8%

Risk types	
Market risk	50%
Premium & reserve risk	25%
Business risk	10%
Life insurance risk	6%
Natural catastrophe risk	7%
Other credit risk	2%

Audited

Methods and assumptions used in the SST sensitivity analysis

The use of SST sensitivities for assessing the nature and extent of risks arising from insurance contracts is deemed appropriate as SST represents a comprehensive framework that takes into account the interdependencies between risks and is used by the Group to assess and manage risks.

The sensitivity analysis provides information on how the Group's SST AFR and solvency ratio are affected by changes in risk variables. The SST AFR and solvency ratio sensitivities are presented before tax and net of external reinsurance.

SST AFR and related sensitivities are evaluated as instantaneous market or insurance shocks. All elements of the economic balance sheet and the required capital sensitive to a market or insurance parameter shock are recalculated. For example, values of all balance sheet and risk components change when foreign exchange moves by 10 percent, however, in a shock to equity markets the P&C net insurance liabilities and risks remain constant.

To assess the SST AFR and ratio sensitivities, SST balance sheet positions are fully revalued under the given shock scenarios. Each instrument is revalued separately, taking relevant product features into account. Non-linear valuation effects, where they exist, are reflected in the calculations. Valuation of the insurance liabilities under the shock scenarios is based on the replicating portfolios representing the insurance liabilities in the SST Marker Risk model. The Life business replicating portfolios are portfolios of assets that replicate the cash flows or present values of the life insurance liabilities under stochastic scenarios from the local life valuation models, according to the methodology approved by FINMA. The replicating portfolios are calibrated to match dependencies of life insurance liabilities on financial market developments in respect of interest rates, equity and property. The options and guarantees of the underlying life insurance liabilities are captured through inclusion of options in the replicating portfolios. The P&C replicating portfolios are represented by zero coupon bonds and are sensitive to interest rate shocks.

Risk and solvency assessment (continued)

Audited

The SST required capital and market value margin are fully recalculated using parameters of a market shock as input to the risk calculations and taking into account impact of the market parameters on the base exposure, e.g., impact of the interest rate shocks on the insurance risk is reflected via revaluation of the risk exposure due to discounting effect.

In calculating the impact of a shock on the SST AFR and ratio, insurance liabilities' replicating portfolios, risk exposure (where not dependent on market parameters), and model parameters remain unchanged from the base case.

The SST AFR and related sensitivities aim to provide Zurich's investors with guidance on how its AFR and solvency ratio would move in a different economic environment. It should be noted that the shocks are linear, and they are a simplified representation of reality as the various market parameters never move in isolation or in sync within the same market class (e.g., equites).

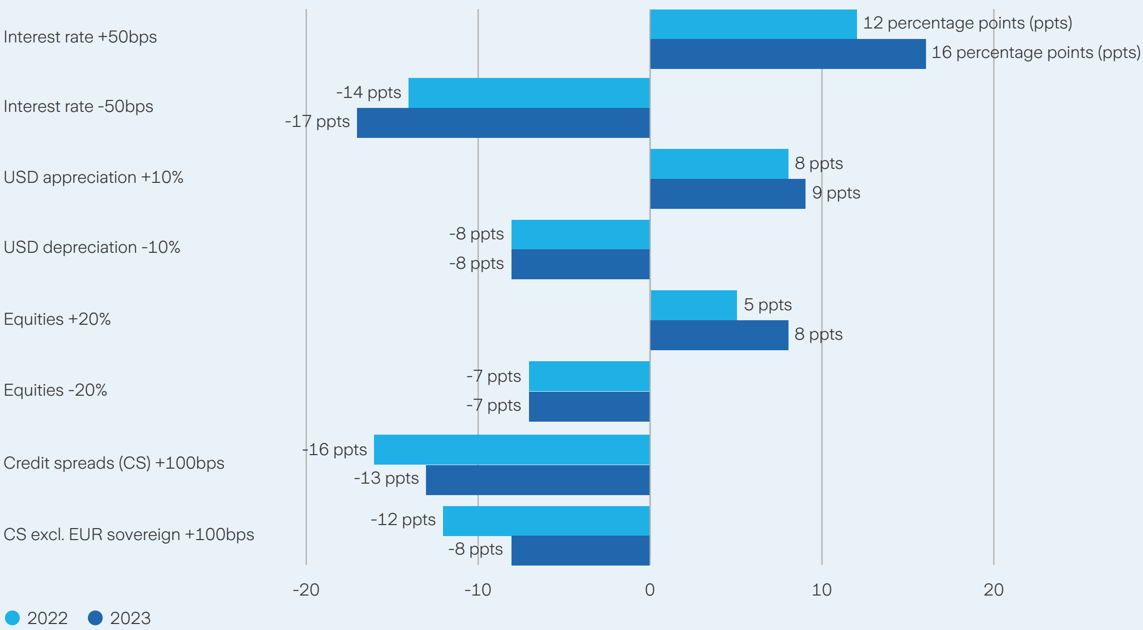
Sensitivity and scenario analysis

The Group evaluates sensitivities to, and stress scenarios on, the SST ratio, and assesses results relative to Zurich's risk appetite and tolerance. The sensitivities in the chart below capture impact on the Group SST ratio due to sensitivities to financial market movements.

Market risk sensitivities show the estimated impact on the Group's SST ratio of a half percentage-point (50 basis points, or bps) increase or decrease in yield curves, a 10 percent appreciation or depreciation in the U.S. dollar, a 20 percent rise or decline in all stock markets, and a 100 bps increase in credit spreads, with and without euro-denominated sovereign bonds. The sensitivities are considered as separate but instantaneous shocks. They are a best estimate and non-linear, for example, a change to the size of the market movement could result in disproportionally higher (or lower) impact on the SST ratio depending on the prevailing market conditions at the time.

SST sensitivities
as of October 1[1]

Impact on the SST ratio due to sensitivities to financial market conditions:[2]



1 Base ratio and sensitivities as of October 1, 2023 are calculated reflecting the separation of the legacy traditional life back book in Germany. Base ratio and sensitivities as of October 1, 2022 are calculated reflecting the Italian back book transaction completed in the fourth quarter of 2022.
2 Sensitivities are best estimate and reflect the impact on the pension plans in the UK. For the interest rate sensitivities, shocks are applied to the liquid part of the yield curve. Credit spreads (CS) include mortgages, including and excluding euro sovereign spreads. CS sensitivities of available capital include changes to the volatility adjustment applied to interest rate curves.

Risk and solvency assessment (continued)

Audited

Insurance financial strength rating

The Group has interactive relationships with three global rating agencies: S&P Global Ratings, Moody's, and AM Best. The insurance financial strength rating (IFSR) of the Group's main operating entity, Zurich Insurance Company Ltd (ZIC), is an important element of Zurich's competitive position, while the Group's credit ratings also affect the cost of debt capital.

On January 13, 2023, ZIC's Moody's rating of 'Aa3' changed to a positive outlook. The appropriateness of this rating was reassessed on January 22, 2024, as a reflection of "the Group's very strong market position and highly diversified business model, as well as its strong and resilient financial profile, including robust capital adequacy, earnings and financial flexibility."

Since October 2021, ZIC's AM Best Long Term Issuer Credit Rating has been 'aa–' with a positive outlook, reflecting "Zurich's consolidated balance sheet strength, which AM Best assesses as very strong, as well as its strong operating performance, very favourable business profile and appropriate Enterprise Risk Management (ERM)." The AM Best Financial Strength Rating, which is less granular, is 'A+ (Superior)'.

ZIC's S&P Global Ratings IFSR rating remains at the top of the league table of European peers, in recognition of its continuing strong operating performance with low volatility and very strong capital position. As of January 2024, the IFSR is rated 'AA/Stable' by S&P Global Ratings, 'Aa3/positive' by Moody's, and 'A+ (Superior)/Stable' by AM Best. The Issuer Credit Rating is rated 'aa–/positive' by AM Best.

Analysis by risk type

Audited

Insurance risk

Insurance risk is the risk of deviations in the timing, frequency or severity of insured events from that expected, leading to loss, including adverse change in the value of insurance liabilities (Life and Property & Casualty (P&C)). This may result from inherent uncertainty of insured events or losses, inadequate or ineffective underwriting or accumulation management, inappropriate product development, pricing, claims management, reserving or reinsurance. The profitability of insurance business is also susceptible to business risk in the form of unexpected changes in expenses, policyholders' behavior, and fluctuations in new business volumes. Zurich manages insurance risk through:

- Specific underwriting and claims standards and controls.
- Robust reserving processes.
- External reinsurance.

Property & Casualty (P&C) insurance risk

P&C insurance risk arises from coverage provided for motor, property, liability, special lines and worker injury. It comprises premium and reserve risk, catastrophe risk, and business risk. Premium and reserve risk covers uncertainties in the frequency of the occurrence of the insured events as well as in the severity of the resulting claims. Catastrophe risk predominantly relates to uncertainty around natural catastrophes. Business risk for P&C predominantly relates to unexpected increases in the expenses relating to claims handling, underwriting, and administration.

Management of Property & Casualty (P&C) insurance risk

The Group's underwriting strategy takes advantage of the diversification of P&C risks across lines of business, customers and geographic regions. Zurich defines Group-wide governance for insurance risk including for new products. Underwriting discipline is a fundamental part of managing insurance risk. The Group sets limits on underwriting capacity and delegates authority to individuals based on their specific expertise and sets appropriate underwriting and pricing guidelines. Technical reviews assure that underwriters perform within authorities and adhere to underwriting policies.

P&C insurance reserves are regularly estimated, reviewed and monitored by qualified and experienced actuaries at local, regional and Group levels. To arrive at their reserve estimates, the actuaries take into consideration, among other things, the latest available facts, trends and patterns of loss payments.

Inflation levels remained elevated in 2023 after peaking in 2022 and continue to pose challenges globally, with various factors including supply chain constraints, components and labor costs, as well as social inflation having an impact on insurance losses, particularly on motor and property portfolios. Inflation is monitored with insights feeding into actuarial reserving models, and Zurich's underwriting processes and pricing, and the implications of a continuing high inflation environment and mitigating actions are a key focus area. The Group's existing risk management and governance processes continue to monitor and respond to the developing environment. Several actions related to inflation have also been included in the Group's Total Risk Profiling™ and measures are being taken beyond rate changes, such as in claims and portfolio management.

Additionally, there is a concerted effort to foster communication between functions that extends beyond inflation challenges. To ensure a common understanding of business insights and new trends for reserve analysis, financial plans, underwriting and pricing decisions, the Group has established a culture of continuous cross-functional collaboration. For this, underwriting, actuarial (pricing and reserving), claims, finance, sales and distribution, risk engineering and risk management contribute to quarterly meetings at local and Group level.

Zurich's Emerging and Sustainability Risk Committee – with cross-functional expertise from core insurance functions such as underwriting, claims and risk management – identifies, assesses and recommends actions for emerging risks.

Governance is in place to ensure appropriate focus on top-line targets and profitability. Reinsurance is deployed to help manage insurance risk. Group Risk Management also provides independent assurance through risk reviews.

The Group is exposed to losses that could arise from natural and man-made catastrophes. The main concentrations of risks arising from such potential catastrophes are regularly reported to executive management.

Analysis by risk type (continued)

Audited

Natural catastrophes

The Group uses third-party models, adjusted to Zurich's view, to manage its underwriting, ensure accumulations stay within intended exposure limits and assess the capital requirement due to natural catastrophes. Consistent with this view on natural catastrophes, Zurich performs profitability assessments and strategic capacity allocations, and chooses the type and quantity of reinsurance it buys.

To ensure global consistency, exposures to natural catastrophes are modeled by a dedicated Group function. Potential losses from property, motor and marine policies with material exposure in hazard-prone geographical areas are probabilistically modeled, as well as worker injury policies with material exposure in U.S. seismic zones. Losses for other lines of business are estimated based on adjustments to these modeled results. Risk modeling mainly addresses weather-induced perils such as wind, flood, tornado, and hail, and geologically-induced perils such as earthquake. The most important peril regions for natural catastrophes are North-Atlantic hurricane, California earthquake and European windstorm. The Group has internal modelling capabilities for pandemics.

Zurich regularly reviews and expands the scope and sophistication of its modeling and strives to improve data quality. Zurich continues to invest in a diversified, multi-vendor-based catastrophe modeling ecosystem and in expanding its catastrophe research and development capabilities to complement existing expertise in natural catastrophe risk management (e.g., risks relating to climate change).

Zurich supplements internal know-how with external knowledge (e.g., the Advisory Council for Catastrophes) and is a shareholder of PERILS AG, Switzerland, a catastrophe exposure and loss data aggregation and estimation firm. Zurich is a governor sponsor of the Global Earthquake Model (GEM) Foundation and is also a member of the open-source initiative, Oasis Loss Modelling Framework.

Man-made catastrophes

Man-made catastrophes include events such as industrial accidents, terrorism and cyber attacks. For terrorism, worker injury and property risk exposures are analyzed to identify areas with significant risk concentration. Other lines of business are assessed, although the potential exposure is not as significant. A vendor-provided catastrophe model is used to evaluate potential exposures in every major U.S. city. The Group's analysis for the P&C business has shown that its exposures outside of North America are lower, in a large part due to government-provided pools. Outside the modeled areas, exposure concentrations are identified in Zurich's Risk Exposure Data Store (REDS). Exposure concentrations for location-based man-made scenarios, other than terrorism, are also identified in REDS, for example, industrial explosions at global ports.

The Group uses third-party models through a dedicated Group function to manage its underwriting and accumulations for cyber and casualty catastrophe risks. The Group actively monitors and manages its cyber exposure to ensure accumulations stay within intended limits and continues to refine products to ensure their appropriateness. Improving modeling capabilities and data quality for cyber and casualty catastrophe risks are key focus areas.

Concentration of Property & Casualty (P&C) insurance risk

The Group defines concentration risk in the P&C business as the risk of exposure to increased losses associated with inadequately diversified portfolios. Concentration risk for a P&C insurer may arise due to a concentration of business written within a geographical area or of underlying risks covered.

The P&C business segment represents the largest concentration of risk, in terms of risk capital, with U.S. and Caribbean hurricane representing the largest concentration of risk in terms of SST ratio sensitivity.

The relative significance of premium and reserve risk (P&R) (unaudited) has increased slightly from 25 percent to 26 percent of the total SST risk capital as of January 1, 2023 and 2024, respectively, due to growth in net exposures primarily and foreign currency exchange rates.

The relative significance of natural catastrophe risk (unaudited) has decreased slightly from 7 percent to 6 percent of total SST risk capital as of January 1, 2023 and 2024, respectively, which has been driven by an increase in the contribution of market risk. Natural catastrophe risk itself saw continued increases in net exposures and small risk increases due to foreign currency exchange rates and changes in the Group's catastrophe reinsurance program, while a model update has led to a more favorable view on U.S.Hurricane.

For more information about the Group's concentration of risk within the P&C business by geographic region, using IFRS Accounting Standards as a basis, see the segment information in note 26 of the Group's consolidated financial statements as of December 31, 2023.

Analysis by risk type (continued)

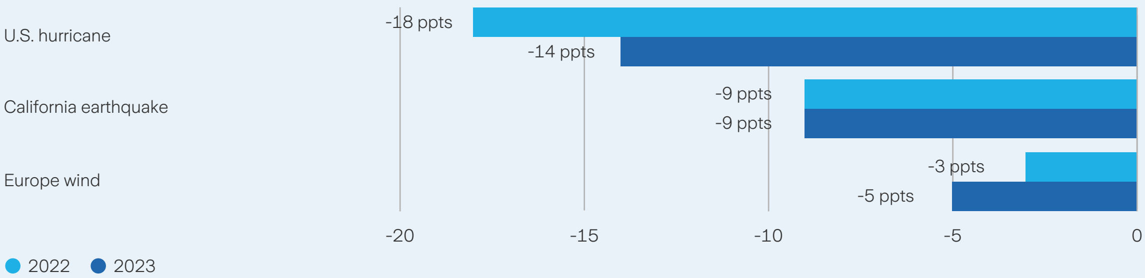
Audited

Analysis of sensitivities for Property & Casualty (P&C) risks

The chart below shows the three largest natural catastrophe events to which the Group is exposed. Insurance risk scenarios are defined as events that have a small probability of occurring but could, if realized, negatively affect the Group's SST ratio. The impact of insurance-specific scenarios on the target capital is not taken into account.

SST property and casualty-specific scenarios
as of October 1

Impact on the SST ratio due to property and casualty risk-specific scenarios:[1]



1 Scenario impact comparable to the modeled 250-year net occurrence loss for the respective peril (equivalent to a 99.6 percent probability of non-exceedance.)

Tables 2.a and 2.b show the sensitivity of net income before tax and net assets based on IFRS Accounting Standards, using the Group effective income tax rate, as a result of adverse development in the net loss ratio by one percentage point. The sensitivities do not indicate the probability of such an event and do not consider any non-linear effects of reinsurance. Based on the assumptions applied in the sensitivity analysis in tables 2.a and 2.b, each additional percentage-point increase in the loss ratio would have a linear impact on net income before tax and net assets.

The Group also monitors insurance risk by evaluating extreme scenarios, taking into account the non-linear effects of reinsurance contracts.

For further information about the development of net insurance losses by financial year, see note 7 of the Group's consolidated financial statements.

Table 2.a

Insurance risk sensitivity for the Property & Casualty business – current period

in USD millions, for the year ended December 31, 2023	Europe, Middle East & Africa	North America	Asia Pacific	Latin America	Reinsurance	Total[2]
+1% in net loss ratio[1]						
Net income before tax	(172)	(206)	(34)	(28)	(8)	(423)
Net assets	(129)	(155)	(26)	(21)	(6)	(317)

Table 2.b

Insurance risk sensitivity for the Property & Casualty business – prior period

in USD millions, for the year ended December 31, 2022	Europe, Middle East & Africa	North America	Asia Pacific	Latin America	Reinsurance	Total[2]
+1% in net loss ratio[1]						
Net income before tax	(156)	(194)	(32)	(26)	(6)	(392)
Net assets	(120)	(148)	(24)	(20)	(5)	(300)

1 the 1% change in net loss ratio is defined as a 1% change in the insurance revenue.
2 total is inclusive of consolidation eliminations.

Analysis by risk type (continued)

Audited

Life insurance risk

The risks associated with life insurance include:

Life liability risk

- Mortality risk – when, on average, the death incidence among policyholders is higher than expected.
- Longevity risk – when, on average, annuitants live longer than expected.
- Morbidity risk – when, on average, the incidence of disability due to sickness or accident among policyholders is higher than expected, or recovery from disability is lower than expected.

Life business risk

- Policyholder behavior risk – when, on average, policyholders discontinue or reduce contributions, or withdraw benefits prior to the maturity of contracts at a rate that is different from expected.
- Expense risk – when expenses incurred in acquiring and administering policies are higher than expected.
- New business risk – when volumes of new business are insufficient to cover fixed acquisition expenses.

Market risk

- Market risk – the risk associated with the Group's balance sheet positions where the value or cash flow depends on financial markets, which is analyzed in the 'market risk, including investment credit risk' section.

Credit risk

- Credit risk – the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations, which is analyzed in the 'market risk, including investment credit risk' and 'other credit risk' sections.

Management of Life insurance risk

The Group's Life underwriting results are based on the assumptions relating to life insurance risks. The actual experience may differ to that expected at the time of writing the business. For example, mortality could be either higher or lower than expected due to an unexpectedly harsh or benign flu season.

To understand the potential impact of experience differing from expectations, Zurich uses models to perform sensitivity analyses. The impact of changing the assumptions is considered under different scenarios across the risk types and products. Changes relating to absolute level and trend development in assumptions are considered by product category. For example, Zurich looks at the impact of an increase in morbidity rates for protection products or changes in the level and trend of longevity for annuity products. These analyses assist in understanding how sensitive the business is to changes in various assumptions and where there are benefits of having a diversified portfolio of risks and products. Changes in the same assumption can have a positive impact on one product and a negative impact on another. For example, people living longer than expected may have a positive impact on products that offer life cover, as claims are then paid later than expected, but could have a negative impact on annuity products as payments are made for longer than expected. At Zurich, the Life liability risks are managed through established processes with requirements described in the Zurich Risk Policy.

The Group has local product development and approval committees and a Group-level committee to review potential new life products that could significantly increase or change the nature of the risks or introduce new risks. The Group also regularly reviews the continued suitability and the potential risks of existing life products open to new business to ensure sustainability of the business.

Product pricing involves setting assumptions relating to life insurance risks. Local teams have responsibility for the pricing of the products in line with the experience and emerging trends observed in each market. The emerging experience is regularly monitored and compared against expectations. Where permitted, premiums are adjusted for factors such as age, gender, and smoker status to reflect the corresponding risks. Policy terms and conditions and disclosure requirements are designed to mitigate the risk arising from non-standard and unpredictable risks that could result in a severe financial loss.

The underwriting process forms an important part of risk management and risk selection for life insurance risks. This process is supported through setting standards in the Zurich Risk Policy and providing support through additional underwriting guidelines.

Where required and appropriate, life insurance risks are also managed using reinsurance.

Analysis by risk type (continued)

Audited

Unit-linked products are designed to reduce much of the market and credit risk associated with the Group's traditional business offerings. Risks that are inherent in these products are largely passed on to the policyholder, although a portion of the Group's management fees is linked to the value of funds under management, and hence is at risk if fund values decrease. Contracts may have minimum guaranteed death benefits where the sum at risk depends on the fair value of the underlying investments. Other life insurance liabilities include traditional life insurance products, such as protection and life annuity products.

Protection products (including disability products) provide benefits linked to policyholders' life and health and mainly carry mortality and morbidity risks. Changes in, and availability of, medical treatments and lifestyle changes are among the most significant factors that could result in earlier or more claims than expected or customers claiming for longer than expected. The risk selection process is informed by medical, lifestyle and financial parameters of applicants. Access to health information can potentially be restricted through regulation or undocumented health results. Advancements in biological and genetic testing may give individuals health information inaccessible to insurers. This in turn could lead to an inability to reflect the true risk profile in pricing products, adverse claims experience and a reduced product offering. Disability, when defined in terms of the ability to perform an occupation, could also be affected by adverse economic conditions. This impact could come through, for example, an increase in claims relating to mental health conditions triggered by an economic downturn.

Life annuity products provide benefits that are paid to the customer either for a selected number of years, or until they die. Therefore, these products carry longevity risk as people living longer than expected can have a material impact on these products. Medical advances and improved social conditions that lead to increased longevity are significant risk drivers for these products. Annuitant (beneficiary) mortality assumptions include allowance for future mortality improvements. The trends in mortality improvements are monitored to ensure that changes in experience are considered. The exposure to longevity risk at a Group level is measured regularly and compared against the limit set by the Group.

The Group is exposed to risks posed by policyholder behavior and fluctuating expenses. These are mitigated by designing products that, as closely as possible, match revenue and expenses associated with the contract.

The Group is also exposed to investment and surrender risks related to bank-owned life insurance contracts sold in the U.S. These risks have reduced significantly in recent years as several significant policies have switched into less risky investment divisions. See heading 'Other assets at amortized cost' in note 5 of the consolidated financial statements for more information.

In the past, low interest rates have led to an increase in both Life business risks and Life liability risks (especially longevity risk). While interest rates have recently risen, the level of interest rates remains an important factor in the evaluation of insurance risks.

Furthermore, interest rate guarantees (with concentration in traditional guaranteed business in Germany and Switzerland) expose Zurich to financial losses that may arise as a result of adverse movements in interest rates combined with potential increases in policyholders surrendering their policies. These guarantees are managed through a combination of asset-liability management and hedging.

The Group has a dynamic hedging strategy to reduce the investment risk associated with the closed book of variable annuities written by its U.S. subsidiary, Zurich American Life Insurance Company. This exposure has fallen substantially as a result of several policy buyback programs since 2015.

Higher than expected inflation could affect Life insurance business through, for example, customer affordability issues and reduced demand. The expenses to administer Life insurance business could be higher than expected, leading to higher product expense loads. This could result in a combination of higher customer premiums and reduced profitability. Potential actions to manage the effects of higher-than-expected inflation include assumption updates, customer behavior monitoring, product reviews and design and customer retention initiatives.

Diversification across regions and businesses, as further described, contributes to reducing the impacts of the risks associated with the Life business described above.

Concentration of Life insurance risk

The Group defines concentration risk in the Life business as the risk of exposure to increased losses associated with inadequately diversified portfolios of assets or obligations. Concentration risk for a life insurer may arise with respect to investments in a geographical area, economic sector, or individual issuers, or due to a concentration of business written within a geographical area, of a product type, or of underlying risks covered. The Group's exposure to life insurance risks varies significantly by geographic region and line of business and may change over time.

Analysis by risk type (continued)

Audited

In respect of the life liability risk profile, on a non-diversified basis, morbidity risk accounts for over half, concentrated predominantly in the APAC region, mortality risk accounts for under one third, with concentration predominantly in the EMEA region and longevity risk accounts for approximately a sixth, concentrated predominantly in the EMEA region.

In respect of the life business risk profile, on a non-diversified basis, lapse up risk accounts for almost two thirds concentrated predominantly in the EMEA region, expense risk accounts for approximately one quarter concentrated predominantly in the EMEA region and lapse down risk accounts for a tenth with roughly equal concentrations in EMEA and APAC regions.

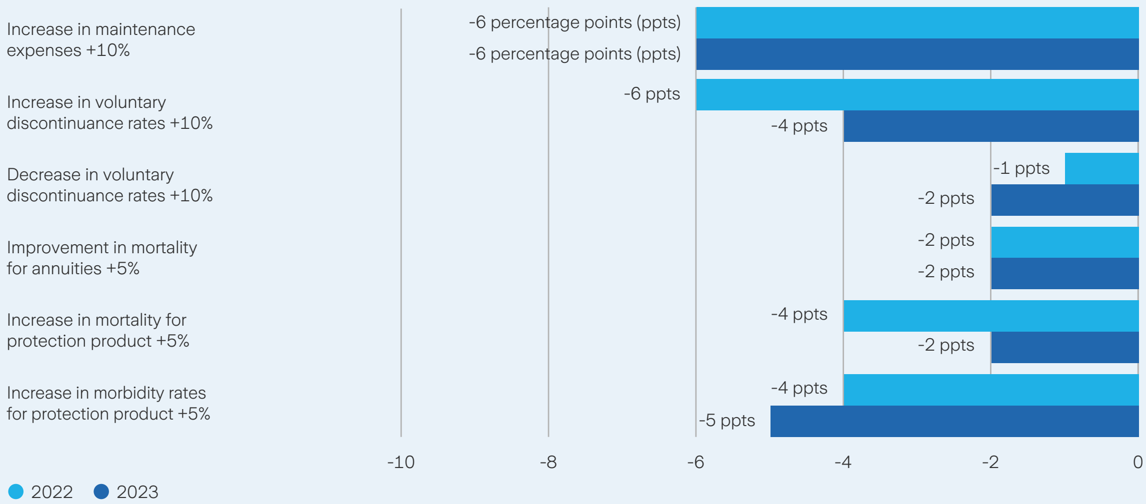
For more information about the Group's concentration of risk within the Life business by geographic region, on an IFRS Accounting Standards basis, see the segment information in note 26 of the consolidated financial statements as of December 31, 2023.

Analysis of sensitivities for Life insurance risks

The chart below shows the sensitivity of the SST ratio to changes in the key risk drivers. The reduced sensitivity to increased discontinuance and mortality rates is largely due to an external reinsurance arrangement effected on a portfolio of North American mortality business.

SST life-specific scenarios
as of October 1[1]

Impact on the SST ratio due to life risk-specific scenarios:[2]



1 Base ratio and sensitivities as of October 1, 2023 are calculated reflecting the separation of the legacy traditional life back book in Germany. Base ratio and sensitivities as of October 1, 2022 are calculated reflecting the Italian back book transaction completed in the fourth quarter of 2022.
2 The sensitivities are approximate and reflect only the change in AFR whereas TC and MVM have not been recalculated.

Reinsurance for Property & Casualty (P&C) and Life businesses

The Group's objective in purchasing reinsurance is to provide market-leading capacity for customers while protecting the balance sheet, supporting management of earnings volatility, and achieving capital efficiency. In addition, it supports the Group Underwriting strategy and risk appetite. The Group follows a centralized reinsurance purchasing strategy for both P&C and Life, and bundles programs, where appropriate, to benefit from diversification and economies of scale. In support of the Group's empowerment-based management model and to align risk-bearing capacities between the Group and individual country operations, internal reinsurance applies to all externally reinsured lines of business. The Group has specific facultative property and casualty reinsurance facilities to actively manage and reduce potential claims-recovery risks on facultative cessions and to support the strategy on operational excellence.

The Group structures and aligns its external reinsurance protection to its capital position to achieve an optimal risk-return ratio. This includes participation in the underlying risks through self-retentions in line with the risk appetite of each line of business. The cession rate for P&C was 17.0 percent as of December 31, 2023 (12.3 percent excluding captives, unaudited) and 17.5 percent as of December 31, 2022 (12.5 percent excluding captives, unaudited). The cession rate for Life was 14.4 percent as of December 31, 2023 and 13.1 percent as of December 31, 2022.

The Group uses traditional and collateralized reinsurance markets to protect itself against extreme single events, multiple event occurrences across regions, and increased frequency of events.

Analysis by risk type (continued)

Audited

The Group participates in the underlying risks through its retention and through its co-participation in excess layers. The Group reviews its reinsurance programs on an annual basis to reflect its risk appetite and market conditions. A global property catastrophe treaty was renewed on April 1, 2022, for a further three years.

In 2023, the Group purchased:

- Several regional catastrophe treaties.
- A new top layer catastrophe treaty for U.S. Hurricane and North American Earthquake.

All natural catastrophe reinsurance treaties are on a loss-occurrence basis.

In addition to these covers, the Group has two bilateral risk swaps, and various line of business-specific risk treaties. These covers are reviewed continuously and are subject to change in the future. To complement existing treaties, the Group purchases catastrophe reinsurance specific to life insurance for its exposure to natural and man-made catastrophes.

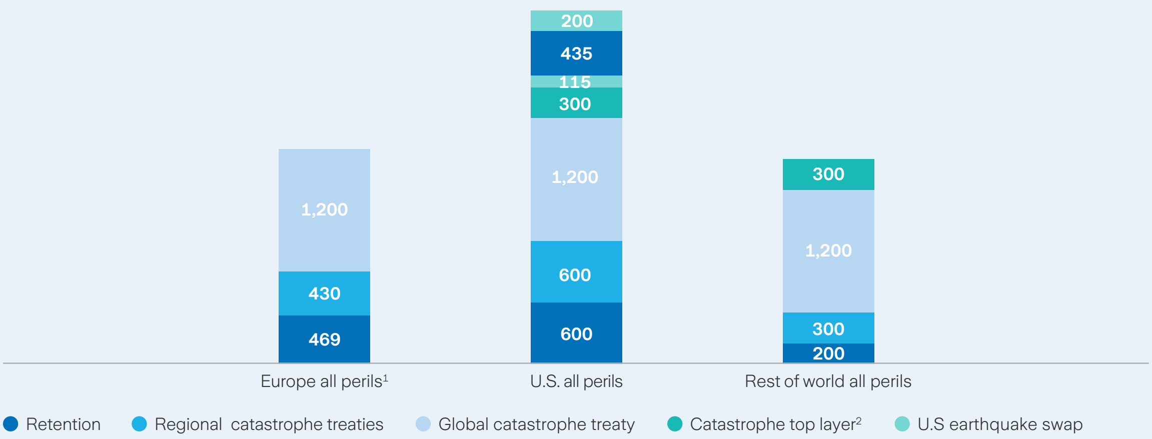
The reinsurance market continues to be challenging with reinsurers pursuing an increase in rates across most regions and lines of business. While property catastrophe and property per risk treaties are still facing pricing pressure, this has eased somewhat for property catastrophe treaties.

Terms and conditions for Casualty, especially U.S. Casualty will be put to the test. While reinsurance capacity has broadly been available, reinsurers are actively differentiating the best and most sophisticated insurance companies through their deployment of capacity.

Strategic partnerships and long-term relationships continue to provide an effective path for Zurich to execute on its reinsurance strategy.

The Group follows a strategy of diversification of reinsurance placements in order to manage its counterparty exposure. The Group's reinsurance counterparty exposure as of December 31, 2023 was within the Group's risk tolerance.

Group catastrophe reinsurance protection
as of 1 April, 2023 (in USD millions)



1 Calculated with EUR/USD exchange rate of 1.10265 as of July 31, 2023
2 Relevant for U.S. named windstorms, U.S. and Canada earthquake

Analysis by risk type (continued)

Audited

Market risk, including investment credit risk

Market risk relates to the possibility of loss of value due to changes in financial market conditions. Risk factors include:

- Equity market price changes.
- Real estate market price changes.
- Interest rate changes.
- Credit and swap spread changes.
- Defaults of issuers.
- Changes in currency exchange rates.

The Group manages the market risk of assets relative to liabilities on an economic total balance sheet basis. This is done to achieve the maximum risk-adjusted excess return on assets relative to the liability benchmark, while also taking into account the Group's risk tolerance and local regulatory constraints.

The Group has policies and limits to manage market risk and keep its strategic asset allocation in line with its risk capacity. Zurich centrally manages certain asset classes to control aggregation of risk and provides a consistent approach to constructing portfolios and selecting external asset managers. It diversifies portfolios, investments and asset managers, and regularly measures and manages market risk exposure. The Group defines limits on concentration of investments in single issuers and certain asset classes, as well as the degree to which asset interest rate sensitivities may deviate from liability interest rate sensitivities. The Group regularly reviews its capacity to hold illiquid investments.

The Asset/Liability Management Investment Committee reviews and monitors the Group strategic asset allocation and tactical boundaries, and monitors Group asset/liability exposure. The Group oversees the activities of local asset/liability management investment committees and regularly assesses market risks at both Group and local business levels. The economic effect of potential extreme market moves is regularly examined and considered when setting the asset allocation.

Risk assessment reviews include the analysis of the management of interest rate risk for each major maturity bucket and adherence to the aggregate positions with risk limits. The Group follows processes to manage market risks and to analyze market risk hotspots. Actions to mitigate risks are taken, if necessary, to manage fluctuations affecting asset/liability mismatch and risk-based capital.

The Group may use derivative financial instruments to mitigate market risks arising from changes in currency exchange rates, interest rates and equity prices, from credit quality of assets, and from commitments to third parties. The Group enters into derivative financial instruments mostly for economic hedging purposes and, in limited circumstances, the instruments may also meet the definition of an effective hedge for accounting purposes.

In compliance with Swiss insurance regulation, the Group's policy prohibits speculative trading in derivatives, meaning a pattern of so-called 'in-and-out trading' activity without any reference to an underlying position. The Group addresses the risks arising from derivatives through a stringent policy that requires approval of a derivative program before transactions are initiated, and by subsequent regular monitoring by Group Risk Management of open positions and annual reviews of derivative programs.

For more information on the Group's investment result, including the treatment of selected financial instruments, see note 5 of the consolidated financial statements. For more information on derivative financial instruments and hedge accounting, see note 6 of the consolidated financial statements. For more information on the development of expected credit loss allowance by type of financial asset, see note 23 of the consolidated financial statements.

Analysis by risk type (continued)

Audited

Risk from equity securities and real estate

The Group is exposed to risks from price fluctuations on equity securities and real estate. These could affect the Group's liquidity, reported income, economic surplus and regulatory capital position. Equity risk exposure includes common stocks (including equity unit trusts), private equity, common stock portfolios backing participating-with-profit policyholder contracts, and equities held for employee benefit plans. Exposure to real estate risk includes direct holdings in property and property company shares and funds. Returns on unit-linked contracts, whether classified as insurance or investment contracts, may be exposed to risks from equity and real estate, but these risks are borne by policyholders. The Group is however indirectly exposed to market movements from unit-linked contracts with respect to both earnings and economic capital; market movements affect the amount of fee income earned when the fee income level is dependent on the valuation of the asset base. Therefore, the value of in-force business for unit-linked business can be negatively affected by adverse movements in equity and real estate markets.

The Group manages its risks related to equity securities and real estate as part of the overall investment risk management process and applies limits as expressed in policies and guidelines. Specifically, Zurich limits holdings in equities, real estate and alternative investments. To realize an optimal level of risk diversification, the strategy for equities is defined through a composite of market benchmark indices. The Group has the capability and processes in place to change the exposure to key equity markets via the use of derivatives or purchase or sale of securities within a short time frame.

For additional information on equity securities and investment property, see note 5 of the consolidated financial statements.

Risk from interest rates and credit spreads

Interest rate risk is the risk of an adverse economic impact resulting from changes in interest rates, including changes in the shape of yield curves. Yield curve changes affect the value of interest rate-sensitive investments and derivatives as well as the fair value of insurance liabilities. Other balance sheet items, such as liability investment contracts, debt issued by the Group, commercial and residential mortgages, employee benefit plans, loans and receivables, are also affected.

The Group manages credit spread risk, which is the variation in economic value due to changes in the level or the volatility of credit spreads over the risk-free interest rate. Movements of credit spreads are driven by several factors including changes in expected default probability, default losses, risk premium, liquidity and other effects.

Returns on unit-linked contracts, whether classified as insurance or investment contracts, are at the risk of the policyholder; however, the Group is exposed to fluctuations in interest rates and credit spreads insofar as they affect the amount of fee income earned if the fee income level is dependent on the valuation of the asset base.

Analysis by risk type (continued)

Audited

Analysis of market risk sensitivities for interest rate, equity and credit spread risks

Group SST available financial resources sensitivities

The following section presents the sensitivities of Group available financial resources (AFR) under Swiss Solvency Test (SST) assumptions with respect to certain standard financial market scenarios.

The SST AFR impact – the difference between the impact on Group SST assets and liabilities – represents the economic risk related to changes in market risk factors to which the Group is exposed. Positive values represent an increase in the SST AFR, and values in parentheses represent a decrease.

SST AFR sensitivities are shown split by segment. The heading 'Rest of the business' includes Farmers, Group Finance and Operations and Non-Core Businesses. No allowance has been made in the economic sensitivities for the planned sale of the German traditional life insurance back book. For more information about the status of this transaction, see notes 4 and 28 of the consolidated financial statements.

Analysis of economic sensitivities for interest rate risk

Table 3 shows the estimated impact on SST AFR of a 50 basis point (bps) increase or decrease in yield curves after consideration of hedges in place.

Table 3

Economic interest rate sensitivities on SST AFR

in USD millions, as of October 1	**2023**	2022
50 bps increase in the interest rate yield curves		
Property & Casualty	(88)	(115)
Life	260	151
Rest of the business	61	(8)
50 bps decrease in the interest rate yield curves		
Property & Casualty	109	92
Life	(410)	(323)
Rest of the business	(62)	(31)

Analysis by risk type (continued)

Audited

Analysis of economic sensitivities for equity risk

Table 4 shows the estimated impact on SST AFR from a 20 percent decline in stock markets, after consideration of hedges in place.

Table 4

Economic equity price sensitivities on SST AFR

in USD millions, as of October 1	**2023**	2022
20% decline in stock markets		
Property & Casualty	(1,183)	(1,132)
Life	(1,168)	(878)
Rest of the business	(81)	(171)

Analysis of economic sensitivities for credit spread risk

Table 5 shows the estimated impact on SST AFR from a 100 basis point increase in corporate credit spreads. The sensitivities apply to all fixed-income instruments, excluding government, supranational and similar debt securities.

Table 5

Economic credit spread sensitivities on SST AFR

in USD millions, as of October 1	**2023**	2022
100 bps increase in credit spreads		
Property & Casualty	(1,404)	(1,449)
Life	(1,449)	(1,739)
Rest of the business	(169)	(395)

Risks from defaults of counterparties

Debt securities

The Group is exposed to credit risk from third-party counterparties where the Group holds securities issued by those entities. Default risk is controlled by Group counterparty concentration risk limits which aim to keep the size of potential losses to an acceptable level.

Exposure level limits are in place and are based on default and recovery rates. Limits tighten progressively for lower-rated exposures. Where the Group identifies investments that are expected to trigger limit breaches, appropriate mitigating actions are implemented.

For information on the Group's debt securities by rating of issuer and the corresponding allowance for expected credit losses, see note 23 of the consolidated financial statements.

Debt securities – credit risk concentration by industry
in %, as of December 31

	2023
Government-related	**51%**
Financial institutions	**17%**
Industrial	**15%**
Securitized	**14%**
Utility	**3%**
Others	**0%**

	2022
Government-related	**48%**
Financial institutions	**17%**
Industrial	**16%**
Securitized	**16%**
Utility	**4%**
Others	**0%**

As of December 31, 2023, the largest concentration in the Group's debt securities portfolio was government related at 51 percent of all debt securities. In all other categories, a total of USD 19.7 billion (38 percent) was secured. As of December 31, 2022, 48 percent of the Group's debt portfolio was invested in government-related securities. In all other categories, a total of USD 21.6 billion (40 percent) was secured.

The second-largest concentration in the Group's debt securities portfolio is financial institutions, comprising investments mainly in banking, finance companies and insurance.

Analysis by risk type (continued)

Audited

Cash and cash equivalents

To reduce credit concentration, settlement and operational risks, the Group limits the amount of cash that can be deposited with a single counterparty. The Group also maintains an authorized list of acceptable cash counterparties.

Cash and cash equivalents amounted to USD 7.3 billion as of December 31, 2023 and USD 7.6 billion as of December 31, 2022. The risk-weighted average rating of the overall cash portfolio was 'A–' as of December 31, 2023 and 'A–' as of December 31, 2022. The ten largest bank exposures represent 50 percent of the total cash and cash equivalents amount, of which the risk-weighted average rating was 'A–' as of December 31, 2023 and 'A' as of December 31, 2022.

Mortgage loans and other loans

Mortgage loans amounted to USD 4.3 billion as of December 31, 2023 and USD 5.5 billion as of December 31, 2022. The Group's largest mortgage loan portfolios are held in Switzerland (USD 3.0 billion), in Italy (USD 0.5 billion) and in Germany (USD 0.5 billion); these are predominantly secured against residential property but also include mortgages secured by commercial property.

Derivatives

The replacement value of outstanding derivatives represents a credit risk to the Group. These instruments include interest rate and cross-currency swaps, forward contracts and purchased options. A potential exposure could also arise from possible changes in replacement values. The Group regularly monitors credit risk exposures arising from derivative transactions. Outstanding positions with external counterparties are managed through an approval process embedded in derivative programs.

To limit credit risk, derivative financial instruments are executed with counterparties rated 'BBB' or higher as per Zurich Risk Policy requirements. The Group's standard practice is to only transact derivatives with those counterparties for which the Group has in place an ISDA Master Agreement, with a Credit Support Annex. This mitigates credit exposures from over-the-counter transactions due to close-out netting and requires the counterparty to post collateral when the derivative position exceeds an agreed threshold. The Group further mitigates credit exposures from derivative transactions by using exchange-traded or centrally cleared instruments whenever possible.

Risk from currency exchange rates

Currency risk is the risk of loss resulting from changes in exchange rates. The Group operates internationally and therefore is exposed to the financial impact of changes in the exchange rates of various currencies. The Group's presentation currency is the U.S. dollar, but its assets, liabilities, income and expenses are denominated in many currencies, with significant amounts in euro, Swiss franc, British pound and U.S. dollar. On entity balance sheets a currency mismatch may cause a balance sheet's net asset value to fluctuate, either through income or directly through equity. The Group manages this risk by matching foreign currency positions on entity balance sheets within prescribed limits. Residual entity mismatches are reported centrally to make use of the netting effect across the Group. Zurich hedges these residual entity mismatches within an established limit through a central balance sheet. For information on net gains/losses on foreign currency transactions included in the consolidated income statements, see note 1 of the consolidated financial statements. The monetary currency risk exposure on entity balance sheets is considered immaterial.

Differences arise when functional currencies are translated into the Group's presentation currency, the U.S. dollar. The Group applies net investment hedge accounting to protect against the impact that changes in certain exchange rates might have on selected net investments.

Table 6 shows the sensitivity of total equity based on IFRS Accounting Standards to changes in exchange rates for the main functional currencies to which the Group is exposed. Positive values represent an increase in the value of the Group's total equity.

Analysis by risk type (continued)

Audited

Table 6

Sensitivity of the Group's total equity to exchange rate fluctuations

in USD millions, as of December 31	**2023**	2022
10% increase in		
EUR/USD rate	313	171
GBP/USD rate	17	51
CHF/USD rate	591	198
BRL/USD rate	128	110
AUD/USD rate	311	287
JPY/USD rate	104	110
Other currencies/USD rates	472	445

The sensitivities show only the effects of a change in the exchange rates, while other assumptions remain unchanged. The sensitivity analysis does not consider management actions that might be taken to mitigate such changes. The sensitivities do not indicate a probability of such events occurring in the future. They do not necessarily represent Zurich's view of expected future market changes. While table 6 shows the effect of a 10 percent increase in currency exchange rates, a decrease of 10 percent would have the converse effect.

For additional information about foreign currency translation and transactions, see notes 1, 3 and 6 of the consolidated financial statements.

Other credit risk

Credit risk is the risk associated with a loss or potential loss from counterparties failing to fulfill their financial obligations. See section 'risks from defaults of counterparties' for more information. The Group's exposure to other credit risk is derived from the following main categories of assets:

- Reinsurance assets.
- Receivables.

The Group's objective in managing credit risk exposures is to maintain them within parameters that reflect the Group's strategic objectives, and its risk appetite and tolerance. Sources of credit risk are assessed and monitored, and the Group has policies to manage specific risks within various subcategories of credit risk. To assess counterparty credit risk, the Group uses ratings assigned by external rating agencies, qualified third parties, such as asset managers, and internal rating assessments. If the ratings of external rating agencies differ, the Group generally applies the lowest, unless other indicators justify an alternative, which may be an internal credit rating.

The Group actively uses collateral to mitigate credit risks. Underlying credit risks are managed independently from the collateral. The Group has limits and quality criteria to identify acceptable letter of credit providers. Letters of credit enable Zurich to limit the risks embedded in reinsurance, captives, deductible programs, trade credit and surety.

The Group has counterparty limits which are regularly monitored. Exposure to counterparties' parent companies and subsidiaries is aggregated to include reinsurance assets, investments, derivatives, and certain insurance products. Group aggregate concentration limits and relevant exception approvals are monitored in line with risk policy requirements.

On-balance sheet exposures are the main source of credit risk. Off-balance sheet credit exposures are related primarily to certain insurance products, reinsurance and collateral used to protect underlying credit exposures on the balance sheet. The Group has no material amount of off-balance sheet exposures related to undrawn loan commitments as of December 31, 2023. See note 21 of the consolidated financial statements for undrawn loan commitments.

Analysis by risk type (continued)

Audited

Credit risk related to reinsurance assets

The Group's Corporate Reinsurance Security Committee oversees the credit quality of cessions and reinsurance assets. The Group typically only cedes new business to authorized reinsurers with a minimum rating of 'A–.' Of the exposure ceded to reinsurers that are rated below 'A–' or are not rated, 60 percent was collateralized as of December 31, 2023 and 46 percent as of December 31, 2022. Of the exposure ceded to reinsurers that are rated below 'A–' or are not rated, 62 percent was ceded to captive insurance companies in 2023, and 57 percent in 2022.

Reinsurance assets included reinsurance recoverables (the reinsurers' share of reserves for insurance contracts) of USD 27.1 billion and USD 28.1 billion, and receivables arising from ceded reinsurance of USD 2.1 billion and USD 1.8 billion as of December 31, 2023 and 2022, respectively, gross of allowance for impairment. Reserves for potentially uncollectible reinsurance assets amounted to USD 117 million as of December 31, 2023 and USD 130 million as of December 31, 2022. The Group's policy on impairment charges takes into account both specific charges for known situations (e.g., financial distress or litigation) and a general, prudent provision for unanticipated impairments.

Reinsurance recoverables in table 7 are shown before taking into account collateral such as cash or bank letters of credit and deposits received under ceded reinsurance contracts. Unsecured reinsurance recoverables shown are after deducting collateral. Bank issuing letters of credit for the benefit of Zurich are, on average, 'A' rated. The value of the collateral received amounts to USD 17.2 billion and USD 11.6 billion as of December 31, 2023 and 2022, respectively.

Table 7 shows reinsurance recoverables and unsecured reinsurance recoverables split by rating.

Table 7

Reinsurance recoverable and unsecured reinsurance recoverable by rating of reinsurer and captive

as of December 31	**2023**				2022			
	Reinsurance recoverable		**Unsecured reinsurance recoverable**		Reinsurance recoverable		Unsecured reinsurance recoverable	
	USD millions	**% of total**	**USD millions**	**% of total**	USD millions	% of total	USD millions	% of total
Rating								
AAA	5	0.0%	–	0.0%	22	0.1%	1	0.0%
AA	4,969	18.4%	4,493	29.4%	7,278	26.0%	6,610	35.2%
A	14,669	54.2%	7,804	51.1%	13,342	47.6%	8,101	43.1%
BBB	2,563	9.5%	586	3.8%	3,912	14.0%	2,566	13.7%
BB	822	3.0%	419	2.7%	528	1.9%	226	1.2%
B and below	172	0.6%	70	0.5%	184	0.6%	75	0.4%
Unrated	3,873	14.3%	1,915	12.5%	2,764	9.8%	1,207	6.4%
Total	**27,073**	**100.0%**	**15,287**	**100.0%**	**28,030**	**100.0%**	**18,786**	**100.0%**

Credit risk related to receivables

The largest amount of the Group's credit risk exposure to receivables is related to third-party agents, brokers and other intermediaries.

Receivables are diversified across a large number of counterparties and do not pose significant single name concentration risk. The biggest individual exposures are related to the large global insurance brokers; however, exposure to these brokers is small if compared to total receivables, and these brokers are not among the top individual counterparties where the Group has significant concentration of credit risk.

The Group has policies and standards to manage and monitor credit risk related to intermediaries.

The Group strives to keep the balance of past-due positions as low as possible.

Receivables from ceded reinsurance are part of reinsurance assets and managed accordingly. For more information about receivables see note 14 of the Group's consolidated financial statements and for more information about the calculation of expected credit losses see notes 3 and 23 of the Group's consolidated financial statements.

Analysis by risk type (continued)

Audited

Operational risk

Operational risk is the risk of financial loss, adverse reputational, legal or regulatory impact, resulting from inadequate or failed processes, people, systems or from external events, including external fraud, catastrophes, or failure in outsourcing arrangements. Zurich has a framework to identify, assess, manage, monitor, and report operational risk within the Group. Within this framework, the Group:

- Uses a scenario-based approach to assess, model and quantify the capital required for operational risk for business units under extreme circumstances. This approach allows information to be compared across the Group and highlights the main scenarios contributing to the capital required under Zurich Economic Capital Model (Z-ECM).
- Documents and reviews operational events exceeding a threshold determined by the Zurich Risk Policy. Remedial action is taken to avoid the recurrence of such operational events.
- Conducts risk assessments where operational risks are identified for key business areas. Risks identified and assessed to be above a certain threshold must have a risk response. Risk mitigation plans are documented and tracked on an ongoing basis. In the assessments, the Group uses sources of information such as the Total Risk Profiling™ process, internal control assessments, and audit findings, as well as scenario modeling and operational event data.

The Group has specific processes and systems in place to focus on high-priority operational matters such as managing information security and business resilience, as well as combating fraud.

Preventing, detecting and responding to fraud are embedded in Zurich's business processes. Both claims and non-claims fraud are included in the common framework for assessing and managing operational risks. For Zurich's internal model calculations, claims fraud is part of insurance risk and non-claims fraud is part of operational risk.

Group own insurance

Zurich sets up and maintains insurance programs to protect the Group from the risk of adverse financial consequences of insurable events. They comprise Global Insurance Programs and Local Insurance Policies.

Zurich Global Insurance Programs are managed centrally and cover risk exposures such as:

- Property damage and business interruption/terrorism and political violence.
- Commercial general liabilities including risks related to environmental accidents.
- Professional indemnity and commercial crime.
- Directors and officers liability.
- Cyber-network security and privacy insurance.

Local Insurance Policies are managed locally and include coverage to meet mandatory local requirements or for country-specific risks that are not part of the Global Insurance Programs.

Data risk

The strategic relevance of data as a business asset is rising at a rapid pace and the risks associated with data management are becoming more and more prominent. Preventing risks such as data losses and privacy breaches and assessing and monitoring the potential misuse of data and losses triggered by failures in data management remain in focus. Specifically, appropriate governance of data for business purposes and decision-making processes, including automation, machine-learning techniques and other advanced technologies, remains a priority. As Zurich strives to inspire confidence in a digital society with its data commitment, assurance on the ethical use of advanced technologies is provided from a risk management perspective for the protection and privacy of data of our customers and other stakeholders.

The relevance of technological risks, such as cyber risk, is rapidly increasing across all data-driven industries. Exposure to these risks has grown in lockstep with the significant rise in digital services provided directly to customers and the increasing prevalence of digital ecosystems and cloud solutions in today's interconnected world.

Third-party risk

Outsourcing and engagement with third parties introduces risks relevant to the delivery of our strategy, such as data loss or disclosure, disruption to critical customer services and regulatory compliance. Digitalization has accelerated the complexity and changes to the Group's third-party ecosystem. The Group addresses risks associated with third-party engagements along its supply and value chain. Applying a consistent Group-wide approach to third-party governance is among Zurich's key priorities.

Analysis by risk type (continued)

Business resilience risk

Zurich, along with the rest of the insurance industry, is going through a period of transformation in order to meet changing customer and regulatory expectations. In addition, increasing automation of processes, development of advanced analytics capabilities, and fragmented supply chains have contributed to an increasingly complex operating environment. In response to these challenges, and to better protect the interests of stakeholders, the Group continues to evolve its business resilience capability through a number of ongoing initiatives in relation to the protection and recovery of critical services and enhancing transparency around any associated risks such as pandemics, technology failure, and potential supply chain/power interruptions.

Risk management and internal controls

The Group considers internal controls to be essential for managing operational risk. The Board has overall responsibility for the Group's risk management and internal control frameworks. The objectives of the Group's internal control system are to provide reasonable assurance that Zurich's consolidated financial statements and disclosures are materially correct, support reliable operations, and ensure legal and regulatory compliance. The internal control system is designed to mitigate rather than eliminate risks that could impact the achievement of business objectives.

The Group promotes risk awareness and understanding of controls through communication and training. Risk management and internal control systems are designed at Group level and implemented across the Group. Management, as the first line of defense, is responsible for identifying, evaluating and managing risk, and designing, implementing and maintaining internal controls. Testing of the relevant internal controls also forms part of the control life cycle.

Key processes and controls in the organization are subject to review and challenge by the second and third lines of defense. The second and third lines of defense regularly report on observations, conclusions and recommendations that arise from their independent examination of internal controls. Control issues of Group-level significance and associated mitigation actions are reported regularly to the Audit Committee of the Board. The Risk and Investment Committee of the Board reviews the effectiveness of the Group's risk management system, including the Group's risk tolerance and enterprise-wide risk governance framework, in accordance with the charter for each committee.

The Group's Disclosure Committee, chaired by the Head of Group Financial Accounting and Reporting, reviews the accuracy, completeness and timeliness and compliance with legal and regulatory requirements of external disclosures and the effectiveness of the respective internal controls. The conclusions result in a recommendation to the Group Chief Financial Officer to release the disclosures to the Audit Committee of the Board, who may then challenge the disclosures further. The Board reviews and approves the announcement of the results and the annual report before they are made public.

Analysis by risk type (continued)

Audited

Liquidity risk

Liquidity risk is the risk that an entity within the Group may not have sufficient liquid financial resources to meet its obligations when they fall due or would have to incur excessive costs to do so. Zurich's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under normal conditions and in times of stress. To achieve this, the Group assesses, monitors and manages its liquidity needs on an ongoing basis.

Group-wide liquidity management policies and specific guidelines govern how entities plan, manage and report their entity liquidity and include regular stress tests for all major legal entities and branches within the Group. The stress tests use a standardized set of internally defined stress events, and are designed to provide an overview of the potential drain on liquidity should the Group have to recapitalize entity balance sheets. Similar guidelines apply at the Group level, and detailed liquidity forecasts are regularly conducted, based on entities' input and the Group's forecasts. As part of its liquidity management, the Group maintains sufficient cash and cash equivalents and high-quality, liquid investment portfolios to meet outflows under expected and stressed conditions.

The Group also maintains internal liquidity sources that cover the potential liquidity needs within the Group, including those that might arise in times of stress. The Group takes into account the amount, availability and speed at which these sources can be accessed. The Group has access to diverse funding sources to cover contingencies, including asset sales, external debt issuance and making use of committed borrowing facilities or letters of credit. The Group maintains a range of maturities for external debt securities. A potential source of liquidity risk is the effect of a downgrade of the credit rating of the Group. This could affect the Group's commitments and guarantees, potentially increasing liquidity needs. This risk – and mitigating actions that might be employed – are assessed on an ongoing basis within the Group's liquidity framework.

The Group regularly analyzes the liquidity of the investment assets and ensures that the liquidity of assets stays in line with liquidity requirements. In 2023, the Group's holdings in illiquid assets were within its capacity.

For more information on debt obligation maturities, see note 17 of the consolidated financial statements, and for information on commitments and guarantees, see note 21 of the consolidated financial statements.

The Group's ongoing liquidity monitoring includes regular reporting to the executive management and quarterly reporting to the Risk and Investment Committee of the Board, covering aspects such as the Group's liquidity, possible adverse scenarios that could affect the Group's liquidity and possible liquidity needs from the Group's main subsidiaries, including under conditions of stress.

For more information on the Group's other financial liabilities, see note 15 of the consolidated financial statements. See note 5 of the consolidated financial statements for information on the maturity of debt securities.

The Group has committed to contribute capital to subsidiaries and third parties that engage in making investments in direct private equity and private equity funds. Commitments may be called by the counterparty during the term of the investment (generally three to five years) and must be funded by the Group on a timely basis. See note 21 of the consolidated financial statements for more information.

Analysis by risk type (continued)

Audited

Strategic risk and risks to the Group's reputation

Strategic risk

Zurich defines strategy as the long-term plan of action designed to allow the Group to achieve its goals and aspirations based on Zurich's purpose and values. Strategic risk is defined as the risk of the strategy, or parts thereof, being rendered sub-optimal or unachievable.

Strategic risks can arise from:

- Internal triggers such as inadequate risk-reward assessment of strategic plans or changes to underlying assumptions.
- External triggers including macroeconomic or geopolitical events or trends, regulatory or legal changes, or developments in the competitor landscape.

The Group works to manage risks associated with strategic business decisions through its risk assessment processes and tools, including the Total Risk Profiling™ process. As part of the annual assessment of strategic risks, the Executive Committee assesses potential risks from both external and internal factors, looking at the current year and beyond. The Executive Committee members define actions to respond as appropriate and review changes to the key risks and their status of actions at least quarterly.

The Group evaluates the risks of merger and acquisition (M&A) transactions both from a quantitative and a qualitative perspective. The Group conducts risk assessments of M&A transactions to evaluate risks specifically related to integrating acquired businesses.

Risks to the Group's reputation

Many factors can affect Zurich's reputation including the Group's market conduct, relationship with customers, brand image, workplace culture, corporate strategy, underwriting practices, marketing efforts, claims handling, corporate responsibility, regulatory compliance, financial performance, communications, and crisis management. Every risk type has potential consequences for Zurich's reputation. Effectively managing each risk type supports preventing adverse reputational outcomes.

The Group aims to preserve its reputation by:

- Adhering to applicable laws and regulations.
- Following the core values and principles of the Group's code of conduct that promote integrity and good business practice.

The Group centrally manages certain aspects of risk to reputation, for example, communications, through functions with the appropriate expertise. Potential risks to Zurich's reputation are included in its risk assessment processes and tools, including the Total Risk Profiling™ process.

Sustainability risk

Zurich defines sustainability risks as those arising from events or conditions related to topics or trends relevant to the Group's Sustainability Framework and which adversely impact the achievement of Zurich's business strategy or targets.

In terms of characteristics, sustainability risks often possess longer time horizons that extend beyond a strategic cycle, which results in a higher degree of uncertainty regarding their potential consequences. In terms of perspective, sustainability risks are managed using the concept of double materiality. Double materiality refers to when risks associated with sustainability issues and topics affect Zurich (so-called 'outside-in' risks) and the risks resulting when Zurich's own activities have an influence on those issues and topics (so-called 'inside-out' risks). The latter typically have reputational consequences. As such, a variety of risk management approaches is used to support identification, assessment and responses to these risks.

The selection of approaches is informed by whether the sustainability risk is:

- An emerging outside-in risk: e.g., risks associated with climate change.
- An emerging inside-out risk: e.g., risks associated with fossil fuels or deforestation.
- A current outside-in risk: e.g., risks associated with severe weather.
- A current inside-out risk: e.g., risks associated with thermal coal, human rights (child labor, forced labor), or banned weapons.

Analysis by risk type (continued)

Sustainability topics are often a driver for other risk types (e.g., sustainability topics with respect to underwriting or investment management risks) and these are managed in accordance with the principles and requirements of the relevant ZRP Chapters. For more information about sustainability risk, refer to the section 'Managing risks and opportunities' of the Group's sustainability report.

Sustainability risk approach

To carry out effective sustainability risk management, we follow Zurich's Enterprise Risk Management (ERM) framework and select different approaches to support e.g., the identification, assessment and response to those risks according to their perspective and time horizon.

Our ERM framework helps to protect our company against natural, societal, economic and financial risks, and supports the identification of potential business opportunities. The framework also helps us to recommend proper response strategies, which can include the development of new products and services that support our customers in managing their sustainability risks.

Risk identification and assessment: emerging sustainability risks are identified and assessed at least annually through the update of the Emerging Risk Radar. For risks that extend beyond the strategic cycle, scenario analysis is performed. For current sustainability risks, the identification and assessment is done in accordance with the process defined by the Emerging and Sustainability Risk Committee (ESRC) and the potential impact to the Group in line with the Total Risk Profiling™ methodology.

Risk response: for emerging risks, risk response can include sustainability risk positions, which describes Zurich's appetite for a sustainability risk, and may also trigger the development of new policies, guidelines, products, processes, projects or other management actions. For current risks, it can entail a new Group strategic sustainability priority in line with the Total Risk Profiling™ methodology.

Examples of sustainability risk positions:

- Zurich will not enter into new business relationships with companies that produce, stockpile, distribute, market, or sell banned cluster munitions or anti-personnel landmines.
- Zurich will not underwrite or invest in companies that generate more than 30 percent of their revenue from thermal coal, oil sand and oil shale unless formally approved science-based targets are in place (and engagement on phase out of OECD and EU 27 by 2030 and rest of world by 2040).

Another example of a risk response is the ESG integration in our investment management activities. We believe that proactively integrating sustainability risks and opportunities – expressed in ESG factors in our investment decisions across asset classes and alongside traditional financial metrics and state-of-the-art risk management practices – will support us in our mission to achieve superior risk-adjusted long-term financial returns.

Risk monitoring: emerging sustainability risks are monitored at least annually through the emerging risk process, while current sustainability risks are monitored through the Group-mandated strategic TRP.

Risk reporting: emerging and current sustainability risks are reported internally and externally as required.

For more information about the sustainability risk approach, refer to the section 'Managing risks and opportunities' of the Group's sustainability report.

Our 2023–2025 financial cycle builds on our long-term vision of customer focus, simplification and innovation, giving us flexibility and a strong basis for the future.

Financial review

Message from our Group Chief Financial Officer

"The Group has made a strong start into the new financial cycle with all businesses contributing to improvement in earnings. This, together with our customer-focused strategy, simplified operating model and strong balance sheet, positions the Group well for further growth.

Dear Shareholder

Full year 2023 results demonstrated a strong start into the 2023 to 2025 financial cycle. Business operating profit (BOP) increased 21 percent with a BOPAT ROE of 23.1 percent for the year. Net income attributable to shareholders (NIAS) amounted to USD 4.4 billion. Reflecting this performance, our strong capital position and management's expectations of further improvements over the current financial cycle, the Board will propose a dividend increase of 8 percent to CHF 26 per share, and plans to supplement the dividend with a share buyback of up to CHF 1.1 billion.

Executing on strategic priorities

The Group continued to execute on its key strategic priority to focus on the customer. During the year, the Group continued to digitalize key aspects of the business, address pain points to increase convenience for customers, and added incremental distribution partnerships to extend its customer reach and improve efficiency.

2023–2025 financial targets

Target: >20.0%
BOPAT ROE[1]
23.1%
FY 2023

Target: >USD 13.5bn cumulative 2023–2025
Cash remittances
USD 4.8bn
FY 2023

SST solvency target: 160% or above
Estimated SST ratio[2]
233%
FY 2023

Target: ≥8%
Earnings per share growth in USD
20.2%[3]
Compound annual growth rate (CAGR)
FY 2023 versus FY 2022

1 Business operating profit after tax return on equity, excluding unrealized gains and losses.
2 Estimated Swiss Solvency Test (SST) ratio, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA.
3 The Earnings per share (EPS) growth is based on the 2022 baseline EPS of USD 32.1 and the 2023 EPS, adjusted for the expected long-term market assumptions for net capital gains.

Message from our Group Chief Financial Officer (continued)

A strong performance across all businesses

Property & Casualty (P&C) saw a 7 percent increase in business operating profit (BOP). Insurance revenue grew 8 percent with strong growth in our Commercial and Retail insurance business supported by continuing price increases of 6 percent over the year.

The combined ratio remained at a strong level of 94.5 percent versus the prior year. Higher earned rate as well as lower catastrophe losses were offset by inflationary trends.

Favorable prior-year development of 1.5 percent was well within the indicated 1 to 2 percent range, demonstrating the strength of the Group's reserves.

The Group's Life business delivered an excellent performance, reflecting the success of the Group's strategy to focus on protection and unit-linked business.

Life BOP of USD 2.1 billion was an all-time high. All regions contributed to growth, driven by a combination of solid underlying performance and favorable experience for long-term insurance, as well as revenue growth for short-term insurance and investment contracts.

Farmers BOP increased 10 percent over the prior year, supported by a higher earned premium base at Farmers Exchanges[2] and a Farmers Management Services margin of 7.0 percent. The Farmers Exchanges[2] continue to grow in most books of business following higher rates and have taken strategic actions to secure long-term profitability. Farmers Re results benefit from improved underwriting results at a higher reinsurance participation ratio. The Farmers Life BOP is 25 percent lower than the prior year, as Farmers Life entered into a reinsurance transaction with Resolution Life for its individual life in-force book. The transaction completed on August 1, 2023.

Robust balance sheet and higher cash generation

During the year, the Group continued to focus on and optimize the use of capital. The Group's balance sheet remained very strong with the Swiss Solvency Test (SST)[3] ratio at an estimated 233 percent, well above the Group's target of 160 percent or above.

The Group successfully converted earnings into distributable cashflow with cash remittances back to the Group of USD 4.8 billion over the year driven by operational earnings and remittances of excess capital from previously retained earnings.

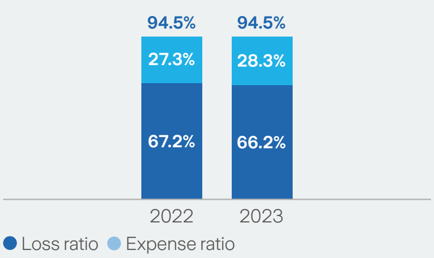
Dividend proposal of CHF 26

In line with our dividend policy, the Board proposes an 8 percent dividend increase to CHF 26 per share.

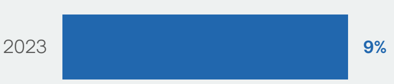
George Quinn
Group Chief Financial Officer

Property & Casualty (P&C)

Combined ratio

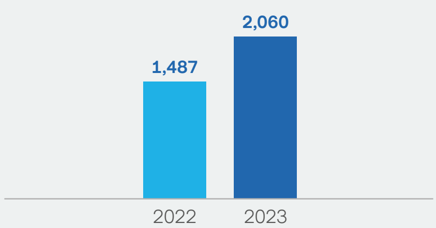


Like-for-like Insurance revenue growth[1]



Life

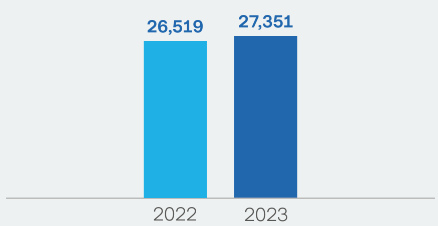
Business operating profit
in USD millions



2023 split of reserves and liabilities

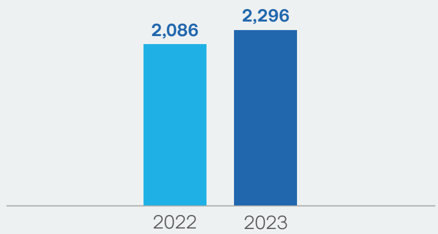
Farmers Exchanges[2]

GWP
in USD millions



Farmers

Farmers BOP
in USD millions



1 In local currency and after adjusting for closed acquisitions and disposals. Due to change in accounting standards (IFRS 17) effective as of January 1, 2022, no growth information for 2022 can be calculated.
2 The Farmers Exchanges are owned by the policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchange as attorney-in-fact and receives fees for its services.
3 Estimated Swiss Solvency Test (SST) ratio, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA.

Financial overview

Contents

The information contained within the financial overview is unaudited and is based on the consolidated results of Zurich Insurance Group Ltd and its subsidiaries (collectively, the Group) for the years ended December 31, 2023 and 2022. All amounts are shown in U.S. dollars and rounded to the nearest million unless otherwise stated, with the consequence that the rounded amounts may not always add up to the rounded total. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts. This document should be read in conjunction with the 2023 Annual Results of the Group and in particular with its consolidated financial statements for the year ended December 31, 2023. The Group adopted IFRS 17 'Insurance Contracts' retrospectively from January 1, 2022; therefore, the comparative figures as presented in this financial overview have been restated for the effect of the adoption of IFRS 17.

In addition to the figures stated in accordance with IFRS Accounting Standards, the Group uses business operating profit (BOP), new business metrics and other performance indicators to enhance the understanding of its results. Details of these additional measures are set out in the glossary. These should be viewed as complementary to, and not as substitutes for, the IFRS figures. For a reconciliation of BOP to net income attributable to shareholders (NIAS), see note 26 (table 26.4) of the audited consolidated financial statements for the year ended December 31, 2023.

Certain comparatives have been revised as a result of reclassifications and other adjustments. For details refer to note 1 of the audited consolidated financial statements.

Financial overview (continued)

Financial highlights

in USD millions, for the years ended December 31	2023	Restated 2022	Change[1]
Business operating profit	**7,381**	6,123	21%
Net income attributable to shareholders	**4,351**	3,964	10%
P&C business operating profit	**3,893**	3,634	7%
P&C insurance revenue	**42,293**	39,164	8%
P&C combined ratio	**94.5%**	94.5%	0.0 pts
Life business operating profit	**2,060**	1,487	39%
Life contractual service margin (CSM)[2]	**11,526**	10,496	10%
Life present value of new business premiums (PVNBP)[3]	**16,384**	13,241	24%
Life new business CSM (NB CSM)[2]	**1,037**	987	5%
Life new business margin (as % of PVNBP)[4]	**6.3%**	7.5%	(1.1 pts)
Farmers business operating profit	**2,296**	2,086	10%
Farmers Management Services managed gross earned premium margin	**7.0%**	6.6%	0.4 pts
Average Group investments[5]	**142,389**	167,832	(15%)
Net investment result on Group investments[5]	**4,687**	3,284	43%
Net investment return on Group investments[5,6]	**3.3%**	2.0%	1.3 pts
Total return on Group investments[5,6]	**6.3%**	(12.0%)	18.3 pts
Shareholders' equity[7]	**24,860**	26,199	(5%)
Swiss Solvency Test ratio[8]	**233%**	267%	(34) pts
Return on common shareholders' equity (ROE)[9]	**18.1%**	15.0%	3.1 pts
Business operating profit (after tax) return on common shareholders' equity (BOPAT ROE)[9]	**23.1%**	17.8%	5.3 pts

1 Parentheses around numbers represent an adverse variance.
2 CSM and new business CSM are net of external reinsurance and before the effect of non-controlling interests.
3 Present value of new business premiums (PVNBP) is gross of reinsurance and before the effect of non-controlling interests.
4 Calculated as new business CSM divided by PVNBP.
5 Including investment cash and derivatives.
6 Calculated on average Group investments.
7 Restated for impacts of IFRS 9 transition.
8 Estimated Swiss Solvency Test (SST) ratio, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA.
9 Shareholders' equity used to determine ROE and BOPAT ROE is adjusted for net unrealized gains/(losses).

Overall Group business operating profit (BOP) increased 21 percent to USD 7.4 billion in 2023, driven by strong performances across P&C, Life and Farmers.

Net income attributable to shareholders (NIAS) increased 10 percent in 2023, with BOP growth partially offset by higher capital losses and restructuring costs.

Operating update

Property & Casualty (P&C)

in USD millions, for the years ended December 31	2023	Restated 2022	Total Change
Insurance revenue	42,293	39,164	8%
Insurance service result	3,186	2,928	9%
Net investment result	1,529	1,376	11%
Fee result	115	89	29%
Other result	(807)	(637)	(27%)
Business operating profit	**3,893**	**3,634**	**7%**
Loss ratio	66.2%	67.2%	0.9 pts
Expense ratio	28.3%	27.3%	(0.9 pts)
Combined ratio	**94.5%**	**94.5%**	**0.0 pts**

Insurance revenue in Property & Casualty (P&C) for the year ended 2023 rose 8 percent, benefiting from the earn-through of growth in gross written premiums, which increased strongly supported by higher premium rates of 6 percent.

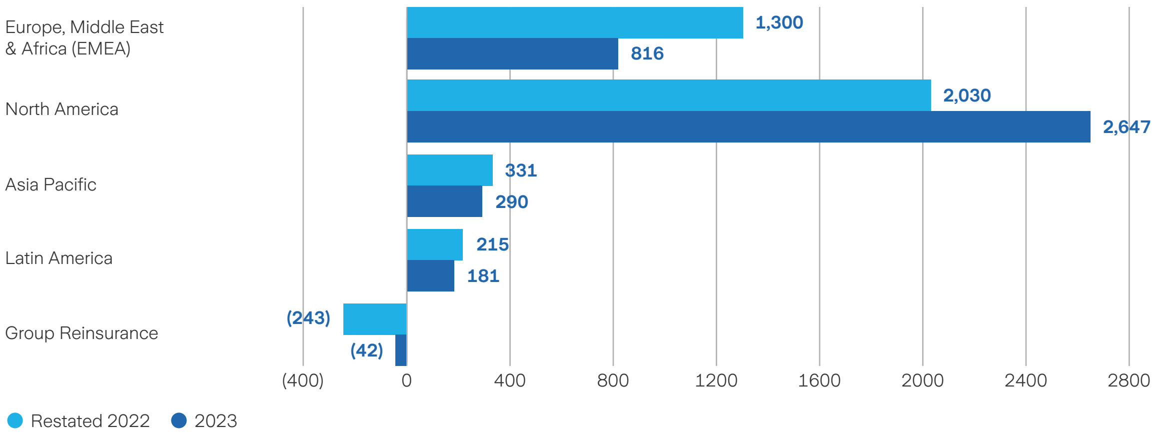
The net investment result was USD 153 million above the prior year, mainly due to a USD 345 million improvement in investment income compared with 2022. This improvement was due to earn-through of higher yields as well as realized capital gains of USD 225 million from the Group's hedge fund portfolio, which reported a loss of USD 21 million in the previous year. These gains were partially offset by a year-on-year increase in insurance finance expenses of USD 448 million, driven by an increase in the unwind of the discount.

The contribution of other items, which include the net non-technical result, fee result and non-controlling interests, decreased by USD 151 million compared with the previous year, mainly reflecting the absence of a one-off gain from a real estate transaction in 2022. This was partially offset by an increase of USD 26 million in the fee result compared with the prior year.

Business operating profit increased 7 percent to USD 3.9 billion compared with the prior year, driven by higher insurance revenue and an increase of the investment result, which was partially offset by the absence of a non-recurring real estate transaction in the prior year.

The combined ratio of 94.5 percent in 2023 was flat compared with the prior year. The loss ratio improved by 0.9 percentage points to 66.2 percent. The expense ratio of 28.3 percent in 2023 was 0.9 percentage points higher than in the previous year.

P&C business operating profit (BOP)
in USD millions, for the years ended December 31



Operating update (continued)

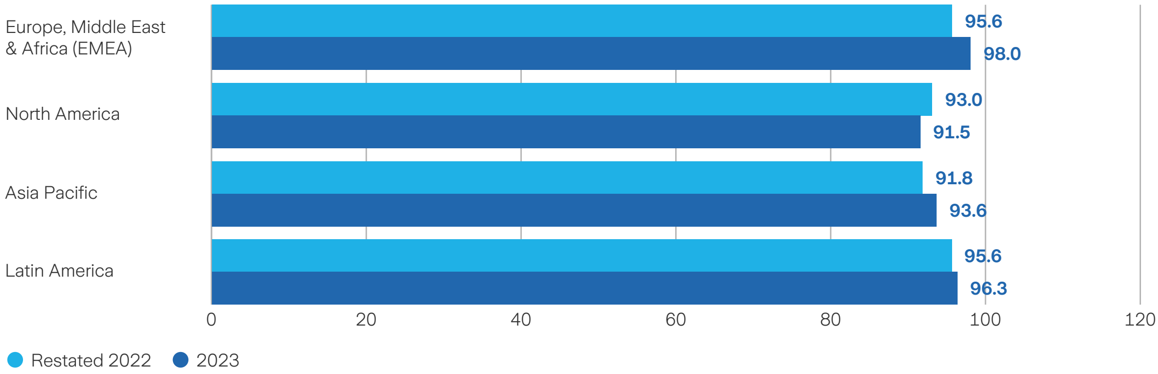
The reduction in Europe, Middle East & Africa (EMEA) business operating profit was driven by elevated losses in 2023 and a non-recurring gain related to a real estate transaction in the prior year.

North America business operating profit was 30 percent above prior year as a result of higher insurance revenue, an improved investment result and a lower combined ratio.

Asia Pacific business operating profit was 12 percent below prior year due to a higher combined ratio in P&C.

Latin America business operating profit was down 16 percent as the result was impacted by hyperinflation accounting for the Argentinian business.

P&C combined ratio
%, for the years ended December 31



In EMEA, the combined ratio deteriorated 2.4 percentage points, driven by elevated losses and an uptick in expenses.

In North America, the combined ratio improved 1.5 percentage points compared with the prior year, mainly due to lower levels of catastrophe losses.

The Asia Pacific combined ratio deteriorated 1.8 percentage points compared with the prior year, driven by an increase in the commission ratio which reflects the impact of recovering travel business sales and elevated losses.

The Latin America combined ratio deteriorated 0.7 percentage points compared with the prior year. A higher expense ratio was partially offset by a lower loss ratio.

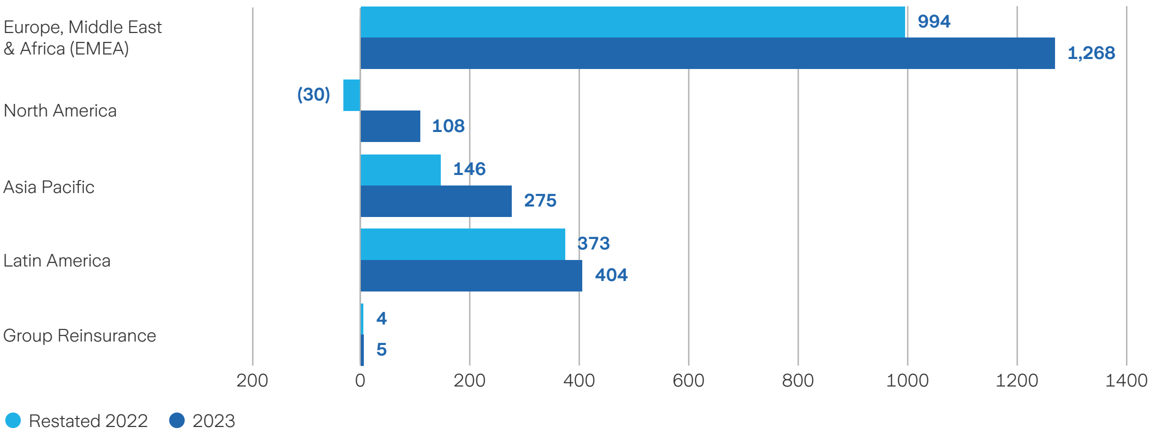
Operating update (continued)

Life

in USD millions, for the years ended December 31	2023	Restated 2022	Change
Insurance service result	2,281	1,245	83%
Net investment result	592	695	(15%)
Fee result	256	134	91%
Business operating profit	**2,060**	**1,487**	**39%**
Assets under management[1]	259,476	232,356	12%
Contractual service margin	11,526	10,496	10%

1 Assets under management comprise balance sheet Group investments and unit-linked investments plus assets that are managed by third parties, on which fees are earned.

Life business operating profit (BOP)
in USD millions, for the years ended December 31



In 2023, the Group's Life business generated a business operating profit of USD 2.1 billion for 2023, 39 percent higher than in the prior year. The business operating profit did not include the contribution of the German traditional life back book and the Chilean annuity book, which have been accounted for as held for sale.

In EMEA, business operating profit of USD 1.3 billion was 28 percent higher than in the prior year, reflecting the non-recurrence of adverse transition-related adjustments and one-offs in the prior year, as well as higher amortization of the contractual service margin (CSM) in 2023 due to an increased CSM balance.

In North America, business operating profit increased by USD 138 million to USD 108 million, mainly driven by a favorable net impact from onerous contracts, as opposed to net negative impacts in the prior year.

In Asia Pacific, business operating profit increased 88 percent to USD 275 million, driven by favorable experience mainly related to assumption updates and re-pricing actions.

In Latin America, business operating profit grew 8 percent year over year, mainly driven by revenue growth.

Assets under management (AuM) increased 12 percent in 2023 to USD 259.5 billion, driven by a combination of positive net inflows and favorable market and foreign exchange movements.

The CSM increased 10 percent to USD 11.5 billion on a reported basis. This was driven by a combination of favorable economic variances, foreign exchange movements and underlying CSM accretion.

Operating update (continued)

NB CSM, PVNBP and NBM by Segment[1]

in USD millions, for the years ended December 31	Present value of new business premiums (PVNBP)[2]		New business contractual service margin (NB CSM)[3]		New business margin (as % of PVNBP) (NBM)[4]	
	2023	Restated 2022	2023	Restated 2022	2023	Restated 2022
Europe, Middle East & Africa (EMEA)	8,818	7,660	600	643	6.8%	8.4%
North America	333	521	7	8	(1.1%)	1.5%
Asia Pacific	2,939	2,129	326	253	11.1%	11.9%
Latin America	4,296	2,931	105	87	2.4%	3.0%
Total	**16,384**	**13,241**	**1,037**	**987**	**6.3%**	**7.5%**

1 For long-term life insurance contracts. Does not include short-term life insurance contracts, which are accounted for with premium allocation approach (PAA), or investment contracts, which are accounted for with IFRS 9.
2 Present value of new business premiums (PVNBP) is gross of reinsurance and before the effect of non-controlling interests.
3 New business CSM is net of external reinsurance and before the effect of non-controlling interests.
4 Calculated as new business CSM divided by PVNBP.

PVNBP increased 24 percent on a reported basis and 26 percent on a like-for-like basis, with growth in EMEA, Asia Pacific and Latin America.

In EMEA, PVNBP grew 12 percent on a like-for-like basis, compared with the same period in 2022, reflecting large sales volumes of a retail savings product in Spain, written by the Group's joint venture with Banco Sabadell, as well as higher unit-linked sales in Germany and Spain. These increases more than offset the adverse impact of lower sales volumes in Italy and Switzerland and higher discount rates in the region.

In North America, PVNBP was 36 percent lower on a like-for-like basis compared with the prior year, driven by lower sales in the corporate business.

In Asia Pacific, PVNBP grew 44 percent on a like-for-like basis. This was driven by higher protection sales in Japan, which rebounded from a low level in the prior year, as well as in Australia, which benefited from increased volumes of corporate business.

In Latin America, PVNBP increased 61 percent on a like-for-like basis, benefiting primarily from higher sales in Brazil through the Group's joint venture with Banco Santander.

New business written in 2023 added USD 1 billion of CSM, 5 percent more than in the prior year. This was due to higher sales volumes which more than offset the impact of reduced new business margin of 6.3 percent (compared with 7.5 percent in the prior year) due to a less favorable business mix.

PVNBP and NB CSM do not include short-term life insurance or investment contracts, which are accounted for with the premium allocation approach (PAA) method and IFRS 9, respectively. Insurance revenues from short-term life insurance, which is mainly related to protection business in Latin America, grew 9 percent on a like-for-like basis. Fee revenues for investment contracts, which are mainly written in EMEA, grew 19 percent on a like-for-like basis compared with the prior year, which was affected by negative market performance.

Operating update (continued)

Farmers

in USD millions, for the years ended December 31	2023	Restated 2022	Change
Farmers Management Services (FMS)	1,970	1,796	10%
Farmers Re	117	12	nm
Farmers Life	209	278	(25%)
Total business operating profit	**2,296**	**2,086**	**10%**

Farmers Management Services (FMS) business operating profit increased 10 percent compared with the prior year. This was mainly driven by the higher earned premium base of the Farmers Exchanges and a managed gross earned premium margin of 7.0 percent.

Farmers Re reported a business operating profit of USD 117 million for 2023. This was due to a lower combined ratio at a higher reinsurance participation percentage of 8.5 percent, compared with 1.75 percent in the prior year, and higher interest income.

Farmers Life business operating profit was 25 percent below the prior year, driven by a lower insurance service result, as Farmers Life entered into a reinsurance transaction with Resolution Life for its in-force book. The transaction completed on August 1, 2023.

Farmers Exchanges

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

Financial information about the Farmers Exchanges is proprietary to the Farmers Exchanges, but is provided to support an understanding of the performance of Farmers Group, Inc. and Farmers Re.

in USD millions, for the years ended December 31	2023	2022	Change
Gross written premiums	27,351	26,519	3%
Gross earned premiums	26,702	25,842	3%

The Farmers Exchanges reported growth in gross written premiums of 3 percent in 2023, driven by growth in most books of business due to rate actions, partially offset by a decrease in the commercial rideshare business. Gross earned premiums increased 3 percent over the same period.

Operating update (continued)

Group Functions and Operations

in USD millions, for the years ended December 31	2023	Restated 2022	Change
Holding and Financing	(486)	(446)	(9%)
Headquarters	(314)	(292)	(8%)
Zurich Global Ventures[1]	(29)	(58)	49%
Total business operating profit	**(830)**	**(796)**	**(4%)**

1 Includes only central initiatives.

Group Functions and Operations reported net expenses of USD 830 million, a 4 percent increase compared with the prior year. This was mainly driven by higher interest rates.

Non-Core Businesses

in USD millions, for the years ended December 31	2023	Restated 2022	Change
Zurich Legacy Solutions	3	(230)	nm
Other run-off	(41)	(59)	30%
Total business operating profit	**(38)**	**(288)**	**87%**

The Group's Non-Core Businesses, which comprise run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported an operating loss of USD 38 million for 2023, compared with a loss of USD 288 million in 2022. The prior year was unfavorably impacted by adverse movements on run-off portfolios.

Financial update

Balance sheet review

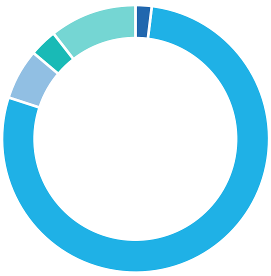
Total assets and liabilities:

The total assets of the Group stood at USD 361 billion in 2023 compared with USD 335 billion in 2022, mainly driven by the increase in the market valuation of unit-linked investments due to improving interest rates and market conditions.

The completion of the acquisition of the agency brokerage business by Farmers Group, Inc. increased goodwill and other intangible assets by USD 586 million.

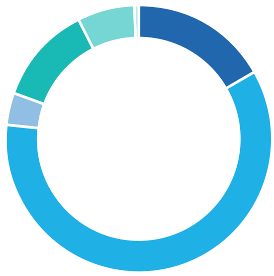
The Group also reclassified USD 23.8 billion of assets and 23.9 billion of liabilities as held for sale, reflecting the proposed sale of the German Life back book and other capital optimization actions. These factors, including an increase in liabilities related to insurance reserves and redemption of debt, also drove an increase in the total liabilities for the Group to USD 335 billion in 2023 from USD 309 billion in 2022.

Group assets
Total assets as of December 31, 2023
(in USD millions)



Cash and cash equivalents	7,280
Total investments	282,110
(Re-)insurance contract assets	22,522
Intangible assets	11,529
Other assets	37,941

Group liabilities and equity
Total liabilities and equity as of December 31, 2023
(in USD millions)



Liabilities for investment contracts	60,270
(Re-)insurance contract liabilities	217,466
Debt	13,749
Other liabilities	43,617
Shareholders' equity	24,860
Non-controlling interests	1,419

Shareholders' equity:

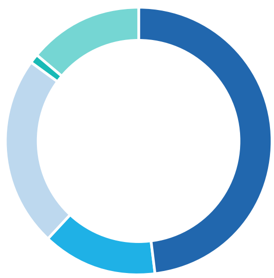
The Group's shareholders' equity was USD 24.9 billion compared to USD 26.2 billion (restated for impacts of IFRS 9 transition) in prior year, primarily driven by the payment of the Group dividend of USD 3.9 billion and USD 1.8 billion of treasury share transactions, mainly related to the completion of the share buyback program announced in August 2022. These impacts were partially offset by net income attributable to shareholders of USD 4.4 billion and a USD 0.7 billion net favorable movement in unrealized gains and losses.

Treasury and capital management

The Group's balance sheet remains very strong, as demonstrated by S&P and Moody's financial strength ratings for Zurich Insurance Company Ltd of AA with a stable outlook and Aa3 with a positive outlook, respectively (as of February 14, 2024). In addition, as of January 1, 2024, the Group's estimated SST ratio[1] remained very strong at 233 percent.

During the year the Group saw net remittances of USD 4.8 billion. The level of remittances has been driven by both operational earnings and the Group's efforts to extract excess capital from its operating businesses.

Net cash remittances by business
for the year ended December 31, 2023
(in USD millions)



Property & Casualty	3,261
Life	941
Farmers	1,557
Non-Core Businesses	(63)
Group Functions and Operations	(939)

1 Estimated Swiss Solvency Test (SST) ratio, calculated based on the Group's internal model approved by the Swiss Financial Market Supervisory Authority FINMA. The SST ratio as of January 1 has to be filed with FINMA by end of April each year and is subject to review by FINMA.

Financial update (continued)

Significant transactions in 2023

Acquisition of the agency brokerage network by Farmers Group, Inc.

On December 28, 2023, Farmers Group, Inc., a wholly owned subsidiary of the Group, acquired three brokerage entities (Kraft Lake Insurance Agency, Inc., Western Star Insurance Services, Inc. and Farmers General Insurance Agency, Inc.) from the Farmers Exchanges, along with the flood servicing business of the Farmers Exchanges, for USD 760 million. The acquisition included access to the distribution networks of the Farmers Exchanges via an agency access agreement as well as the rights to renewal commissions on existing business.

The preliminary opening balance sheet is presented within note 4 of the consolidated financial statements.

Kotak Mahindra General Insurance Company Limited

On November 2, 2023, the Group entered into a strategic alliance with Kotak Mahindra Bank Limited, through the proposed acquisition of a 51 percent stake in Kotak Mahindra General Insurance Company Limited for USD 488 million, through a combination of fresh growth capital and share purchase. Furthermore, Zurich will acquire an additional stake of up to 19 percent over time. The transaction is subject to regulatory approvals and is expected to complete in the first half of 2024.

Being a responsible taxpayer

The shareholders' effective tax rate increased to 25.0 percent for the period ended December 31, 2023 compared with 23.5 percent for the same period of 2022. The increase was driven primarily by less favorable developments in the geographical profit mix and higher non-recoverable withholding taxes in 2023, whereas 2022 benefited from a significant favorable impact from changes in statutory tax rates, particularly in the UK.

Message from our Group Chief Investment Officer

> With a resilient portfolio and a disciplined investment approach, Zurich keeps delivering strong results throughout the challenging landscape of 2023. At the same time, we have made considerable progress towards our interim 2025 climate targets.

Dear Shareholder

In 2023, the world grappled with tragic loss of life in conflicts in Ukraine and the Middle East. Additionally, inflation remained a persistent challenge throughout the year, although we began to see encouraging signs that it had peaked and was coming under control. Dramatic policy tightening by global central banks left interest rates at levels not witnessed in decades and created challenges for corporate funding and for the real estate sector. The regional banks in the U.S. came under particular pressure, requiring swift and opportune intervention by the U.S. Federal Reserve to restore order and avert a potential banking crisis.

Despite these challenges, the global economy proved surprisingly resilient. While global growth was subdued, the U.S. economy proved to be robust and avoided a much-feared recession, while growth stalled in

Message from our Group Chief Investment Officer (continued)

Europe and China's economy stagnated. Although inflation fell significantly during the year, led by disinflationary energy, goods, and food prices, service and wage inflation remained elevated. Financial markets experienced a volatile 2023, but were lifted toward the end of the year as hopes that inflation had been tamed and policy rates would fall bolstered investor confidence.

Navigating with stability

Throughout 2023, Zurich's investment portfolio displayed stability. It benefited from a risk taking approach of continued judicious risk versus reward, as well as from its defensive stance within credit risk taking. Our fixed income portfolio is composed of 95 percent securities with a rating of BBB– or higher. Notably, we navigated the U.S. regional and Credit Suisse banking crises in the first half of the year without any direct impact of note. Our investment portfolio remains purposefully well diversified, with our investments spanning across regions and industries and with a balanced approach to risk taking across asset classes.

Robust net investment income

In 2023, our net investment income increased to USD 5.4 billion, compared to USD 5.1 billion in the previous year. This increase was primarily driven by higher interest rates earned on debt securities and increased rental income from our real estate holdings, which supported our investment income throughout the year.

Realized capital losses and revaluations resulted in a net loss of USD 696 million, with the gains made from the equity portfolio offset by losses from debt securities held as fair value through profit and loss and the revaluations of real estate portfolio due to higher interest rates.

Overall, our net investment result in the profit and loss statement for 2023 amounted to USD 4.7 billion. The total return of all Group investments, including changes in unrealized gains, was 6.3 percent. Additionally, the market risk capital required in support of our investments only increased slightly during 2023.

Delivering on our climate targets

During 2023, our responsible investment strategy saw considerable progress toward our 2025 interim targets. Since 2019, the Group has achieved a 43 percent reduction in emission intensity in our listed equity and corporate bonds portfolios. These reductions were driven by changes in portfolio composition and structural emission reductions of investee companies. The energy and utility sectors saw emission reductions mainly driven by the companies themselves. We also saw a reduction in emissions intensity for our real estate portfolio, where changes in energy supply, modernization measures and building management resulted in a 25 percent reduction compared with the 2019 baseline year (based on 2022 figures).

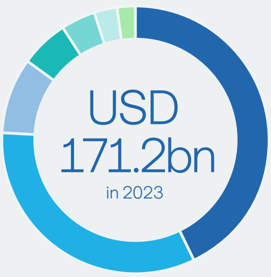
We further increased our share of investments in climate solutions, i.e. investments in economic activities that contribute to climate change mitigation (including enabling activities) or adaptation. The increase was mainly driven by additional investments in green bonds and investments in green certified buildings. The Group's impact investing portfolio of USD 7.9 billion helped avoid 4.5 million metric tons of CO2e emissions and benefited 4.6 million people in 2023.

We strongly believe that simply divesting from companies with carbon-intense footprints is less effective than engaging with them to drive the shift to sustainable practices. On that journey with our investee companies, we have engaged with 60 percent of emitters of financed emissions that have not yet set science-based targets.

In terms of ESG products, the Zurich Carbon Neutral World Equity Fund, launched in 2021, is aligned with the goals of the Paris Agreement and had net inflows of EUR 267 million in 2023, with assets under management reaching EUR 591 million as of December 2023.

Stephan van Vliet
Group Chief Investment Officer

Total investments,[1] 2023



Credit, private debt	43.0%
Government and government guaranteed	33.0%
Real estate	9.0%
Cash	6.0%
Equities	4.0%
Mortgages	3.0%
Hedge funds, private equity	2.0%

Rating of credit, private debt securities, 2023

AAA	17.0%
AA	15.0%
A	28.0%
BBB	32.0%
Non-investment grade	7.0%
Unrated	0.0%

Credit and private debt securities per segment, 2023

Non-financial credit	32.9%
Financial credit	25.3%
Municipals, agencies, state credit	16.8%
Other	11.6%
Asset backed securities	8.0%
Covered bonds	5.4%

1 Market value of the investment portfolio (economic view).

Consolidated financial statements

Contents

Consolidated financial statements (continued)

Consolidated income statements

in USD millions, for the years ended December 31	Notes	2023	Restated 2022
Insurance revenue	9	56,099	50,792
Insurance service expense		(47,422)	(43,446)
Net expenses from reinsurance contracts held		(2,981)	(3,119)
Insurance service result		5,696	4,227
Net investment income on Group investments		5,382	5,128
Net capital gains/(losses) and impairments on Group investments		(696)	(1,844)
Net investment result on Group investments	5	4,687	3,284
Net investment result on unit-linked investments		14,191	(12,320)
Change in liabilities for investment contracts and other funds		(6,378)	5,818
Re-/insurance finance income/(expenses)		(10,963)	4,970
Net investment result		1,536	1,753
Fee income	10	5,885	5,746
Fee business expenses	10	(3,583)	(3,757)
Fee result		2,303	1,989
Other revenues		210	350
Net gains/(losses) on divestment of businesses	4	(104)	(159)
Interest expense on debt		(456)	(444)
Other expenses	11	(2,727)	(2,341)
Other result		(3,077)	(2,594)
Net income before income taxes		6,458	5,374
of which: Attributable to non-controlling interests		536	475
Income tax (expense)/benefit	16	(1,741)	(1,076)
attributable to policyholders		(172)	241
attributable to shareholders		(1,568)	(1,317)
of which: Attributable to non-controlling interests		(170)	(141)
Net income after taxes		**4,717**	**4,299**
attributable to non-controlling interests		366	334
attributable to shareholders		4,351	3,964
in USD			
Basic earnings per share	18	29.96	26.71
Diluted earnings per share	18	29.73	26.50
in CHF			
Basic earnings per share	18	26.91	25.48
Diluted earnings per share	18	26.71	25.28

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Consolidated statements of comprehensive income

in USD millions, for the years ended December 31

	Net income attributable to shareholders	Net unreal. gains/(losses) on financial assets	Change in discount rate for insurance/ reinsurance contracts	Change in fair value of underlying items through OCI	Cumulative foreign currency translation adjustment
Restated					
2022					
Comprehensive income for the period	3,964	(17,439)	6,408	8,373	(1,036)
Details of movements during the period					
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		(22,272)	8,115	10,941	(1,027)
Reclassification to income statement (before tax, foreign currency translation effects and allocation to policyholders)		394	–	–	(8)
Reclassification to retained earnings		–	–	–	–
Income tax (before foreign currency translation effects)		5,029	(1,725)	(3,024)	–
Foreign currency translation effects		(589)	18	456	
2023					
Comprehensive income for the period	4,351	2,974	(979)	(1,250)	(776)
Details of movements during the period			–	–	
Change (before reclassification, tax and foreign currency translation effects and after allocation to policyholders)		2,951	(1,405)	(1,631)	(788)
Reclassification to income statement (before tax, foreign currency translation effects and allocation to policyholders)		1,299	–	–	11
Reclassification to retained earnings		–	–	–	–
Income tax (before foreign currency translation effects)		(1,108)	310	335	–
Foreign currency translation effects		(168)	116	46	–

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Total other comprehensive income recycled through profit or loss	Revaluation reserve	Net actuarial gains/(losses) on pension plans	Total other comprehensive income not recycled through profit or loss	Total other comprehensive income attributable to shareholders	Total comprehensive income attributable to shareholders	Total comprehensive income attributable to non-controlling interests	Total comprehensive income
(3,694)	7	253	260	(3,434)	531	188	719
(4,244)	10	156	165	(4,078)			
385	–	–	–	385			
–	–	–	–	–			
279	(2)	(37)	(40)	239			
(115)	–	135	135	20			
(31)	(18)	(448)	(466)	(498)	3,854	390	4,244
(873)	(18)	(466)	(484)	(1,357)			
1,311	–	–	–	1,311			
–	(5)	–	(5)	(5)			
(463)	6	120	126	(337)			
(6)	–	(103)	(103)	(109)			

Consolidated financial statements (continued)

Consolidated balance sheets

Assets

in USD millions, as of	Notes	12/31/23	Restated 12/31/22	Restated 01/01/22
Assets				
Cash and cash equivalents		**7,280**	**7,560**	**8,698**
Total Group investments	5	140,966	140,111	191,680
Equity securities		13,217	13,130	18,578
Debt securities		105,924	103,740	150,329
Investment property		13,684	14,798	14,070
Mortgage loans at amortised cost		4,324	5,497	6,106
Other assets at amortised cost		3,682	2,855	2,529
Investments in associates and joint ventures		135	92	68
Investments for unit-linked contracts		141,144	122,461	142,838
Total investments		**282,110**	**262,573**	**334,518**
Insurance contract assets	7	580	676	720
Reinsurance contract assets	7	21,942	19,878	20,208
Receivables and other assets	14	10,391	8,716	8,064
Deferred tax assets	16	1,700	1,736	1,909
Assets held for sale[1]	4	23,758	21,142	11,504
Property and equipment	12	2,092	2,225	2,436
Attorney-in-fact contracts	13	2,650	2,650	2,650
Goodwill	13	4,541	4,420	4,344
Other intangible assets	13	4,337	3,835	3,858
Total assets		**361,382**	**335,412**	**398,907**

1 As of December 31, 2023, the Group had USD 23.8 billion of assets held for sale based on agreements signed to sell portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft, Zurich Chile Seguros de Vida S.A., Zurich Insurance plc and Zurich Insurance Company Ltd (UK Branch) (see note 4). In 2022, the Group had USD 21.1 billion of assets held for sale based on agreements signed to sell portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft and Zurich Insurance plc (Spain Medical Malpractice and UK Employers' Liability portfolios) (see note 4).

Consolidated financial statements (continued)

Liabilities and equity

in USD millions, as of	Notes	12/31/23	Restated 12/31/22	Restated 01/01/22
Liabilities				
Liabilities for investment contracts	8	60,270	50,557	60,430
Insurance contract liabilities	7	216,962	203,837	262,641
Reinsurance contract liabilities	7	504	367	150
Obligation to repurchase securities		796	1,069	1,381
Other liabilities[1]	15, 21	16,661	16,067	14,496
Deferred tax liabilities	16	2,300	2,047	2,903
Liabilities held for sale[2]	4	23,860	20,568	11,389
Senior debt	17	5,190	5,071	5,327
Subordinated debt	17	8,559	8,899	9,782
Total liabilities		**335,102**	**308,482**	**368,499**
Equity				
Share capital	18	10	11	11
Additional paid-in capital	18	1,333	1,158	1,449
Net unreal. gains/(losses) on financial assets		(4,307)	(7,949)	9,491
Change in discount rate for (re)insurance contract		4,291	5,270	(1,138)
Change in fair value of underlying items		1,053	2,041	(6,331)
Cumulative foreign currency translation adjustment		(10,616)	(10,433)	(9,633)
Revaluation reserves		254	272	265
Retained earnings		32,842	35,313	35,008
Shareholders' equity		24,860	25,683	29,121
Non-controlling interests		1,419	1,247	1,288
Total equity		**26,280**	**26,930**	**30,408**
Total liabilities and equity		**361,382**	**335,412**	**398,907**

1 Includes restructuring provisions, litigation and regulatory provisions (see note 15) and other provisions.
2 As of December 31, 2023, the Group had USD 23.9 billion of liabilities held for sale based on agreements signed to sell portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft, Zurich Chile Seguros de Vida S.A., Zurich Insurance plc and Zurich Insurance Company Ltd (UK Branch) (see note 4). In 2022, the Group had USD 20.6 billion of liabilities held for sale based on agreements signed to sell portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft and Zurich Insurance plc (Spain Medical Malpractice and UK Employers' Liability portfolios) (see note 4).

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Consolidated statements of cash flows

in USD millions, for the years ended December 31	2023	Restated 2022
Cash flows from operating activities		
Net income attributable to shareholders	4,351	3,964
Adjustments for:		
Net (gains)/losses on divestment of businesses	104	159
(Income)/expense from equity method accounted investments	(2)	4
Depreciation, amortization and impairments of fixed and intangible assets	852	756
Other non-cash items	(13)	113
Underwriting activities:	11,101	(12,104)
Insurance contracts assets/liabilities	5,063	(6,966)
Reinsurance contracts assets/liabilities	(1,357)	(143)
Liabilities for investment contracts	7,395	(4,996)
Investments:	(6,881)	13,121
Net capital (gains)/losses on total investments and impairments	(12,387)	15,443
Net change in derivatives	(56)	(477)
Net change in money market investments	(429)	90
Sales and maturities		
Debt securities	63,529	51,572
Equity securities	53,752	53,190
Other	7,040	7,446
Purchases		
Debt securities	(60,812)	(54,925)
Equity securities	(52,020)	(51,407)
Other	(5,498)	(7,811)
Net changes in sale and repurchase agreements	(355)	(266)
Movements in receivables and payables	(825)	(1,006)
Net changes in other operational assets and liabilities	(779)	699
Deferred income tax, net	(209)	(400)
Net cash provided by/(used in) operating activities	7,345	5,042

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

in USD millions, for the years ended December 31	2023	Restated 2022
Cash flows from investing activities		
Additions to tangible and intangible assets	(418)	(535)
Disposals of tangible and intangible assets	57	54
(Acquisitions)/disposals of equity method accounted investments, net	(39)	–
Acquisitions of companies, net of cash acquired	(734)	(328)
Divestments of companies, net of cash divested	–	155
Dividends from equity method accounted investments	2	–
Net cash provided by/(used in) investing activities	(1,132)	(654)
Cash flows from financing activities		
Dividends paid	(4,116)	(3,767)
Net movement in treasury shares	(2,023)	(770)
Issuance of debt	544	2,551
Repayment of debt	(1,196)	(3,067)
Lease principal repayments	(211)	(220)
Net cash provided by/(used in) financing activities	(7,002)	(5,273)
Foreign currency translation effects on cash and cash equivalents	278	(290)
Change in cash and cash equivalents[1]	(510)	(1,174)
Cash and cash equivalents as of January 1	8,155	9,330
Cash and cash equivalents as of December 31	**7,645**	**8,155**
of which: Cash and cash equivalents	7,280	7,560
of which: Unit-linked[2]	365	596
Other supplementary cash flow disclosures[3]		
Other interest income received	4,995	4,874
Dividend income received	1,164	1,439
Other interest expense paid	(534)	(523)
Income taxes paid	(1,665)	(1,465)

1 Includes USD 56 million as of December 31, 2023 and USD 51 million as of December 31, 2022 of cash and cash equivalents reclassified to assets held for sale, which has been recognized in net changes in other operational assets and liabilities (see note 4).
2 These amounts are included within 'Investments for unit-linked contracts' on the balance sheet.
3 These amounts are primarily included in the operating activities of the cash flow statement.

Cash and cash equivalents

in USD millions, as of December 31	2023	2022
Cash and cash equivalents comprise the following:		
Cash at bank and in hand	6,560	7,119
Cash equivalents	1,085	1,036
Total	**7,645**	**8,155**

For the periods ended December 31, 2023 and 2022, cash and cash equivalents held to meet local regulatory requirements were USD 373 million and USD 407 million, respectively.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Consolidated statements of changes in equity

in USD millions

	Share capital	Additional paid-in capital	Net unreal. gains/(losses) on financial assets
Balance as of December 31, 2021 as previously reported	11	1,449	4,081
Effect of adoption IFRS 17[1]	–	–	5,409
Balance as of January 1, 2022 after the adoption of IFRS 17	11	1,449	9,491
Issuance of share capital	–	–	–
Dividends to shareholders	–	(233)	–
Share-based payment transactions	–	(58)	–
Treasury share transactions	–	–	–
of which: share buy-back program	–	–	–
Cumulative foreign currency translation adj. hyperinflation	–	–	–
Reclassification from revaluation reserves	–	–	–
Other[2]	–	–	–
Total comprehensive income for the period, net of tax	–	–	(17,439)
Net income	–	–	–
Net unreal. gains/(losses) on financial assets	–	–	(17,439)
Change in discount rate for insurance/reinsurance contracts	–	–	–
Change in fair value of underlying items through OCI	–	–	–
Cumulative foreign currency translation adjustment	–	–	–
Revaluation reserve	–	–	–
Net actuarial gains/(losses) on pension plans	–	–	–
Net changes in capitalization of non-controlling interests	–	–	–
Balance as of December 31, 2022	11	1,158	(7,949)
Balance as of December 31, 2022 after the adoption of IFRS 17	11	1,158	(7,949)
Effect of adoption IFRS 9[3]	–	–	667
Effect of adoption IAS 29 and restatement under IFRIC 7[4]	–	–	–
Balance as of January 1, 2023 after the adoption of IFRS 9, IAS 29 and restatement under IFRIC 7	11	1,158	(7,282)
Issuance of share capital	–	–	–
Dividends to shareholders[5]	–	–	–
Share-based payment transactions	–	175	–
Treasury share transactions	–	–	–
of which: share buy-back program[6]	–	–	–
Cumulative foreign currency translation adj. hyperinflation	–	–	–
Reclassification from revaluation reserves	–	–	–
Other	–	–	–
Total comprehensive income for the period, net of tax	–	–	2,974
Net income	–	–	–
Net unreal. gains/(losses) on financial assets	–	–	2,974
Change in discount rate for insurance/reinsurance contracts	–	–	–
Change in fair value of underlying items through OCI	–	–	–
Cumulative foreign currency translation adjustment	–	–	–
Revaluation reserve	–	–	–
Net actuarial gains/(losses) on pension plans	–	–	–
Net changes in capitalization of non-controlling interests	–	–	–
Balance as of December 31, 2023	**10**	**1,333**	**(4,307)**

1 The Group adopted IFRS 17 'Insurance Contracts' retrospectively from January 1, 2022; therefore, the comparative figures have been restated for the effect of the adoption of IFRS 17. Please see note 2 for details.
2 This mainly consists of non-recurring IFRS 17 transition and other cumulative adjustments recorded during the transition period.
3 Impacts to retained earnings include the impact of deferred tax revaluations of USD 6 million, and exclude the effect of USD 522 million related to the overlay approach applied in 2022 for presentation of the comparative period balances for certain financial assets backing direct participating insurance contracts.
4 Effect of adoption of IAS 29 'Financial Reporting in Hyperinflation Economies' and Restatement under IFRIC 7 in Turkey.
5 As approved by the Annual General Meeting of shareholders on April 6, 2023, the dividend of CHF 24 per share was paid out of retained earnings on April 14, 2023.
6 On June 7, 2023, Zurich Insurance Group Ltd completed its public share buyback program that was launched on November 21, 2022. Under the program, Zurich repurchased 4,104,413 of its shares for a total purchase value of CHF 1.8 billion at an average purchase price of CHF 438.55 per share. In August 2023, the repurchased shares were canceled using the capital band introduced on April 6, 2023 at the Annual General Meeting of shareholders.

The notes to the consolidated financial statements are an integral part of these consolidated financial statements.

Consolidated financial statements (continued)

Change in discount rate for insurance/ reinsurance contracts	Change in fair value of underlying items through OCI	Cumulative foreign currency translation adjustment	Revaluation Reserves	Retained earnings	Shareholders' equity	Non-controlling interests	Total equity
–	–	(9,633)	265	41,707	37,881	1,289	39,170
(1,138)	(6,331)	–	–	(6,700)	(8,760)	(2)	(8,762)
(1,138)	(6,331)	(9,633)	265	35,008	29,121	1,288	30,408
–	–	–	–	–	–	–	–
–	–	–	–	(3,287)	(3,521)	(247)	(3,767)
–	–	–	–	(39)	(97)	–	(97)
–	–	–	–	(415)	(415)	–	(415)
–	–	–	–	(397)	(397)	–	(397)
–	–	235	–	39	275	21	296
–	–	–	–	–	–	–	–
–	–	–	–	(210)	(210)	–	(210)
6,408	8,373	(1,036)	7	4,217	531	188	719
–	–	–	–	3,964	3,964		
–	–	–	–	–	(17,439)		
6,408	–	–	–	–	6,408		
–	8,373	–	–	–	8,373		
–	–	(1,036)	–	–	(1,036)		
–	–	–	7	–	7		
–	–	–	–	253	253		
–	–	–	–	–	–	(4)	(4)
5,270	2,041	(10,433)	272	35,313	25,683	1,247	26,930
5,270	2,041	(10,433)	272	35,313	25,683	1,247	26,930
–	262	–	–	(553)	377	–	376
–	–	226	–	(86)	139	–	139
5,270	2,303	(10,208)	272	34,674	26,199	1,247	27,446
–	–	–	–	–	–	–	–
–	–	–	–	(3,877)	(3,877)	(239)	(4,116)
–	–	–	–	(69)	106	–	106
–	–	–	–	(1,763)	(1,762)	–	(1,762)
–	–	–	–	(1,561)	(1,561)	–	(1,561)
–	–	368	–	(31)	336	22	358
–	–	–	–	5	5	–	5
–	–	–	–	–	–	–	–
(979)	(1,250)	(776)	(18)	3,903	3,854	390	4,244
–	–	–	–	4,351	4,351		
–	–	–	–	–	2,974		
(979)	–	–	–	–	(979)		
–	(1,250)	–	–	–	(1,250)		
–	–	(776)	–	–	(776)		
–	–	–	(18)	–	(18)		
–	–	–	–	(448)	(448)		
–	–	–	–	–	–	–	–
4,291	**1,053**	**(10,616)**	**254**	**32,842**	**24,860**	**1,419**	**26,280**

Consolidated financial statements (continued)

Zurich Insurance Group Ltd and its subsidiaries (collectively, the Group) is a provider of insurance products and related services. The Group operates in Europe, Middle East & Africa (EMEA), North America, Latin America and Asia Pacific through subsidiaries, as well as branch and representative offices.

Zurich Insurance Group Ltd, a Swiss corporation, is the holding company of the Group and its shares are listed on the SIX Swiss Exchange. Zurich Insurance Group Ltd was incorporated on April 26, 2000, in Zurich, Switzerland. It is recorded in the Commercial Register of the Canton of Zurich under its registered address at Mythenquai 2, 8002 Zurich.

On February 21, 2024, the Board of Directors of Zurich Insurance Group Ltd authorized these consolidated financial statements for issue. These financial statements will be submitted for approval to the Annual General Meeting of Shareholders to be held on April 10, 2024.

1. Basis of presentation

General information

The consolidated financial statements of the Group have been prepared in accordance with IFRS Accounting Standards and comply with Swiss Law. The accounting policies used to prepare the consolidated financial statements comply with IFRS Accounting Standards, including the adoption and implementation of new accounting standards and amendments for the financial year beginning January 1, 2023 as set out in note 2.

The Group adopted IFRS 17 'Insurance Contracts' retrospectively from January 1, 2022; therefore, the comparative figures as presented in this annual report have been restated for the effect of the adoption of IFRS 17. The Group also adopted IFRS 9 'Financial Instruments' from January 1, 2023. As permitted by IFRS 9 transition provisions, the Group did not restate the comparative information for the effects of adoption of IFRS 9, except for the application of the classification overlay for certain financial assets backing participating insurance contracts. The effects of the application of these standards are significant to the Group and are discussed in note 2.

The accounting policies applied by the reportable segments are the same as those applied by the Group. The Group accounts for intersegment revenues and transfers as if the transactions were with third parties at current market prices. Dividends and realized capital gains and losses, as well as gains and losses on the transfer of net assets, are eliminated within the segment, whereas all other intercompany gains and losses are eliminated at Group level. In the audited consolidated financial statements, intersegment revenues and transfers are eliminated.

Certain amounts recorded in the consolidated financial statements reflect estimates and assumptions made by management about insurance and reinsurance contract assets and liabilities, investment valuations, interest rates and other factors. For more information about significant judgments applied, please see note 3.

All amounts in the consolidated financial statements, unless otherwise stated, are shown in U.S. dollars rounded to the nearest million, with the consequence that the rounded amounts may not add up to the rounded total in all cases. All ratios and variances are calculated using the underlying amounts rather than the rounded amounts.

The Group has no direct exposure to the armed conflict in Israel and the Gaza Strip and does not anticipate any material effects on its financial position or performance. While the direct exposure is limited, conflicts of this nature can contribute to uncertainty in the financial markets, potentially affecting monetary policies, oil prices and inflation. As reported earlier, the Group's exposure to Russia and Ukraine is also immaterial.

During 2023, though the rate of inflation slowed, most economies saw continued tightening of monetary policy through increasing interest rates by central banks. The bond markets improved, buoyed by rising yields and falling inflation and mixed experience in the equities market which generally remained flat. Investment valuation and interest rates incorporate these market conditions as of December 31, 2023 and December 31, 2022, and recoverability of intangible assets has been tested where the value of these intangible assets, including goodwill, is sensitive to prevailing market conditions. For more information on investments and fair value, please see notes 5 and 23, respectively. For more information on intangible assets, please see note 13.

Effective January 2, 2024, the registered head office of Zurich Insurance plc (ZIP) was moved from Dublin, Ireland to Frankfurt, Germany by means of a cross-border conversion under the European Directive on cross-border conversions, mergers and divisions. While ZIP has converted to a German AG known as Zurich Insurance Europe AG (ZIE), it has preserved its legal personality in the conversion (i.e., no transfer of assets, dissolution or winding up were involved in this move).

Consolidated financial statements (continued)

Effect of regulatory frameworks

The Group endeavors to manage its capital so that its regulated entities meet local regulatory capital requirements. In each country in which the Group operates, the local regulator specifies the minimum amount and type of capital that each of the regulated entities must hold in addition to their liabilities. In addition to the minimum capital required to comply with the solvency requirements, the Group aims to hold an adequate buffer under local solvency requirements to ensure regulated subsidiaries can absorb a level of volatility and meet local capital requirements. In addition, the Group is subject to minimum capital requirements in Switzerland.

Hyperinflation and rates

The Group considers various factors to determine whether an economy in a country where a foreign operation is situated is hyperinflationary. Any material translation adjustments resulting from initial application of hyperinflationary accounting is recognized directly in equity.

As of January 1, 2023, the Group initially adopted hyperinflationary accounting for its operations in Turkey. For the effect of the adoption and current year effect of IAS 29 'Financial Reporting in Hyperinflationary Economies,' please refer to the consolidated statements of changes in equity.

Table 1.1 summarizes the principal exchange rates used for translation purposes. Net gains/(losses) on foreign currency transactions included in the audited consolidated income statements were USD (99) million and USD (57) million for the years ended December 31, 2023 and 2022, respectively. Foreign currency exchange forward and swap gains/(losses) included in these amounts were USD (226) million and USD (398) million for the years ended December 31, 2023 and 2022, respectively.

Table 1.1

Principal exchange rates

USD per foreign currency unit	Consolidated balance sheets at end-of-period exchange rates		Consolidated income statements and cash flows at average exchange rates	
	12/31/23	12/31/22	**12/31/23**	12/31/22
Euro	1.1053	1.0684	1.0813	1.0538
Swiss franc	1.1874	1.0813	1.1132	1.0482
British pound	1.2737	1.2049	1.2434	1.2372
Brazilian real	0.2059	0.1894	0.2003	0.1940
Australian dollar	0.6817	0.6797	0.6644	0.6950
Japanese yen	0.0071	0.0076	0.0071	0.0077

Tables 1.2 and 1.3 summarize the closing discount rates used for the measurement of the Group's (re-)insurance contract assets and liabilities as of December 31, 2023 and 2022, respectively, by major currency:

Table 1.2

Discount rates by major currency – liquid products

as of December 31	**2023**				2022			
	US dollar	**Swiss franc**	**Euro**	**British pound**	US dollar	Swiss franc	Euro	British pound
1 year	4.76%	1.17%	3.36%	4.73%	5.07%	1.06%	3.18%	4.46%
5 years	3.50%	1.05%	2.32%	3.35%	3.95%	1.34%	3.13%	4.06%
10 years	3.45%	1.16%	2.39%	3.28%	3.75%	1.49%	3.09%	3.71%
20 years	3.46%	1.49%	2.41%	3.43%	3.63%	1.58%	2.76%	3.54%
40 years	3.18%	1.86%	2.69%	3.16%	2.82%	1.90%	2.85%	3.15%

Table 1.3

Discount rates by major currency – more illiquid products

as of December 31	**2023**				2022			
	US dollar	**Swiss franc**	**Euro**	**British pound**	US dollar	Swiss franc	Euro	British pound
1 year	5.23%	1.53%	3.55%	5.03%	5.59%	1.04%	3.37%	4.75%
5 years	3.97%	1.41%	2.51%	3.65%	4.47%	1.32%	3.32%	4.35%
10 years	3.92%	1.52%	2.58%	3.58%	4.27%	1.47%	3.28%	4.00%
20 years	3.93%	1.83%	2.60%	3.73%	4.15%	1.56%	2.95%	3.83%
40 years	3.60%	2.09%	2.82%	3.46%	3.34%	1.89%	2.98%	3.44%

Consolidated financial statements (continued)

2. New accounting standards and amendments to published accounting standards

Standards, amendments and interpretations effective or early adopted as of January 1, 2023 and relevant for the Group's operations

Table 2.1 shows new accounting standards or amendments to, and interpretations of, standards relevant to the Group that have been implemented for the financial year beginning January 1, 2023. The effects of the application of the new standards are discussed below. Changes resulting from the amended standards did not have a material impact on the Group's consolidated financial statements.

Table 2.1

Standard/ Interpretation

		Effective date
New standards/interpretations		
IFRS 9	Financial Instruments	January 1, 2023
IFRS 17	Insurance Contracts	January 1, 2023
Amended standards		
IAS 1	Disclosure of Accounting Policies	January 1, 2023
IAS 8	Definition of Accounting Estimates	January 1, 2023
IAS 12	International Tax Reform – Pillar II Model Rules	January 1, 2023

IFRS 17 'Insurance Contracts'

IFRS 17 'Insurance Contracts' provides comprehensive guidance on accounting for (re-)insurance contracts issued including investment contracts with discretionary participation features and reinsurance contracts held. It has a significant impact on the measurement of these contracts and the presentation of the insurance revenue and insurance service result. The impact is more pronounced for long-duration life contracts, where the measurement under IFRS 17 includes the recognition of a separate component of the insurance liability, contractual service margin (CSM), representing unearned profits from in-force contracts. For short duration contracts, all the liabilities for incurred claims are discounted under IFRS 17, which allows for consistency in presentation of short- and long-tail businesses. IFRS 17 further introduces a risk adjustment for non-financial risk, a separate component of the liability covering the uncertainty in the amount and timing of future cash flows.

IFRS 17 introduces different measurement models for (re-)insurance contract assets and liabilities reflecting the different extent of policyholder participation in investment performance or performance of the insurance entity: non-participating or indirect participating (general model or the building block approach (BBA)) and direct participating (the variable fee approach (VFA)). For short-duration contracts, IFRS 17 permits a simplified approach (the premium allocation approach (PAA)), which can be applied to contracts that have a coverage period of 12 months or less or for which such simplification would produce a measurement of the liability for remaining coverage that would not differ materially from the one that would be produced applying BBA.

The Group applied IFRS 17 to (re-)insurance contracts issued and reinsurance contracts held retrospectively from January 1, 2022, in accordance with the accounting policies outlined in note 3. The 2022 comparative figures as presented in this annual report have been restated for the adoption of IFRS 17.

In October 2022, the IFRS Interpretations Committee published the final agenda decision clarifying the treatment of multi-currency groups of insurance contracts where the underlying cash flows are denominated in more than one currency. The Group amended its accounting policy to require each group of contracts to be denominated in a single predominant currency of the cash flows within the group of contracts, which is not necessarily the same as the functional currency of the reporting entity issuing such insurance contracts. The Group completed the implementation of the amended accounting policy as of December 31, 2023. The resulting impact was not material to the Group's financial statements and is therefore included in the current period profit or loss.

Summary of IFRS 17 transition approach and effect

The Group determined the transition approach for groups of insurance contracts, depending on the availability of reasonable and supportable historic information. The selected transition approach affected the measurement of the CSM on initial adoption of IFRS 17 as follows:

- Fully retrospective approach – the CSM is based on initial assumptions when groups of contracts were incepted and rolled forward to the date of transition as if IFRS 17 had always been applied;
- Modified retrospective approach – the CSM is calculated using modifications allowed by IFRS 17, taking into account the actual pre-transition fulfillment cash flows; and
- Fair value approach – the CSM at transition is calculated as the difference between the fair value of a group of contracts, without the consideration of the demand deposit floor requirement, and the respective fulfillment cash flows measured at the transition date.

Consolidated financial statements (continued)

When a fully retrospective approach was considered impracticable due to lack of historical data or application of hindsight, the Group chose between a modified retrospective approach or a fair value approach. The Group applied a retrospective transition approach whenever practical, resulting in a large proportion of CSM from groups of (re-) insurance contracts measured under either a fully retrospective or a modified retrospective approach.

In applying the modified retrospective and fair value approaches for certain groups of non-life and life (re-)insurance contracts prior to the transition date, the Group used the modifications allowed under IFRS 17, such as grouping contracts issued more than one year apart into a single group for measurement purposes or applying interest rates as of the transition date and setting the cumulative amount of (re-)insurance finance income or expense recognized in other comprehensive income to nil. All such contracts were accounted for under BBA. In addition, the Group applied a modification for certain groups of non-life insurance contracts with long-tail outstanding claims at the transition date. The unwinding of the discount on the liability for incurred claims was based on the locked-in discount rates as of the transition date instead of the locked-in accident year discount rates. Furthermore, where the Group applied a modification for certain groups of life direct participating insurance contracts that were accounted for under VFA where the Group holds the underlying items, the cumulative difference in OCI was set equal to the cumulative amount recognized in OCI on the underlying items as of the transition date.

In applying the fair value approach, the Group determined the fair value of a group of insurance contracts as the price that the Group would pay to (or receive from) an average market participant for transferring a group of insurance contracts at the transition date. The cost of capital within a range of 6–9 percent was used to determine the remuneration an average market participant would require to hold the required capital over the period of run-off of the insurance contracts in the group, depending on the appropriateness of the respective cost of capital for a specific portfolio or in a specific market. Other input parameters included the required capital and the target surplus, as well as non-attributable expenses from the perspective of an average market participant. The CSM for a group of contracts was determined as the difference between the fair value of the group of contracts and the fulfillment cash flows as of the transition date.

For the presentation of the effects from adoption of IFRS 17 as of the transition date (i.e., January 1, 2022), please refer to the 2022 Annual Report. Due to significant increases in interest rates during 2022 and other market movements, we observed a significant reduction in unrealized gains from debt securities, which contributed to the reduction in the Group's shareholders' equity as published in the 2022 Annual Report. The effect on shareholders' equity from applying IFRS 17 was much less pronounced due to offsetting effects between asset and liability valuations. Therefore, the difference in shareholders' equity reduced from USD 8.8 billion as of January 1, 2022 to USD 984 million as of December 31, 2022.

The relevant disclosures for insurance and reinsurance contracts are presented in note 7.

IFRS 9 'Financial Instruments'

The Group adopted the requirements of IFRS 9 'Financial Instruments,' including all the relevant amendments, from January 1, 2023. The Group assessed the business model for managing financial assets based on facts and circumstances as of January 1, 2023. The contractual characteristics test (also referred as the 'SPPI test') was conducted based on the contractual terms at initial recognition of the financial assets. The classification, measurement and expected credit loss (ECL) requirements were applied retrospectively by adjusting the opening balance sheet at the date of initial application. The Group applies IFRS 9 for all designated hedge relationships. As permitted by IFRS 9, the Group has not restated comparative periods, and only applied the IFRS 9 classification overlay, a transition option available under IFRS 17 in the comparative period presented on initial application of IFRS 17. The Group applied the IFRS 9 classification overlay for selected asset portfolios backing direct participating insurance contracts. Furthermore, the Group discontinued certain cash flow hedges of reinvestment risk arising from assets backing direct participating contracts as these derivatives are part of the underlying items held for these contracts. With the adoption of IFRS 17, these derivatives are presented as trading derivatives with the unrealized gains/losses included in the measurement of direct participating contracts.

The accounting policies for the recognition and measurement of financial assets and liabilities have been amended for the adoption of IFRS 9 and are presented in note 3 alongside comparative accounting policies.

Upon the adoption of IFRS 9, the Group made other presentation changes, including the reclassification of certain commercial real estate loans from mortgage loans to other loans, with the measurement basis continuing to be at amortized cost, to better reflect the nature of the instrument and the way the exposure is managed by the Group.

Table 2.2 below provides a summary of the effect of the adoption of IFRS 9, including presentation changes from 2022 impacted by the overlay approach and amended classification and measurement requirements on the Group's consolidated balance sheet.

Consolidated financial statements (continued)

Classification of financial assets and liabilities at the date of initial application of IFRS 9

Table 2.2

in USD millions as of	December 31, 2022 (IAS 39 carrying amount)	Impact of adoption of IFRS 17	IFRS 9 reclassification	Reversal of IAS 39 loss allowance and recognition of IFRS 9 ECL	IFRS 9 remeasurement	January 1, 2023 (IFRS 9 carrying amount)
Cash and cash equivalents	**7,560**	**–**	**–**	**–**	**–**	**7,560**
Equity securities:						
From FV through profit or loss (IAS 39)	3,540	–	–			
To FV through OCI debt securities	–	–	(38)			
To FV through profit or loss	–	–	(3,502)			
From available-for-sale (IAS 39)	9,590	–	–			
To FV through OCI not recycled	–	–	–			
To FV through profit or loss	–	–	(9,590)			
Equity securities (IAS 39)	**13,130**	**–**	**(13,130)**			
To FV through OCI not recycled (IFRS 9)						
From available-for-sale	–	–	–	–	–	–
To FV through profit or loss (IFRS 9)						
From FV through profit or loss	–	–	3,502	–	–	3,502
From available-for-sale	–	–	9,590	–	–	9,590
Equity securities (IFRS 9)	**–**	**–**	**13,092**	**–**	**–**	**13,092**
Debt securities:						
From FV through profit or loss (IAS 39)[1]	6,386	–	–			
To FV through OCI	–	–	(3,191)			
To FV through profit or loss	–	–	(3,195)			
From available-for-sale (IAS 39)	94,440	–	–			
To FV through OCI	–	–	(84,264)			
To FV through profit or loss	–	–	(5,984)			
To amortized cost	–	–	(4,192)			
From held-to-maturity (IAS 39)	2,838	–	–			
To FV through OCI	–	–	(1,806)			
To amortized cost	–	–	(1,032)			
Debt securities (IAS 39)	**103,664**	**–**	**(103,664)**			
To FV through OCI (IFRS 9)						
From FV through profit or loss (debt and equity)	–	–	3,229	–	–	3,229
From available-for-sale	–	–	84,264	–	–	84,264
From held-to-maturity	–	–	1,806	–	101	1,907
From other loans at amortized cost	–	–	20	–	(1)	19
To FV through profit or loss (IFRS 9)						
From FV through profit or loss	–	–	3,195	–	–	3,195
From available-for-sale	–	–	5,984	–	–	5,984
From held-to-maturity	–	–	–	–	(1)	(1)
To amortized cost (IFRS 9)						
From available-for-sale	–	–	4,192	–	483	4,674
From held-to-maturity	–	–	1,032	(3)	–	1,029
Debt securities (IFRS 9)	**–**	**–**	**103,721**	**(3)**	**583**	**104,301**
Investment property	**14,798**	**–**	**–**	**–**	**–**	**14,798**
Mortgage loans at amortized cost:						
From mortgage loans at amortized cost (IAS 39)	5,497	–	–			
To mortgage loans at amortized cost	–	–	(4,584)			
To other loans at amortized cost	–	–	(912)			
Mortgage loans at amortized cost (IAS 39)	**5,497**	**–**	**(5,497)**			
To mortgage loans at amortized cost (IFRS 9)						
From mortgage loans at amortized cost	–	–	4,584	2	–	4,587
Mortgage loans at amortized cost (IFRS 9)	**–**	**–**	**4,584**	**2**	**–**	**4,587**

Consolidated financial statements (continued)

Classification of financial assets and liabilities at the date of initial application of IFRS 9

Table 2.2 (continued)

in USD millions as of	December 31, 2022 (IAS 39 carrying amount)	Impact of adoption of IFRS 17	IFRS 9 reclassification	Reversal of IAS 39 loss allowance and recognition of IFRS 9 ECL	IFRS 9 remeasurement	January 1, 2023 (IFRS 9 carrying amount)
Other loans:						
From other loans (IAS 39)	3,444	(590)	–			
To other loans at amortized cost	–	–	(2,835)			
To FV through OCI debt securities	–	–	(20)			
Other loans (IAS 39)	**3,444**	**(590)**	**(2,855)**			
To other loans at amortized cost (IFRS 9)						
From other loans	–	–	2,835	(6)	–	2,828
From mortgage loans at amortized cost	–	–	912	–	–	912
Other financial assets at amortized cost (IFRS 9)	**–**	**–**	**3,747**	**(6)**	**–**	**3,741**
Investments in associates and joint ventures	**92**	**–**	**–**	**–**	**–**	**92**
Investments for unit-linked contracts	**121,989**	**557**	**–**	**–**	**–**	**122,546**
Receivables in scope of IFRS 9	**16,813**	**(12,215)**	**–**	**(15)**	**–**	**4,583**
Other assets – derivative assets:						
From trading (IAS 39)	531	(49)	–			
To trading	–	–	(481)			
From hedge accounting (IAS 39)	304	–	–			
To trading	–	–	(203)			
To hedge accounting	–	–	(101)			
Derivative assets (IAS 39)	**835**	**(49)**	**(786)**			
To hedge accounting (IFRS 9) from hedge accounting	–	–	101	–	–	101
To trading (IFRS 9)						
From hedge accounting	–	–	203	–	–	203
From trading	–	–	481	–	–	481
Derivative assets (IFRS 9)	**–**	**–**	**786**	**–**	**–**	**786**
All other assets	**4,119**	**(787)**	**–**	**–**	**–**	**3,332**
Deferred taxes assets	**–**	**–**	**–**	**–**	**–**	**–**
Assets held for sale	**22,152**	**(1,010)**	**–**	**–**	**–**	**21,142**
Total financial assets	314,093	(14,094)	–	(22)	583	300,559
Liabilities for investment contracts:						
Amortized cost	518	–	–	–	–	518
Unit-linked	56,938	(6,899)	–	–	–	50,039
Liabilities for investment contracts	**57,456**	**(6,899)**	**–**	**–**	**–**	**50,557**
Obligation to repurchase securities	**1,069**	**–**	**–**	**–**	**–**	**1,069**
Other liabilities	**16,822**	**(1,834)**	**–**	**–**	**–**	**14,987**
Derivative liabilities:						
From trading (IAS 39)	393	–	–			
To trading	–	–	(393)			
From hedge accounting (IAS 39)	803	(31)	–			
To trading	–	–	(707)			
To hedge accounting	–	–	(65)			
Derivative liabilities (IAS 39)	**1,196**	**(31)**	**(1,165)**			
To hedge accounting (IFRS 9)						
From hedge accounting	–	–	65	–	–	65
To trading (IFRS 9)						
From hedge accounting	–	–	707	–	–	707
From trading	–	–	393	–	–	393
Derivative liabilities (IFRS 9)	**–**	**–**	**1,165**	**–**	**–**	**1,165**
Senior and subordinated debt	**13,970**	**–**	**–**	**–**	**9**	**13,979**
Liabilities held for sale	**21,295**	**(727)**	**–**	**–**	**–**	**20,568**
Total financial liabilities	111,808	(9,491)	–	–	9	102,325

Consolidated financial statements (continued)

Classification of financial assets and liabilities at the date of initial application of IFRS 9

Table 2.2 (continued)

in USD millions as of	December 31, 2022 (IAS 39 carrying amount)	Impact of adoption of IFRS 17	IFRS 9 reclassification	Reversal of IAS 39 loss allowance and recognition of IFRS 9 ECL	IFRS 9 remeasurement	January 1, 2023 (IFRS 9 carrying amount)
Unrealized gains/(losses) on investments:						
Unrealized gains/(losses) on investments – FX	1,563	(1,601)	–	–	–	(38)
Unrealized gains/(losses) on assets held for sale – IFRS 5	(51)	153	–	5	(74)	34
Unrealized holding gains/(losses)	(3)	–	–	–	–	(3)
Unrealized gains/(losses) on investments (IAS 39)	**1,510**	**(1,448)**	**–**	**5**	**(74)**	**(7)**
From available-for-sale to FV through PL – FX	–	–	–	–	38	38
Held-to-maturity position with OCI component	–	–	–	–	1	1
Unrealized gains/(losses) on investments (IFRS 9)	**1,510**	**(1,448)**	**–**	**5**	**(34)**	**32**
Unrealized gains/(losses) on FVOCI equity securities (IAS 39)	**242**	**–**	**–**	**–**	**–**	**242**
Impact due to reclassification:						
From available-for-sale to FV through PL	–	–	–	–	(242)	(242)
Unrealized gains/(losses) on FVOCI equity securities (IFRS 9)	**242**	**–**	**–**	**–**	**(242)**	**–**
Unrealized gains/(losses) on FVOCI debt securities (IAS 39)	**(10,218)**	**(88)**	**–**	**–**	**–**	**(10,306)**
Impact/remeasurement due to reclassification:						
From FV through PL to FV through OCI	–	–	–	–	(177)	(177)
From available-for-sale to FV through PL	–	–	–	–	817	817
From available-for-sale to amortized cost	–	–	–	–	480	480
From held-to-maturity to FV through OCI	–	–	–	–	101	101
From other loans to FV through OCI	–	–	–	–	(236)	(236)
Unrealized gains/(losses) on FVOCI debt securities (IFRS 9)	**(10,218)**	**(88)**	**–**	**–**	**985**	**(9,321)**
Loss allowance on FVOCI debt securities	**–**	**–**	**–**	**86**	**–**	**86**
Cash flow hedges (IAS 39)	**134**	**(642)**	**–**	**–**	**–**	**(508)**
From cash flow hedge to FV hedge	–	–	–	–	497	497
From FV hedge to cash flow hedge	–	–	–	–	(4)	(4)
Cash flow hedges (IFRS 9)	**134**	**(642)**	**–**	**–**	**492**	**(15)**
Retained earnings (IAS 39)	**42,863**	**(7,028)**	**–**	**–**	**–**	**35,835**
Impact due to remeasurements:						
From FV through PL to FV through OCI debt securities[3]	–	–	–	–	181	181
From available-for-sale to FV through PL debt securities[3]	–	–	–	–	(1,149)	(1,149)
From held-to-maturity to FV through PL debt securities[3]	–	–	–	–	1	1
From available-for-sale to FV through PL equity securities[3]	–	–	–	–	5	5
Due to modification gains/losses	–	–	–	–	(8)	(8)
Held-to-maturity position with OCI component	–	–	–	–	1	1
Impact due to reversal of IAS 39 loss allowance	–	–	–	46	–	46
Impact due to IFRS 9 ECL recognition:						
From FV through profit or loss (IAS 39)	–	–	–	(2)	–	(2)
From other IAS 39 classification categories	–	–	–	(156)	–	(156)
Impact due to deferred tax					6	6
Impact due to hyperinflation[2]	–	–	–	–	(86)	(86)
Retained earnings (IFRS 9)	**42,863**	**(7,028)**	**–**	**(112)**	**(1,050)**	**34,674**
Total impact on shareholders' equity	34,530	(9,206)	–	(20)	151	25,455

1 Financial assets that were previously designated at FV through profit or loss under IAS 39 which have been mandatorily de-designated at transition to IFRS 9 amounted at USD 3.0 billion. The remaining assets with carrying amount of USD 194.2 million have been de-designated on a voluntarily basis.
2 Impacts from hyperinflation are due to adoption of hyperinflationary accounting for operations in Turkey, see note 1 for details.
3 The reclassification of underlying investments backing insurance contract liabilities accounted under the variable fee approach resulted in a negative adjustment of USD 377.0 million on the opening balance of retained earnings as of January 1, 2023. The impact was mainly driven by the reclassification of underlying debt investments from AFS to FVPL.

Consolidated financial statements (continued)

Table 2.3 below provides a summary of how the IAS 39 loss allowance reconciles to the IFRS 9 ECL allowance by asset class.

Table 2.3

Reconciliation from IAS 39 loss allowance to IFRS 9 ECL allowance

in USD millions, as of January 1, 2023	IAS 39 loss allowance	Reversal of IAS 39 loss allowance	Credit impaired financial assets	IFRS 9 ECL recognition	IFRS 9 ECL allowance
Loss allowance on amortized cost debt securities	–	–	–	(3)	(3)
Loss allowance on mortgage loans at amortized cost	(10)	5	5	(2)	(2)
Loss allowance on other loans at amortized cost	(1)	–	1	(7)	(7)
Loss allowance on receivables in scope of IFRS 9	(44)	40	4	(56)	(56)
Loss allowance on FVOCI debt securities	–	–	–	(86)	(86)

The adoption of IFRS 9 resulted in a reduction of USD 553 million of retained earnings as of January 1, 2023, excluding the effect of the overlay approach applied in 2022 of USD 522 million. The main effects of transition to IFRS 9 for the Group were as follows:

- Available-for-sale (AFS) equity instruments with a carrying amount of USD 9.6 billion as of December 31, 2022 are measured at fair value through profit or loss on transition to IFRS 9, as the Group decided not to apply the option to irrevocably designate equity instruments at fair value through OCI (without recycling). This application did not have a material impact on the Group's consolidated financial statements as of January 1, 2023.
- USD 84.3 billion of debt securities previously classified as AFS were determined to be managed under the core business model of the Group, 'held to collect contractual cash flows and for sale' (HtC&S). Debt securities previously reported as held-to-maturity (HTM) under IAS 39 with a carrying amount of USD 1.8 billion that passed the IFRS 9 contractual characteristics test were assigned to the HtC&S business model and were measured at fair value through OCI upon transition to IFRS 9. The fair value of the instruments was determined at the transition date and unrealized capital gains/(losses) of USD 101.0 million were recorded in other comprehensive income.
- Certain AFS private debt portfolios with a carrying amount of USD 4.2 billion as of December 31, 2022 (for example, commercial real estate, infrastructure and other private debt) originally measured at fair value through OCI that passed the contractual cash flows characteristics test were classified under the 'held to collect contractual cash flows' (HtC) business model, and accordingly, were measured at amortized cost upon adoption of IFRS 9. The cumulative unrealized capital gains/(losses) in the AFS reserve amounting to USD (480.3) million as of December 31, 2022 were reversed against the carrying value of the debt instrument.
- The Group has assigned the HtC business model to positions classified as mortgages, other loans and receivables, and other financial assets under IAS 39 with a carrying amount of USD 13.1 billion as of December 31, 2022. These positions met the contractual characteristics test, and therefore remain measured at amortized cost under IFRS 9.
- The Group has designated USD 122.6 billion of financial assets held for unit-linked investment and insurance contracts at fair value through profit or loss in order to eliminate or significantly reduce accounting mismatches that would arise from measuring assets and liabilities on different bases.
- Under the previous accounting policies, certain debt instruments were designated at fair value through profit or loss under the fair value option (FVO) to eliminate or reduce accounting mismatches that would otherwise arise from measuring financial assets and insurance liabilities on a different basis. To the extent the adoption of IFRS 17 and IFRS 9 resulted in the elimination of such mismatches, the Group has revoked the FVO designation of certain debt securities with a carrying amount of USD 3.2 billion. These securities are now predominantly managed under the HtC&S business model, and accordingly were measured at fair value through OCI if they pass the contractual characteristics test. The Group has also decided to revoke the FVO designation of certain debt securities with a carrying amount of USD 194.2 million as of December 31, 2022, as their business model was determined as HtC&S. For these securities, the reversal of cumulative unrealized capital gains/(losses) had a positive impact on the opening balance of retained earnings as of January 1, 2023 of USD 177.1 million.
- USD 6.0 billion of debt securities previously classified as AFS were newly measured at fair value through profit or loss upon transition to IFRS 9, either because their contractual characteristics do not represent solely payments of principal and interest on the principal amount outstanding or as a result of FVO designation. Indeed, USD 4.0 billion of debt securities are designated with the FVO in order to eliminate or significantly reduce accounting mismatches that would arise from measuring assets and liabilities on different bases at transition to IFRS 9. For these debt securities previously classified as AFS, the fair value was determined as of January 1, 2023, reducing the opening balance of the retained earnings by USD 360.5 million.

Consolidated financial statements (continued)

- As a result of the adoption of the expected credit losses model for all debt instruments not accounted for at fair value through profit or loss, the Group recognized a total transition effect of a USD 111.6 million reduction to retained earnings. Specifically, the reversal of loss allowances recognized as of December 31, 2022 amounted to USD 45.7 million, and USD 157.3 million of expected credit losses were recognized as of January 1, 2023.
- The Group retrospectively applied IFRS 9 requirements for recognition of modification gains/(losses) on the refinancing of some financial liabilities, which reduced the opening balance of retained earnings by USD 8.5 million.
- Derivatives assets/(liabilities) with a fair value of USD 202.7 million and USD (707.0) million, respectively, were reclassified to derivatives held for trading as a result of the discontinuation of hedging relationships. Under the amended accounting policies, equity instruments held by the Group, including fund investments, are generally accounted for at fair value through profit or loss. As a result, fair value hedges related to foreign currency exposure no longer require hedge accounting and are replaced with economic hedges, as both changes in the fair value of equity instruments and changes in the fair value of derivative instruments are recorded in profit or loss. The Group also discontinued certain cash flow hedges of reinvestment risk arising from assets backing direct participating contracts as these derivatives are part of the underlying items held for direct participating contracts.
- Upon transition to IFRS 9, deferred tax recognition impacted the opening balance of retained earnings by USD 5.9 million.

Amendments to IAS 12 'Income Tax'

The Group has adopted the amendments to IAS 12 'Income Taxes' for the financial year beginning January 1, 2023, and has applied the exception to recognize and disclose information about deferred tax assets and liabilities related to Pillar II minimum income taxes proposed by the Economic Co-operation and Development (OECD) Framework on Base Erosion and Profit Shifting (BEPS).

The model rules and other documents issued by the OECD on the Pillar II of BEPS (BEPS-Pillar II) aim to ensure that large multinational groups pay a minimum amount of tax on income in each jurisdiction they operate. The minimum effective tax of 15 percent is based on a pre-defined tax basis (GloBE income) and the so-called covered tax, using IFRS Accounting Standards as a starting point with defined adjustments to achieve a uniform basis to derive the effective tax rate.

The BEPS-Pillar II requirements for the Group are applicable for fiscal years 2024 onwards; therefore, the impact, if any, will need to be reflected in the Group's consolidated financial statements starting from January 1, 2024. The Group's implementation efforts on the model rules are well progressed. While it is considered not practicable at this point to fully quantify the potential impact on the Group's financial position or performance, given the dependency on the future tax basis in each jurisdiction, changing tax laws and the continued need to interpret the BEPS-Pillar II rules, the Group expects, based on its analysis to date, that the implementation will not have a material adverse impact on the Group's financial position or performance. The selection of jurisdictions in which the Group's subsidiaries and affiliated companies operate is driven by business reasons and not the avoidance of tax. Only a very limited number of subsidiaries and affiliated companies are located in low or nil tax rate jurisdictions, some of which are in the process of implementing changes to their local corporate tax laws, and all of these subsidiaries and affiliated companies carry out operative insurance, reinsurance and asset management activities.

Standards, amendments and interpretations issued that are not yet effective or adopted by the Group

Table 2.4 shows new accounting standards or amendments to, and interpretations of, standards relevant to the Group, which are not yet effective or adopted by the Group. These standards, amendments and interpretations are expected to have no impact on the Group's financial position or performance.

Standard/ Interpretation

Table 2.4

		Effective date
Amended standards		
IFRS 16	Lease Liability in a Sale and Leaseback	January 1, 2024
IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
IAS 1	Non-current Liabilities with Covenants	January 1, 2024
IAS 7/IFRS 7	Supplier Finance Arrangements	January 1, 2024
IAS 21	Lack of Exchangeability	January 1, 2025

Consolidated financial statements (continued)

3. Summary of material accounting policies and critical accounting estimates and judgments

Material accounting policies applied in these consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

Following the adoption of IFRS 9, the Group amended its accounting policies for Group investments, other financial assets, derivative financial instruments and hedge accounting. The amended accounting policies applicable for the period ended December 31, 2023 and the comparative accounting policies applicable for the prior period ended December 31, 2022 are outlined below.

Following the adoption of IFRS 17, the Group amended its accounting policies for (re-)insurance contracts issued and reinsurance contracts held. The amended accounting policies are outlined below and replace the accounting policies within note 3 section c) of the consolidated financial statements in the 2022 Annual Report. The 2022 comparative figures as presented in this Annual Report have been restated, where indicated, for the adoption of IFRS 17. The relevant disclosures for (re-)insurance contracts issued and reinsurance contracts held are presented in note 7.

Other accounting policies are presented as part of the respective note disclosures.

Critical accounting estimates and judgments

The preparation of these consolidated financial statements requires critical accounting estimates that involve discretionary judgments and the use of assumptions which are susceptible to change due to inherent uncertainties. Because of the uncertainties involved, actual results could differ significantly from the assumptions and estimates made by management.

Such critical accounting estimates are of significance to consolidation principles, measurement of insurance contracts issued and reinsurance contracts held, the determination of fair value for financial assets and liabilities, expected credit losses, impairment of goodwill and attorney-in-fact contracts, employee benefits and deferred taxes.

a) Consolidation principles

The Group's consolidated financial statements include the assets, liabilities, equity, revenues, expenses and cash flows of Zurich Insurance Group Ltd and its subsidiaries. A subsidiary is an entity that Zurich Insurance Group Ltd either directly or indirectly controls. Generally, control is achieved by holding the majority of the voting rights which allows the Group to control relevant activities of the subsidiary. The Group may hold significant interests in investment entities, where the voting rights are not the dominant factor of control. To the extent the Group is involved in the design and has significant exposure to the risks and variable returns from such investment entities, the Group is deemed to have control and consolidates such investment entities. The results of subsidiaries acquired are included in the consolidated financial statements from the date of acquisition or from the date on which control is obtained. The results of subsidiaries that have been divested during the year are included up to the date control ceased. All intra-Group balances, profits and transactions are eliminated.

Changes in ownership interests in a subsidiary that do not result in a change in control are recorded within equity.

Non-controlling interests are shown separately in equity, consolidated income statements, consolidated statements of comprehensive income and consolidated statements of changes in equity.

The consolidated financial statements are prepared as of December 31 based on individual company financial statements at the same date. In some cases, information is included with a time lag of up to three months. The impact on the Group's consolidated financial statements is not material.

Critical accounting estimates and judgments

Farmers Group, Inc. (FGI), a wholly owned subsidiary of the Group, provides non-claims services and certain ancillary services to the Farmers Exchanges as attorney-in-fact and receives fees for its services (see section g) for details). Farmers Exchanges are owned by their policyholders and directed by the Board of Governors. The Group does not consolidate Farmers Exchanges as the Group does not have control over the relevant activities of Farmers Exchanges.

Consolidated financial statements (continued)

b) Foreign currency translation and transactions

Foreign currency translation

Due to the Group's economic exposure to the U.S. dollar (USD), the presentation currency of the Group's consolidated financial statements is USD. Many Group companies have a different functional currency, being that of the respective primary economic environment in which these companies operate. Assets and liabilities are translated into the presentation currency at end-of-period exchange rates, while income statements, statements of comprehensive income and statements of cash flows are translated at average exchange rates for the period. The resulting foreign currency translation differences are recorded directly in other comprehensive income (OCI) as cumulative translation adjustments (CTA).

Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rate at the date of the transaction or, for practical reasons, a weighted average rate, if exchange rates do not fluctuate significantly. Foreign currency monetary items and foreign currency non-monetary items that are carried at fair value are translated at end-of-period exchange rates. The resulting foreign currency translation differences are recorded in income, except for the following:

– Foreign currency translation differences that are recognized in OCI in conjunction with the recognition of unrealized gains or losses on debt securities held to collect contractual cash flows and for sale, changes in the discount rate for insurance contracts and reinsurance contracts held, and changes in the fair value of underlying items for insurance contracts; and
– Foreign currency translation differences arising on monetary items that form part of net investments in foreign operations, as well as foreign currency translation differences arising from monetary items that are designated as hedging instruments in a qualifying net investment hedge relationship, are included directly in OCI as CTA.

Hyperinflation

The Group considers various factors to determine whether an economy in a country where a foreign operation is situated is hyperinflationary, including the cumulative three-year inflation rate. If an economy becomes hyperinflationary, the financial statements of foreign operations with the functional currency of the hyperinflationary economy are restated to reflect the current purchasing power at the end of the reporting period using the official consumer price indices commonly used in the respective country. The restatement includes all balance sheet amounts that are not expressed in terms of the measuring unit current at the balance sheet date and items of comprehensive income for the current year by applying the change in the price index from the dates when the items of income and expense were originally recorded. The restated financial statements of a foreign operation are translated into the Group's presentation currency at closing rates. Any translation adjustment resulting from initial application of the hyperinflationary accounting is recognized directly in equity. The Group applies hyperinflationary accounting to its foreign operations with the functional currency of Argentinian Peso (from January 1, 2019) and Turkish Lira (from January 1, 2023).

c) Insurance contracts issued and reinsurance contracts held

Scope

The Group applies accounting policies outlined in this section to insurance contracts issued that transfer significant insurance risk from policyholders or other insurance companies to the Group and reinsurance contracts held that transfer significant insurance risk from the Group to third party reinsurers. The significant insurance risk transfer is determined by comparing the present value of benefits payable if an insured event occurred with the present value of benefits payable if the insured event did not occur. This assessment is made on a contract-by-contract basis at initial recognition and not subsequently reassessed unless the contract has been modified (see below). Investment contracts with discretionary participation features (DPF) are accounted for as insurance contracts if the reporting entity also issues insurance contracts. Furthermore, financial guarantee contracts and certain fixed-fee service contracts (e.g., roadside assistance) issued by the insurance entities in the normal course of business are also accounted for as insurance contracts.

Separating components

The Group assesses its insurance contracts issued and reinsurance contracts held to determine whether they contain any of the following components which need to be separated and accounted for under another IFRS Accounting Standard:

– Derivatives embedded in insurance contracts where the economic characteristics and risks of the derivative contract are not closely related to those of the host contract, and a separate financial instrument with the same terms as the embedded derivative would meet the definition of a derivative;
– Investment components that are not highly interrelated with the insurance components and for which contracts with equivalent terms are sold, or could be sold, separately in the same market or the same jurisdiction are accounted for as investment contracts; or
– Distinct service components, such as unattached risk engineering service contracts, claims handling service contracts provided to policyholders within their layer of risk retention or captive fronting services are accounted for as service contracts.

Consolidated financial statements (continued)

Level of aggregation

Generally, a single contract is the smallest unit of account. However, under certain circumstances, a single contract contains components that are separated and treated as if they were stand-alone contracts, provided the criteria below are fulfilled:

- The insurance components are priced separately and are, or could be, sold separately in the same jurisdiction;
- The substance of the contract to be separated is the same as issuing multiple separate contracts; or
- There is no interdependency between the different risks covered and a lapse or cancellation of one insurance component does not cause a lapse or cancellation of another insurance component.

Similarly, for insurance and reinsurance contracts entered into with the same counterparty, the Group makes an evaluation of whether they are designed to achieve an overall commercial effect and therefore need to be combined and treated as one contract. The Group combines certain captive arrangements, where the policyholder and the captive reinsurer are the same counterparty, that are designed to achieve an overall commercial effect, which results in the net retention by the Group presented both on balance sheet and in profit or loss.

The level of aggregation is determined by dividing the business written into portfolios comprising contracts subject to similar risks and managed together. Portfolios are further divided into annual cohorts with contracts issued no more than one year apart, which are divided into groups of contracts based on their expected profitability: (i) onerous contracts, if any; (ii) contracts with no significant possibility of becoming onerous, if any; and (iii) remaining contracts, if any. Depending on the characteristics of the portfolio, an annual cohort may consist of just one group. The Group chose to group together those contracts that would fall into different groups only because law or regulation specifically constrains its practical ability to set a different price or level of benefits for policyholders with different characteristics. The effect of such grouping is not material to the Group.

Initial recognition

The Group recognizes groups of insurance contracts it issues from the earliest of the following:

- The beginning of the coverage period of the group of contracts;
- The date when the first payment from a policyholder becomes due (or when the first payment is received, if there is no due date); or
- An earlier date, if facts and circumstances indicate that the group is onerous.

Contract boundary

The measurement of a group of insurance contracts includes all future cash flows within the boundary of each contract in the group. Cash flows are within the boundary of an insurance contract if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay the premiums, or in which the Group has a substantive obligation to provide the policyholder with insurance contract services.
A substantive obligation to provide insurance contract services ends when:

- The Group has the practical ability to reassess the risks of the particular policyholder and, as a result, can set a price or level of benefits that fully reflects those risks, or
- Both of the following criteria are satisfied: (i) the Group has the practical ability to reassess the risks of the portfolio of insurance contracts that contain the contract and, as a result, can set a price or level of benefits that fully reflects the risk of that portfolio; and (ii) the pricing of the premiums up to the date when the risks are reassessed does not take into account the risks that relate to periods after the reassessment date.

Insurance contract classification

The Group issues non-life products including a variety of motor, home and commercial products for individuals as well as small and large businesses on both local and global basis predominantly through its Property & Casualty (P&C) operations. The majority of such insurance contracts are short-term and either have a contract boundary of one year or less or qualify for the simplified approach (or the premium allocation approach (PAA)) because the measurement of the liability for remaining coverage under PAA does not deviate significantly from the measurement that would apply under the general model (or the building block approach (BBA)). Therefore, such contracts are measured under PAA. Some non-life entities also issue individual accident and health products with a long-term contract boundary which are accounted for under BBA. The proportion of contracts accounted for under BBA is not material in the context of P&C insurance contract assets and liabilities.

Consolidated financial statements (continued)

Moreover, the Group issues life insurance products on both an individual and a group basis, including annuities, endowment and term insurance, unit-linked and traditional savings products, as well as private health, supplemental health and long-term care insurance. The majority of such insurance contracts are long-term and measured under BBA. Some life entities also issue short-term protection products that fulfill the eligibility criteria and are accounted for under PAA. The proportion of contracts accounted for under PAA is not material in the context of life insurance contract assets and liabilities. Unit-linked insurance contracts and some traditional savings contracts issued in Switzerland, Germany, Italy, Portugal and Austria include policyholder participation features. Such contracts are classified as direct participating contracts and measured under the variable fee approach (VFA) if, at inception, all of the following criteria are met:

- The contractual terms specify that the policyholder participates in a share of a clearly identified pool of underlying items;
- The Group expects to pay to the policyholder an amount equal to a substantial share of the fair value returns on the underlying items; and
- The Group expects a substantial proportion of any change in the amounts to be paid to the policyholder to vary with the change in fair value of the underlying items.

Some participating contracts do not meet the above criteria to be measured under VFA because of either the Group's discretion over the cash flows to be paid to policyholders (either in their timing or in their amount), or absence of a clearly identifiable pool of underlying items. Those contracts are accounted for under BBA indirect participating and presented as contracts measured under BBA in note 7. Furthermore, the Group applies BBA indirect participating measurement to certain contracts for which changes in assumptions that relate to financial risk have a substantial effect on the amounts paid to the policyholders. For example, BBA indirect participating approach is applied to contracts where contractual cash flows are adjusted for inflation based on a market-observable index of prices or rates.

Insurance acquisition cash flows (IACF)

Insurance acquisition costs are selling, underwriting and initiating costs typically incurred prior to or at the start of the coverage period of a contract that are directly attributable to the acquisition of portfolios of insurance contracts, including, for example, sales commissions, direct response marketing, premium taxes and in-house expenses directly attributable to sales and policy issuance activities.

The Group allocates IACF to groups of insurance contracts in a systematic and rational way, differentiating between groups of contracts that have been recognized as of the reporting date and groups of contracts that will be recognized in the future, including expected contract renewals. IACF allocated to groups of insurance contracts not yet recognized as of reporting date are recognized as an asset presented within the insurance contract asset or liability attributable to the portfolio of insurance contracts until they are included in the measurement of the group of contracts recognized. At each reporting date, the Group assesses the recoverability of such assets for pre-coverage IACF based on the expected fulfillment cash flows of the related groups of contracts, if facts and circumstances indicate that the asset may be impaired.

IACF are amortized in a systematic way over the coverage period using the same pattern as for insurance revenue recognition. For contracts accounted for under PAA, certain acquisition cash flows are expensed as incurred for contracts where the coverage period of each contract in the group does not exceed one year.

Insurance service expenses

These expenses consist of claims and other insurance service expenses that the Group incurs in order to fulfill its obligations toward the policyholders that arise within the contract boundary of the underlying (re-)insurance contracts. They also include amortization of insurance acquisition cash flows, changes in the fulfillment cash flows relating the liability for incurred claims (LIC), losses on groups of onerous contracts and reversals of such losses, and impairment and reversal of impairment of assets for pre-coverage insurance acquisition cash flows. Costs incurred that cannot be directly attributed to portfolios of insurance contracts (e.g., cost incurred in connection with future business opportunities) are excluded.

Investment components

Investment components that are not separated based on the requirements outlined above are accounted for as part of the underlying insurance contract. Such investment components, which are treated as non-distinct components, represent amounts that the Group is required to repay to a policyholder under the terms of the insurance contract in all circumstances, regardless of whether an insured event occurs. For most life products measured under VFA, particularly for unit-linked insurance contracts, the Group defines the cash surrender value as the non-distinct investment component. Any cash flows related to investment components are excluded from insurance revenue and insurance service expenses.

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Measurement under PAA

For non-participating insurance contracts that are eligible for PAA, the measurement of the liability for remaining coverage (unexpired risk) is simplified as compared with the measurement under BBA and is accounted for separately from incurred claims (expired risk).

The liability for remaining coverage (LRC) is measured initially based on the premium received less any payments that relate to eligible IACF. Subsequently, the LRC is reduced by the amount recognized as insurance revenue for services provided in the period less any amortization of IACF recognized as an expense in the period. Insurance revenue is generally recognized on a straight-line basis, unless a different pattern represents a better approximation of the release from risk under the insurance contract. Certain insurance contracts (e.g., extended warranty contracts) may include a significant financing component when the premium from the policyholder is due more than 12 months before the Group provides insurance coverage. In this case, the LRC is adjusted for the time value of money.

Where facts and circumstances indicate that a group of contracts is onerous at initial recognition, the Group performs additional analysis to determine if a net outflow is expected. The net outflow is recorded immediately in profit or loss, resulting in the recognition of a loss component for the liability for remaining coverage and the carrying amount of the liability for the group of contracts being equal to the fulfillment cash flows.

The liability for incurred claims (LIC) reflects a current, explicit, unbiased and probability-weighted estimate of the present value of the expected future cash outflows considering all reasonable and supportable information available without undue cost or effort about the amount, timing, and uncertainty of those future cash flows. It includes an explicit adjustment for non-financial risk (the risk adjustment, see below). The risk adjustment is recognized as and when the claims are incurred and subsequently released to insurance service expense as the uncertainty associated with the amount and timing of claim payments is resolved.

Generally, the LIC is adjusted for the effect of time value of money and financial risk, unless the respective claims are expected to be paid within one year of being incurred. The Group selected the accounting policy to disaggregate the movement in the LIC resulting from changes in discount rates and to present this in OCI. The unwind of the discount on the LIC based on locked-in accident year discount rates is presented in profit or loss.

Any premium receivables or accrued premium or claims payables that remain outstanding as of the reporting date are presented as part of the insurance contract assets or liabilities.

Measurement under BBA (including indirect participating BBA)

Each group of insurance contracts under BBA is measured as the sum of the fulfillment cash flows, comprising (i) estimates of future cash flows and (ii) risk adjustment for non-financial risk (see below), and the contractual service margin (CSM). The estimates of the future cash flows represent a current, present value, probability-weighted estimate that is consistent with observable market information and is adjusted to reflect financial risk. The CSM represents the margin the Group is charging for the service it provides in addition to the compensation it requires for bearing risk.

On initial recognition, the CSM is measured as the difference between the expected present value of cash inflows and cash outflows, after adjusting for uncertainty and any cash flows received or paid before or on initial recognition.

Subsequently, at the end of each reporting period, each group of insurance contracts is measured as the sum of (i) the liability for remaining coverage reflecting the fulfillment cash flows related to future service; (ii) the CSM; and (iii) the liability for incurred claims reflecting the fulfillment cash flows related to past service. The liability for incurred claims is created when the Group has an obligation to pay valid claims for insured events that already occurred and other amounts related to past service.

The Group recognizes income and expense for the following changes in the carrying amount of the LRC:

- Insurance revenue – for the reduction in the LRC due to services provided in the period, excluding any investment components (see note 9 for the composition of insurance revenue recognized in the period);
- Insurance service expenses – for losses on groups of onerous contracts, and reversals of such losses; and
- Insurance finance income or expense – for the effect of the time value of money and financial risk.

The Group recognizes income and expense for the following changes in the carrying amount of the LIC:

- Insurance service expense – for the increase in the liability because of claims and expenses incurred in the period, excluding any investment components;
- Insurance service expense – for any subsequent changes in fulfillment cash flows relating to incurred claims and incurred expenses; and
- Insurance finance income or expense – for the effect of the time value of money and financial risk.

Consolidated financial statements (continued)

As part of the subsequent measurement, the fulfillment cash flows are updated to reflect current estimates, and the changes in the fulfillment cash flows are treated as follows:

- Experience adjustments that relate to current or past service are recognized immediately in profit or loss;
- Changes related to future service adjust the CSM measured using the discount rates as described below;
- Changes resulting from changes in discount rates are presented in OCI. The Group selected the accounting policy of disaggregating the movement in fulfillment cash flows between profit or loss and OCI; and
- Changes in estimates that arise as a result of changes in the application of discretion for groups of BBA indirect participating contracts, such as changes in the crediting percentage for policyholder participation, affect the future consideration that the Group will receive from the contract and adjust the CSM.

The CSM at the end of the reporting period is allocated over the current and remaining coverage period based on the coverage units. The coverage units represent the quantity of insurance contract services provided by the contracts in the group, determined by considering for each contract the quantity of the benefits provided under the contract and its expected coverage period. The Group has determined the sum assured (or annuity) in force as the main driver of coverage units for insurance contract service for non-participating contracts. The CSM allocated to coverage units provided in the period is recognized in profit or loss as insurance revenue.

The Group may provide an investment-return service in addition to insurance contract service under some traditional savings insurance contracts without direct participating features (e.g., endowment contracts). Such service is deemed to exist only if such contracts involve an investment component or the policyholder has a right to withdraw an amount. The Group expects the investment component or amount the policyholder has a right to withdraw to include an investment return and the Group expects to perform investment activity to generate that investment return. Whenever the Group provides both insurance contract and investment-return services to the policyholder, the coverage units are appropriately weighted to reflect both services to allocate the CSM over the current and remaining coverage period. The Group has determined the assets under management (or equivalent) as the main driver of coverage units for investment-return service.

The risk adjustment is released as part of insurance revenue as the uncertainty associated with the amount and timing of benefit payments is decreased or resolved.

(Re-)insurance finance income or expense recognized in profit or loss are determined by a systematic allocation of the expected total finance income or expense over the duration of the group of insurance contracts. Depending on the nature of the insurance contracts, it reflects the effect of time value of money and financial risk as follows:

- For groups of contracts for which changes in assumptions that relate to financial risk do not have a substantial effect on the amounts paid to the policyholder (e.g., term life contracts), the systematic allocation is determined using a risk-free rate, plus an illiquidity premium that is locked at the inception of the group of contracts; and
- For groups of contracts for which changes in assumptions that relate to financial risk have a substantial effect on the amounts paid to the policyholders (e.g., savings contracts with policyholder participation based on an index or a rate or other indirect participating contracts), the systematic allocation is determined using a rate that allocates the remaining revised expected insurance finance income or expense over the remaining duration of the group of contracts at a constant rate (effective yield).

Measurement under variable fee approach (VFA)

Insurance contracts that fulfill all the participating contracts criteria specified above are measured under VFA. These criteria ensure that insurance contracts with direct participation features are contracts under which the Group's obligation to the policyholder is the net of:

- The obligation to pay the policyholder an amount equal to the fair value of the underlying items; and
- A variable fee that the Group will deduct from the above in exchange for the future service provided by the insurance contract, consisted of the amount of the Group's share of the fair value of the underlying items less fulfillment cash flows that do not vary based on the returns on underlying items.

The underlying items for unit-linked insurance contracts are the unit-linked assets typically held in pooled investment vehicles that meet the specific investment objective of the policyholders, who fundamentally bear the credit, market and liquidity risk of the related investments. The underlying items for traditional savings contracts issued in Switzerland, Germany, Italy, Portugal and Austria are the net assets, or a specified subset of the net assets, of the issuing insurance entity. The net assets, or a subset of the net assets, typically include financial instruments held in the Group investment portfolio (debt securities, equity securities, investment properties, mortgage loans and other assets).

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For such contracts, in addition to the insurance contract service, the Group provides an investment-related service to the policyholders managing the underlying items on their behalf. The coverage units are appropriately weighted to reflect both services to allocate the CSM over the current and remaining coverage period. For these direct participating contracts and other savings contracts, sum assured in force and assets under management (or equivalent) are included to reflect the weighting for insurance and investment services and the pattern of delivery of those services.

Measurement under VFA reflects the nature of participating contracts; therefore, changes in the amount of the entity's share of the fair value of the underlying items relate to future service and adjust the CSM. Similarly, the change in the effect of time value of money and financial risks not arising from the underlying items (for example, the effect of financial guarantees) relates to future service and adjusts the CSM, except where risk mitigation applies.

Risk mitigation applies in limited circumstances where the Group hedges the risks associated with such financial guarantees using derivative financial instruments or reinsurance contracts held under a documented risk management objective and strategy. In such cases, the changes in the effect of financial guarantees are recognized immediately in profit or loss in the same way as the changes in fair value of the derivative instruments. Other changes in the fulfillment cash flows are treated consistently with BBA measurement, i.e., they adjust CSM if related to future service, or are recognized immediately in profit or loss if related to current or past service. However, as opposed to BBA, all the adjustments are measured using current discount rates.

Where the underlying items are the net assets or a specified subset of the net assets of the issuing insurance entity, in addition to the participation in the returns from underlying financial assets, the policyholder participates in the risk and/or expense results. While the risk and expense results are included within the insurance service results, the policyholder participation thereon is included within the insurance finance income or expense.

Changes in the obligation to pay the policyholder an amount equal to the fair value of the underlying items do not relate to future service and do not adjust the CSM.

For all contracts with direct participation features where the Group holds the underlying items, the Group applies the accounting policy choice of disaggregating insurance finance income or expense for the period to include in profit or loss an amount that eliminates accounting mismatches, with income or expense included in profit or loss on the underlying items held.

Reinsurance contracts held

The Group enters into reinsurance contracts in the normal course of business to limit the potential for losses arising from certain exposures. Reinsurance contracts do not relieve the Group as the originating insurer of its liability. Reinsurance contracts held are recorded separately unless the contract combination criteria specified above are fulfilled.

Similar to insurance contracts issued, reinsurance contracts held are accounted for under PAA, if the qualifying criteria for PAA are fulfilled, or BBA in all other cases. The following differences specifically apply to reinsurance contracts held:

- Classification: Reinsurance contracts held can never be classified as direct participating contracts; hence, measurement under VFA does not apply.
- Level of aggregation: Reinsurance contracts held cannot be onerous; therefore, at initial recognition, the groups of reinsurance contracts held comprise (i) contracts in a net gain position, if any; (ii) contracts with no significant possibility of turning into a net gain position subsequently, if any; and (iii) remaining contracts, if any.
- Recognition of the CSM: As reinsurance contracts held cannot be onerous, for the groups of reinsurance contracts held accounted for under BBA, the CSM is recognized regardless of whether the reinsurance contract is a net gain or a net cost for the Group.
- Recognition of the risk of non-performance: The measurement of reinsurance contracts held includes the effect of non-performance risk of the reinsurer which considers the reinsurer's credit rating and the expected recovery period.
- Presentation: The Group presents the income or expense from reinsurance contracts held, other than reinsurance finance income or expense, as a single amount in profit or loss.

Reinsurance contracts held are measured using assumptions consistent with the assumptions used for the underlying insurance contracts for the fulfillment cash flows. The risk adjustment for non-financial risk represents the amount of risk being transferred by the holder of the reinsurance contract to the issuer of that contract. Consistent with the underlying insurance contracts, the Group made an accounting policy choice of disaggregating the reinsurance finance income or expense between profit or loss and OCI.

If reinsurance contracts held cover underlying onerous insurance contracts, a loss recovery component is recognized only if the reinsurance contract held was entered into before or at the same time as the underlying onerous insurance contracts. The loss recovery component is measured by reference to the percentage of claims from underlying onerous insurance contracts expected to be recovered from the reinsurance contracts held.

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Critical accounting estimates and judgments

Non-life contracts

The Group is required to establish a LIC for payment of losses and loss adjustment expenses that arise from the Group's non-life products. These liabilities represent the expected ultimate cost to settle claims occurring prior to, but still outstanding as of, the balance sheet date. The Group establishes its liabilities by product line, type and extent of coverage, and year of occurrence. There are two categories of the LIC: liability for reported losses, and liability for incurred but not reported (IBNR) losses. Additionally, the LIC is held for loss adjustment expenses, which contain the estimated legal and other expenses expected to be incurred to finalize the settlement of the losses.

The Group's liability for reported losses and loss adjustment expenses is based on estimates of future payments to settle reported claims. The Group bases such estimates on the facts available at the time the liability is established, considering the estimated costs of bringing pending claims to final settlement. The liability takes into account inflation, as well as other factors that can influence the amount required to fulfil the Group's obligations, some of which are subjective and some of which are dependent on future events. In determining the level of the liability, the Group considers historical trends and patterns of loss payments, pending levels of unpaid claims and types of coverage. In addition, court decisions, economic conditions and public attitudes may affect the ultimate cost of settlement and, as a result, the Group's estimation of the liability. Between the reporting and final settlement of a claim, circumstances may change which may result in changes to established liability. Items such as changes in law and interpretations of relevant case law, results of litigation or changes in medical costs, as well as costs of vehicle and home repair materials and labor rates can substantially impact ultimate settlement costs. Accordingly, the Group reviews and reevaluates claims and their liabilities on a regular basis. Amounts ultimately paid for losses and loss adjustment expenses can vary significantly from the level of liabilities originally set.

The Group establishes the liability for IBNR losses to recognize the estimated cost of losses for events which have already occurred, but for which the Group has not yet been notified. This liability is established to recognize the estimated costs required to bring such claims to final settlement. As these losses have not yet been reported, the Group relies upon historical information and statistical models, based on product line, type and extent of coverage, to estimate its IBNR liability. The Group uses reported claim trends, claim severities, exposure growth and other factors in estimating its IBNR liability. The liability is revised as additional information becomes available and as claims are actually reported.

The time required to learn of and settle claims is an important consideration in establishing the Group's LIC. Short-tail claims, such as those for motor and property damage, are normally reported soon after the incident and are generally settled within months. Long-tail claims, such as bodily injury, pollution, asbestos and product liability, can take years to develop and additional time to settle. For these claims, information concerning the event, such as the required medical treatment for bodily injury claims and the required measures to clean up pollution, may not be readily available. Accordingly, the reserving analysis of long-tail lines of business is generally more difficult and subject to greater uncertainties than for short-tail claims.

Since the Group does not establish a liability for catastrophes in advance of the occurrence of such events, these events may cause volatility in the levels of its LIC subject to the effects of reinsurance recoveries. This volatility may also be contingent upon political and legal developments after the occurrence of the event.

The Group uses a number of accepted actuarial methods to estimate and evaluate the amount of the LIC. The nature of the claims being reserved for and the geographic location of the claims influence the techniques used by the Group's actuaries. Additionally, the Group's Corporate Center actuaries perform periodic reserve reviews of the Group's businesses throughout the world. Management considers the results of these reviews and adjusts its liabilities, where necessary.

The process of establishing the amount of the LIC is complex and deals with uncertainty, requiring the use of informed estimates and judgments considering the time value of money and the uncertainty about the amount and timing of the cash flows that arise from non-financial risk. Any changes in estimates or judgments are reflected in profit or loss in the period in which estimates and judgments are changed.

Significant delays may occur in the notification and settlement of claims, and a substantial measure of experience and judgment is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty as of the balance sheet date. The LIC is determined on the basis of the information available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent developments.

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Life contracts

The measurement of life insurance contracts involves a number of assumptions regarding mortality or longevity, lapses, surrenders, expenses, future policyholder participation (or profit sharing), discount rates and investment returns. These assumptions can vary by country, year of policy issuance and product type, and are determined with reference to past experience adjusted for new trends, current market conditions and future expectations. As such, the amounts included in future cash flows may not represent the ultimate amounts paid out to policyholders. For example:

- The estimated number of deaths determines the value of the benefit payments. The main source of uncertainty arises because of the potential for pandemics and wide-ranging lifestyle changes, such as changes in eating, smoking and exercise habits, which could result in earlier deaths for age groups in which the Group has significant exposure to mortality risk.
- For contracts that insure the risk of longevity, such as annuity contracts, an appropriate allowance is made for people living longer. Continuing improvements in medical care and social conditions could result in further improvements in longevity in excess of those allowed for in the estimates used to determine the liability for contracts where the Group is exposed to longevity risk.
- Under certain contracts, the Group has offered product guarantees (or options to take up product guarantees), including fixed minimum crediting interest rate or fixed minimum annuity benefits. In determining the value of these options and/or benefits, estimates have been made as to the percentage of policyholders that may exercise them. Changes in investment conditions could result in significantly more policyholders exercising their options and/or benefits than had been assumed.
- Estimates are made as to future investment income arising from the assets backing long-term insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Assumptions are determined with reference to current and historical customer data, as well as industry data. Assumptions also reflect expected earnings on the assets supporting the future policyholder benefits. The information used by the Group's qualified actuaries in setting such assumptions includes, but is not limited to, pricing assumptions and available experience studies based on internal and external data. Expert judgment is involved in setting these assumptions, which are subject to a review and governance process that involves significant effort; therefore, it is generally performed on an annual basis.

Risk adjustment for non-financial risk

The risk adjustment for non-financial risk is the compensation that the Group requires for bearing the uncertainty about the amount and timing of the cash flows of groups of insurance contracts that arises from non-financial risk (insurance risk and other non-financial risk such as lapse risk). The risk adjustment is an explicit adjustment to the estimates of future cash flows to reflect the compensation the Group would require to make it indifferent between fulfilling a liability that has a range of possible outcomes arising from non-financial risk and fulfilling a liability that will generate fixed cash flows with the same expected present value as the insurance contracts.

The Group estimates the risk adjustment using a confidence level approach, taking into account the Group's internal view of the level of capital required in order to continue operating on a going-concern basis based on the Group's target Swiss Solvency Test (SST) ratio. The risk adjustment is calibrated as the value at risk (VaR) at the defined target confidence level minus the expected value of the future cash flows using simulations of the distribution of the future cash flows. This distribution is based on the SST framework and model, with a few modifications considering the different purpose of the IFRS 17 risk adjustment.

Separate target confidence levels apply to the distribution of cash flows of long-duration (predominantly life) and short-duration (predominantly non-life) (re-)insurance contracts. The confidence levels fall within the following ranges: 74 – 79 percent for short-duration and 90 – 95 percent for long-duration (re-)insurance contracts.

In line with the internal capital model used by the Group, these ranges are defined net of external reinsurance. The risk adjustment for the reinsurance contracts held is determined consistently with the risk adjustment for insurance contracts issued.

The Group disaggregates the change in the risk adjustment for non-financial risk between the insurance service result and insurance finance income or expense, and the latter between profit or loss and OCI, so that the movement in risk adjustment resulting from changes in discount rates is presented in OCI.

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Critical accounting estimates and judgments

The risk adjustment is the measure of the compensation required by the Group for the uncertainty arising from non-financial risks. As such, it is based on subjective considerations that take into account Zurich's internal view of the capital required in order to continue operating on a going-concern basis.

To support the selection of the confidence levels, a quantitative analysis is performed. This quantitative analysis is aimed at defining ranges of justifiable percentiles for life and non-life businesses separately, determined by calculating, with different sets of assumptions, the financial compensation the Group requires on the SST capital (defined accordingly with the internal capital targets) to cover the non-financial risks over the outstanding run-off period of the insurance liabilities.

As with any other risk capital model, the SST model is subject to simplification and application of expert judgments. These include, for example, assumptions on the shape of the distributions and on the geographical and risk dependencies, amongst others. The full list of assumptions, simplifications and expert judgments applied in the model are outlined in the documentation regularly provided to FINMA. These are validated regularly by the Group to ensure the overall adequacy of the risk model.

The Group percentiles selected for life and non-life businesses are expected to fall within these ranges described above. However, an additional uplift factor may be applied locally to the risk adjustment for specific contracts or groups of contracts, where there is a higher level of uncertainty around the compensation required for bearing non-financial risks. For example, an uplift factor may be applied to a specific contract or group of contracts where key long-term best estimate assumptions used to project the fulfillment cashflows have been set based on expert judgment in the absence of credible experience data.

The key assumptions in the determination of the risk adjustment percentiles are:

- Assumed cost of capital rate: the long-term mean of the weighted average cost of capital is used;
- Level of group diversification: the risk adjustment allows for diversification of non-financial risks among the Group's reporting entities as well as diversification of non-financial risks with financial risks;
- Target capitalization under the Group's internal capital model: the Group's target capitalization under SST is used. Under SST, the Group has defined a minimum solvency ratio target requirement only (≥ 160 percent SST ratio); hence, assumptions are made on the level of capitalization that Zurich would be expected to maintain on a going-concern basis over and above the minimum target;
- Level of segmentation: separate percentiles are defined for life and non-life businesses; and
- Higher levels of expert judgment in the absence of credible demographic assumptions used in cashflow projection: an uplift may be applied to the risk adjustment in respect of a portfolio or product where the Group has concerns over the credibility of assumptions used.

Discount rates

The Group applies bottom-up discount rates for most groups of insurance contracts issued and reinsurance contracts held. Bottom-up discount rates are constructed using risk-free rates, plus an illiquidity premium, where applicable. Risk-free rates are determined by reference to the market interest rates (either swap rates or yields of highly liquid sovereign securities) in the currency of the underlying cash flows for the groups of (re-)insurance contracts. Whenever the expected timing of the cash flows exceeds the liquid part of the yield curve in the respective currency (the last liquid point), the risk-free interest rate is extrapolated to converge toward a long-term rate (the ultimate forward rate) using widely accepted extrapolation techniques (Smith-Wilson algorithm). The illiquidity premium is determined by reference to observable market spreads for illiquid instruments (e.g., corporate debt, etc.) adequately corrected to remove credit risk.

Derecognition and contract modification

The Group derecognizes an insurance contract only when the obligation specified in the insurance contract expires or is discharged or canceled, or if the contract is modified in a way that requires derecognition of the original contract and recognition of the new contract with modified terms. The exercise of a right included in the terms of a contract is not a modification.

When an insurance contract is extinguished, the entity is no longer at risk and is therefore no longer required to transfer any economic resources to satisfy the insurance contract. Typically, when the Group buys reinsurance, the underlying insurance contract(s) continue to be recognized as the respective obligations are not extinguished.

If the terms of an insurance contract are modified, for example, by agreement between the parties to the contract or by a change in regulation, the Group derecognizes the original contract and recognizes the modified contract as a new contract, if any of the conditions below are satisfied:

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a) If the modified terms had been included at contract inception:

- The modified contract would not be an insurance contract; or
- The Group would have separated different components from the host insurance contract resulting in a different insurance contract; or
- The modified contract would have had a substantially different contract boundary; or
- The modified contract would have been included in a different group of contracts.

b) The original contract met the definition of an insurance contract with direct participation features, but the modified contract no longer meets that definition, or vice versa; or

c) The entity applied the premium allocation approach to the original contract, but the modifications indicate that the contract no longer meets PAA eligibility criteria.

If a contract modification meets none of the above conditions, the changes in cash flows caused by the modification are treated as changes in estimates of fulfillment cash flows.

A reinsurance contract is derecognized when the contractual rights to the cash flows expire.

Treatment of accounting estimates

The Group prepares interim financial statements semi-annually and applies an accounting policy choice to change the treatment of accounting estimates made in the first semi-annual financial statements when preparing the annual financial statements (i.e., applying a year-to-date approach). This accounting policy choice applies to all (re-)insurance contracts issued and reinsurance contracts held.

d) Liabilities for investment contracts (without DPF)

Investment contracts are those contracts that do not transfer significant insurance risk and do not include discretionary participation features. The Group predominantly issues investment contracts without fixed terms (refer to unit-linked investment contracts below) and to a lesser extent investment contracts with fixed and guaranteed terms (e.g., fixed interest rate), which are measured at amortized cost using the effective interest rate method.

Unit-linked investment contracts

Unit-linked investment contracts are contracts referencing unit-linked asset portfolios maintained to meet the specific investment objectives of policyholders who bear the credit, market and liquidity risks related to the investments. The liabilities are carried at fair value, which is determined by reference to the underlying financial assets. Changes in fair value are recorded in profit or loss. The related assets for unit-linked investment contracts are designated at fair value through profit or loss (FVPL) in order to reduce measurement inconsistencies. The services provided by the Group under such contracts are investment management and policy administration services that are provided over time and are not contingent on meeting specified performance criteria. Fees from such services are recognized ratably over the service period as fee income. Refer to note 10 for further information.

e) Group investments, investments for unit-linked contracts and other financial assets excluding derivative financial instruments

Classification, measurement and presentation of financial assets

The classification and measurement of Group investments is driven by the business model under which these assets are held and by their contractual cash flow characteristics. The combined effect of the business model and contractual terms assessment (also referred to as ‘solely payment on principal and interests test’ (SPPI test)) determines whether the debt instruments are measured at amortized cost, fair value with changes recognized in other comprehensive income (FVOCI) or fair value through profit or loss (FVPL).

The Group primarily holds financial assets to fund insurance liabilities. Specifically, financial assets and insurance liabilities are economically linked and jointly managed with the aim of matching the duration of the assets with the expected obligation toward policyholders. In order to ensure that the contractual cash flows from the financial assets are sufficient to settle insurance liabilities as they become due, the Group may undertake significant buying and selling activities on a regular basis to rebalance its asset portfolio and to meet day-to-day cash flow needs as they arise. Consequently, the majority of the financial assets, including government and supra-national bonds, mortgage and other asset backed securities (ABS/MBS), as well as syndicated loans and other corporate debt, are ‘held to collect contractual cash flows and for sale’ (HtC&S). Furthermore, the Group has identified specific portfolios that are managed with the aim of holding assets only to collect contractual cash flows over the life of the instrument. These financial assets are managed in the business model ‘held to collect contractual cash flows’ (HtC) and include certain private debt portfolios (for example, commercial real estate, infrastructure and other private debt), mortgage loans and other financial assets (bank deposits, lease and trade receivables), as well as high-quality government bonds held in the Zurich Italy Bank S.p.A.’s proprietary portfolio to cover structural excess liquidity.

Consolidated financial statements (continued)

Debt instruments with contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI) are measured at either amortized cost or FVOCI, unless they are managed on a fair value basis.

Debt instruments held under the HtC&S business model that pass the SPPI test are measured at FVOCI. Interest income is determined using the effective interest rate method and included in net investment income. The cumulative unrealized gains or losses recorded in OCI are net of the expected loss allowance and income taxes. When financial assets measured at fair value through OCI are derecognized, the cumulative gains or losses are reclassified from OCI to profit or loss as net capital gains/(losses) on investments. Loss allowances for expected credit losses and any subsequent changes are recorded in profit or loss within net capital gains/(losses) on investments.

Debt instruments held under the HtC business model that pass the SPPI test are carried at amortized cost using the effective interest rate method. Loss allowances for expected credit losses and individual credit impairments are recognized in profit or loss within net capital gains/(losses) on investments, with a corresponding reduction in the gross carrying amount of the financial asset.

Financial assets that fail the SPPI test are always measured at fair value through profit or loss (FVPL). Such assets include equities, fund investments, callable bonds with significant prepayment features, hybrid bonds with certain cash flows at the discretion of the issuer and some ABS/MBS that do not fulfill the SPPI criteria for contractually linked instruments. The significance of the prepayment feature is assessed at the date of the initial recognition of the financial asset as well as whenever additional purchases of the same instrument occur within the same portfolio.

In addition to financial assets that fail the SPPI test, the Group designates investments held for unit-linked insurance and investment contracts as well as some other investment portfolios backing specific portfolios of insurance contracts at FVPL in order to eliminate or significantly reduce a measurement inconsistency that would otherwise arise from measuring assets or recognizing the gains and losses on these assets on a different basis to the liabilities. Realized and unrealized gains and losses arising from changes in the fair value of such investments are recognized in profit or loss within net capital gains/(losses) on investments in the period in which they arise. Interest income determined using the effective interest rate method and dividend income from financial assets at FVPL are included in net investment income.

The Group did not make use of the option to present changes in fair value of certain equity instruments that are not held for trading in OCI with no subsequent reclassification of realized gains or losses to profit or loss.

The Group recognizes regular purchases and sales of financial assets on the trade date, which is the date on which the Group commits to purchase or sell the asset.

Group investments are grouped together based on their nature and considering the shared risk characteristics as follows:

- Equity securities and unconsolidated investment funds include equity instruments held that do not result in control or significant influence by the Group, and fund investments where the Group does not have control over the investment vehicle;
- Debt securities include government and supra-national bonds, corporate debt and ABS/MBS;
- Mortgage loans include predominantly retail residential mortgages; and
- Other loans mainly include private debt investments (such as infrastructure and commercial real estate loans and private placements) typically managed by third-party asset managers and subject to a ratings-based approach for credit risk monitoring, as well as lease receivables and non-unit-linked deposits held as part of Group investments.

Group investments further include investment property accounted for at FVPL. Rental income from investment property is recognized on a straight-line basis over the lease term and included in net investment income, net of operating rental expenses. Please see note 5 for further information on Group investments.

Cash on hand, deposits held at call with banks, cash collateral received and other highly liquid investments with maturities of three months or less from the date of acquisition that are readily convertible into cash and are subject to an insignificant risk of changes in fair value are included in cash and cash equivalents.

Trade receivables are presented as part of other assets.

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Critical accounting estimates and judgments

In determining the fair values of investments in debt and equity instruments traded on exchanges and in over-the-counter (OTC) markets, the Group makes extensive use of independent, reliable and reputable third-party pricing providers, and only in rare cases places reliance on valuations that are derived from internal models.

In addition, the Group's policy is to ensure that independently sourced prices are developed by making maximum use of current observable market inputs derived from orderly transactions and by employing widely accepted valuation techniques and models. When third-party pricing providers are unable to obtain adequate observable information for a particular financial instrument, the fair value is determined either by requesting selective non-binding broker quotes or by using internal valuation models.

Valuations can be subject to significant judgment, especially when the fair value is determined based on at least one significant unobservable input parameter; such items are classified within level 3 of the fair value hierarchy. See notes 5 and 22 for further information regarding the estimate of fair value.

Recognition of expected credit losses

Expected credit loss (ECL) is recognized for debt securities measured at amortized cost, debt securities measured at FVOCI, mortgage loans, lease and trade receivables, and reflects the difference between the contractual cash flows of the instrument and the cash flows the Group expects to receive. ECL is recognized on the following basis:

- 12-months ECL is recognized from the initial recognition of a debt instrument and reflects a portion of lifetime expected credit losses that would result from default events that are possible within 12 months after the reporting date (12-months ECL). The Group applies the low credit risk simplification to recognize 12-months ECL for all financial instruments that have an internal or external investment grade credit rating. Instruments for which 12-months ECL is recognized are referred to as stage 1; and
- Lifetime ECL is recognized in the event of a significant increase in credit risk (SICR) since initial recognition and reflects lifetime expected credit losses over the expected life of the financial instrument (lifetime ECL). The Group applies a permitted simplification to recognize lifetime ECL for all trade receivables. Instruments with lifetime ECL are referred to as stage 2. Lifetime ECL is also recognized for credit-impaired financial instruments, referred to as stage 3. Stage 3 includes instruments that are non-performing or for which a default event has occurred. The Group presents the gross carrying amount of such assets net of lifetime ECL.

At each reporting date, an assessment is conducted to determine whether a SICR has occurred since the initial recognition of a financial asset not covered by the low credit risk practical expedient and/or whether the financial asset has become credit impaired.

Critical accounting estimates and judgments

In the assessment for SICR, the Group considers all relevant reasonable and supportable information, including information about past events and current and future economic conditions, available either on an individual or on a collective basis.

When an external or internal rating is available, the Group applies the low credit risk practical expedient by assuming that no increase in credit risk has occurred since initial recognition for financial assets that have an external or internal rating equivalent to 'investment grade' (i.e., AAA to BBB–) at the reporting date. This approach is applied to government and supra-national bonds, mortgage and other asset backed securities, as well as corporate debt, including commercial real estate, infrastructure and other private debt.

For all debt instruments rated below investment grade, the Group determines SICR thresholds that vary depending on the credit rating at initial recognition and the residual life of the instruments. The SICR threshold is calibrated such that the lower the probability of default at inception, the higher the relative credit deterioration is required to trigger a SICR. If the credit rating of the instrument at the reporting date is equal to or below the trigger level, the instrument is deemed to have experienced SICR.

Irrespective of the SICR assessment based on default probabilities, credit risk is generally deemed to have significantly increased if the contractual payments are more than 30 days past due. SICR is no longer observed if the rating at the reporting date is above the trigger level indicated in the notching table and the rating has improved by at least one notch since the previous reporting date, in which case the instrument transitions back to stage 1.

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For all material exposures, including those with low credit risk at the reporting date, the SICR assessment outlined above is supplemented by a qualitative assessment of the issuer's credit quality through a forward-looking watch list that includes exposures with negative rating outlook and downward rating momentum and that are close to the thresholds for stage change. This is further complemented by fundamental research and expert opinion and presented to the Credit Valuation Committee (CVC) comprising representatives of Group Investment Management, Group Risk and Group Finance. The CVC takes the final decision on the stage allocation.

The mortgage loan portfolio is predominantly consisted of residential and small commercial real estate loans. The exposures are grouped into homogenous buckets in terms of geographic location (mainly Switzerland, Germany, Italy) and property type (residential versus commercial). The forward-looking loan to value (LTV) is within the range of 40–67 percent for the Swiss portfolio and 10–25 percent for the German portfolio. The SCIR is assessed using the number of past due days, the actual affordability on the customer level as well as forward-looking LTV, which is derived from the expected evolution in the property prices.

Forward-looking scenarios and measurement of expected credit losses

Expected credit losses reflect an unbiased, probability-weighted estimate based on possible default events either over the next 12 months or over the remaining life of a financial instrument. The ECL is calculated using a combination of the following main input parameters: probability of default (PD), loss given default (LGD) and exposure at default (EAD).

For originated residential and small commercial mortgage loan portfolios, the forward-looking parameters are derived from the evolution of the real estate prices by property type, as well as actual affordability of the loan for a customer. The Group records expected credit losses on mortgages; however, the ECL amount may be rather insignificant for mortgages with very low LTV.

For unrated exposures, for example, trade receivables, the ECL is measured using an expected loss rate provision matrix, based on historical observed default rates (adjusted and regularly updated for forward-looking estimates), depending on the past due status. For this purpose, the exposures are grouped into sub-portfolios that are homogeneous in terms of loss pattern, and specific loss rates are assigned depending on the number of days past due. From the provision matrix, the calculation of the ECL is determined by multiplying the gross carrying amount of the exposure by the given expected loss rate.

Critical accounting estimates and judgments

For rated debt securities, the Group determines the forward-looking inputs by evaluating a range of possible outcomes. A scenario-based approach is applied whereby three scenarios (downside scenario, base case and upside scenario) are modelled once a year considering potential development of relevant macroeconomic variables (GDP growth, 10-year interest rates and credit spreads) in the U.S. and Eurozone over a 1-year horizon. If no internal or external credit rating is available (e.g., due to timing constraints), the Group assigns a fallback rating which is used to derive the ECL parameters (i.e., exposures are assigned A– if the issuer is domiciled in a country with investment grade sovereign rating, while B– is assigned to other exposures).

Each of the forward-looking scenarios applied is based on management assumptions about future macroeconomic conditions. Additional judgment is required to assign a weight to each scenario which reflects the probabilities that the respective set of macroeconomic variables will materialize. The economic scenarios are developed by Group Investment Management – Market Strategy and Macroeconomics, which proposes the scenario weightings based on Group forward-looking expectations. The final decision on scenario weighting lies with the CVC where Group functions can challenge the selection and weights of different scenarios. Changes to the scenario weights and macroeconomic assumptions taken could have a significant effect on ECL –see note 23 for further details.

Exchange or modification of financial assets

The Group may enter into transactions involving the exchange of financial assets with one or multiple financial assets. Furthermore, the terms of financial assets may be modified subsequent to initial recognition. When the contractual terms of the financial asset(s) received in an exchange transaction or upon modification are significantly different from the original financial asset, the Group derecognizes the original asset. In certain cases, such exchange or modification results from the financial distress of the original debtor, in which case an exchange or modification of financial assets may involve recognition of purchased or originated credit-impaired (POCI) financial instruments. POCI financial instruments are initially recognized at fair value with interest income subsequently being accrued based on a credit-adjusted effective interest rate. Changes in lifetime ECL since initial recognition are recognized in profit or loss within net capital gains/(losses) on investments.

Consolidated financial statements (continued)

If an exchange or modification does not result in derecognition of the financial asset held, any modification gain or loss is recorded in profit or loss within net capital gains/(losses) on investments. Furthermore, the SICR assessment is performed by comparing the current risk of default with the risk of default at initial recognition based on the original and unmodified contractual terms.

Defaulted and credit-impaired financial assets

The Group considers the financial asset as defaulted when one or a combination of events with detrimental impact on the estimated cash flows of the financial asset have occurred (i.e., an incurred credit loss event). The Group places emphasis on counterparty specific factors, such as significant financial difficulty, default or delinquency on interest or principal payments. In addition, the Group usually considers that default does not occur later than when a financial asset is 90 days past due. Nevertheless, for certain exposures, such as Swiss residential mortgage loans, historical evidence indicates there is no correlation between default and payments being more than 90 days past due, but such correlation can be identified, for example, when payments are more than 180 days past due. Therefore, these latter exposures are considered defaulted when payment is overdue for more than 180 days. If one or more default events have occurred, the Group considers the financial assets as credit impaired and recognizes individual credit impairment directly as a reduction of the gross carrying amount. In the rare case of default on mortgage loans, the Group may enter forbearance measures, including temporary postponement of contractual payments, to enable the recovery of the mortgage loan.

Financial assets and the related credit impairment allowances are partially or fully written off when the Group has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof. The write-offs represent partial or full derecognition events.

Comparative accounting policies applicable prior to January 1, 2023

Prior to January 1, 2023, Group investments were accounted for at either (a) fair value through OCI; (b) fair value through profit or loss; or (c) amortized cost. The majority of Group investments were accounted for at fair value through OCI (available-for-sale financial assets) and included debt and equity securities as well as fund investments. Such assets were carried at fair value, with changes in fair value recognized in OCI, until the securities were either sold or impaired. Interest income determined using the effective interest rate method and dividend income from financial assets at fair value through OCI was included in net investment income. The cumulative unrealized gains or losses recorded in OCI were net of cumulative deferred income taxes, certain related life policyholder liabilities and deferred acquisition costs. When available-for-sale financial assets were sold, impaired or otherwise disposed of, the cumulative gains or losses were reclassified from OCI to profit or loss as net capital gains/(losses) on investments and impairments.

Group investments at fair value through profit or loss included debt and equity securities backing certain life insurance contracts with participation features, and financial assets evaluated on a fair value basis. The designation of these assets at fair value through profit or loss eliminated or significantly reduced a measurement inconsistency that would otherwise arise from measuring assets or recognizing the gains and losses on these assets on a different basis to the liabilities.

Group investments at amortized cost included debt securities for which the Group had the positive intention and ability to hold to maturity (held-to-maturity financial assets) as well as mortgage and other loans (loans and receivables). Such investments were carried at amortized cost using the effective interest rate method, less any charges for impairment. When an impairment was determined to have occurred, the carrying amount of held-to-maturity investments and loans and receivables was reduced through the use of an allowance account, and the movement in the impairment allowance was recognized in profit or loss as an impairment loss.

The Group assessed at each reporting date whether there was objective evidence that loss events had occurred that negatively affected the estimated future cash flows of a financial asset or a group of financial assets. A financial asset was considered impaired if there was objective evidence of impairment as a result of one or more occurred loss events that had an impact on the estimated future cash flows of the financial asset. The evaluation of whether an available-for-sale debt security was impaired required analysis of the credit standing of a particular issuer and involved management judgment. When assessing impairment of available-for-sale debt securities, the Group placed emphasis on issuer specific factors, such as significant financial difficulty, default or delinquency on interest or principal payments. A credit rating downgrade, worsened liquidity or decline in fair value below the weighted-average cost was not by itself considered a loss event, but rather incorporated in the impairment analysis along with other available information.

The Group determined that there was objective evidence of impairment of an available-for-sale equity security, if at the reporting date:

- Its fair value was below the weighted-average cost by an amount significantly in excess of the volatility threshold determined quarterly for the respective equity market (such as North America, Asia Pacific, UK, Switzerland and other European countries); or
- Its fair value had been below the weighted-average cost for a period of 24 consecutive months or longer.

Consolidated financial statements (continued)

f) Derivative financial instruments and hedge accounting

Derivative financial instruments are used by the Group to economically hedge risks. Derivative financial instruments are carried at fair value. The changes in fair value of derivative financial instruments are recognized in profit or loss, except where such derivative financial instruments are designated under a qualifying cash flow or net investment hedge relationship.

Derivative financial instruments that qualify for hedge accounting

In limited circumstances, derivative financial instruments are designated as hedging instruments for accounting purposes in:

- Fair value hedges, which are hedges of the exposure to changes in the fair value of a recognized asset or liability;
- Cash flow hedges, which are hedges of the exposure to variability in cash flows attributable to a particular risk either associated with a recognized asset or liability, or a highly probable forecast transaction that could affect profit or loss; or
- Net investment hedges, which are hedges of a net investment in a foreign operation.

All hedge relationships are formally documented, including the risk management objectives and strategy for undertaking the hedge, the identification of the hedging instrument, the hedged item, the nature of the risk being hedged, and how the hedge effectiveness assessment is made, including the analysis or sources of hedge ineffectiveness and description of how the hedge ratio is determined. Differences in critical terms, the effect of credit risk or differences in the time value of money could be sources of ineffectiveness. To a limited extent, ineffectiveness may also arise from the currency basis spread of cross currency swaps, or from the forward elements of forward contracts, if these are not excluded from the hedge designation.

At inception of a hedge, the hedge relationship is formally assessed to determine whether the hedging instruments are expected to be highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk. Subsequently, the hedge effectiveness is assessed on a quarterly basis (or upon a significant change in circumstances) on a forward-looking basis. Any ineffectiveness is recorded in profit or loss.

Hedge accounting is not discontinued on a voluntary basis as long as the risk management objective is still being pursued and other qualifying criteria are fulfilled. If the qualifying criteria for the application of hedge accounting are no longer met for the entire hedging instrument (or a part of it), the hedge relationship is discontinued prospectively, in which case the hedging instrument and the hedged item are then subsequently reported independently in accordance with the respective accounting policy.

The accounting treatment of qualifying hedge relationships is further described in note 6.

Comparative accounting policies applicable prior to January 1, 2023

The treatment of derivative financial instruments prior to January 1, 2023 was largely the same as outlined above with the following differences relating to derivative financial instruments that qualify for hedge accounting:

At inception of a hedge and on an ongoing basis, the hedge relationship was formally assessed to determine whether the hedging instruments are expected to be (prospective assessment) and have been (retrospective assessment) highly effective in offsetting changes in fair values or cash flows of hedged items attributable to the hedged risk. If the qualifying criteria for the application of hedge accounting were no longer met, the hedge relationship was discontinued prospectively, in which case the hedging instrument and the hedged item were subsequently reported independently in accordance with the respective accounting policy.

Hedge accounting could be discontinued prospectively on a voluntary basis.

g) Goodwill and attorney-in-fact contracts (AIF)

Goodwill

Goodwill is recognized at the amount of the consideration transferred in a business combination in excess of the fair value of the identifiable assets acquired and liabilities assumed. Goodwill is not amortized but tested for impairment annually, or more frequently if there are indications that the amount of goodwill is not recoverable. For the purpose of impairment testing, goodwill is allocated to cash-generating units (CGUs) based on the level at which management monitors operations and makes decisions related to the continuation or disposal of assets and operations. The Group has defined the CGUs according to regions, separating P&C, Life businesses and other (see note 26). The CGUs which carry the majority of goodwill and AIF contracts are presented in table 3.1. If goodwill has been allocated to a CGU and an operation within that unit is disposed of, the carrying amount of the operation includes attributable goodwill when determining the gain or loss on disposal.

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AIF contracts

The AIF contracts reflect the ability of the Group to generate future revenues through Farmers Group, Inc. (FGI) based on the FGI's relationship with the Farmers Exchanges. In determining that these contracts have an indefinite useful life, the Group took into consideration the organizational structure of inter-insurance exchanges, under which subscribers exchange contracts with each other and appoint an attorney-in-fact to provide non-claims services, and the historical AIF relationship between FGI and the Farmers Exchanges. The value of the AIF contracts is tested for impairment annually, or more frequently if there are indications that the carrying amount of AIF contracts is not recoverable.

The services provided by FGI under such contracts are non-claims services including risk selection, preparation and mailing of policy documents and invoices, premium collection, management of the investment portfolios and certain other administrative functions. The multiple performance obligations covered by the consideration received are considered to be a series with the same pattern of transfer; therefore, the performance obligations are not separated. The fee income for the services provided includes Farmers management fees, membership fees and revenues for ancillary services. Farmers management fees are determined as a percentage of gross premiums earned by the Farmers Exchanges and recognized ratably over the period the services are provided. Membership fees are one-time fees charged at the time of the policy issuance that do not cover a distinct performance obligation. Such fees are recognized as revenue over the expected life of the customer relationship. The revenue for ancillary services includes remuneration for services provided that are not covered by Farmers management fees where FGI acts as a principal. Typically, these services are provided over time, so that the revenue is also recognized over time. The incremental costs incurred in connection with the customer setup activity are recognized as an asset and subsequently amortized using the same pattern as the related revenue. Please see notes 10 and 25 for further information.

Critical accounting estimates and judgments

For goodwill impairment testing, the Group estimates the recoverable amount based on the value-in-use of the CGU.

Value-in-use is determined using the present value of estimated future cash flows expected to be generated from the CGU. Cash flow projections are based on business plan projections, which are approved by management, typically covering a three-year period or, if appropriate and adequately justified, a longer period, which may be necessary to more accurately represent the nature of the cash flows used to test goodwill recoverability. Cash flows beyond this period are extrapolated using, among others, estimated perpetual growth rates, which typically do not exceed the expected inflation of the geographical areas in which the cash flows supporting the goodwill are generated. If cash flows are generated in different geographical areas with different expected inflation rates, weighted averages are used. The discount rates applied reflect the respective risk-free interest rate adjusted for the relevant risk factors to the extent they have not already been considered in the underlying cash flows.

The discount rates used in the recoverable amount calculations for developed markets are based on the weighted average cost of capital (WACC). For the cost of capital, the Group considers government bond rates, which are further adjusted for market risk premium, appropriate beta and leverage ratio. In emerging markets, instead of government bond rates, the Group uses a U.S. dollar discount rate, taking into account inflation differential expectations and country risks. All input factors to the discount rates are based on observable market data.

Table 3.1 sets out for the major CGUs the applied discount rates and the perpetual nominal growth rates beyond the projection period that depend on expectations about country-specific growth rates and inflation as of the date of valuation, as well as the value of goodwill and AIF contracts as of December 31, 2023 and 2022:

Table 3.1

Discount and perpetual growth rates for goodwill and AIF contracts for major CGUs

	Business	in USD millions	Discount rates in % 2023	Discount rates in % 2022	Perpetual nominal growth rate in % 2023	Perpetual nominal growth rate in % 2022
Farmers	Farmers	3,914	9.7	9.4	2.1	2.0
North America	P&C	350	9.4	9.3	2.1	2.0
Europe, Middle East & Africa	P&C	456	9.4	8.9	2.0	2.0
Europe, Middle East & Africa	Life	218	8.4	–	1.6	–
Asia Pacific	P&C	785	9.2	9.8	2.2	2.1
Asia Pacific	Life	1,122	9.0	10.0	1.9	2.1
Latin America	P&C	264	29.3	21.1	11.3	8.0
Latin America	Life	72	21.1	17.0	6.2	5.6

Consolidated financial statements (continued)

The recoverable amount of goodwill remains contingent on future cash flows and other assumptions, particularly discount rates and the perpetual growth rate. If the estimated future cash flows and other assumptions deviate significantly from the Group's current outlook, there is a risk that the goodwill is impaired.

Quantitative sensitivity tests have been performed for all CGUs, by applying a reasonably possible change to each of the key assumptions to capture potential future variations in market conditions: a decrease in cash flows of up to 20 percent, an increase in the discount rate of 2.0 percentage points and a decrease in the perpetual growth rate of 2.0 percentage points. Under each individual scenario, reasonably possible changes in key assumptions did not impair goodwill and AIF contracts.

h) Other intangible assets

Other intangible assets typically have finite lives and are carried at cost, less accumulated amortization and impairments. Such assets are generally amortized using the straight-line method over their useful lives and reviewed for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Distribution agreements

Distribution agreements may have useful lives extending up to 30 years, estimated based on the period of time over which they are expected to provide economic benefits, but for no longer than the contractual term, after taking into account all economic and legal factors such as stability of the industry, competitive position and the period of control over the assets.

Qualitative analyses have been performed on distribution agreements, typically comprising an analysis of the current financial performance and any change in the conditions in the agreement and environment that would indicate an impairment. Please see notes 5, 12, 13 and 14 for further information on impairment of assets.

Software

Costs associated with research and maintenance of internally developed software are expensed as incurred. Costs incurred during the development phase are capitalized. Software under development is tested for impairment annually.

Acquired software licenses are capitalized on the basis of the costs incurred to acquire and bring the specific software into use.

The useful lives of software licenses and capitalized internal software development costs generally range from three to five years. In limited circumstances, capitalized software development costs may be amortized over a period of up to 10 years, taking into account the effects of obsolescence, technology, competition and other economic and legal factors. Changes in the expected useful life are recognized prospectively as changes in accounting estimates.

i) Employee benefits

Share-based compensation and cash incentive plans

The Group operates long-term incentive plans that are accounted for as equity-settled share-based compensation plans. The fair value of these incentive plans is determined at the grant date, taking into consideration non-vesting and market conditions, and is recognized as an expense in profit or loss over the vesting period, with a corresponding increase recorded in additional paid-in capital. Under the Group's long-term incentive plan (LTIP), the market condition, which is the position of the Group's relative 'Total Shareholder Return' (TSR) measured against an international peer group of insurance companies, is included in the performance metrics.

Subsequently, the Group may revise its estimates of the number of shares that are expected to be issued based on the expected fulfillment of the service and non-market conditions. Under the Group's LTIP, the non-market conditions, such as the average business operating profit after tax attributable to shareholders return on common shareholders' equity ('BOPAT ROE'), and the cumulative net cash remittances, as well as an operational CO2e emissions reduction target which is newly included in the performance metrics, are aligned with the Group's financial and non-financial targets. The impact of the revision, if any, is recognized in profit or loss with a corresponding adjustment to additional paid-in capital. However, no subsequent adjustment is made after the vesting date.

Please see note 20 for further information regarding share-based compensation and cash incentive plans.

Consolidated financial statements (continued)

Post-employment benefits

The Group operates various post-employment benefit plans for its employees worldwide, which include defined benefit and defined contribution pension plans, and other post-employment benefits, such as medical care and life insurance.

Contributions to defined contribution plans are recorded as an expense in the period in which the economic benefit from the employees' service was received.

Defined benefit plan obligations and current service costs are determined by qualified actuaries using the projected unit credit method. The net defined benefit liability represents the present value of defined benefit obligation at the end of the reporting period less the fair value of plan assets with changes from remeasurements recorded in OCI. If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the recognition of the resulting net asset is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Group's expense related to these plans is accrued over the employees' service periods based on the actuarially determined cost for the period. Net interest is determined by applying the discount rate to the net defined benefit liability or asset. Actuarial gains and losses and the effect of the asset ceiling are recognized in full in OCI in the period in which they occur. Past service costs, which result from plan amendments and curtailments, are recognized in profit or loss on the earlier of when the plan amendment or curtailment occurs (which is the date from which the plan change is irrevocable) and the date on which a constructive obligation arises. Settlement gains or losses are recognized in profit or loss when the settlement occurs.

Other post-employment benefits

Other post-employment benefits, such as medical care and life insurance, are also provided for certain employees and are primarily funded internally. Similar to defined benefit plans, the cost of such benefits is accrued over the service period of the employees based on the actuarially determined cost for the period.

Critical accounting estimates and judgments

In assessing the Group's liability for defined benefit plans and other post-employment plans, critical judgments include estimates of mortality rates, rates of employment turnover, disability, early retirement, discount rates, future salary and pension increases, and increases in long-term healthcare costs. Discount rates for significant plans are based on a yield curve approach. The Group sets the discount rate by creating a hypothetical portfolio of high-quality corporate bonds for which the timing and amount of cash flows approximate the estimated pay-outs of the defined benefit plan. These assumptions may differ from actual results due to changing economic conditions, higher or lower withdrawal rates, or longer or shorter life spans of participants. These differences may result in variability of pension income or expense recorded in future years. Please see note 19 for further information on employee benefits.

j) Leases

The Group is typically acting as a lessee in property, car or equipment leases. Furthermore, the Group is acting as a lessor in leases of investment property.

When acting as a lessee, the Group recognizes a right-of-use asset and a corresponding lease liability at the lease commencement date when the leased asset is available for use by the Group. The lease liability is measured at the present value of the lease payments due over the lease term, discounted using the Group's incremental borrowing rate. Any options to extend or terminate a lease that the Group is reasonably certain to exercise are included in the lease term. The right-of-use asset is initially recognized at an amount equal to the lease liability adjusted for lease prepayments made or lease incentives received, initial direct costs and any estimated costs to dismantle or restore the leased asset.

The right-of-use asset is depreciated over the shorter of the leased asset's useful life or the lease term on a straight-line basis. The right-of-use asset is included in property and equipment and disclosed separately in note 12. The carrying amount of the lease liability is increased to reflect the unwinding of the discount so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period and is reduced by the lease payments made during the period. Lease payments include fixed payments and variable payments that depend on a non-leveraged index or a rate. Lease liabilities are included within other liabilities.

The Group records short-term leases and leases of low-value assets as an expense on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less. Low-value assets are consisted of hardware and smaller office equipment. The lease expense is included in other expenses.

When acting as a lessor of investment property in an operating lease, the Group follows the accounting policy in paragraph e).

Consolidated financial statements (continued)

k) Current and deferred taxes

Current income taxes payables (receivables) are measured at the amount expected to be paid (recovered) in accordance with the rules established by the taxation authorities, using the tax rates and tax laws that are enacted or substantively enacted as of the reporting date.

Deferred tax assets are recognized if sufficient future taxable income, including income from the reversal of existing taxable temporary differences and available tax planning strategies, is available for realization. The utilization of deferred tax assets arising from temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and their tax bases depends on the generation of sufficient taxable profits in the period in which the underlying asset or liability is recovered or settled. If applicable tax law acknowledges different types of expenses to be tax deductible, deferred tax assets are only recognized if they give rise to deductions against the same type of taxable income. The utilization of deferred tax assets arising from unused tax losses or tax credits depends on the generation of sufficient taxable profits before the unused tax losses or tax credits expire.

Deferred tax liabilities are recognized for all taxable temporary differences unless they arise:

- From the initial recognition of goodwill; or
- An asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences; or
- Are associated with investments in subsidiaries, branches, associates and interest in joint ventures if the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Critical accounting estimates and judgments

As of each balance sheet date, management evaluates the recoverability of deferred tax assets and, if it is considered probable that all or a portion of the deferred tax asset will not be utilized, then a valuation allowance is recognized. Please see note 16 for further information on deferred taxes.

Consolidated financial statements (continued)

4. Acquisitions and divestments

Transactions in 2023

Acquisitions

Agency brokerage network acquisition

On December 28, 2023, Farmers Group, Inc., a wholly owned subsidiary of the Group, acquired three brokerage entities (Kraft Lake Insurance Agency Inc., Western Star Insurance Services, Inc. and Farmers General Insurance Agency, Inc.) from the Farmers Exchanges, along with the flood servicing business of the Farmers Exchanges, for USD 760 million. The acquisition included access to the distribution networks of the Farmers Exchanges via an agency access agreement as well as the rights to renewal commissions on existing business.

Table 4.1 shows the preliminary opening balance sheet line items as of the acquisition date, representing the fair value of tangible and intangible assets.

Table 4.1

Agency brokerage network balance sheet as of the acquisiton date

in USD millions, as of December 28, 2023	**Total**
Cash and cash equivalents	26
Receivables and other assets[1]	159
Deferred tax assets	8
Goodwill	26
Other intangible assets	560
Assets acquired	**780**
Other liabilities	20
Liabilities acquired	**20**
Net assets acquired	760
Cash consideration	**760**

1 Includes a receivable for contingent consideration with a fair value value of USD 149 million.

Kotak Mahindra General Insurance Company Limited

On November 2, 2023, the Group entered into a strategic alliance with Kotak Mahindra Bank Limited, through the proposed acquisition of a 51 percent stake in Kotak Mahindra General Insurance Company Limited for USD 488 million, through a combination of fresh growth capital and share purchase. Furthermore, Zurich will acquire an additional stake of up to 19 percent over time. The transaction is subject to regulatory approvals and is expected to complete in the first half of 2024.

Divestments

Held for sale

As of December 31, 2023, the total assets and liabilities reclassified to held for sale were USD 23.8 billion and USD 23.9 billion, respectively, as per transactions below.

Zurich Chile Seguros de Vida S.A. annuity book

On May 8, 2023, Inversiones Suizo-Chilena S.A. entered into an agreement to sell the annuity book of Zurich Chile Seguros de Vida S.A of approximately USD 2.6 billion in reserves to Ohio National Seguros de Vida S.A., a Chilean life insurance company and indirect subsidiary of Constellation Insurance, Inc. The transaction is subject to regulatory approvals and is expected to complete in 2024. As of December 31, 2023, assets and liabilities reclassified to held for sale were USD 2.4 billion and USD 2.6 billion, respectively.

Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft life book

On June 24, 2022, Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft agreed to sell its legacy traditional life insurance back book in Germany to Viridium Holding AG (Viridium), a leading specialist in the management of life insurance portfolios (run-off) in Germany. The transaction includes the transfer of approximately USD 20 billion of net reserves, mainly related to annuity and endowment products underwritten more than five years ago. The sale will not change the contractual obligations to customers and distribution partners. On October 20, 2023, the life book was transferred by way of spin-off after regulatory approval to a separate Zurich subsidiary, the Zurich Life Legacy Versicherung AG (Deutschland) (Zurich Life Legacy). For developments on the status of the sale, please see note 28. As of December 31, 2023, assets and liabilities reclassified to held for sale were USD 20.0 billion and USD 19.9 billion, respectively.

Consolidated financial statements (continued)

Spain Medical Malpractice portfolio
On December 9, 2021, Zurich Insurance plc entered into an agreement to sell its legacy medical malpractice portfolio in Spain to RiverStone Insurance UK Limited ('Spain Medical Malpractice portfolio'). The transaction is subject to regulatory approval and is expected to be completed in 2024. As of December 31, 2023, assets and liabilities reclassified to held for sale were USD 78 million and USD 86 million, respectively.

UK Employers' liability portfolio
On December 14, 2018, Zurich Insurance plc entered into an agreement with Catalina Holdings (Bermuda) Ltd and certain of its subsidiaries to transfer a portfolio of pre-2007 United Kingdom legacy employers' liability policies to Catalina Worthing Insurance Limited ('UK Employers' Liability portfolio'), subject to regulatory and court approvals. With effect from January 1, 2022, the UK Employers' Liability portfolio was transferred to Zurich Insurance Company Ltd, UK Branch, under a Part VII transfer together with the rights and obligations of Zurich Insurance plc under the agreement. The transfer to Catalina Worthing Insurance Limited is expected to be completed in 2025. As of December 31, 2023, assets and liabilities reclassified to held for sale were USD 1.2 billion and USD 1.2 billion, respectively.

Transactions in 2022

Acquisitions

Deutsche Bank Italian Financial Advisors network acquisition
On August 4, 2021, Zurich Insurance Company Ltd reached an agreement to acquire the network of Financial Advisors of the Deutsche Bank Group in Italy. The terms of the agreement provide for the transfer of a business unit, mainly active in the financial advisory and investment products offering and distribution, consisting of approximately 1,085 financial advisors, 97 employees and EUR 16.5 billion of assets under management. The acquisition allows Zurich in Italy to further develop its financial and insurance distribution network in the Italian market. On October 14, 2022, the Group, through its subsidiary Zurich Italy Bank S.p.A., completed the acquisition for USD 328 million.

Table 4.2 shows the preliminary opening balance sheet line items as of the acquisition date, representing the fair value of tangible and intangible assets.

Table 4.2

DB Italian Financial Advisors network balance sheet as of the acquisition date

in USD millions, as of October 14, 2022	**Total**
Cash and cash equivalents	1,092
Total investments	78
Receivables and other assets	79
Property and equipment	21
Goodwill	211
Software	1
Other intangible assets	136
Assets acquired	**1,617**
Other liabilities	76
Deposits (only for banks)	1,214
Liabilities acquired	**1,289**
Net assets acquired	328
Cash consideration	**328**

In 2023, there was an adjustment to the purchase price allocation which resulted in a reduction of the purchase price to USD 316 million, resulting in the reduction in value of goodwill by USD 8 million and other intangibles by USD 4 million.

Consolidated financial statements (continued)

Divested

Joint Stock Company Insurance Company 'Zurich' (Zurich Russia)

On May 19, 2022, Zurich Insurance Group agreed to sell its business in Russia to 11 members of the unit's team. Under its new owners, the business will operate independently under a different brand, while Zurich will no longer conduct business operations in Russia. The sale of Zurich Russia was completed on July 8, 2022, with a pre-tax loss of USD 30 million recognized in profit or loss.

Zurich Investments Life S.p.A. portfolio

On January 2, 2022, Zurich Investments Life S.p.A. agreed to sell part of its life and pension back book, composed of both traditional and multi-class products, to the Portuguese insurance company GamaLife – Companhia de Seguros de Vida, S.A. On November 30, 2022, the Group completed the sale with a pre-tax loss of USD 230 million, of which USD 144 million was recognized as of December 31, 2021, in profit or loss.

Zurich International Life portfolio

On December 22, 2020, Zurich International Life Limited (ZILL) entered into an agreement with Monument Re Limited to sell the closed book portfolio of ZILL's Singapore long-term life insurance business. On November 1, 2022, the Group completed the sale with a pre-tax gain of USD 2 million recognized in profit or loss.

Consolidated financial statements (continued)

5. Group investments

Group investments are those for which the Group bears part or all of the investment risk. They include investments related to insurance and investment contracts other than unit-linked insurance and investment contracts where the investment risk is borne by the holders of such contracts. Net investment result on Group investments includes returns on investment-related cash, which is included in cash and cash equivalents in the audited consolidated balance sheets.

Table 5.1

Net investment result on Group investments

in USD millions, for the years ended December 31	Net investment income		Net capital gains/(losses): Change of ECL allowance[1]		Net capital gains/(losses): Other net capital gains/(losses)[1]		Net investment result	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
Investment-related cash	41	8	–		–	–	41	8
Equity securities:								
Fair value through profit or loss	389	415	–		1,004	(366)	1,393	49
Available-for-sale		–				459		459
Total equity securities	390	415	–		1,004	93	1,393	508
Debt securities:								
Fair value through profit or loss[2]	347	–	–		299	(935)	647	(935)
Fair value through comprehensive income	3,785		(31)		(1,202)		2,552	
Available-for-sale		4,133				(750)		3,384
Amortized cost	182		(1)		(68)		114	
Total debt securities	4,314	4,133	(32)		(970)	(1,684)	3,312	2,449
Investment property[3]	497	453	–		(674)	623	(177)	1,076
Mortgage loans at amortized cost	100	159	–		(2)	(2)	98	156
Other financial assets at amortized cost	250	150	(5)		(93)	33	151	183
Investments in associates and joint ventures	2	(4)	–		(10)	(27)	(9)	(31)
Derivative financial instruments	–	–	–		186	(822)	186	(822)
Investment result on Group investments, gross	5,593	5,313	(38)		(559)	(1,785)	4,996	3,528
Investment expenses on Group investments	(211)	(185)					(211)	(185)
Foreign currency gains/(losses)					(99)	(59)	(99)	(59)
Investment result on Group investments, net	**5,382**	**5,128**	**(38)**		**(658)**	**(1,844)**	**4,687**	**3,284**

1 No ECL balances are reported for 2022 as IFRS 9 was adopted as of January 1, 2023. Impairment losses reported under IAS 39 are included within Other net capital gains/(losses).
2 Net capital gains/(losses) related to debt securities designated at fair value through profit and loss amounted to USD 103 million and USD (936) million for the years ended December 31, 2023 and 2022, respectively.
3 Rental operating expenses for investment property amounted to USD (143) million and USD (134) million for the years ended December 31, 2023 and 2022, respectively.

Consolidated financial statements (continued)

Details of Group investments by classification category

Table 5.2

as of December 31	2023		2022	
	USD millions	**% of total**	USD millions	% of total
Equity securities:				
Fair value through profit or loss	13,217	9.4	3,540	2.5
Available-for-sale			9,590	6.8
Total equity securities	13,217	9.4	13,130	9.4
Debt securities:				
Fair value through profit or loss[1]	8,390	6.0	6,386	4.6
Fair value through comprehensive income	92,965	65.9		
Available-for-sale			95,638	68.3
Amortized cost	4,568	3.2		
Held-to-maturity			1,716	1.2
Total debt securities	105,924	75.1	103,740	74.0
Investment property	13,684	9.7	14,798	10.6
Mortgage loans at amortized cost	4,324	3.1	5,497	3.9
Other financial assets at amortized cost	3,682	2.6	2,855	2.0
Investments in associates and joint ventures	135	0.1	92	0.1
Total Group investments	**140,966**	**100.0**	**140,111**	**100.0**

1 Includes debt securities designated at fair value through profit and loss of USD 3.9 billion and USD 6.4 billion as of December 31, 2023 and 2022, respectively.

Investments with a carrying value of USD 5.5 billion and USD 5.6 billion are held to meet local regulatory requirements as of December 31, 2023 and 2022, respectively.

Debt securities maturity analysis – current period

Table 5.3a

in USD millions, as of December 31, 2023	**Fair value through profit or loss**	**Fair value through OCI**	**Amortized cost**	**Total**
Bonds and corporate securities:				
< 1 year	340	9,438	121	9,899
1 to 5 years	1,462	32,605	1,795	35,863
5 to 10 years	1,709	19,636	1,180	22,525
> 10 years	3,300	21,228	1,472	26,000
Subtotal	6,811	82,908	4,568	94,287
Mortgage and asset-backed securities:				
< 1 year	1	9	–	10
1 to 5 years	225	1,087	–	1,312
5 to 10 years	183	2,672	–	2,855
> 10 years	1,171	6,289	–	7,459
Subtotal	1,579	10,057	–	11,636
Total	**8,390**	**92,965**	**4,568**	**105,924**

Debt securities maturity analysis – prior period

Table 5.3b

in USD millions, as of December 31, 2022	Fair value through profit or loss	Available-for-sale	Held-to-maturity	Total
Bonds and corporate securities:				
< 1 year	900	5,996	453	7,349
1 to 5 years	2,049	29,891	831	32,772
5 to 10 years	1,442	20,852	411	22,705
> 10 years	1,545	25,695	21	27,262
Subtotal	5,937	82,434	1,716	90,087
Mortgage and asset-backed securities:				
< 1 year	1	17	–	18
1 to 5 years	118	1,234	–	1,352
5 to 10 years	107	2,596	–	2,704
> 10 years	223	9,357	–	9,580
Subtotal	449	13,204	–	13,653
Total	**6,386**	**95,638**	**1,716**	**103,740**

Consolidated financial statements (continued)

The analysis in table 5.3 is provided by contractual maturity. Actual maturities may differ from contractual maturities because certain borrowers have the right to call or prepay certain obligations with or without call or prepayment penalties.

Investment property

Table 5.4

in USD millions		Total
	2023	2022
Carrying value as of January 1	14,798	14,070
Additions and capital improvements	187	887
Acquisitions/(divestments)	(360)	3
Disposals	(832)	(256)
Market value revaluation[1]	(874)	586
Transfer from/(to) assets held for own use	–	3
Transfer (to) assets held for sale	–	(35)
Foreign currency translation effects[2]	764	(459)
As of December 31	**13,684**	**14,798**

1 Decrease is mainly driven by revaluation impacts on real estate in Germany and United States. The fair value decrease is driven by the commercial real estate market.
2 Increase is mainly driven by foreign exchange-related impacts on real estate in Germany and Switzerland as the U.S. dollar weakened against the Euro and Swiss franc.

Investment property consists of investments in commercial, residential and mixed-use properties primarily located in Germany, U.S. and Switzerland.

Net changes on financial assets and (re-)insurance contracts included in other comprehensive income

Table 5.5

in USD millions, as of December 31		Total
	2023	2022
Equity securities:		
Available-for-sale		231
Total equity securities	–	231
Debt securities:		
Fair value through comprehensive income	(5,324)	
Available-for-sale		(10,801)
ECL allowance on fair value through comprehensive income	105	
Total debt securities	(5,219)	(10,801)
Other	144	717
Total gross unrealized gains/(losses) on financial assets	(5,074)	(9,853)
Less other amounts recognized in other comprehensive income attributable to:		
Change in fair value of underlying investment	1,498	2,703
Change in discount rate for (re-)insurance contracts	5,528	6,784
Current and deferred income taxes	(866)	(236)
Non-controlling interests	(48)	(35)
Total[1]	**1,037**	**(637)**

1 Net unrealized gains/(losses) on financial assets include net losses recorded in the cash flow hedge reserve of USD (21) million and net gains of USD 15 million as of December 31, 2023 and 2022, respectively.

Consolidated financial statements (continued)

Repurchase agreements and reverse repurchase agreements

Table 5.6

in USD millions, as of December 31	Total	
	2023	2022
Repurchase agreements		
Securities sold under repurchase agreements[1]	802	1,081
Obligations to repurchase securities	796	1,069
Reverse repurchase agreements		
Securities purchased under reverse repurchase agreements[2]	1,729	654
Receivables under reverse repurchase agreements	1,716	649

1 Non-cash collateral pledged on repurchase agreements amounted to USD 802 million and USD 1,082 million as of December 31, 2023 and 2022, respectively. The Group's counterparties had the right to sell or repledge, in the absence of default, assets pledged as collateral with a fair value of USD 0 million and USD 1 million as of December 31, 2023 and 2022, respectively. The majority of these assets were debt securities.
2 Non-cash collateral held on reverse repurchase agreements amounted to USD 1,729 million and USD 655 million as of December 31, 2023 and 2022, respectively. The Group had the right to sell or repledge, in the absence of default by its counterparties, securities received as collateral with a fair value of USD 147 million and USD 1 million as of December 31, 2023 and 2022, respectively.

Under the terms of securities lending or repurchase agreements, the Group retains substantially all the risks and rewards of ownership of the transferred securities, and also retains contractual rights to the cash flows from these securities. These securities are therefore not derecognized from the Group's balance sheet. Cash received as collateral is recorded as an asset, and a corresponding liability is established. Interest expense is charged to profit or loss using the effective interest rate method over the life of the agreement. Securities lending was nil in 2023 and not material in 2022.

Under a reverse repurchase agreement, the securities received are not recognized on the balance sheet, as long as the risk and rewards of ownership have not been transferred to the Group. The cash delivered by the Group is derecognized and a corresponding receivable is recorded within receivables and other assets. Interest income is recognized in profit or loss using the effective interest rate method over the life of the agreement.

Consolidated financial statements (continued)

6. Group derivative financial instruments and hedge accounting

The Group uses derivative financial instruments mainly for economic hedging purposes to mitigate risks. Such risks result from changes in interest rates, equity prices and exchange rates. Derivative financial instruments with a positive fair value are reported in receivables and other assets (please see note 14) and those with a negative fair value are reported in other liabilities (please see note 15).

Table 6.1 shows the fair value and notional amounts for all group derivatives as of December 31, 2023 and 2022 separated by risks. While these notional amounts express the extent of the Group's involvement in derivative transactions, they do not, however, represent the amounts at risk.

Table 6.1

Maturity analysis of notional amounts and fair values of Group derivative financial instruments

in USD millions, as of December 31	2023						2022		
	Maturity by notional amount								
	< 1 year	1 to 5 years	> 5 years	**Notional amounts**	**Positive fair values**	**Negative fair values**	Notional amounts	Positive fair values	Negative fair values
Interest rate contracts[1]	2,106	8,358	2,938	13,402	540	(756)	13,436	508	(956)
Equity contracts	828	635	722	2,185	55	(21)	1,911	55	(16)
Foreign exchange contracts	20,651	473	115	21,239	352	(475)	20,732	222	(193)
Total Group derivative financial instruments	**23,584**	**9,466**	**3,775**	**36,825**	**947**	**(1,252)**	**36,078**	**786**	**(1,165)**
Thereof exchange traded	491	884	221	1,597	1	(497)	2,160	9	(701)
Thereof OTC (over the counter)	23,093	8,582	3,554	35,229	945	(755)	33,918	776	(464)

1 Include USD 1.7 billion and USD 1.2 billion notional related to derivatives which are centrally cleared as of December 31, 2023 and 2022, respectively. Please note that derivatives centrally cleared that are not designated under qualifying hedge accounting relationship, are presented net of corresponding variation margin payments under 'Amounts due from investment brokers' (see note 14) and 'Amounts due to investment brokers' (see note 15) as of December 31, 2023 and 2022, respectively.

Interest rate contracts

Interest rate contracts are used to hedge risks from changes in interest rates and to manage asset liability mismatches. Whenever possible, the Group enters into exchange-traded and centrally cleared contracts, which are standardized and regulated. Furthermore, because of the structure of the exchanges and central clearing houses, exchange-traded and centrally cleared contracts are not considered to carry material counterparty risk. Over-the-counter (OTC) contracts are otherwise entered into and consist of swaps and swaptions.

Equity contracts

Equity contracts are entered into, either on a portfolio or on a macro level, to protect the fair value of equity investments against a decline in equity market prices or to manage the risk return profile of equity exposures. Short positions are always covered and sometimes used to mitigate hedging costs.

Foreign exchange contracts

Swaps and forward contracts are used to hedge the Group's foreign currency exposures and to manage balance sheet mismatches.

Credit contracts

The Group may from time to time enter into credit contracts. Credit contracts are credit default swaps entered into, either on a portfolio or on a macro level, to limit market risks arising from the investment portfolios against a change in credit spreads or to manage the risk return profile of the credit exposures. As of December 31, 2023, the Group does not hold credit default swaps.

Other contracts

Other contracts predominantly include stable value products (SVPs) issued to insurance company separate accounts in connection with certain life insurance policies (Bank Owned Life Insurance (BOLI) and Company Owned Life Insurance (COLI)) with an account value of USD 9.8 billion and USD 11.0 billion as of December 31, 2023 and 2022, respectively, and with a market value of the underlying investments of USD 9.0 billion and USD 9.9 billion as of December 31, 2023 and 2022, respectively (not included in the table above). The Group includes the likelihood of surrender as one of the input parameters to determine the fair value of the SVPs, which was nil as of December 31, 2023 and 2022.

In certain circumstances, derivative financial instruments meet the requirements of an effective hedge for accounting purposes. Where this is the case, hedge accounting may be applied. Financial information for these instruments is set out in table 6.2.

Consolidated financial statements (continued)

Table 6.2

Notional and fair values of Group hedge accounting derivative financial instruments

in USD millions, as of December 31	2023			2022		
	Notional principal amounts	**Positive fair values**	**Negative fair values**	Notional principal amounts	Positive fair values	Negative fair values
Fair value hedge:						
Interest rate contracts[1]	1,526	17	(18)	–	–	–
Foreign currency contracts	–	–	–	407	–	(61)
Total fair value hedges	**1,526**	**17**	**(18)**	**407**	**–**	**(61)**
Cash flow hedge:						
Interest rate contracts[1]	13	6	(5)	433	61	(5)
Foreign currency contracts	857	24	(77)	256	15	(4)
Total cash flow hedges	**870**	**30**	**(82)**	**690**	**75**	**(9)**
Net investment hedge:						
Foreign currency contracts	1,814	61	–	2,713	26	(1)
Total net investment hedges	**1,814**	**61**	**–**	**2,713**	**26**	**(1)**

1 Fair value hedge include USD 763 million of notional related to derivatives which are centrally cleared as of December 31, 2023. Cash flow hedge include USD 326 million of notional related to derivatives which are centrally cleared as of December 31, 2022.

Fair value hedges

In 2023, the Group entered into fair value hedge relationships consisting of interest rate swaps to protect the Group from interest rate exposure arising from certain debt securities.

Changes in the fair value of the derivative financial instruments designated as fair value hedges and changes in the fair value of the hedged item in relation to the risk being hedged are both recognized in income. The critical terms of the designated derivatives closely match the terms of the hedge items, so that the hedges are highly effective.

Table 6.3 sets out gains and losses arising from fair value hedges:

Table 6.3

Gains/(losses) arising from fair value hedges

in USD millions, for the years ended December 31	**2023**	2022
Gains/(losses)		
on hedging instruments[1]	(31)	(29)
on hedged items attributable to the hedged risk	31	33

1 Excluding current interest income, which is recognized as an offset on the same line as the interest expense of the hedged debt securities.

Consolidated financial statements (continued)

Cash flow hedges

The Group uses interest rate swaps and cross currency swaps for cash flow hedging to protect against the exposure to variability of cash flows attributable to interest rate and currency risk arising predominantly from debt securities. The hedging instrument is measured at fair value, with the effective portion of changes in its fair value recognized in OCI. The effective portion, related to spot rate changes in the fair value of the hedging instrument, is reclassified to profit or loss in the same period or periods in which the hedged expected future cash flows affect profit or loss.

The net change of gains/(losses) deferred in OCI on derivative financial instruments designated as cash flow hedges was USD 5 million and USD (38) million before tax for the years ended December 31, 2023 and 2022, respectively.

The Group recognized hedging gains/(losses) for interest rate risk of USD 1 million and USD (3) million in the consolidated income statements within net investment income on Group investments for the years ended December 31, 2023 and 2022, respectively. The Group also recognized net hedging gains for currency risk of USD 12 million and USD 9 million within other net capital gains/(losses) on Group investments for the years ended December 31, 2023 and 2022 respectively, as an offset to the foreign currency revaluation on the underlying hedged items.

A nil amount for the years ended December 31, 2023 and 2022, was recognized in net capital gains/(losses) and impairments due to hedge ineffectiveness.

Net investment hedges

The Group applies net investment hedge accounting to protect against the effects of changes in exchange rates in its net investments in foreign operations.

Measurement of hedge effectiveness is based on changes in forward rates. Gains and losses on the designated hedging derivative and non-derivative financial instruments related to the effective portion of the hedge are recognized in OCI together with the translation gains and losses on the hedged net investment. The accumulated gains and losses in OCI are reclassified to income on disposal or partial disposal of the foreign operation.

The net change of gains/(losses) deferred in OCI were USD 132 million and USD (41) million before tax for the years ended December 31, 2023 and 2022, respectively, as a result of a hedge relationship by foreign exchange forwards and swaps.

The Group has also designated certain debt issuances as hedging instruments on a non-derivative net investment hedge relationship. The notional amount of these financial instruments was USD 10 billion and USD 12 billion for the years ended December 31, 2023 and 2022. The net gains/(losses) deferred in OCI were USD 783 million and USD 187 million before tax for the years ended December 31, 2023 and 2022, respectively. Information on debt issuances designated as hedging instruments in a net investment hedge relationship is set out in note 17.

Ineffectiveness of net investment hedges of USD 0 million and USD 21 million was recognized in foreign currency translation within other net capital gains/(losses) on Group investments for the year ended December 31, 2023, and within administrative and other operating expenses for the year ended December 31, 2022.

Consolidated financial statements (continued)

Derivative financial instruments: offsetting of financial assets and liabilities

Table 6.4 shows the net asset and liability position of Group derivative financial instruments subject to enforceable master netting arrangements and collateral agreements. Master netting arrangements are used by the Group to provide protection against loss in the event of bankruptcy or other circumstances that result in a counterparty being unable to meet its obligations. These arrangements commonly create a right of offset that becomes enforceable and affects the realization or settlement of individual financial assets and financial liabilities only following a specified event of default or other circumstances which would not be expected to arise in the normal course of business.

Table 6.4

Group derivative financial instruments subject to enforceable master netting arrangements and collateral agreements

in USD millions, as of December 31	Derivative assets		Derivative liabilities	
	2023	2022	**2023**	2022
Netting recognized on the balance sheet				
Gross amounts of financial assets and liabilities[1]	949	786	(1,257)	(1,165)
Cash collateral (received)/pledged that are set off[2]	–	(3)	3	–
Net amount recognized presented in the balance	**949**	**783**	**(1,254)**	**(1,165)**
Netting potential not recognized on the balance sheet				
Related amounts not offset	(151)	(131)	164	106
Cash collateral (received)/pledged[2]	(729)	(612)	496	337
Non-cash collateral (received)/pledged	(2)	(7)	543	709
Net amount[3]	**67**	**32**	**(51)**	**(13)**

1 Includes USD 3.4 million and USD 49.4 million of derivative assets and USD 4.7 million and USD 0 million of derivative liabilities centrally cleared before netting against variation margin as of December 31, 2023 and 2022, respectively.
2 Includes USD 0 million and USD 48.9 million of cash collateral for derivative assets centrally cleared through central counterparty (CCP) as well as USD 2.9 million and USD 0 million derivative liabilities centrally cleared as of December 31, 2023 and 2022, respectively.
3 Includes USD 1.6 million and USD 0.4 million of total potential exposure to centrally cleared derivatives as of December 31, 2023 and 2022, respectively.

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7. Insurance and reinsurance contracts

Insurance and reinsurance contracts presented within this note include (re-)insurance contracts issued, including investment contracts with discretionary participation features and reinsurance contracts held accounted for under the respective accounting policies outlined in note 3.

Portfolios of (re-)insurance contracts issued are presented separately from portfolios of reinsurance contracts held. Portfolios of (re-)insurance contracts issued are presented within insurance contract liabilities, unless such portfolios are in a net asset position, in which case they are reclassified and presented as insurance contract assets. Similarly, portfolios of reinsurance contracts held are presented within reinsurance contract assets, unless such portfolios are in a net liability position, in which case they are reclassified and presented as reinsurance contract liabilities.

Unless specifically indicated, the disclosures within this note exclude the impacts of hyperinflation and are presented separately for groups of (re-)insurance contracts issued and reinsurance contracts held depending on the measurement model (please see note 3 for further details):

- Simplified or premium allocation approach (PAA) – for short-term (re-)insurance contracts issued and reinsurance contracts held that are eligible for PAA;
- General model (BBA) – for non-participating and indirect participating (re-)insurance contracts issued and reinsurance contracts held; and
- Variable fee approach (VFA) – for direct participating insurance contracts issued.

A summary of key financial figures for (re-)insurance contracts issued and reinsurance contracts held are shown in table 7.1a by asset and liability positions and by measurement model applied:

Table 7.1a

Overview of insurance contract issued and reinsurance contract held

in USD millions, as of December 31	**2023**				2022			
	Measured under PAA	**Measured under BBA**	**Measured under VFA**	**Total**	Measured under PAA	Measured under BBA	Measured under VFA	Total
Insurance contract assets	–	(571)	(9)	(580)	–	(668)	(8)	(676)
Insurance contract liabilities	65,694	27,672	123,596	216,962	61,819	29,007	113,011	203,837
Insurance contract (assets)/liabilities	**65,694**	**27,101**	**123,587**	**216,381**	**61,819**	**28,339**	**113,002**	**203,161**
Reinsurance contract assets	(13,903)	(8,039)	–	(21,942)	(12,988)	(6,890)	–	(19,878)
Reinsurance contract liabilities	–	504	–	504	–	367	–	367
Reinsurance contract (assets)/liabilities	**(13,903)**	**(7,535)**	**–**	**(21,438)**	**(12,988)**	**(6,524)**	**–**	**(19,512)**

For (re-)insurance contracts accounted for under PAA, the increase of USD 3 billion for the year ended December 31, 2023 is driven primarily by an increase in the LRC of USD 1 billion and USD 2.2 billion from LIC movements due to currency movements and growth of business. This is offset by net favorable prior year reserve development amounting to USD 654 million, mainly related to the release of risk adjustment and underlying favorable run-off.

For insurance contracts accounted for under BBA, the decrease of USD 1.2 billion for the year ended December 31, 2023 is driven primarily by the recognition of the sale of the annuity book by Inversiones Suizo-Chilena S.A. of USD 2.6 billion partially offset by currency movements of USD 0.6 billion and the insurance finance expense of USD 1.3 billion.

For insurance contracts accounted for under VFA, the increase of USD 10.6 billion for the year ended December 31, 2023 is mainly due to changes in financial market conditions driven by a positive performance on assets of USD 11.7 billion as well as currency movements of USD 5.1 billion, partially offset by net cash outflows of USD 5.3 billion.

For reinsurance contracts accounted for under BBA, the increase of USD 1.0 billion for the year ended December 31,2023 primarily relates to the reinsurance of the in-force individual life book of Farmers New World Life Insurance Company, a subsidiary of Farmers Group, Inc.

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The CSM of the Group included in insurance contract (assets)/liabilities amount to USD 16.7 billion and USD 15.1 billion as of December 31, 2023 and 2022, respectively, and the CSM included in reinsurance contract (assets)/liabilities amounts to USD (4.2) billion and USD (2.9) billion as of December 31, 2023 and 2022, respectively, as shown in Table 7.1b below.

Overview of CSM

Table 7.1b

in USD millions, as of December 31			2023			2022
	Measured under BBA	**Measured under VFA**	**Total**	Measured under BBA	Measured under VFA	Total
CSM included in insurance contract assets	590	39	629	571	32	603
CSM included in insurance contract liabilities	6,825	9,283	16,108	5,775	8,739	14,514
CSM included in insurance contract (assets)/liabilities	**7,415**	**9,322**	**16,737**	**6,346**	**8,771**	**15,117**
CSM included in reinsurance contract assets	(2,802)	–	(2,802)	(2,064)	–	(2,064)
CSM included in reinsurance contract liabilities	(1,428)	–	(1,428)	(235)	–	(235)
CSM included in reinsurance contract (assets)/liabilities	**(4,230)**	**–**	**(4,230)**	**(2,299)**	**–**	**(2,299)**

Consolidated financial statements (continued)

Reconciliation of insurance contracts issued, measured under PAA – current period

Table 7.2a

in USD millions	Liability for remaining coverage		Liability for incurred claims			
	Excluding loss component	Loss component	Estimate of the present value of future cash flows	Risk adjustment	Assets for insurance acquisition cash flows[1]	Total[1]
Insurance contract liabilities, as of January 1, 2023	8,658	334	51,890	1,453	(542)	61,793
Insurance contract assets, as of January 1, 2023	–	–	–	–	–	–
Net insurance contracts as of January 1, 2023	8,658	334	51,890	1,453	(542)	61,793
Insurance revenue	(45,950)	–	–	–	–	(45,950)
Insurance service expenses						
Incurred claims and other incurred insurance service expenses	–	–	33,357	398	–	33,755
Amortization of insurance acquisition cash flows	6,703	–	–	–	–	6,703
Changes that relate to past service	–	–	(36)	(635)	–	(671)
Losses and reversal of losses on onerous contracts	–	(89)	–	–	–	(89)
Impairment and reversal of impairment of assets for insurance acquisition cash flows	–	–	–	–	(19)	(19)
Insurance service expenses	6,703	(89)	33,321	(237)	(19)	39,679
Total gross insurance service result	(39,247)	(89)	33,321	(237)	(19)	(6,272)
Cash in/(out)flows in the period						
Premiums received	47,593	–	–	–	–	47,593
Insurance acquisition cash flows	(7,086)	–	–	–	(326)	(7,412)
Claims and other insurance service expenses paid, including investment components	–	–	(33,636)	–	–	(33,636)
Net cash inflows/(outflows)	40,507	–	(33,636)	–	(326)	6,545
Allocation from assets for insurance acquisition cash flows to insurance contracts	(288)	–	–	–	288	–
Investment components	(324)	–	324	–	–	–
Insurance finance (income)/expense recognized in P&L	92	–	1,138	29	–	1,258
Insurance finance (income)/expense recognized in OCI	–	–	1,318	44	–	1,362
Acquisitions/(divestments) and transfers	1	–	27	–	–	28
Foreign currency translation effects	254	13	1,045	22	(45)	1,288
Other changes[2]	(60)	1	(250)	(1)	–	(309)
Total changes not related to provision of insurance service	(324)	14	3,601	94	243	3,627
Insurance contract liabilities, as of December 31, 2023	9,595	259	55,176	1,310	(645)	65,694
Insurance contract assets, as of December 31, 2023	–	–	–	–	–	–
Net insurance contracts as of December 31, 2023	**9,595**	**259**	**55,176**	**1,310**	**(645)**	**65,694**

1 January 1, 2023 balances are impacted by hyperinflation, please see note 1 for details.
2 Other changes mainly driven by non-recurring IFRS 9 balance sheet transition adjustments, hyperinflation adjustments and US reclassification of deductible receivables to insurance contract liabilities.

Consolidated financial statements (continued)

Reconciliation of insurance contracts issued, measured under PAA – prior period

Table 7.2b

in USD millions	Liability for remaining coverage: Excluding loss component	Liability for remaining coverage: Loss component	Liability for incurred claims: Estimate of the present value of future cash flows	Liability for incurred claims: Risk adjustment	Assets for insurance acquisition cash flows	Total
Insurance contract liabilities, as of January 1, 2022	7,853	381	57,692	1,305	(512)	66,720
Insurance contract assets, as of January 1, 2022	–	–	–	–	–	–
Net insurance contracts as of January 1, 2022	7,853	381	57,692	1,305	(512)	66,720
Insurance revenue	(41,343)	–	–	–	–	(41,343)
Insurance service expenses						
Incurred claims and other incurred insurance service expenses	–	–	29,288	402	–	29,691
Amortization of insurance acquisition cash flows	6,077	–	–	–	–	6,077
Changes that relate to past service	–	–	(320)	(104)	–	(423)
Losses and reversal of losses on onerous contracts	–	(36)	–	–	–	(36)
Impairment and reversal of impairment of assets for insurance acquisition cash flows	–	–	–	–	45	45
Insurance service expenses	6,077	(36)	28,969	299	45	35,354
Total gross insurance service result	(35,266)	(36)	28,969	299	45	(5,989)
Cash in/(out)flows in the period						
Premiums received	43,239	–	–	–	–	43,239
Insurance acquisition cash flows	(6,534)	–	–	–	(177)	(6,711)
Claims and other insurance service expenses paid, including investment components	–	–	(28,881)	–	–	(28,881)
Net cash inflows/(outflows)	36,705	–	(28,881)	–	(177)	7,648
Allocation from assets for insurance acquisition cash flows to insurance contracts	(133)	–	–	–	133	–
Investment components	(280)	–	280	–	–	–
Insurance finance (income)/expense recognized in P&L	43	–	470	9	–	522
Insurance finance (income)/expense recognized in OCI	–	–	(5,117)	(123)	–	(5,240)
Acquisitions/(divestments) and transfers[1]	(12)	–	99	–	–	87
Foreign currency translation effects	(239)	(11)	(1,731)	(40)	4	(2,017)
Other changes[2]	(12)	–	109	3	(8)	91
Total changes not related to provision of insurance service	(634)	(11)	(5,891)	(151)	128	(6,558)
Insurance contract liabilities, as of December 31, 2022	8,658	334	51,890	1,453	(516)	61,819
Insurance contract assets, as of December 31, 2022	–	–	–	–	–	–
Net insurance contracts as of December 31, 2022	**8,658**	**334**	**51,890**	**1,453**	**(516)**	**61,819**

1 In 2022, movement is related to the sale of Joint Stock Company Insurance Company (Zurich Russia) and the reclassification of reserves to liabilities held for sale of Zurich Insurance plc (Spain Medical Malpractice portfolio and UK Employers' liability portfolio) (see note 4).
2 Other changes related to balance sheet reclassifications during the transition period.

Consolidated financial statements (continued)

Reconciliation of reinsurance contracts held, measured under PAA – current period

Table 7.3a

in USD millions	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimate of the present value of the future cash flows	Risk adjustment	Total
Reinsurance contract assets, as of January 1, 2023	1,773	16	10,909	290	12,988
Reinsurance contract liabilities, as of January 1, 2023	–	–	–	–	–
Net reinsurance contracts as of January 1, 2023	1,773	16	10,909	290	12,988
Reinsurance premiums	(7,886)	–	–	–	(7,886)
Amounts recovered from reinsurance					
Recoveries of incurred claims and other insurance service expenses	–	–	5,120	96	5,216
Changes to recoveries of incurred claims that relate to past service	–	–	110	(127)	(17)
Changes that relate to onerous underlying contracts	–	(5)	–	–	(5)
Changes that relate to future services	1	–	–	–	1
Amounts recovered from reinsurance	1	(5)	5,231	(31)	5,196
Total reinsurance service result	(7,885)	(5)	5,231	(31)	(2,690)
Cash (in)/outflows in the period					
Reinsurance premiums paid	7,740	–	–	–	7,740
Amounts received under reinsurance contracts held, including investment components	–	–	(4,946)	–	(4,946)
Net cash (inflows)/outflows	7,740	–	(4,946)	–	2,794
Reinsurance finance income/(expense) recognized in P&L	51	–	282	7	340
Reinsurance finance income/(expense) recognized in OCI	5	–	247	9	260
Acquisitions/(divestments) and transfers	3	–	12	–	15
Foreign currency translation effects	43	–	134	2	178
Other changes	19	–	(1)	(1)	17
Total changes not related to provision of reinsurance services	121	–	674	16	811
Reinsurance contract assets, as of December 31, 2023	1,749	12	11,868	275	13,903
Reinsurance contract liabilities, as of December 31, 2023	–	–	–	–	–
Net reinsurance contracts as of December 31, 2023	**1,749**	**12**	**11,868**	**275**	**13,903**

Consolidated financial statements (continued)

Reconciliation of reinsurance contracts held, measured under PAA – prior period

Table 7.3b

in USD millions	Assets for remaining coverage		Assets for incurred claims		
	Excluding loss-recovery component	Loss-recovery component	Estimate of the present value of the future cash flows	Risk adjustment	Total
Reinsurance contract assets, as of January 1, 2022	1,903	39	11,345	240	13,526
Reinsurance contract liabilities, as of January 1, 2022	–	–	–	–	–
Net reinsurance contracts as of January 1, 2022	1,903	39	11,345	240	13,526
Reinsurance premiums	(7,266)	–	–	–	(7,266)
Amounts recovered from reinsurance					
Recoveries of incurred claims and other insurance service expenses	–	–	4,296	92	4,388
Changes to recoveries of incurred claims that relate to past service	–	–	(56)	(19)	(76)
Changes that relate to onerous underlying contracts	–	(23)	–	–	(23)
Changes that relate to future services	3	–	–	–	3
Amounts recovered from reinsurance	3	(23)	4,240	73	4,293
Total reinsurance service result	(7,263)	(23)	4,240	73	(2,973)
Cash (in)/outflows in the period					
Reinsurance premiums paid	7,077	–	–	–	7,077
Amounts received under reinsurance contracts held, including investment components	–	–	(3,883)	–	(3,883)
Net cash (inflows)/outflows	7,077	–	(3,883)	–	3,194
Reinsurance finance income/(expense) recognized in P&L	(16)	–	123	3	110
Reinsurance finance income/(expense) recognized in OCI	(10)	–	(718)	(20)	(748)
Acquisitions/(divestments) and transfers[1]	81	–	43	–	124
Foreign currency translation effects	(27)	–	(236)	(6)	(268)
Other changes[2]	27	–	(5)	1	23
Total changes not related to provision of reinsurance services	56	–	(792)	(22)	(759)
Reinsurance contract assets, as of December 31, 2022	1,773	16	10,909	290	12,988
Reinsurance contract liabilities, as of December 31, 2022	–	–	–	–	–
Net reinsurance contracts as of December 31, 2022	**1,773**	**16**	**10,909**	**290**	**12,988**

1 In 2022, movement is related to the sale of Joint Stock Company Insurance Company (Zurich Russia) and the reclassification of reserves to assets held for sale of Zurich Insurance plc (Spain Medical Malpractice portfolio and UK Employers' liability portfolio) (see note 4).
2 Other changes related to balance sheet reclassifications during the transition period.

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Development of insurance losses, measured under the PAA, net

Table 7.4

in USD millions, as of December 31	2014	2015	2016	2017	2018	2019	2020	2021	2022	**2023**
Undiscounted liabilities for incurred claims, net of reinsurance	54,703	53,739	52,458	55,623	50,627	48,223	50,094	50,031	50,091	53,259
Effects of discounting									(9,110)	(9,951)
Effect of the risk adjustment for non-financial risk									1,163	1,035
Total liabilities for incurred claims, net of reinsurance	54,703	53,739	52,458	55,623	50,627	48,223	50,094	50,031	42,143	44,343
Cumulative claims paid, net of reinsurance:										
One year later	*(12,576)*	*(11,690)*	*(10,994)*	*(11,586)*	*(10,831)*	*(9,921)*	*(9,756)*	*(10,592)*	*(11,665)*	
Two years later	*(19,460)*	*(18,562)*	*(17,808)*	*(18,277)*	*(16,727)*	*(15,594)*	*(15,858)*	*(16,995)*		
Three years later	*(24,475)*	*(23,590)*	*(22,540)*	*(22,606)*	*(20,805)*	*(20,285)*	*(20,732)*			
Four years later	*(28,105)*	*(27,106)*	*(25,764)*	*(25,662)*	*(24,348)*	*(24,188)*				
Five years later	*(30,667)*	*(29,569)*	*(28,012)*	*(28,222)*	*(27,439)*					
Six years later	*(32,375)*	*(31,167)*	*(29,902)*	*(30,599)*						
Seven years later	*(33,639)*	*(32,588)*	*(31,729)*							
Eight years later	*(34,720)*	*(34,054)*								
Nine years later	*(35,895)*									
Undiscounted liabilities for incurred claims re-estimated, net of reinsurance:										
One year later	*54,852*	*53,260*	*52,131*	*54,949*	*50,044*	*47,815*	*49,494*	*49,958*	*49,889*	
Two years later	*54,677*	*52,633*	*51,415*	*54,108*	*49,197*	*47,150*	*49,247*	*49,792*		
Three years later	*54,265*	*52,073*	*50,462*	*53,251*	*48,610*	*47,021*	*49,204*			
Four years later	*53,880*	*51,337*	*49,538*	*52,597*	*48,180*	*47,086*				
Five years later	*53,321*	*50,482*	*48,971*	*52,040*	*48,158*					
Six years later	*52,657*	*50,076*	*48,418*	*51,885*						
Seven years later	*52,359*	*49,712*	*48,275*							
Eight years later	*52,047*	*49,596*								
Nine years later	*52,077*									

Table 7.4 summarizes the cumulative paid claims compared with previous estimates of the undiscounted amount of the incurred claims, net of reinsurance. The Group presents the information by financial year, not by accident year (i.e., insurance losses and the development thereof are for all accident years in that financial year).

The top section of the table shows the estimated undiscounted amount of future payments for losses and loss adjustment expenses incurred in that year and in prior years and the corresponding effects of discounting and risk adjustment for non-financial risk, which correspond to the liabilities for incurred claims (LIC), net of reinsurance, as of December 31, 2023 and 2022.

The cumulative claims paid, net of reinsurance section of the table presents the cumulative amounts paid in each subsequent year in respect of the LIC established at each year end. The undiscounted liabilities for incurred claims re-estimated, net of reinsurance, show the re-estimation of the initially recorded liabilities as of each subsequent year end. The amounts are presented gross of non-distinct investment component. The figures disclosed in this table for information published from 2021 and prior are as published previously and have not been restated for changes resulting from the application of IFRS 17. The effects from the application of IFRS 17 did not have a material effect and were primarily attributable to scope changes (e.g., incurred claims and expenses from short-term life insurance contracts were previously not included).

Changes to incurred claims estimates are made as more information becomes known about the actual insurance losses for which the initial LIC were established. Conditions and trends that have affected the development of insurance losses in the past may or may not necessarily occur in the future, and accordingly, conclusions about future results cannot be derived from the information presented in this table.

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Consolidated financial statements (continued)

Reconciliation of insurance contracts issued, measured under BBA – current period

Table 7.5a

in USD millions	Liability for remaining coverage: Excluding loss component	Liability for remaining coverage: Loss component	Liability for incurred claims	Assets for insurance acquisition cash flows	Total
Insurance contract liabilities, as of January 1, 2023	22,577	1,780	4,652	(2)	29,007
Insurance contract assets, as of January 1, 2023	(489)	2	586	(766)	(668)
Net insurance contracts, as of January 1, 2023	22,088	1,782	5,237	(768)	28,339
Insurance revenue					
Insurance revenue	(6,360)	–	–	–	(6,360)
Insurance service expenses					
Incurred claims and other incurred insurance service expenses	–	–	4,477	–	4,477
Amortization of insurance acquisition cash flows	629	–	–	–	629
Changes that relate to past services	–	–	166	–	166
Losses on onerous contracts and reversal of those losses	–	(205)	–	–	(205)
Impairment and reversal of impairment of assets for insurance acquisition cash flows	–	–	–	1	1
Insurance service expenses	629	(205)	4,643	1	5,067
Total gross insurance service result	(5,732)	(205)	4,643	1	(1,293)
Cash in/(out)flows in the period					
Premiums received	9,193	–	–	–	9,193
Insurance acquisition cash flows	(882)	–	–	(137)	(1,018)
Claims and other insurance service expenses paid, including investment components	13	–	(7,433)	–	(7,420)
Net cash inflows/(outflows)	8,325	–	(7,433)	(137)	755
Allocation from assets for insurance acquisition cash flows	(106)	–	–	106	–
Investment components	(2,901)	–	2,901	–	–
Insurance finance (income)/expenses recognized in P&L	634	66	91	–	791
Insurance finance (income)/expenses recognized in OCI	523	–	5	–	529
Acquisitions/(divestments) and transfers[1]	(2,463)	(164)	–	–	(2,626)
Foreign currency translation effects	462	7	99	(3)	566
Other changes	35	7	(2)	–	40
Total changes not related to provision of insurance services	(3,814)	(84)	3,094	103	(700)
Insurance contract liabilities, as of December 31, 2023	21,278	1,491	4,908	(5)	27,672
Insurance contract assets, as of December 31, 2023	(411)	3	634	(797)	(571)
Net insurance contracts, as of December 31, 2023	**20,867**	**1,494**	**5,542**	**(802)**	**27,101**

1 In 2023, the decrease related to an agreement entered into by Inversiones Suizo-Chilena S.A. to sell the annuity book of Zurich Chile Seguros de Vida S.A. (see note 4).

Consolidated financial statements (continued)

Reconciliation of insurance contracts issued, measured under BBA – prior period

Table 7.5b

in USD millions	Liability for remaining coverage – Excluding loss component	Liability for remaining coverage – Loss component	Liability for incurred claims	Assets for insurance acquisition cash flows	Total
Insurance contract liabilities, as of January 1, 2022	25,708	1,466	6,883	(162)	33,895
Insurance contract assets, as of January 1, 2022	(613)	–	278	(377)	(712)
Net insurance contracts, as of January 1, 2022	25,095	1,466	7,161	(540)	33,183
Insurance revenue					
Insurance revenue	(5,983)	–	–	–	(5,983)
Insurance service expenses					
Incurred claims and other incurred insurance service expenses	–	–	4,372	–	4,372
Amortization of insurance acquisition cash flows	581	–	–	–	581
Changes that relate to past services	–	–	23	–	23
Losses on onerous contracts and reversal of those losses	–	375	–	–	375
Impairment and reversal of impairment of assets for insurance acquisition cash flows	–	–	–	8	8
Insurance service expenses	581	375	4,396	8	5,360
Total gross insurance service result	(5,402)	375	4,396	8	(623)
Cash in/(out)flows in the period					
Premiums received	7,607	–	–	–	7,607
Insurance acquisition cash flows	(772)	–	–	(111)	(884)
Claims and other insurance service expenses paid, including investment components	(4)	–	(6,162)	–	(6,166)
Net cash inflows/(outflows)	6,831	–	(6,162)	(111)	557
Allocation from assets for insurance acquisition cash flows	(100)	–	–	100	–
Investment components	(1,818)	–	1,818	–	–
Insurance finance (income)/expenses recognized in P&L	560	15	(208)	–	367
Insurance finance (income)/expenses recognized in OCI	(3,903)	–	(98)	–	(4,001)
Acquisitions/(divestments) and transfers	(13)	–	–	–	(13)
Foreign currency translation effects	(1,165)	(113)	(302)	41	(1,539)
Other changes[1]	2,004	38	(1,368)	(266)	408
Total changes not related to provision of insurance services	(4,436)	(60)	(157)	(125)	(4,778)
Insurance contract liabilities, as of December 31, 2022	22,577	1,780	4,652	(2)	29,007
Insurance contract assets, as of December 31, 2022	(489)	2	586	(766)	(668)
Net insurance contracts, as of December 31, 2022	**22,088**	**1,782**	**5,237**	**(768)**	**28,339**

1 Other changes mainly consisted of non-recurring IFRS 17 transition and other cumulative adjustments recorded during the transition period.

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Reconciliation of measurement components of insurance contracts issued, measured under BBA – current period

Table 7.6a

in USD millions	Present value of future cash flows	Risk adjustment	Contractual service margin	Total
Insurance contract liabilities, as of January 1, 2023	21,268	1,964	5,775	29,007
Insurance contract assets, as of January 1, 2023	(1,401)	163	571	(668)
Net insurance contracts, as of January 1, 2023	19,867	2,127	6,346	28,339
Changes that relate to future services				
Changes in estimates that adjust the CSM	(593)	(31)	625	–
Changes in estimates that result in onerous contract losses or reversal of losses	105	(236)	–	(131)
Contracts initially recognized in the period	(1,601)	294	1,319	12
Changes that relate to current services				
CSM recognized for the services provided	–	–	(1,071)	(1,071)
Risk adjustment recognized for the risk expired	–	(179)	–	(179)
Experience adjustments	(89)	–	–	(89)
Changes that relate to past services				
Changes in fulfilment cash flows relating to incurred claims	198	(32)	–	166
Changes related to provision of insurance services	(1,982)	(184)	873	(1,293)
Cash in/(out)flows in the period				
Premiums received	9,193	–	–	9,193
Insurance acquisition cash flows	(1,018)	–	–	(1,018)
Claims and other insurance service expenses paid, including investment components	(7,420)	–	–	(7,420)
Net cash inflows/(outflows)	755	–	–	755
Insurance finance (income)/expenses	1,079	126	115	1,319
Foreign currency translation effects	496	(25)	96	566
Other changes[1]	(2,540)	(32)	(14)	(2,586)
Total changes not related to provision of insurance services	(966)	68	197	(700)
Insurance contract liabilities, as of December 31, 2023	19,014	1,833	6,825	27,672
Insurance contract assets, as of December 31, 2023	(1,339)	178	590	(571)
Net insurance contracts, as of December 31, 2023	**17,675**	**2,011**	**7,415**	**27,101**

1 In 2023, the decrease mainly related to an agreement entered into by Inversiones Suizo-Chilena S.A. to sell the annuity book of Zurich Chile Seguros de Vida S.A. (see note 4).

Consolidated financial statements (continued)

Reconciliation of measurement components of insurance contracts issued, measured under BBA – prior period

Table 7.6b

in USD millions	Present value of future cash flows	Risk adjustment	Contractual service margin	Total
Insurance contract liabilities, as of January 1, 2022	27,511	2,314	4,070	33,895
Insurance contract assets, as of January 1, 2022	(2,550)	377	1,461	(712)
Net insurance contracts, as of January 1, 2022	24,961	2,690	5,531	33,183
Changes that relate to future services				
Changes in estimates that adjust the CSM	(226)	(133)	358	–
Changes in estimates that result in onerous contract losses or reversal of losses	419	7	–	426
Contracts initially recognized in the period	(1,055)	192	912	49
Changes that relate to current services				
CSM recognized for the services provided	–	–	(987)	(987)
Risk adjustment recognized for the risk expired	–	(180)	–	(180)
Experience adjustments	45	–	–	45
Changes that relate to past services				
Changes in fulfilment cash flows relating to incurred claims	66	(43)	–	23
Changes related to provision of insurance services	(751)	(156)	284	(623)
Cash in/(out)flows in the period				
Premiums received	7,607	–	–	7,607
Insurance acquisition cash flows	(884)	–	–	(884)
Claims and other insurance service expenses paid, including investment components	(6,166)	–	–	(6,166)
Net cash inflows/(outflows)	557	–	–	557
Insurance finance (income)/expenses	(3,298)	(401)	65	(3,634)
Foreign currency translation effects	(956)	(214)	(369)	(1,539)
Other changes[1]	(647)	207	835	395
Total changes not related to provision of insurance services	(4,901)	(408)	531	(4,778)
Insurance contract liabilities, as of December 31, 2022	21,268	1,964	5,775	29,007
Insurance contract assets, as of December 31, 2022	(1,401)	163	571	(668)
Net insurance contracts, as of December 31, 2022	**19,867**	**2,127**	**6,346**	**28,339**

1 Other changes mainly consisted of non-recurring IFRS 17 transition and other cumulative adjustments recorded during the transition period.

Consolidated financial statements (continued)

Reconciliation of insurance contracts issued, measured under VFA – current period

Table 7.7a

in USD millions	Liability for remaining coverage			
	Excluding loss component	Loss component	Liability for incurred claims	Total
Insurance contract liabilities, as of January 1, 2023	111,688	107	1,215	113,011
Insurance contract assets, as of January 1, 2023	(8)	–	–	(8)
Net insurance contracts, as of January 1, 2023	111,680	107	1,215	113,002
Insurance revenue				
Insurance revenue	(3,766)	–	–	(3,766)
Insurance service expenses				
Incurred claims and other incurred insurance service expenses	–	–	2,152	2,152
Amortization of insurance acquisition cash flows	556	–	–	556
Changes that relate to past services	–	–	(30)	(30)
Losses on onerous contracts and reversal of those losses	–	(12)	–	(12)
Insurance service expenses	556	(12)	2,123	2,667
Total gross insurance service result	(3,210)	(12)	2,123	(1,099)
Cash in/(out)flows in the period				
Premiums received	11,191	–	–	11,191
Insurance acquisition cash flows	(505)	–	–	(505)
Claims and other insurance service expenses paid, including investment components	(33)	–	(15,958)	(15,991)
Net cash inflows/(outflows)	10,654	–	(15,958)	(5,305)
Investment components	(13,910)	–	13,910	–
Insurance finance (income)/expenses recognized in P&L	9,320	11	7	9,337
Insurance finance (income)/expenses recognized in OCI	2,362	–	–	2,362
Acquisitions/(divestments) and transfers	374	–	(14)	360
Foreign currency translation effects	5,102	–	28	5,130
Other changes	(214)	–	13	(201)
Total changes not related to provision of insurance services	3,034	11	13,944	16,989
Insurance contract liabilities, as of December 31, 2023	122,167	106	1,324	123,596
Insurance contract assets, as of December 31, 2023	(9)	–	–	(9)
Net insurance contracts, as of December 31, 2023	**122,157**	**106**	**1,324**	**123,587**

Consolidated financial statements (continued)

Reconciliation of insurance contracts issued, measured under VFA – prior period

Table 7.7b

in USD millions	Liability for remaining coverage – Excluding loss component	Liability for remaining coverage – Loss component	Liability for incurred claims	Total
Insurance contract liabilities, as of January 1, 2022	160,083	60	1,884	162,026
Insurance contract assets, as of January 1, 2022	(8)	–	–	(8)
Net insurance contracts, as of January 1, 2022	160,075	60	1,884	162,018
Insurance revenue				
Insurance revenue	(3,433)	–	–	(3,433)
Insurance service expenses				
Incurred claims and other incurred insurance service expenses	–	–	2,179	2,179
Amortization of insurance acquisition cash flows	544	–	–	544
Changes that relate to past services	–	–	(56)	(56)
Losses on onerous contracts and reversal of those losses	–	56	–	56
Insurance service expenses	544	56	2,122	2,722
Total gross insurance service result	(2,889)	56	2,122	(711)
Cash in/(out)flows in the period				
Premiums received	11,326	–	–	11,326
Insurance acquisition cash flows	(579)	–	–	(579)
Claims and other insurance service expenses paid, including investment components	7	–	(13,783)	(13,776)
Net cash inflows/(outflows)	10,755	–	(13,783)	(3,028)
Investment components	(11,448)	–	11,448	–
Insurance finance (income)/expenses recognized in P&L	(5,800)	1	(103)	(5,902)
Insurance finance (income)/expenses recognized in OCI	(13,965)	–	–	(13,965)
Acquisitions/(divestments) and transfers[1]	(17,666)	2	99	(17,565)
Foreign currency translation effects	(7,736)	(3)	(21)	(7,760)
Other change[2]	353	(8)	(431)	(85)
Total changes not related to provision of insurance services	(56,261)	(8)	10,992	(45,277)
Insurance contract liabilities, as of December 31, 2022	111,688	107	1,215	113,011
Insurance contract assets, as of December 31, 2022	(8)	–	–	(8)
Net insurance contracts, as of December 31, 2022	**111,680**	**107**	**1,215**	**113,002**

1 In 2022, movement is mainly related to agreements entered into by Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft to sell its legacy traditional life insurance book and Zurich Investments Life S.p.A. to sell part of its life and pension back book (see note 4).
2 Other changes mainly consisted of non-recurring IFRS 17 transition and other cumulative adjustments recorded during the transition period.

Consolidated financial statements (continued)

Reconciliation of measurement components of insurance contracts issued, measured under VFA – current period

Table 7.8a

in USD millions	Present value of future cash flows	Risk adjustment	Contractual service margin	Total
Insurance contract liabilities, as of January 1, 2023	103,755	517	8,739	113,011
Insurance contract assets, as of January 1, 2023	(42)	1	32	(8)
Net insurance contracts, as of January 1, 2023	103,713	518	8,771	113,002
Changes that relate to future services				
Changes in estimates that adjust the CSM	(553)	119	434	–
Changes in estimates that result in onerous contract losses or reversal of losses	(7)	2	–	(5)
Contracts initially recognized in the period	(342)	23	324	5
Changes that relate to current services				
CSM recognized for the services provided	–	–	(824)	(824)
Risk adjustment recognized for the risk expired	–	(43)	–	(43)
Experience adjustments	(203)	–	–	(203)
Changes that relate to past services				
Changes in fulfilment cash flows relating to incurred claims	(29)	–	–	(30)
Changes related to provision of insurance services	(1,134)	101	(66)	(1,099)
Cash in/(out)flows in the period				
Premiums received	11,191	–	–	11,191
Insurance acquisition cash flows	(505)	–	–	(505)
Claims and other insurance service expenses paid, including investment components	(15,991)	–	–	(15,991)
Net cash inflows/(outflows)	(5,305)	–	–	(5,305)
Insurance finance (income)/expenses	11,682	17	–	11,699
Foreign currency translation effects	4,517	40	574	5,130
Other changes	102	14	43	159
Total changes not related to provision of insurance services	16,301	71	617	16,989
Insurance contract liabilities, as of December 31, 2023	113,624	689	9,283	123,596
Insurance contract assets, as of December 31, 2023	(49)	1	39	(9)
Net insurance contracts, as of December 31, 2023	**113,575**	**690**	**9,322**	**123,587**

Consolidated financial statements (continued)

Reconciliation of measurement components of insurance contracts issued, measured under VFA – prior period

Table 7.8b

in USD millions	Present value of future cash flows	Risk adjustment	Contractual service margin	Total
Insurance contract liabilities, as of January 1, 2022	150,356	727	10,943	162,026
Insurance contract assets, as of January 1, 2022	(41)	1	32	(8)
Net insurance contracts, as of January 1, 2022	150,315	728	10,975	162,018
Changes that relate to future services				
Changes in estimates that adjust the CSM	1,073	(101)	(973)	–
Changes in estimates that result in onerous contract losses or reversal of losses	58	(6)	–	52
Contracts initially recognized in the period	(372)	31	351	10
Changes that relate to current services				
CSM recognized for the services provided	–	–	(835)	(835)
Risk adjustment recognized for the risk expired	–	(47)	–	(47)
Experience adjustments	166	–	–	166
Changes that relate to past services				
Changes in fulfilment cash flows relating to incurred claims	(56)	–	–	(56)
Changes related to provision of insurance services	868	(122)	(1,457)	(711)
Cash in/(out)flows in the period				
Premiums received	11,326	–	–	11,326
Insurance acquisition cash flows	(579)	–	–	(579)
Claims and other insurance service expenses paid, including investment components	(13,776)	–	–	(13,776)
Net cash inflows/(outflows)	(3,028)	–	–	(3,028)
Insurance finance (income)/expenses	(19,849)	(18)	–	(19,867)
Foreign currency translation effects	(7,277)	(34)	(450)	(7,760)
Other changes[1,2]	(17,316)	(36)	(298)	(17,650)
Total changes not related to provision of insurance services	(44,442)	(87)	(748)	(45,277)
Insurance contract liabilities, as of December 31, 2022	103,755	517	8,739	113,011
Insurance contract assets, as of December 31, 2022	(42)	1	32	(8)
Net insurance contracts, as of December 31, 2022	**103,713**	**518**	**8,771**	**113,002**

1 In 2022, movement is mainly related to agreements entered into by Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft to sell its legacy traditional life insurance book and Zurich Investments Life S.p.A. to sell part of its life and pension back book (see note 4).
2 Other changes mainly consisted of non-recurring IFRS 17 transition and other cumulative adjustments recorded during the transition period.

FV of the underlying items for participating contracts

Table 7.9

in USD millions, for the years ended December 31	**2023**	2022
Cash and cash equivalents	(1,633)	(1,748)
Equity securities	(3,177)	(3,441)
Debt securities	(23,474)	(22,249)
Mortgage loans	(3,020)	(3,297)
Other investments	(1,858)	(1,048)
Unit-linked investments	(81,649)	(72,471)
Real estate	(7,288)	(7,886)
Other assets and liabilities	(1,850)	(2,333)
Total	**(123,948)**	**(114,473)**

Consolidated financial statements (continued)

Reconciliation of reinsurance contracts held, measured under BBA – current period

Table 7.10a

in USD millions	Assets for remaining coverage Excluding loss-recovery component	Assets for remaining coverage Loss-recovery component	Assets for incurred claims	Total
Reinsurance contract assets, as of January 1, 2023	5,158	171	1,561	6,890
Reinsurance contract liabilities, as of January 1, 2023	(436)	–	70	(367)
Net reinsurance contracts, as of January 1, 2023	4,722	171	1,631	6,524
Reinsurance premiums	(1,349)	–	–	(1,349)
Amounts recovered from reinsurance				
Recoveries of incurred claims and other insurance service expense	3	–	1,039	1,042
Changes to recoveries of incurred claims that relate to past services	–	–	21	21
Changes that relate to onerous underlying contracts	–	(4)	–	(4)
Amounts recovered from reinsurance	3	(4)	1,060	1,059
Total reinsurance service result	(1,347)	(4)	1,060	(291)
Cash (in)/outflows in the period				
Reinsurance premiums paid	2,412	–	–	2,412
Amounts received under reinsurance contracts held, including investment components	5	–	(1,382)	(1,378)
Net cash (inflows)/outflows	2,417	–	(1,382)	1,035
Reinsurance investment components	(458)	–	458	–
Effect of changes in the risk of non-performance of reinsurers	5	–	(4)	1
Reinsurance finance income/(expenses) recognized in P&L	125	5	8	138
Reinsurance finance income/(expenses) recognized in OCI	(19)	–	–	(19)
Acquisitions/(divestments) and transfers	(6)	–	–	(6)
Foreign currency translation effects	27	2	11	40
Other changes	(5)	–	118	114
Total changes not related to reinsurance services received	(331)	7	591	267
Reinsurance contract assets, as of December 31, 2023	6,112	174	1,753	8,039
Reinsurance contract liabilities, as of December 31, 2023	(650)	–	146	(504)
Net reinsurance contracts, as of December 31, 2023	**5,462**	**174**	**1,899**	**7,535**

Consolidated financial statements (continued)

Reconciliation of reinsurance contracts held, measured under BBA – prior period

Table 7.10b

in USD millions	Assets for remaining coverage – Excluding loss-recovery component	Assets for remaining coverage – Loss-recovery component	Assets for incurred claims	Total
Reinsurance contract assets, as of January 1, 2022	4,349	156	2,177	6,682
Reinsurance contract liabilities, as of January 1, 2022	(269)	–	119	(150)
Net reinsurance contracts, as of January 1, 2022	4,080	156	2,296	6,532
Reinsurance premiums	(1,141)	–	–	(1,141)
Amounts recovered from reinsurance				
Recoveries of incurred claims and other insurance service expense	–	–	958	958
Changes to recoveries of incurred claims that relate to past services	–	–	4	4
Changes that relate to onerous underlying contracts	–	33	–	33
Amounts recovered from reinsurance	–	33	962	996
Total reinsurance service result	(1,141)	33	962	(146)
Cash (in)/outflows in the period				
Reinsurance premiums paid	1,132	–	–	1,132
Amounts received under reinsurance contracts held, including investment components	29	–	(1,218)	(1,189)
Net cash (inflows)/outflows	1,161	–	(1,218)	(57)
Reinsurance investment components	(288)	–	288	–
Effect of changes in the risk of non-performance of reinsurers	5	–	–	5
Reinsurance finance income/(expenses) recognized in P&L	87	1	(14)	74
Reinsurance finance income/(expenses) recognized in OCI	201	–	(6)	195
Acquisitions/(divestments) and transfers	3	–	–	3
Foreign currency translation effects	(81)	(11)	(77)	(169)
Other changes[1]	696	(8)	(601)	87
Total changes not related to reinsurance services received	623	(18)	(409)	195
Reinsurance contract assets, as of December 31, 2022	5,158	171	1,561	6,890
Reinsurance contract liabilities, as of December 31, 2022	(436)	–	70	(367)
Net reinsurance contracts, as of December 31, 2022	**4,722**	**171**	**1,631**	**6,524**

1 Other changes mainly consisted of non-recurring IFRS 17 transition and other cumulative adjustments recorded during the transition period.

Consolidated financial statements (continued)

Reconciliation of measurement components of reinsurance contracts held, measured under BBA – current period

Table 7.11a

in USD millions	Estimate of the present value of the future cash flows	Risk adjustment	Contractual service margin	Total
Reinsurance contract assets, as of January 1, 2023	4,451	376	2,064	6,890
Reinsurance contract liabilities, as of January 1, 2023	(625)	24	235	(367)
Net reinsurance contracts, as of January 1, 2023	3,825	400	2,299	6,524
Changes that relate to future services				
Changes in estimates that adjust the CSM	277	(10)	(267)	–
Changes in estimates that relates to loss-recovery and reversal of loss-recovery on onerous underlying contracts	21	(9)	–	11
Contracts initially recognized in the period[1]	(2,755)	450	2,305	–
Changes that relate to current services				
CSM recognized in P&L for services received	–	–	(262)	(262)
Changes in the risk adjustment for non-financial risk	–	(40)	–	(40)
Experience adjustments	(22)	–	–	(22)
Changes that relate to past services				
Changes that relate to assets for incurred claims	31	(11)	–	21
Changes related to reinsurance services received	(2,448)	380	1,777	(291)
Cash (in)/outflows in the period				
Reinsurance premiums paid	2,412	–	–	2,412
Amounts received under reinsurance contracts held, including investment components	(1,378)	–	–	(1,378)
Net cash (inflows)/outflows	1,035	–	–	1,035
Effect of changes in the risk of non-performance of reinsurers	1	–	–	1
Reinsurance finance income/(expenses)	(16)	47	88	118
Foreign currency translation effects	(32)	8	63	40
Other changes	104	–	3	108
Total changes not related to reinsurance services received	57	56	154	267
Reinsurance contract assets, as of December 31, 2023	4,803	434	2,802	8,039
Reinsurance contract liabilities, as of December 31, 2023	(2,334)	402	1,428	(504)
Net reinsurance contracts, as of December 31, 2023	**2,469**	**836**	**4,230**	**7,535**

1 In 2023, it mainly relates to the reinsurance of the in-force individual life insurance book of Farmers New World Life Insurance Company, a subsidiary of Farmers Group, Inc.

Consolidated financial statements (continued)

Table 7.11b

Reconciliation of measurement components of reinsurance contracts held, measured under BBA – prior period

in USD millions	Estimate of the present value of the future cash flows	Risk adjustment	Contractual service margin	Total
Reinsurance contract assets, as of January 1, 2022	4,862	429	1,391	6,682
Reinsurance contract liabilities, as of January 1, 2022	(973)	126	697	(150)
Net reinsurance contracts, as of January 1, 2022	3,889	554	2,089	6,532
Changes that relate to future services				
Changes in estimates that adjust the CSM	(356)	(27)	384	–
Changes in estimates that relates to loss-recovery and reversal of loss-recovery on onerous underlying contracts	43	(7)	–	36
Contracts initially recognized in the period[1]	(181)	48	134	1
Changes that relate to current services				
CSM recognized in P&L for services received	–	–	(190)	(190)
Changes in the risk adjustment for non-financial risk	–	(24)	–	(24)
Experience adjustments	28	–	–	28
Changes that relate to past services				
Changes that relate to assets for incurred claims	15	(10)	–	4
Changes related to reinsurance services received	(452)	(22)	328	(146)
Cash (in)/outflows in the period				
Reinsurance premiums paid	1,132	–	–	1,132
Amounts received under reinsurance contracts held, including investment components	(1,189)	–	–	(1,189)
Net cash (inflows)/outflows	(57)	–	–	(57)
Effect of changes in the risk of non-performance of reinsurers	4	–	–	5
Reinsurance finance income/(expenses)	353	(103)	19	269
Foreign currency translation effects	43	(40)	(172)	(169)
Other changes[1]	45	10	35	90
Total changes not related to reinsurance services received	445	(133)	(117)	195
Reinsurance contract assets, as of December 31, 2022	4,451	376	2,064	6,890
Reinsurance contract liabilities, as of December 31, 2022	(625)	24	235	(367)
Net reinsurance contracts, as of December 31, 2022	**3,825**	**400**	**2,299**	**6,524**

1 Other changes mainly consisted of non-recurring IFRS 17 transition and other cumulative adjustments recorded during the transition period.

Consolidated financial statements (continued)

Amounts in tables 7.12 are included within the reconciliations of insurance and reinsurance contracts within this note.

Table 7.12a

Effect of insurance and reinsurance contracts initially recognized, measured under the BBA and VFA – current period

In USD millions, as of December 31, 2023	Insurance contracts issued – profitable contracts[1]	Insurance contracts issued – onerous contracts	Reinsurance contracts held[2]
Estimates of present value of future cash outflows, excluding insurance acquisition cash flows	14,346	369	13,993
Estimates of insurance acquisition cash flows	1,528	14	–
Estimates of present value of future cash inflows	(17,830)	(370)	(11,239)
Risk adjustment for non-financial risk	313	4	(450)
CSM	1,643	–	(2,305)
Losses/(gains) recognized at initial recognition	**–**	**17**	**–**

1 Includes changes in contract boundaries in Bansabadell Vida S.A. de Seguros y Reaseguros.
2 Includes the reinsurance of the in-force individual life insurance book of Farmers New World Life Insurance Company, a subsidiary of Farmers Group, Inc.

Table 7.12b

Effect of insurance and reinsurance contracts initially recognized, measured under the BBA and VFA – prior period

In USD millions, as of December 31, 2022	Insurance contracts issued – profitable contracts	Insurance contracts issued – onerous contracts	Reinsurance contracts held
Estimates of present value of future cash outflows, excluding insurance acquisition cash flows	11,041	946	16
Estimates of insurance acquisition cash flows	1,258	165	–
Estimates of present value of future cash inflows	(13,759)	(1,079)	165
Risk adjustment for non-financial risk	196	27	(48)
CSM	1,263	–	(134)
Losses/(gains) recognized at initial recognition	**–**	**59**	**(1)**

Table 7.13 shows the expected pattern of recognition of the CSM from existing contracts in profit or loss.

Table 7.13

Expected recognition of the CSM in the P&L

In USD millions, as of December 31	**2023**			2022		
	Insurance contracts measured under BBA	**Insurance contracts measured under VFA**	**Reinsurance contracts measured under BBA**	Insurance contracts measured under BBA	Insurance contracts measured under VFA	Reinsurance contracts measured under BBA
< 1 year	810	487	(241)	744	517	(181)
1 to 2 years	598	527	(250)	516	617	(159)
2 to 3 years	533	504	(244)	473	570	(150)
3 to 4 years	483	481	(256)	432	438	(142)
4 to 5 years	436	455	(222)	392	417	(129)
5 to 10 years	1,694	1,936	(942)	1,522	1,772	(529)
> 10 years	2,860	4,931	(2,074)	2,267	4,439	(1,009)
Total amount of unamortized CSM	**7,415**	**9,322**	**(4,230)**	**6,346**	**8,771**	**(2,299)**

For insurance contracts measured under the BBA, a large proportion of the CSM is expected to be released within the next 10 years, consistent with the coverage period of the respective insurance contracts in force. The expected pattern for the CSM recognition for reinsurance contracts held is consistent with insurance contracts under the BBA. Due to significantly longer coverage period of insurance contracts measured under the VFA, the expected CSM release pattern is much slower, with a significant proportion of CSM to be recognized in P&L in more than 10 years.

On transition to IFRS 17, the Group applied transition modifications as described in note 2, including those affecting the amount of OCI recognized for groups of (re-)insurance contracts under the modified retrospective or fair value approaches. Table 7.14 below provides a reconciliation of the cumulative amounts included in OCI for financial assets measured at fair value through OCI (FVOCI) related to these groups of (re-)insurance contracts as of December 31, 2023 and 2022, respectively.

Consolidated financial statements (continued)

Table 7.14

Reconciliation of the cumulative amounts in OCI for financial assets measured at FVOCI

in USD millions	2023	2022
Cumulative amount included in OCI for financial assets measured at FVOCI as of January 1	(4,759)	9,862
Gains/(losses) recognized in OCI in the period	2,409	(16,662)
Gains/(losses) previously recognized in OCI in previous periods reclassified in the period to P&L	568	218
Foreign currency translation effects	(123)	(533)
Other changes[1]	(326)	2,162
Cumulative amount included in OCI for financial assets measured at FVOCI as of December 31	**(2,231)**	**(4,953)**

1 Other changes are related to assets and liabilities held for sale based on agreements signed to sell portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft and Zurich Insurance plc (Spain Medical Malpractice and UK Employers' Liability portfolios), see note 4.

The following tables provide a summary of the movement in the CSM by transition approach for the years ended December 31, 2023 and 2022, respectively:

Table 7.15a

CSM by transition approach for groups of insurance contracts issued – current period

in USD millions	Modified retrospective	Fair value	All other insurance contracts	Total
Contractual service margin as of January 1, 2023	7,734	1,969	5,413	15,117
Changes that relate to future services				
Changes in estimates that adjust the CSM	135	602	323	1,059
Contracts initially recognized in the period	–	–	1,643	1,643
Changes that relate to current services				
CSM recognized for services provided in P&L	(697)	(254)	(945)	(1,895)
Changes related to provision of insurance services	(562)	348	1,021	807
Foreign currency translation effects	474	35	160	669
Insurance finance (income)/expense	9	22	84	115
Other changes	(94)	(11)	134	29
Total other changes	389	46	378	813
Contractual service margin as of December 31, 2023	**7,561**	**2,363**	**6,813**	**16,737**

Table 7.15b

CSM by transition approach for groups of insurance contracts issued – prior period

in USD millions	Modified retrospective	Fair value	All other insurance contracts	Total
Contractual service margin as of January 1, 2022	10,426	1,949	4,131	16,506
Changes that relate to future services				
Changes in estimates that adjust the CSM	(957)	(152)	495	(614)
Contracts initially recognized in the period	–	–	1,263	1,263
Changes that relate to current services				
CSM recognized for services provided in P&L	(729)	(224)	(869)	(1,822)
Changes related to provision of insurance services	(1,686)	(376)	890	(1,173)
Foreign currency translation effects	(448)	(76)	(295)	(819)
Insurance finance (income)/expense	12	14	40	65
Other changes[1]	(570)	459	648	537
Total other changes	(1,005)	396	393	(217)
Contractual service margin as of December 31, 2022	**7,734**	**1,969**	**5,413**	**15,117**

1 Other changes mainly consisted of non-recurring IFRS 17 transition and other cumulative adjustments recorded during the transition period.

Consolidated financial statements (continued)

Table 7.16a

CSM by transition approach for groups of reinsurance contracts held – current period

in USD millions	Modified retrospective	Fair value	All other insurance contracts	Total
Contractual service margin as of January 1, 2023	171	429	1,700	2,299
Changes that relate to future services				
Changes in estimates that adjust the CSM	(122)	(109)	(36)	(267)
Contracts initially recognized in the period	–	–	2,305	2,305
Changes that relate to current services				
CSM recognized in P&L to reflect the transfer of services	(20)	(69)	(173)	(262)
Changes related to provision of reinsurance services received	(142)	(178)	2,096	1,777
Foreign currency translation effects	1	(1)	63	63
Reinsurance finance income/(expense)	9	23	55	88
Other changes	17	(74)	61	3
Total other changes	27	(52)	179	154
Contractual service margin as of December 31, 2023	**56**	**199**	**3,975**	**4,230**

Table 7.16b

CSM by transition approach for groups of reinsurance contracts held – prior period

in USD millions	Modified retrospective	Fair value	All other insurance contracts	Total
Contractual service margin as of January 1, 2022	196	246	1,647	2,089
Changes that relate to future services				
Changes in estimates that adjust the CSM	33	46	304	384
Contracts initially recognized in the period	–	–	134	134
Changes that relate to current services				
CSM recognized in P&L to reflect the transfer of services	(25)	(47)	(118)	(190)
Changes related to provision of reinsurance services received	8	(1)	320	328
Foreign currency translation effects	(12)	(14)	(146)	(172)
Reinsurance finance income/(expense)	1	3	15	19
Other changes[1]	(23)	196	(138)	35
Total other changes	(34)	184	(268)	(117)
Contractual service margin as of December 31, 2022	**171**	**429**	**1,700**	**2,299**

1 Other changes mainly consisted of non-recurring IFRS 17 transition and other cumulative adjustments recorded during the transition period.

Table 7.17

Maturity analysis of insurance and reinsurance contract liabilities

in USD millions, as of December 31	2023				2022			
	Insurance contract liabilities			Reinsurance contract liabilities	Insurance contract liabilities			Reinsurance contract liabilities
	Measured under PAA	Measured under BBA	Measured under VFA	Measured under BBA	Measured under PAA	Measured under BBA	Measured under VFA	Measured under BBA
On demand	6	–	–	–	7	65	(30)	–
< 1 year	15,929	2,681	4,997	38	17,133	2,057	2,728	(7)
1 to 2 years	8,685	778	4,602	173	9,016	563	2,641	31
2 to 3 years	5,833	639	3,931	168	5,891	491	3,244	38
3 to 4 years	4,121	566	3,908	160	3,987	534	2,724	38
4 to 5 years	2,915	488	3,536	150	2,762	576	2,764	38
> 5 years	17,687	13,867	92,651	1,645	13,093	17,750	89,684	487
Total maturity	**55,176**	**19,019**	**113,624**	**2,334**	**51,890**	**22,036**	**103,755**	**625**

Consolidated financial statements (continued)

Table 7.18

Expected derecognition of assets for insurance acquisition cash flows

In USD millions, as of December 31	2023 Contracts measured under PAA	2023 Contracts measured under BBA and VFA	2022 Contracts measured under PAA	2022 Contracts measured under BBA and VFA
< 1 year	370	37	311	49
1 year	88	40	59	37
2 years	65	41	43	35
3 years	48	41	30	39
4 years	54	39	29	37
5 to 10 years	21	180	43	175
> 10 years	0	424	0	397
Total	**645**	**802**	**516**	**768**

Nature and extent of risks that arise from (re-)insurance contracts

(Re-)insurance contracts issued and reinsurance contracts held give rise to insurance and financial risks, including credit and market risk. The Group manages risks arising from such contracts using the internal model approved by the Swiss Financial Market Supervisory Authority FINMA for use under the Swiss Solvency Test (SST). SST represents a comprehensive framework that takes into account the interdependencies between risks. Within the internal model, premium and reserve risk, as well as natural catastrophe risk, cover insurance risks arising from short-term contracts, whereas business risk and life insurance risk cover insurance risks arising from long-term contracts, including contracts with policyholder participation accounted for as direct participating contracts. Market risks arise from assets backing insurance contracts, and also covers risks arising from the asset/liability mismatches and credit risk of investments. From a risk perspective, long-term life contracts include investment contracts that do not transfer significant insurance risk and are accounted for as investment contracts.

The approaches implemented by the Group to manage these risks and risk concentrations are further described in the 2023 Risk Review which forms an integral part of the consolidated financial statements. Furthermore, the 2023 Risk Review provides a comprehensive overview of the exposures per risk type as well as the Group approach to mitigate insurance risk concentrations by entering into reinsurance contracts held.

The tables below provide sensitivities to changes in key risk variables arising from (re-)insurance contracts issued after the risk mitigation by reinsurance contracts held, as this is the basis on which exposures are presented to the key management personnel.

Insurance risk sensitivity

Tables 7.19a and 7.19b show the sensitivity of net income before tax and net assets as a result of adverse development in the net loss ratio by one percentage point using the Group effective income tax rate. The sensitivities do not indicate the probability of such an event and do not consider any non-linear effects of reinsurance. Based on the assumptions applied in the sensitivity analysis in tables 7.19a and 7.19b, each additional percentage point increase in the loss ratio would have a linear impact on net income before tax and net assets. The Group also monitors insurance risk by evaluating extreme scenarios, taking into account the non-linear effects of reinsurance contracts.

Table 7.19a

Insurance risk sensitivity for the Property & Casualty business – current period

in USD millions, for the year ended December 31, 2023	Europe, Middle East & Africa	North America	Asia Pacific	Latin America	Reinsurance	Total[2]
+1% in net loss ratio[1]						
Net income before tax	(172)	(206)	(34)	(28)	(8)	(423)
Net assets	(129)	(155)	(26)	(21)	(6)	(317)

1 A 1 percent change in net loss ratio is defined as a 1 percent change in insurance revenue.
2 Includes the impact of eliminations upon consolidation.

Consolidated financial statements (continued)

Insurance risk sensitivity for the Property & Casualty business – prior period

Table 7.19b

in USD millions, for the year ended December 31, 2022	Europe, Middle East & Africa	North America	Asia Pacific	Latin America	Reinsurance	Total[2]
+1% in net loss ratio[1]						
Net income before tax	(156)	(194)	(32)	(26)	(6)	(392)
Net assets	(120)	(148)	(24)	(20)	(5)	(300)

1 A 1 percent change in net loss ratio is defined as a 1 percent change in insurance revenue.
2 Includes the impact of eliminations upon consolidation.

The Group is exposed to risk arising from natural catastrophes, with North-Atlantic hurricane, California earthquake and Europe windstorm being the most material in terms of risk concentration. Though these events have a small probability of occurring, they could, if realized, negatively affect the net income before tax and net assets. The impacts of insurance-specific scenarios would have been a decrease of net income before tax and net assets of USD 1.8 billion, USD 1.2 billion and USD 0.7 billion, respectively. Note that the scenario impacts are comparable to the modelled 250-year net occurrence loss for the respective peril (equivalent to a 99.6 percent probability of non-exceedance).

Market risk sensitivity

The Group manages the market risk of assets relative to liabilities on an economic total balance sheet basis. This is done to achieve the maximum risk-adjusted excess return on assets relative to the liability benchmark, while also taking into account the Group's risk tolerance and local regulatory constraints. Therefore, economic risk sensitivities are evaluated by the Group based on their effects on available financial resources (AFR) or available capital in SST, taking into account interdependencies between the effects of the shocks on financial assets held by the Group and insurance contracts net of reinsurance contracts held. The sensitivities as a result of predefined interest rate yield curve, stock market and credit spread shocks are presented in tables 7.20 to 7.22.

Economic interest rate sensitivities on SST AFR

Table 7.20

in USD millions, as of October 1	**2023**	2022
50 bps increase in the interest rate yield curves		
Property & Casualty	(88)	(115)
Life	260	151
Rest of the business	61	(8)
50 bps decrease in the interest rate yield curves		
Property & Casualty	109	92
Life	(410)	(323)
Rest of the business	(62)	(31)

Economic equity price sensitivities on SST AFR

Table 7.21

in USD millions, as of October 1	**2023**	2022
20% decline in stock markets		
Property & Casualty	(1,183)	(1,132)
Life	(1,168)	(878)
Rest of the business	(81)	(171)

Economic credit spread sensitivities on SST AFR

Table 7.22

in USD millions, as of October 1	**2023**	2022
100 bps increase in credit spreads		
Property & Casualty	(1,404)	(1,449)
Life	(1,449)	(1,739)
Rest of the business	(169)	(395)

Consolidated financial statements (continued)

8. Liabilities for investment contracts

Table 8.1

Liabilities for investment contracts

in USD millions, as of December 31	**2023**	2022
Unit-linked investment contracts	59,807	50,039
Investment contracts (amortized cost)	463	518
Total	**60,270**	**50,557**

Unit-linked investment contracts issued by the Group are recorded at a value reflecting the returns on investment funds which include selected equities, debt securities and derivative financial instruments. Policyholders bear the full risk of the returns on these investments.

The value of financial liabilities at amortized cost is based on a discounted cash flow valuation technique. The initial valuation of the discount rate is determined by the current market assessment of the time value of money and risk specific to the liability.

Table 8.2

Development of liabilities for investment contracts

in USD millions	**2023**	2022
As of January 1	50,557	60,430
Premiums	6,940	5,671
Claims	(5,232)	(4,485)
Fee income and other expenses	(422)	(358)
Interest and bonuses credited to policyholders	6,109	(5,823)
Acquisitions/(divestments) and transfers	–	7
Foreign currency translation effects	2,318	(4,885)
As of December 31	**60,270**	**50,557**

Consolidated financial statements (continued)

Tables 8.3a and 8.3b provide an analysis of investment contract liabilities according to maturity, based on expected cash flows as of December 31, 2023 and 2022. The undiscounted contractual cash flows for investment contract liabilities are USD 60 billion as of December 31, 2023 and 51 billion as of December 31, 2022. Liabilities for unit-linked investment contracts amounted to USD 60 billion and USD 50 billion as of December 31, 2023 and 2022, respectively. Policyholders of unit-linked investment contracts can generally surrender their contracts at any time, leading the underlying assets to be liquidated. Risks arising from liquidation of unit-linked assets are borne by the policyholders. The Group actively manages the Life in-force business to improve persistency and retention.

Table 8.3a

Expected maturity analysis for liabilities for investment contracts – current period

in USD millions, as of December 31, 2023	**Liabilities related to unit-linked investment contracts**	**Liabilities related to investment contracts (amortized cost)**	**Total**
< 1 year	3,789	280	4,069
1 to 5 years	7,350	72	7,422
5 to 10 years	8,334	42	8,377
10 to 20 years	12,456	43	12,499
> 20 years	27,879	25	27,905
Total	**59,807**	**463**	**60,270**

Table 8.3b

Expected maturity analysis for liabilities for investment contracts – prior period

in USD millions, as of December 31, 2022	Liabilities related to unit-linked investment contracts	Liabilities related to investment contracts (amortized cost)	Total
< 1 year	3,357	336	3,693
1 to 5 years	7,022	76	7,099
5 to 10 years	8,053	46	8,099
10 to 20 years	6,505	45	6,550
> 20 years	25,101	15	25,117
Total	**50,039**	**518**	**50,557**

Consolidated financial statements (continued)

9. Insurance revenue

Table 9.1

Analysis of insurance revenue recognized

in USD millions, for the years ended December 31	2023	2022
Insurance revenue recognized in the period – PAA	45,950	41,343
Change in the liability for remaining coverage, consisting of:		
Amortization of CSM	1,909	1,834
Release of risk adjustment for non-financial risk	247	262
Release of expected insurance service expenses	6,698	6,386
Allocation of insurance acquisition cash flows	1,191	1,133
Premium experience adjustments	117	(164)
Other	(12)	(3)
Insurance revenue recognized in the period – BBA and VFA	10,148	9,449
Total insurance revenue	**56,099**	**50,792**

Table 9.2

Insurance revenue by transition approach measured under BBA and VFA

In USD millions for the years ended December 31		2023		2022
	Contracts measured under BBA	Contracts measured under VFA	Contracts measured under BBA	Contracts measured under VFA
Contracts measured under the modified retrospective approach	482	2,620	511	2,777
Contracts measured under the fair value approach	1,406	440	1,339	161
All other contracts	4,472	729	4,133	529
Insurance revenue measured under BBA and VFA	**6,360**	**3,788**	**5,983**	**3,466**

Consolidated financial statements (continued)

10. Fee result

Table 10

Fee result

in USD millions, for the years ended December 31	2023	2022
Fee income		
Farmers management fees and other related revenues[1]	4,529	4,487
Investment contracts related fee income	648	532
Risk engineering and other related fee income	708	727
Total fee income	5,885	5,746
Fee business expenses		
Fee related expenses	(3,583)	(3,757)
Fee result	**2,303**	**1,989**

1 See table 25.2 for further details.

Consolidated financial statements (continued)

11. Expenses

Table 11 shows administrative and operating expenses (excluding impacts from financing) by functional area and by type of expense.

Table 11

Expenses

in USD millions, for the years ended December 31	2023	2022
Insurance related expenses		
Administrative and other operating expenses	3,273	3,205
Underwriting and policy acquisition costs	11,583	10,389
Claims handling expenses	3,740	2,384
Investment expenses	144	133
Reinsurance-related expenses	(526)	(258)
Investment expenses	211	185
Fee business expenses	3,583	3,757
Other expenses	2,659	2,289
Total	**24,667**	**22,082**
of which:		
Personnel and other related costs	7,411	6,701
Building, infrastructure and related costs	520	470
Brand and marketing expense	510	636
Commissions (net of IACF)	9,372	8,437
Premium taxes (net of IACF)	709	650
Asset and other non-income taxes	82	79
IT expenses	1,987	2,013
Outsourcing and professional services	2,752	1,820
Other	1,326	1,276
Total	**24,667**	**22,082**

Consolidated financial statements (continued)

12. Property and equipment

Buildings held for own use and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss. Generally, these assets are depreciated on a straight-line basis to profit or loss over the following estimated useful lives:

- buildings 25 to 50 years;
- furniture and fixtures 5 to 10 years;
- equipment 3 to 6 years;
- other equipment 6 to 10 years (or determined by the term of lease).

Land held for own use is carried at cost less any accumulated impairment loss.

The right-of-use asset is measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of the lease liability. The right-of-use asset is depreciated over the shorter of the leased asset's useful life or the lease term on a straight-line basis.

Table 12.1

Property and equipment overview

in USD millions, as of December 31	Real Estate		Equipment		Total	
	2023	2022	**2023**	2022	**2023**	2022
Right-of-use	1,184	1,303	56	47	1,241	1,349
Owned and subject to operating lease	423	436	428	439	851	876
Total	**1,608**	**1,739**	**484**	**486**	**2,092**	**2,225**

Table 12.2a

Property and equipment – current period

in USD millions	Real Estate			Equipment			Total		
	Owned	Right-of-use	Total	Owned	Right-of-use	Total	Owned incl. operating lease	Right-of-use	Total
Gross carrying value as of January 1, 2023[1]	529	2,496	3,025	1,323	98	1,421	1,853	2,594	4,447
Less: accumulated depreciation/impairments	(93)	(1,193)	(1,286)	(883)	(51)	(935)	(977)	(1,244)	(2,221)
Net carrying value as of January 1, 2023	**436**	**1,303**	**1,740**	**440**	**47**	**487**	**876**	**1,350**	**2,226**
Additions and improvements	6	41	47	97	33	130	103	74	177
Lease modifications	–	75	75	–	(1)	(1)	–	74	74
Depreciation and impairments	(48)	(231)	(279)	(118)	(17)	(135)	(167)	(248)	(415)
Acquisitions/(divestments) and transfers	(7)	(31)	(38)	(2)	(8)	(10)	(9)	(38)	(47)
Foreign currency translation effects	36	27	63	12	2	13	48	29	77
Net carrying value as of December 31, 2023	**423**	**1,184**	**1,608**	**428**	**56**	**484**	**851**	**1,241**	**2,092**
Plus: accumulated depreciation/impairments	109	1,291	1,400	940	33	972	1,049	1,324	2,373
Gross carrying value as of December 31, 2023	532	2,476	3,008	1,368	89	1,457	1,900	2,564	4,465

1 January 1, 2023 balances are impacted by hyperinflation, please see note 1 for details.

Consolidated financial statements (continued)

Property and equipment – prior period

Table 12.2b

in USD millions	Real Estate			Equipment			Total		
	Owned	Right-of-use	Total	Owned	Right-of-use	Total	Owned incl. operating lease	Right-of-use	Total
Gross carrying value as of January 1, 2022	571	2,533	3,104	1,349	103	1,452	1,920	2,636	4,556
Less: accumulated depreciation/impairments	(70)	(1,121)	(1,191)	(885)	(44)	(929)	(955)	(1,165)	(2,120)
Net carrying value as of January 1, 2022	**501**	**1,412**	**1,912**	**464**	**59**	**523**	**965**	**1,471**	**2,436**
Additions and improvements	22	55	76	105	14	119	127	68	195
Lease modifications	–	42	42	–	–	–	–	42	42
Depreciation and impairments	(11)	(175)	(187)	(107)	(19)	(126)	(118)	(194)	(312)
Acquisitions/(divestments) and transfers	(61)	14	(47)	(8)	(5)	(13)	(69)	10	(59)
Foreign currency translation effects	(14)	(44)	(59)	(14)	(3)	(17)	(29)	(47)	(76)
Net carrying value as of December 31, 2022	**436**	**1,303**	**1,739**	**439**	**47**	**486**	**876**	**1,349**	**2,225**
Plus: accumulated depreciation/impairments	93	1,188	1,281	881	51	932	974	1,239	2,213
Gross carrying value as of December 31, 2022	529	2,491	3,020	1,320	97	1,418	1,850	2,588	4,438

Lessee – lease expenses and income

Table 12.3

in USD millions, for the years ended December 31	**2023**	2022
Lease expenses[1]		
Interest expense on lease liabilities[2]	42	37
Short-term lease expenses	6	8
Low-value asset lease expenses	25	27
Lease income		
Income from subleasing right-of-use assets	8	9
Gains arising from sale and leaseback transactions	31	–

1 Total cash outflow for leases amounts to USD 283 million as of December 31, 2023, excluding USD 1.9 billion of future cash outflows due to extension & termination options.
2 Included within 'Interest credited to policyholders and other interest'.

Lessor – finance lease and operating lease income

Table 12.4

in USD millions, for the years ended December 31	**2023**	2022
Finance lease		
Interest income on finance lease receivables	49	64
Total	**49**	**64**
Operating lease		
Operating lease income – property and equipment	–	4
Operating lease income – investment property	643	590
Operating variable lease income – property and equipment	1	–
Total	**644**	**595**

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Table 12.5

Maturity analysis – finance lease receivable

in USD millions, as of December 31	2023 Carrying value	2023 Unearned interest	2023 Undiscounted cash flows	2022 Carrying value	2022 Unearned interest	2022 Undiscounted cash flows
< 1 year	94	3	98	40	3	43
1 to 2 years	31	2	33	103	3	105
2 to 3 years	35	5	39	34	2	36
3 to 4 years	26	5	31	36	7	43
4 to 5 years	24	6	30	29	5	34
> 5 years	263	189	452	294	259	553
Total	**473**	**209**	**682**	**534**	**280**	**814**

Table 12.6

Maturity analysis – operating lease payments to be received

in USD millions, as of December 31	Undiscounted cash flows 2023	Undiscounted cash flows 2022
< 1 year	473	483
1 to 2 years	351	366
2 to 3 years	302	313
3 to 4 years	236	238
4 to 5 years	193	205
> 5 years	758	865
Total	**2,313**	**2,468**

Consolidated financial statements (continued)

13. Attorney-in-fact contracts, goodwill and other intangible assets

Table 13.1

Intangible assets by business – current period

in USD millions, as of December 31, 2023	**Attorney-in-fact contracts**	**Goodwill**	**Distribution agreements**	**Software**	**Other**	**Total**
Property & Casualty	–	1,855	435	866	151	3,308
Life	–	1,412	1,384	53	160	3,009
Farmers	2,650	1,264	–	400	832	5,146
Group Functions and Operations	–	10	–	55	–	65
Net carrying value	**2,650**	**4,541**	**1,820**	**1,374**	**1,143**	**11,529**

Table 13.2

Intangible assets by business – prior period

in USD millions, as of December 31, 2022	Attorney-in-fact contracts	Goodwill	Distribution agreements	Software	Other	Total
Property & Casualty	–	1,760	439	827	158	3,184
Life	–	1,413	1,374	46	170	3,003
Farmers	2,650	1,237	–	469	309	4,666
Group Functions and Operations	–	10	–	43	–	53
Net carrying value	**2,650**	**4,420**	**1,813**	**1,385**	**637**	**10,906**

Table 13.3

Intangible assets – current period

in USD millions	**Attorney-in-fact contracts**	**Goodwill**	**Distribution agreements**	**Software[1]**	**Other**	**Total**
Gross carrying value as of January 1, 2023[2]	2,650	4,794	3,673	5,430	894	17,441
Less: accumulated amortization/impairments[2]	–	(256)	(1,858)	(4,046)	(257)	(6,417)
Net carrying value as of January 1, 2023[2]	2,650	4,538	1,815	1,384	638	11,025
Additions and acquisitions[3]	–	18	6	317	569	911
Divestments and transfers	–	–	–	–	(3)	(3)
Amortization[4]	–	–	(59)	(347)	(57)	(464)
Impairments	–	–	–	(9)	(2)	(11)
Foreign currency translation effects	–	(15)	58	29	(2)	70
Net carrying value as of December 31, 2023	**2,650**	**4,541**	**1,820**	**1,374**	**1,143**	**11,529**
Plus: accumulated amortization/impairments	–	265	2,016	4,390	274	6,945
Gross carrying value as of December 31, 2023	2,650	4,807	3,836	5,764	1,417	18,474

1 For the year ended December 31, 2023 Farmers Group, Inc. has USD 1.3 billion of fully amortized software, which is still in use.
2 January 1, 2023 balances are impacted by hyperinflation, please see note 1 for details.
3 Additions of goodwill and other intangible assets include post-acquisition adjustments of the network of Financial Advisors of the Deutsche Bank Group in Italy, as follows: USD (8) million of goodwill and USD (4) million of other intangible assets (see note 4).
4 Amortization of distribution agreements is included within underwriting and policy acquisition costs.

As of December 31, 2023, intangible assets related to non-controlling interests were USD 850 million for distribution agreements, USD 11 million for software, USD 40 million for goodwill and USD 4 million for other intangible assets.

In 2023, as a result of the acquisition by Farmers Group, Inc. of Kraft Lake Insurance Agency Inc., Western Star Insurance Services, Inc. and Farmers General Insurance Agency, Inc., intangible assets increased by USD 586 million, of which USD 26 million is goodwill and USD 560 million is other intangible assets (please see note 4).

Consolidated financial statements (continued)

Intangible assets – prior period

Table 13.4

in USD millions	Attorney-in-fact contracts	Goodwill	Distribution agreements	Software[1]	Other	Total
Gross carrying value as of January 1, 2022	2,650	4,617	3,767	5,258	761	17,053
Less: accumulated amortization/impairments	–	(274)	(1,835)	(3,871)	(222)	(6,202)
Net carrying value as of January 1, 2022	2,650	4,344	1,932	1,387	539	10,852
Additions and acquisitions	–	212	13	370	152	748
Divestments and transfers	–	(6)	(9)	(7)	–	(22)
Amortization[2]	–	–	(66)	(321)	(49)	(436)
Impairments	–	–	(3)	(5)	–	(8)
Foreign currency translation effects	–	(130)	(53)	(40)	(4)	(227)
Net carrying value as of December 31, 2022	**2,650**	**4,420**	**1,813**	**1,385**	**637**	**10,906**
Plus: accumulated amortization/impairments	–	256	1,851	4,043	256	6,406
Gross carrying value as of December 31, 2022	2,650	4,677	3,664	5,427	893	17,312

1 For the year ended December 31, 2022 Farmers Group, Inc. has USD 1.3 billion of fully amortized software, which is still in use.
2 Amortization of distribution agreements is included within underwriting and policy acquisition costs.

As of December 31, 2022, intangible assets related to non-controlling interests were USD 841 million for distribution agreements, USD 9 million for software, USD 39 million for goodwill and USD 5 million for other intangible assets.

In 2022, as a result of the acquisition of the network of Financial Advisors of the Deutsche Bank Group in Italy, intangible assets increased by USD 348 million, of which USD 211 million is goodwill, USD 1 million is software and USD 136 million is other intangible assets (please see note 4).

The Group performs quantitative tests of goodwill recoverability annually during the third quarter by applying a reasonably possible change to each of the key assumptions to capture potential future variations in market conditions: a decrease in cash flows of up to 20 percent, an increase in the discount rate of 2.0 percentage points and a decrease in the perpetual growth rate of 2.0 percentage points. Under each individual scenario, reasonably possible changes in key assumptions did not impair goodwill and attorney-in-fact (AIF) contracts. As of December 31, 2023, the Group had not identified any triggers impacting the carrying value of the goodwill in these cash-generating units (CGUs).

Consolidated financial statements (continued)

14. Receivables and other assets

Receivables and other assets

Table 14

in USD millions, as of December 31	**2023**	2022
Financial assets		
Group derivative assets	947	786
Reverse repurchase agreements	1,716	649
Amounts due from investment brokers[1]	840	714
Other receivables	1,998	2,220
Accrued investment income	1,031	995
Assets for defined benefit plans[2]	384	415
Other financial assets	372	197
Non-financial assets		
Current income tax receivables	1,050	1,016
Prepaid expenses	886	776
Other non-financial assets	1,169	950
Total receivables and other assets	**10,391**	**8,716**

1 Includes cash variation margin payments related to derivatives which are centrally cleared, USD 2 million and USD 0 million as of December 31, 2023 and 2022, respectively (see note 6).
2 Please see note 19.

Consolidated financial statements (continued)

15. Other liabilities

Other liabilities

Table 15.1

in USD millions, as of December 31	2023	2022
Other financial liabilities		
Group derivative liabilities	1,252	1,165
Amounts due to investment brokers[1]	950	882
Bank deposits[2]	1,367	1,356
Collateralized bank financing for structured lease vehicles	38	44
Liabilities for defined benefit plans[3]	1,499	1,203
Others liabilities for employee benefit plans	143	121
Lease liabilities	1,668	1,701
Other accrued liabilities	1,264	1,238
Other financial liabilties	5,654	5,861
Other non-financial liabilities		
Current income tax payables	1,027	728
Provisions[4]	711	755
Other non-financial liabilities	1,088	1,014
Total other liabilities	**16,661**	**16,067**

1 Includes cash variation margin payments related to derivatives which are centrally cleared, USD 1 million and USD 48 million as of December 31, 2023 and 2022, respectively (see note 6).
2 Increased to USD 1.4 billion as a result of the acquisition of Deutsche Bank Italian Financial Advisors network (see note 4).
3 Please see note 19.
4 Include restructuring provisions, litigation and regulatory provisions and other provisions (see table 15.4 for further details).

Table 15.2 shows the maturity schedule of other financial liabilities, excluding liabilities for defined benefit plans and lease liabilities, as of December 31, 2023 and 2022. The allocation to the time bands is based on the expected maturity date for the carrying value and the earliest contractual maturity for the undiscounted cash flows.

Maturity analysis – other financial liabilities

Table 15.2

in USD millions, as of December 31	2023		2022	
	Carrying value	Undiscounted cash flows	Carrying value	Undiscounted cash flows
< 1 year	10,303	10,324	10,330	10,334
1 to 2 years	129	148	44	45
2 to 3 years	38	38	131	162
3 to 4 years	3	3	13	13
4 to 5 years	4	4	5	5
> 5 years	190	341	144	275
Total	**10,669**	**10,858**	**10,666**	**10,833**

Maturity analysis – lease liabilities

Table 15.3

in USD millions, as of December 31	2023		2022	
	Carrying value	Undiscounted cash flows	Carrying value	Undiscounted cash flows
< 1 year	203	234	192	227
1 to 2 years	190	223	173	206
2 to 3 years	165	194	165	194
3 to 4 years	143	168	144	170
4 to 5 years	119	140	119	142
> 5 years	847	1,000	908	1,115
Total	**1,668**	**1,960**	**1,701**	**2,054**

Consolidated financial statements (continued)

Provisions

Table 15.4

in USD millions	Restructuring provisions		Litigation and regulatory provisions[1]		Other provisions		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
As of January 1	115	93	198	150	443	504	755	748
Provisions made during the period	128	67	72	100	316	273	516	440
Increase of provisions set up in prior years	96	10	3	14	19	8	118	32
Provisions used during the period	(131)	(45)	(163)	(50)	(249)	(311)	(543)	(407)
Provisions reversed during the period	(18)	(6)	(10)	(9)	(66)	(58)	(94)	(73)
Foreign currency translation effects	4	(4)	1	(4)	16	(13)	22	(21)
Net changes due to acquisitions/divestments	–	–	1	(3)	(60)	40	(59)	37
Other changes	–	–	–	–	(4)	–	(4)	(1)
As of December 31	**194**	**115**	**102**	**198**	**415**	**443**	**711**	**755**

1 Please see note 21 for further information on legal, compliance and regulatory developments.

Consolidated financial statements (continued)

16. Income taxes

Income tax expense – current/deferred split

Table 16.1

in USD millions, for the years ended December 31	**2023**	2022
Current	1,949	1,476
Deferred	(209)	(400)
Total income tax expense/(benefit)	**1,741**	**1,076**

Expected and actual income tax expense

Table 16.2

in USD millions, for the years ended December 31	**Rate**	**2023**	Rate	2022
Net income before income taxes		6,458		5,374
less: income tax (expense)/benefit attributable to policyholders		(172)		241
Net income before income taxes attributable to shareholders		6,286		5,616
Expected income tax expense attributable to shareholders computed at the Swiss statutory tax rate	20.0%	1,257	20.0%	1,123
Increase/(reduction) in taxes resulting from:				
Tax rate differential in foreign jurisdictions		*207*		*190*
Tax exempt and lower taxed income		*(259)*		*(238)*
Non-recoverable withholding taxes		*247*		*125*
Non-deductible expenses		*171*		*138*
Tax losses not recognized		*(243)*		*117*
Prior year adjustments and other		*188*		*(138)*
Actual income tax expense attributable to shareholders	**25.0%**	**1,568**	**23.5%**	**1,317**
plus: income tax expense/(benefit) attributable to policyholders		172		(241)
Actual income tax expense	27.0%	1,741	20.0%	1,076

Table 16.2 sets out the factors that cause the actual income tax expense to differ from the expected expense computed by applying the Swiss statutory tax rate of 20.0 percent, which is the rate applicable in the jurisdiction where the ultimate parent company is resident.

Reflecting changes in statutory tax rates, particularly in the UK, a significant favorable impact on the Group's shareholder income tax position for 2022 was included in the line 'Prior year adjustments and other'.

The Group is required to record taxes on policyholder earnings for life insurance policyholders in certain jurisdictions. Accordingly, the income tax expense or benefit attributable to these life insurance policyholder earnings is included in income tax expense. In certain jurisdictions, an accrual for future policy fees that will cover the tax charge is included in insurance benefits and losses.

Taxes paid by certain of the Group's life insurance businesses are based on the investment result, and it is normal practice for certain of the Group's businesses to recover from policyholders the taxes attributable to their share of the investment result. While the relevant insurance businesses have the contractual right to charge policyholders for the taxes attributable to their share of the investment result, the obligation to pay the tax authority rests with the company and therefore the full amount of tax, including the portion attributable to policyholders, is accounted for as income tax. Income tax expense, therefore, includes an element attributable to policyholders.

Consolidated financial statements (continued)

Deferred tax assets/(liabilities) analysis by source

Table 16.3

in USD millions, as of December 31	2023 Deferred tax assets	2023 Deferred tax liabilities	2022 Deferred tax assets	2022 Deferred tax liabilities
Depreciable and amortizable assets	525	(1,746)	543	(1,738)
Deferred acquisition and origination costs	149	(995)	199	(926)
Unrealized (gains)/losses on financial assets held at fair value through comprehensive income and cash flow hedges	1,566	(747)	2,371	(523)
Insurance and reinsurance contract assets and liabilities	12,175	(11,083)	12,873	(12,563)
of which: relating to PAA	2,723	(1,971)	2,785	(2,214)
of which: relating to other than PAA	9,452	(9,112)	10,087	(10,349)
Pension liabilities	1,354	(971)	944	(666)
Tax loss carryforward	1,380	–	1,010	–
Other assets and liabilities[1]	6,383	(8,114)	7,004	(8,123)
Total deferred taxes	**23,533**	**(23,657)**	**24,944**	**(24,538)**
Valuation allowance	(476)	–	(717)	–
Effect of netting	(21,357)	21,357	(22,491)	22,491
Net deferred taxes	**1,700**	**(2,300)**	**1,736**	**(2,047)**

1 Other assets and liabilities include temporary differences related to for fair value adjustments on investments recognized through P&L, leases, accruals and prepayments.

The Group's deferred tax assets and liabilities are recorded by its tax-paying entities throughout the world, which may include several legal entities within each tax jurisdiction. Legal entities are grouped as a single taxpayer only when permitted by local legislation and when deemed appropriate.

As of December 31, 2023 and 2022, the aggregate amount of temporary differences associated with investments in subsidiaries, branches and associates, and interests in joint ventures, for which deferred tax liabilities have not been recognized amount to approximately USD 12 billion and USD 14 billion, respectively. In the remote likelihood that these temporary differences were to reverse simultaneously, the resulting tax liabilities would be very limited due to participation exemption rules.

Development of net deferred tax liabilities

Table 16.4

in USD millions	2023	2022
As of January 1[1]	(432)	(994)
Net change recognized in the income statement	209	400
Net change recognized in equity	(348)	211
Net changes due to acquisitions/(divestments)	3	51
Foreign currency translation effects	(32)	21
As of December 31	**(600)**	**(311)**
attributable to policyholders	41	141
attributable to shareholders	(641)	(452)

1 January 1, 2023 balances are impacted by transition adjustments due to adoption of IFRS 9, please see note 2 for details.

The net deferred tax liabilities related to non-controlling interests amounted to USD 7 million and USD (173) million as of December 31, 2023 and 2022, respectively.

Consolidated financial statements (continued)

Table 16.5

Development of deferred income taxes included in equity

in USD millions	2023	2022
As of January 1[1]	(793)	(693)
Net unrealized gains/(losses) on financial assets	1,138	(5,037)
Cash flow hedges	(3)	8
Equity accounted investments	(1)	–
Revaluation reserve	24	(10)
Net actuarial gains/(losses) on pension plans	(120)	37
Change in discount rate for insurance/reinsurance contracts	(308)	1,725
Change in fair value of underlying items through OCI	(335)	3,024
Foreign currency translation effects	(1)	17
As of December 31	**(400)**	**(928)**

1 January 1, 2023 balances are impacted by transition adjustments due to adoption of IFRS 9, please see note 2 for details.

Table 16.6

Tax loss carryforwards and tax credits

in USD millions, as of December 31	2023	2022
For which deferred tax assets have been recognized, expiring		
< 5 years	116	14
5 to 20 years	103	85
> 20 years or with no time limitation	3,637	1,881
Subtotal	3,856	1,980
For which deferred tax assets have not been recognized, expiring		
< 5 years	155	178
5 to 20 years	264	338
> 20 years or with no time limitation	1,514	1,903
Subtotal	1,933	2,419
Total	**5,789**	**4,399**

The tax rates applicable to tax losses for which a deferred tax asset has not been recognized are 22.2 percent and 24.0 percent as of December 31, 2023 and 2022, respectively.

The recoverability of the deferred tax asset for each taxpayer is based on the taxpayer's ability to utilize the deferred tax asset. This analysis considers the projected taxable income to be generated by the taxpayer, as well as its ability to offset the deferred tax asset against deferred tax liabilities.

Management assesses the recoverability of the deferred tax asset carrying values based on future years' taxable income projections and believes the carrying values of the deferred tax assets as of December 31, 2023 to be recoverable.

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17. Senior and subordinated debt

Senior and subordinated debt

Table 17.1

in USD millions, as of December 31		**2023**	2022
Senior debt			
Zurich Insurance Company Ltd	1.875% CHF 100 million notes, due September 2023[1]	–	110
	1.750% EUR 500 million notes, due September 2024[1,2]	555	540
	0.500% CHF 350 million notes, due December 2024[1]	416	379
	1.500% CHF 150 million notes, due July 2026[1]	187	173
	0.750% CHF 200 million notes, due October 2027[1]	237	216
	1.000% CHF 200 million notes, due October 2028[1]	238	217
	1.500% EUR 500 million notes, due December 2028[1,2]	550	531
	1.125% CHF 400 million notes, due July 2029[1]	476	433
	0.000% CHF 200 million notes, due August 2031[1]	237	216
	0.100% CHF 250 million notes, due August 2032[1]	297	271
Zurich Holding Comp. of America Inc	2.300% USD 400 million notes, due February 2030[1]	400	400
Zurich Finance (Australia) Limited	3.477% AUD 350 million notes, due May 2023[1]	–	238
	4.770% AUD 200 million loan, due July 2027	143	136
	5.324% AUD 200 million notes, due September 2029[1]	136	136
	4.500% AUD 375 million notes, due July 2038[1]	270	268
Zurich Finance (Ireland) DAC	2.250% USD 200 million notes, due December 2031[1,2]	200	200
	1.625% EUR 500 million notes, due June 2039[1,2]	551	533
	Euro Commercial Paper Notes, due in less than 12 months	297	75
Senior debt		5,190	5,071
Subordinated debt			
Zurich Insurance Company Ltd	4.250% EUR 500 million notes, due October 2043, first callable October 2023[1,2]	–	534
	4.250% USD 300 million notes, due October 2045, first callable October 2025[1,2]	300	300
	5.625% USD 1 billion notes, due June 2046, first callable June 2026[1,2]	999	998
	3.500% EUR 750 million notes, due October 2046, first callable October 2026[1,2,3]	805	770
	5.125% USD 500 million notes, due June 2048, first callable June 2028[1,2]	499	499
	4.875% USD 500 million notes, due October 2048, first callable October 2028[1,2]	499	499
	2.750% EUR 500 million notes, due February 2049, first callable February 2029[1,2]	549	530
	1.500% CHF 300 million notes, due May 2052, first callable May 2032[1]	355	323
Zurich Finance (Ireland) DAC	1.875% EUR 750 million notes, due September 2050, first callable June 2030[1,2]	826	797
	3.000% USD 1.75 billion notes, due April 2051, first callable January 2031[1,2]	1,747	1,746
	3.500% USD 500 million notes, due May 2052, first callable February 2032[1,2]	499	499
	5.125% GBP 1 billion notes, due November 2052, first callable August 2032[1,2]	1,261	1,192
	1.600% EUR 200 million notes, due December 2052, first callable September 2032[1,2]	221	213
Subordinated debt		8,559	8,899
Total senior and subordinated debt		**13,749**	**13,970**

1 Issued under the Group's Euro Medium Term Note Programme (EMTN Programme).
2 These bonds are part of a qualifying net investment hedge to hedge the foreign currency exposure.
3 The Group has discontinued the fair value hedges previously applied to hedge the interest rate exposure.

None of the debt instruments listed in table 17.1 were in default as of December 31, 2023 or December 31, 2022.

Consolidated financial statements (continued)

To facilitate the issuance of debt, the Group has in place a Euro Medium Term Note Program (EMTN Program) allowing for the issuance of senior and subordinated notes up to a maximum of USD 18 billion. All issuances under this program are either issued or guaranteed by Zurich Insurance Company Ltd. The Group has also issued debt instruments outside this program.

Debt issued is recognized initially at fair value of the consideration received, net of transaction costs incurred, and is subsequently carried at amortized cost using the effective interest rate method.

Maturity analysis of outstanding debt

Table 17.2

in USD millions, as of December 31	2023		2022	
	Carrying value	**Undiscounted cash flows**	Carrying value	Undiscounted cash flows
< 1 year	1,268	1,672	956	1,957
1 to 2 years	300	692	919	1,308
2 to 3 years	1,991	2,358	300	684
3 to 4 years	380	672	1,942	2,306
4 to 5 years	1,786	2,073	352	636
5 to 10 years	7,203	7,902	8,700	9,645
> 10 years	821	917	801	916
Total	**13,749**	**16,287**	**13,970**	**17,453**

Debt maturities reflect original contractual dates, taking early redemption options into account. For call/redemption dates, see table 17.1. The total notional amount of debt due in each period is not materially different from the total carrying value disclosed in table 17.2. Undiscounted cash flows include interest and principal cash flows on debt outstanding as of December 31, 2023 and 2022. Floating interest rates are assumed to remain constant as of December 31, 2023 and 2022. The aggregated cash flows are translated into U.S. dollars at end-of-period rates.

Development of debt arising from financing activities

Table 17.3

in USD millions	Total	
	2023	2022
As of January 1[1]	13,979	15,109
Issuance of debt recognized in cash flows	544	2,551
Repayment of debt recognized in cash flows	(1,196)	(3,067)
Changes in fair value	–	(39)
Other changes	8	(6)
Foreign currency translation effects	414	(577)
As of December 31	**13,749**	**13,970**

1 The carrying amount of outstanding debt as of January 1, 2023, includes USD 8.5 millions of modification losses recognized at transition to IFRS 9 (see note 2).

Consolidated financial statements (continued)

18. Shareholders' equity, dividends and earnings per share

Table 18.1

Share capital

	Share capital in CHF	Number of shares	Par value in CHF
Issued share capital			
As of December 31, 2021	15,046,017	150,460,167	0.10
New shares issued from contingent capital in 2022	–	–	
As of December 31, 2022	15,046,017	150,460,167	0.10
New shares issued from contingent capital in 2023	–	–	
As of December 31, 2023	**14,635,575**	**146,355,754**	**0.10**
Authorized, contingent and issued share capital			
As of December 31, 2022	22,935,926	229,359,259	0.10
Capital band, contingent and issued share capital			
As of December 31, 2023	21,908,979	219,089,794	0.10

The following information related to the capital band and the contingent share capital is specified in articles 5[bis] and 5[ter] of the Articles of Association of Zurich Insurance Group Ltd (ZIG).

a) Capital band

On April 6, 2023, the Annual General Meeting (AGM) of ZIG approved a capital band as replacement of the authorized share capital (Art. 5[bis] of the Articles of Association).

Until and including April 6, 2028, the Board of Directors (Board) of ZIG is authorized to conduct one or more increases and/or reductions of the share capital within the upper limit of CHF 18,917,751.50, corresponding to 189,177,515 registered shares with a nominal value of CHF 0.10 each, and the lower limit of CHF 13,541,415.00, corresponding to 135,414,150 registered shares with a nominal value of CHF 0.10 each. In the case of a capital increase, the Board would determine the number of shares, the date of issue of any such new shares, the issue price, type of contributions (including cash contributions, contributions in kind, set-off and conversion of freely usable reserves, including retained earnings, into share capital), the conditions of exercising subscription rights and the beginning of the dividend entitlement.

The Board may issue such new shares by means of a firm underwriting by a financial institution, a syndicate of financial institutions or another third party and with a subsequent offer of those shares to the current shareholders. The Board is authorized to restrict or to prohibit trading in the subscription rights to the new shares and may allow the expiration of subscription rights which have not been exercised, or it may place these rights as well as shares, the subscription rights of which have not been exercised, at market conditions, or use them otherwise in the interest of ZIG.

The Board is further authorized to restrict or exclude the subscription rights and to allocate them to individual shareholders, third parties, ZIG or one of its group companies for one or more increases, up to a maximum of 14,600,000 shares, if the shares are to be used:

- for the take-over of an enterprise, or parts of an enterprise or of participations or for investments by ZIG or one of its group companies, or for the financing including refinancing of such transactions;
- for the purpose of expanding the scope of shareholders in connection with the listing of shares on foreign stock exchanges or issuance of shares on the national or international capital markets (including private placements to one or more selected investors);
- for the conversion of loans, bonds, similar debt instruments, equity-linked instruments or other financial market instruments (collectively, the 'Financial Instruments') issued by ZIG or one of its group companies; or
- for the improvement of the regulatory and/or rating capital position of ZIG or one of its group companies in a fast and expeditious manner.

In case of a capital reduction, the Board shall, to the extent necessary, determine the number of shares to be canceled and the use of the reduction amount. The acquisition and holding of shares repurchased for purposes of cancellation under the capital band are not subject to the 10 percent threshold for treasury shares within the meaning of art. 659 para. 2 of the Swiss Code of Obligations.

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The Board is further authorized to carry out a capital increase by increase of the nominal value or a capital reduction by reduction of the nominal value within the capital band or to carry out a simultaneous reduction and reincrease. In the case of an increase or reduction of the nominal value, the Board shall determine the new nominal value of the shares and shall adapt all provisions of the Articles of Association relating to the nominal value of a share as well as the number of shares with a new nominal value corresponding to the fixed upper and lower limit of the capital band pursuant to art. 5bis para. 1, accordingly.

Up to April 6, 2028, the total of new shares issued from (i) the capital band where the subscription rights were restricted or excluded, and (ii) the contingent share capital in connection with Financial Instruments where the advance subscription rights were restricted or excluded, may not exceed 14,600,000 new shares.

b) Contingent share capital

Financial Instruments

Since the replacement of the authorized share capital with the capital band (see a) above) on April 6, 2023, the validity of the combined dilution limitations for the capital band and the contingent share capital pursuant to art. 5ter para. 1 of the Articles of Association is April 6, 2028, and the total of new shares issued from the capital band where the subscription rights were restricted or excluded, and the contingent share capital pursuant to art. 5ter para. 1 of the Articles of Association where the advance subscription rights were restricted or excluded, may not exceed 14,600,000 new shares. No other changes were resolved with respect to the contingent share capital.

The share capital of ZIG may be increased by an amount not exceeding CHF 2,992,160 by issuing of up to 29,921,600 fully paid-in registered shares with a nominal value of CHF 0.10 each by the voluntary or mandatory exercise of conversion and/or option rights which are granted in connection with the issuance of Financial Instruments by ZIG or one of its group companies or by mandatory conversion of Financial Instruments issued by ZIG or one of its group companies, that allow for contingent mandatory conversion into shares of ZIG, or by exercising option rights which are granted to the shareholders. The subscription rights are excluded. The then-current owners of the Financial Instruments shall be entitled to subscribe for the new shares. The conversion and/or option conditions are to be determined by the Board.

The Board is authorized, when issuing Financial Instruments, to restrict or exclude the advance subscription rights in cases where they are issued:

- for the financing including refinancing of a take-over of an enterprise, of parts of an enterprise, or of participations or of investments by ZIG or one of its group companies;
- on national or international capital markets (including private placements to one or more selected investors); or
- for the improvement of the regulatory and/or rating capital position of ZIG or one of its group companies in a fast and expeditious manner.

If the advance subscription rights are restricted or excluded by a resolution of the Board, the following applies: the Financial Instruments are to be issued at prevailing market conditions (including standard dilution protection clauses in accordance with market practice) and the setting of the conversion or issue price of the new shares must take due account of the stock market price of the shares and/or comparable instruments priced by the market at the time of issue or time of conversion.

The conversion rights may be exercisable during a maximum of ten years and option rights during a maximum of seven years from the time of the respective issue; contingent conversion features may remain in place indefinitely.

Up to April 6, 2028, the total of new shares issued from (i) the capital band where the subscription rights were restricted or excluded, and (ii) the contingent share capital in connection with Financial Instruments where the advance subscription rights were restricted or excluded, may not exceed 14,600,000 new shares.

Employee participation

During 2023 and 2022, no shares were issued to Group employees out of the contingent share capital. As of December 31, 2023, and as of December 31, 2022, the remaining contingent share capital available for issuance to Group employees amounted to CHF 409,509.20 and 4,095,092 fully paid-in registered shares with a nominal value of CHF 0.10 each, respectively. Subscription rights, as well as advance subscription rights of the shareholders, are excluded. The issuance of new shares or respective option rights to employees is subject to one or more regulations to be issued by the Board and takes into account performance, functions, levels of responsibility and criteria of profitability. New shares or option rights may be issued to employees at a price lower than that quoted on the stock exchange.

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c) Additional paid-in capital

This reserve is not ordinarily available for distribution. However, as of January 1, 2011, a Swiss tax regulation based on the Swiss Corporate Tax Reform II became effective, allowing for payments free of Swiss withholding tax to shareholders out of the capital contribution reserve, created out of additional paid-in capital. Therefore, amounts qualifying under this regulation can be paid out of additional paid-in capital. As of December 31, 2023, there were no amounts qualifying under the general capital contribution reserve.

d) Treasury shares

Table 18.2

Treasury shares

number of shares, as of December 31	2023	2022	2021
Treasury shares	2,365,577	2,097,833	2,169,197
Treasury shares (repurchased under the public share buyback program, see f)	–	829,830	–

Treasury shares comprise shares acquired in the market as well as shares repurchased via the public share buyback program for cancellation purposes (see f) below).

e) Dividends

The dividend of CHF 24 per share was paid out of the available earnings on April 14, 2023, as approved at the AGM on April 6, 2023. The difference between the respective amounts of the dividend at transaction day exchange rates amounting to USD 3.9 billion and at historical exchange rates are reflected in the cumulative foreign currency translation adjustment.

The dividend of CHF 22 per share was paid out of the available earnings (CH 20.35) and the capital contribution reserve (CHF 1.65) on April 12, 2022, as approved at the AGM on April 6, 2022. The difference between the respective amounts of the dividend at transaction day exchange rates amounting to USD 3.5 billion and at historical exchange rates are reflected in the cumulative foreign currency translation adjustment.

f) Share buyback program

On June 7, 2023, ZIG completed the public share buyback program of up to CHF 1.8 billion, which was launched on November 21, 2022. Until completion of the program on and including June 7, 2023, ZIG repurchased on a second trading line on the SIX Swiss Exchange a total of 4,104,413 ZIG shares, having a total purchase value of CHF 1.8 billion. Following completion of the public share buyback program, the repurchased shares were canceled using the capital band introduced on April 6, 2023 by the AGM. The new share capital of CHF 14,635,575.40 and the new number of shares of 146,355,754 shares were registered in the commercial register of the Canton of Zurich on August 7, 2023.

g) Earnings per share

Table 18.3

Earnings per share

for the years ended December 31	Net income attributable to common shareholders (in USD millions)	Weighted average number of shares	Per share (USD)	Per share (CHF)[1]
2023				
Basic earnings per share	**4,351**	**145,253,573**	**29.96**	**26.91**
Effect of potentially dilutive shares related to share-based compensation plans		1,100,905	(0.23)	(0.20)
Diluted earnings per share	**4,351**	**146,354,478**	**29.73**	**26.71**
2022				
Basic earnings per share	**3,964**	**148,442,709**	**26.71**	**25.48**
Effect of potentially dilutive shares related to share-based compensation plans		1,135,620	(0.20)	(0.19)
Diluted earnings per share	**3,964**	**149,578,329**	**26.50**	**25.28**

1 The translation from U.S dollars to Swiss francs is shown for information purposes only and has been calculated at the Group's average exchange rates for the years ended December 31, 2023 and 2022.

Basic earnings per share is computed by dividing net income attributable to shareholders by the weighted average number of shares outstanding for the year, excluding the weighted average number of shares held as treasury shares. Diluted earnings per share reflects the effect of potentially dilutive shares.

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19. Employee benefits

The Group operates a number of retirement benefit arrangements for employees. Historically, the majority of employees belonged to defined benefit pension plans and some will still have past service benefits accrued in those plans.

However, the majority of employees now accrue benefits under defined contribution plans, which provide benefits equal to the amounts contributed by both the employer and the employee plus investment returns.

Certain of the Group's operating companies also provide post-employment benefit plans covering medical care and life insurance, mainly in the U.S. Eligibility for these plans is generally based on completion of a specified period of eligible service and reaching a specified age. The plans typically pay a stated percentage of medical expenses subject to deductibles and other factors. The cost of post-employment benefits is accrued during the employees' service periods.

The Group Pensions Committee is responsible for developing, reviewing and advising on the Group governance framework in matters related to pension and post-employment benefit arrangements. It provides oversight and guidance in the areas of market, demographic and reputational risk. It reports to and makes recommendations to the Group Balance Sheet Committee on material pension-related matters and reports regularly to the Remuneration Committee. The Group Pensions Committee provides a point of focus and coordination on the topic of pensions and post-retirement benefits at Group level for the supervision and exercise of company powers and obligations in relation to pension and post-retirement benefit plans.

Funding and asset allocation is subject to local legal and regulatory requirements.

a) Defined contribution pension plans

Certain companies of the Group sponsor defined contribution pension plans. Eligibility for participation in such plans is either immediate on commencement of employment or based on completion of a specified period of continuous service. The plans provide for voluntary contributions by employees and contributions by the employer which typically range from 2 percent to 13 percent of annual pensionable salary, depending on a number of factors. The Group's contributions under these plans amounted to USD 297 million and USD 301 million for the years ended December 31, 2023 and 2022, respectively.

b) Defined benefit pension plans

The largest defined benefit obligations are in the pension plans in Switzerland, the UK, the U.S. and Germany, which together comprise over 90 percent of the Group's total defined benefit obligation. The remaining plans in other countries are not individually significant, therefore; no separate disclosure is provided.

Certain Group companies provide defined benefit pension plans, some of which provide benefits on retirement, death or disability related to employees' service periods and pensionable earnings. Others provide cash balance plans where the participants receive the benefit of the accumulated employer and employee contributions (where paid) together with additional cash credits in line with the rules of the plan.

Most of the Group's defined benefit pension plans are funded through contributions by the Group and, in some cases also by employees, to investment vehicles managed by trusts or foundations independent of the Group's finances, or by management committees with fiduciary responsibilities. Where a trust or foundation exists, it is required by law or by articles of association to act in the interests of the fund and of all relevant beneficiaries to the plan, which can also include the sponsoring company, and is responsible for the investment policy with regard to the assets of the fund. The trust/foundation board or committee is usually composed of representatives from both employers and plan members. Independent actuarial valuations for the plans are performed as required. It is the Group's general principle that plans are appropriately funded in accordance with local pension regulations in each country.

The pension plans typically expose the company to risks such as interest rate, price inflation, longevity and salary increases. To the extent that pension plans are funded, the assets held mitigate some of the liability risk but introduce some investment risk.

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The overall investment policy and strategy for the Group's defined benefit pension plans is to achieve an investment return which, together with contributions, targets having sufficient assets to pay pension benefits as they fall due while also mitigating the various risks in the plans. The actual asset allocation is determined by reference to current and expected economic and market conditions and in consideration of specific asset class risk in the risk profile. The Group has a governance framework to ensure the trust/foundation board or committee considers how the asset investment strategy correlates with the maturity profile of the plan liabilities and the potential impact on the funding status of the plans, including short-term liquidity requirements. The investment strategies for each pension plan are independently determined by the governance body in each country, with oversight by the Group Pensions Committee. The pension assets are invested in diversified portfolios across geographical regions and asset classes to ensure diversified returns, also taking into account local pension laws. The investment strategies aim to mitigate asset-liability mismatches in the long run. In recent years, the integration of environmental, social and governance (ESG) factors has become a significant element of Zurich's pension plans' investment decision making. Pension plans will continue progressing on their responsible investment journey, leveraging Zurich's expertise and leadership while being cognizant of their fiduciary responsibility.

For post-employment defined benefit plans, total contributions to funded plans and benefits paid directly by the Group were USD 302 million for 2023 compared with USD 289 million for 2022. The estimated total for 2024 is USD 327 million (actual amount may differ).

Swiss pension plan

The main plan provides benefits that exceed the minimum benefit requirements under Swiss pension law. It provides a lifetime pension to members based on their accrued retirement savings in the basic and additional accounts multiplied by the applicable conversion rate at the normal retirement age of 65 (age 62 for Executive Staff). Participants can draw retirement benefits early from age 60 (age 58 for Executive Staff). Alternatively, the benefit can be taken as a lump sum payment at retirement. In addition, at retirement, the plan pays a one-off cash sum settlement equal to the accrued retirement savings in the capital account. Contributions to the plan are paid by the employees and the employer, both for retirement savings and to finance risk benefits paid out in the event of death and disability. The accumulated balance on the pension account is based on the employee and employer pension contributions and interest accrued. The interest rate credited is defined annually by the plan's Board of Trustees, which is responsible for the governance of the plan. The trustees review the Pension Plan's funding status regularly as well as the technical interest rate and the conversion rates.

Following the reduction of the technical interest rate from 1.75 percent to 1.25 percent as of December 31, 2019, the conversion rate at age 65 will be further reduced from the value of 5.00 percent as of end of 2023 in two annual steps, starting from January 1, 2025 to 4.70 percent. To partially compensate for this reduction, top-up payments from the company will be paid to the retirement accounts of members affected by the changes. In addition, from January 1, 2025, some plan design features will be changed to align the plan with market practice. The top-up payments will be made in five annual installments starting from January 1, 2025. The impact of these changes resulted in a one-off prior service credit of USD 29 million, which has been reflected as a reduction in expense in 2023, and an increase in ongoing expense through the service cost (USD 15 million in 2023).

Although the Swiss plan operates like a defined contribution plan under local regulations, it is accounted for as a defined benefit pension plan under IAS 19 'Employee Benefits' because of the need to accrue a minimum level of interest on the mandatory part of the pension accounts and the payment of a lifetime pension at a fixed conversion rate under the plan rules.

Actuarial valuations are completed annually and if the plan becomes underfunded under local regulations, options for managing this include additional contributions from the Group into the plan and/or reducing future benefits. At present, the plan is sufficiently funded, meaning that no additional contributions into the plans are expected to be required in the next year. The investment strategy of the Swiss plan is constrained by Swiss pension law, including regulations related to diversification of plan assets. Under IAS 19, volatility arises in the Swiss pension plan net assets as the fair value of the plan assets is not directly correlated to movements in the value of the plan's defined benefit obligation in the short-term.

If the fair value of plan assets exceeds the plan's defined benefit obligation, a surplus is only recognized on the balance sheet to the extent that it does not exceed the estimated future economic benefit. The value of the future economic benefit is estimated as the sum of two items: the difference between the present value of the estimated future net service cost and the present value of estimated future employer contributions, plus employer contribution reserves in accordance with local Swiss regulations.

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UK pension plan
The major UK pension plan is a hybrid arrangement and defined benefits entitlements accrued to December 31, 2015 increase in line with salary increases. Normal retirement age for the plan is 60. The plan is split into distinct sections and the two defined benefit sections are closed to new entrants and, with effect from January 1, 2016, to future benefit accrual. All employees now participate in a defined contribution section within the same trust. The notes that follow consider only the defined benefit sections.

The UK Pension Trustee Board is responsible for the governance of the plan. The employer contributions are determined based on regular triennial actuarial valuations which are conducted using assumptions agreed by the Trustee Board and the sponsoring company. A local statutory valuation was carried out at an effective date of June 30, 2022 and was finalized in September 2023. This valuation disclosed a funding surplus of USD 172 million (GBP 135 million) after taking into account the value of the asset-backed funding arrangement established in 2014. The asset-backed funding arrangement does not qualify as a plan asset under IAS 19 and is therefore not included in the tables set out in the rest of this note.

The ongoing funding of the plan is closely monitored by the Trustee Board and a dedicated funding committee is made up of representatives from the Trustee Board and the Group. The plan rules and UK pension legislation set out maximum levels of inflationary increases applied to plan benefits. The plan assets are invested in diversified classes of assets.

U.S. pension plans
There are two major pension plans in the U.S., the Zurich North America (ZNA) pension plan and the Farmers Group, Inc. (FGI) pension plan. Both plans are funded entirely by the participating employers. The ZNA plan is a cash balance and the FGI pension plan utilizes a cash balance pension formula for benefits accruing after January 1, 2009, except with respect to certain grandfathered participants who retained a final average pay formula. Under a cash balance pension formula, an amount is credited to the cash balance account each quarter, determined by an employee's age, service and their level of earnings up to and above the social security taxable wage base. The minimum annual interest credited on the account balance is 5 percent. The cash balance account is available from age 65, or age 55 with five years of service. The benefit can be taken as a monthly annuity or as a lump sum. Both the ZNA and FGI plans have fiduciaries as required under local pension laws. The fiduciaries are responsible for the governance of the plans. Actuarial valuations are completed regularly. The annual employer minimum required contributions are equal to expected expenses paid from the plan each year, plus a rolling amortization of any prior underfunding.

The ZNA and FGI plans have been frozen with effect from December 31, 2018. ZNA and FGI employees with a cash balance account will continue to earn interest credits on their existing cash balance account balance after the freeze date and will continue to earn eligibility service used to determine vesting and early retirement eligibility. FGI employees participating in the final average pay formula will continue to earn eligibility service used to determine vesting and the percentage of pension benefit payable for early retirement before normal retirement age of 65. ZNA and FGI employees earn only defined contribution retirement benefits with effect from January 1, 2019. In conjunction with the change in the pension plan, ZNA and FGI employees receive an additional company contribution within their defined contribution plan.

German pension plans
There are a number of legacy defined benefit plans in Germany, most of which were set up under works council agreements. Contributions to support the pension commitments are made to a contractual trust arrangement. A separate arrangement was also established in 2010 to provide for retirement obligations that were in payment at that time. Consideration is given from time to time based on the fiscal efficiency of adding recent retirees to this arrangement and to adding assets to the contractual trust. In 2023, the pension liabilities are funded at 80 percent; however, no additional funding was required.

The defined benefit plans provide benefits on either a final salary, career average salary or a cash balance basis. New entrants participate in a cash balance arrangement, which has the characteristics of a defined contribution arrangement, with a lump sum paid at retirement and a capital guarantee on members' balances, which mirrors the capital guarantee given in a conventional life insurance arrangement in Germany.

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Tables 19.1a and 19.1b set out the reconciliation of the defined benefit obligation and plan assets for the Group's post-employment defined benefit plans.

Table 19.1a

Movement in defined benefit obligation and fair value of assets – current period

in USD millions	Defined benefit obligation	Fair value of assets	Asset ceiling	Net defined benefit asset/ (liability)
As of January 1, 2023	**(16,125)**	**16,578**	**(1,240)**	**(788)**
Net post-employment benefit (expense)/income:				
Current service cost	(144)	–	–	(144)
Interest (expense)/income	(659)	653	–	(6)
Settlements gains/(losses)	(2)	–	–	(2)
Past service (cost)/credit	48	–	–	48
Net post-employment benefit (expense)/income	**(756)**	**653**	**–**	**(103)**
Remeasurement effects included in other comprehensive income:				
Return on plan assets excluding interest income	–	519	–	519
Experience gains/(losses)	(109)	–	–	(109)
Actuarial gains/(losses) arising from changes in demographic assumptions	(187)	–	–	(187)
Actuarial gains/(losses) arising from changes in financial assumptions	(881)	–	–	(881)
Change in asset ceiling	–	–	56	56
Remeasurement effects included in other comprehensive income	**(1,177)**	**519**	**56**	**(602)**
Employer contributions	–	265	–	265
Employer contributions paid to meet benefits directly	38	–	–	38
Plan participants' contributions	(85)	85	–	–
Payments from the plan (including settlements)	813	(813)	–	–
Acquisitions/(divestments) and transfers	–	–	–	–
Foreign currency translation effects	(937)	1,013	–	76
As of December 31, 2023	**(18,229)**	**18,299**	**(1,185)**	**(1,115)**
of which: Assets for defined pension plans[1]				384
of which: Liabilities for defined pension plans[2]				(1,499)

1 Included within 'Receivables and other assets' (refer to note 14).
2 Included within 'Other liabilities' (refer to note 15).

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Movement in defined benefit obligation and fair value of assets – prior period

Table 19.1b

in USD millions	Defined benefit obligation	Fair value of assets	Asset ceiling	Net defined benefit asset/ (liability)
As of January 1, 2022	**(24,218)**	**24,005**	**(942)**	**(1,155)**
Net post-employment benefit (expense)/income:				
Current service cost	(157)	–	–	(157)
Interest (expense)/income	(304)	286	–	(18)
Settlements gains/(losses)	(1)	–	–	(1)
Past service cost	(1)	–	–	(1)
Net post-employment benefit (expense)/income	**(462)**	**286**	**–**	**(177)**
Remeasurements effects included in OCI:				
Return on plan assets excluding interest income	–	(5,764)	–	(5,764)
Experience gains/(losses)	(897)	–	–	(897)
Actuarial gains/(losses) arising from changes in demographic assumptions	(31)	–	–	(31)
Actuarial gains/(losses) arising from changes in financial assumptions	7,156	–	–	7,156
Change in asset ceiling	–	–	(298)	(298)
Remeasurements effects included in other comprehensive income	**6,228**	**(5,764)**	**(298)**	**166**
Employer contributions	–	251	–	251
Employer contributions paid to meet benefits directly	38	–	–	38
Plan participants' contributions	(76)	76	–	–
Payments from the plan (including settlements)	827	(827)	–	–
Acquisitions/(divestments) and transfers[1]	(1)	–	–	(1)
Foreign currency translation effects	1,539	(1,449)	–	90
As of December 31, 2022	**(16,125)**	**16,578**	**(1,240)**	**(788)**
of which: Assets for defined pension plans[2]				415
of which: Liabilities for defined pension plans[3]				(1,203)

1 Zurich Insurance Company Ltd acquired Deutsche Bank Italian Financial Advisors network (refer to note 4).
2 Included within 'Receivables and other assets' (refer to note 14).
3 Included within 'Other liabilities' (refer to note 15).

Net post-employment benefit (expense)/income is recognized in other employee benefits, which is included within administrative and other operating expense.

Post-employment benefits are long-term by nature. However, short-term variations between long-term actuarial assumptions and actual experience may be positive or negative, resulting in actuarial gains or losses, which are recognized in full in the period in which they occur and are included within other comprehensive income.

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Table 19.2 provides a breakdown of plan assets by asset class.

Table 19.2

Fair value of assets held in funded defined benefit pension plans

in USD millions, as of December 31	2023				2022			
	Quoted in active markets	Other	Total	% of Total	Quoted in active markets	Other	Total	% of Total
Cash and cash equivalents	380	–	380	2%	426	–	426	3%
Equity securities	3,581	319	3,900	21%	3,662	242	3,904	24%
Debt securities	–	13,608	13,608	74%	–	11,559	11,559	70%
Investment property	–	1,887	1,887	10%	–	1,841	1,841	11%
Mortgage loans	–	382	382	2%	–	359	359	2%
Other assets	–	(1,857)	(1,857)	(10%)	–	(1,511)	(1,511)	(9%)
Total	**3,960**	**14,339**	**18,299**	**100%**	**4,088**	**12,490**	**16,578**	**100%**

For the classification of pension assets, the Group follows the same principles as outlined in note 22. Assets meeting the criteria of Level 1 are generally considered quoted in active markets, while assets meeting the criteria of Level 2 or Level 3 are generally considered in other assets.

Tables 19.3a and 19.3b provide a breakdown of the key information included in tables 19.1a and 19.1b for the main countries for the years ended December 31, 2023 and 2022, respectively.

Table 19.3a

Key information by main country – current period

in USD millions, as of December 31, 2023	Switzerland	United Kingdom	United States	Germany	Other	Total
Defined benefit obligation	(5,195)	(8,016)	(2,825)	(1,194)	(999)	(18,229)
Fair value of plan assets	6,421	7,293	2,554	1,039	992	18,299
Impact of asset ceiling	(1,109)	(76)	–	–	(0)	(1,185)
Net defined benefit asset/(liability)	**116**	**(798)**	**(271)**	**(155)**	**(7)**	**(1,115)**
of which: Assets for defined pension plans	124	–	125	36	98	384
of which: Liabilities for defined pension plans	(8)	(798)	(396)	(191)	(105)	(1,499)
Net post-employment benefit (expense)/income	(34)	(30)	1	(18)	(22)	(103)

Table 19.3b

Key information by main country – prior period

in USD millions, as of December 31, 2022	Switzerland	United Kingdom	United States	Germany	Other	Total
Defined benefit obligation	(4,294)	(7,044)	(2,770)	(1,125)	(892)	(16,125)
Fair value of plan assets	5,576	6,606	2,597	947	853	16,578
Impact of asset ceiling	(1,161)	(78)	–	–	(1)	(1,240)
Net defined benefit asset/(liability)	**121**	**(517)**	**(174)**	**(178)**	**(40)**	**(788)**
of which: Assets for defined pension plans	125	–	191	24	75	415
of which: Liabilities for defined pension plans	(4)	(517)	(364)	(202)	(115)	(1,203)
Net post-employment benefit (expense)/income	(93)	(26)	(17)	(16)	(25)	(177)

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The Groups' post-employment defined benefit obligations and the Group's post-employment benefit expenses in the Group's major plans shown in table 19.4 are calculated by discounting using the full yield curve for each country. For the UK, where price inflation is required for projecting benefits in those calculations, this is done using the full break-even price inflation curve. The figures for discount rates and for UK price inflation in table 19.4 are single-equivalent rates for the defined benefit obligations (i.e., the single assumption that would produce the same defined benefit obligation as using the full curve); single-equivalent rates for other elements of the accounting results will differ slightly from the figures set out below.

Key financial assumptions used for major plans

Table 19.4

as of December 31	2023				2022			
	Switzerland	**United Kingdom**	**United States**	**Germany**	Switzerland	United Kingdom	United States	Germany
Discount rate	1.3%	4.5%	5.0%	3.2%	2.2%	4.8%	5.4%	3.7%
Inflation rate (CPI)[1]	1.2%	2.5%	2.4%	2.3%	1.2%	2.6%	2.5%	2.6%
Salary increase rate	1.2%	2.4%	4.9%	3.6%	1.2%	2.8%	5.0%	3.9%
Expected future pension increases	0.1%	2.6%	n/a	2.3%	0.1%	3.4%	n/a	2.6%
Interest crediting rate[2]	1.3%	n/a	5.4%	n/a	2.2%	n/a	5.4%	n/a

1 In the UK, part of the liability is linked to the inflation measure of the Retail Price Index (RPI), which is assumed to be 1.0 percent higher than the Consumer Price Index (CPI) as of both December 31, 2023 and 2022. As RPI is expected to converge with CPI no earlier than in 2030, the RPI assumption for the UK was assumed to be 1.0 percent higher than CPI for durations up to and including 2029 and the same as CPI for 2030 onwards.
2 As of December 31, 2023 and 2022, the disclosed assumption for the U.S. is calculated as a weighted average of ZNA pension plans and the FGI pension plans.

Tables 19.5a and 19.5b set out the life expectancies used in the valuation of the Group's major plans. The mortality assumptions in each country have been based on mortality tables in accordance with typical practice in that country.

Mortality tables and life expectancies for major plans – current period

Table 19.5a

in years, as of December 31, 2023		Life expectancy at age 65 for a male currently		Life expectancy at age 65 for a female currently	
		aged 65	**aged 45**	**aged 65**	**aged 45**
Country	Mortality table for major plans				
Switzerland	BVG 2020 with generational projections according to CMI model adapted to Swiss mortality with a long-term trend rate of 1.25%	21.90	23.58	23.65	25.25
United Kingdom	Club Vita 2022 mortality curves with CMI_2021 projection with plan specific adjustments	22.44	22.96	24.50	26.05
	Pri-2012 with MP-2020 Generational projection and white collar adjustment	21.91	23.29	23.30	24.66
United States	Pri-2012 with MP-2021 Generational projection and white collar adjustment	22.03	23.41	23.46	24.82
Germany	Heubeck 2018G	20.76	23.49	24.15	26.36

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Mortality tables and life expectancies for major plans – prior period

Table 19.5b

in years, as of December 31, 2022		Life expectancy at age 65 for a male currently aged 65	Life expectancy at age 65 for a male currently aged 45	Life expectancy at age 65 for a female currently aged 65	Life expectancy at age 65 for a female currently aged 45
Country	Mortality table for major plans				
Switzerland	BVG 2020 with generational projections according to CMI model adapted to Swiss mortality with a long-term trend rate of 1.25%	21.84	23.50	23.59	25.18
United Kingdom	SAPS Series 3 with CMI_2021 projection with plan specific adjustments	22.06	23.30	24.11	25.58
	Pri-2012 with MP-2020 Generational projection and white collar adjustment	21.84	23.22	23.24	24.60
United States	Pri-2012 with MP-2021 Generational projection and white collar adjustment	21.97	23.35	23.39	24.75
Germany	Heubeck 2018G	20.62	23.36	24.04	26.26

Table 19.6 shows the expected benefits to be paid under the Group's major plans in the future. It should be noted that actual amounts may vary from expected amounts. Therefore, future benefit payments may differ from the amounts shown.

Maturity analysis of future benefit payments for major plans

Table 19.6

as of December 31	**2023** Switzerland	**2023** United Kingdom	**2023** United States	**2023** Germany	2022 Switzerland	2022 United Kingdom	2022 United States	2022 Germany
Duration of the defined benefit obligation (in years)	11.5	15.4	9.8	11.4	11.8	15.2	10.5	12.0
Maturity analysis of benefits expected to be paid (in USD millions):								
< 1 year	429	282	244	61	314	304	219	63
1 to 5 years	1,394	1,357	854	255	1,170	1,201	850	244
5 to 10 years	1,504	2,111	991	348	1,349	1,891	1,022	335

Sensitivity analysis of significant actuarial assumptions

Table 19.7

in USD millions, as of December 31	Defined benefit obligation[1] **2023**	Defined benefit obligation[1] 2022
Discount rate +50 bps	1,105	978
Discount rate –50 bps	(1,240)	(1,096)
Salary increase rate +50 bps	(51)	(38)
Salary decrease rate –50 bps	49	37
Price inflation increase rate +50 bps	(705)	(651)
Price inflation decrease rate –50 bps	637	594
Cash balance interest credit rate +50 bps	(114)	(62)
Cash balance interest credit rate –50 bps	87	59
Mortality 10% increase in life expectancy	(1,355)	(1,109)
Mortality 10% decrease in life expectancy	1,202	1,140

1 A negative number indicates an increase and a positive number indicates a decrease in the defined benefit obligation.

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Table 19.7 sets out the sensitivity of the defined benefit obligation to changes in key actuarial assumptions. The effect on the defined benefit obligation shown allows for an alternative value for each assumption while the other actuarial assumptions remain unchanged. While this table illustrates the overall impact on the defined benefit obligation of the changes shown, the significance of the impact and the range of reasonably possible alternative assumptions may differ between the different plans that comprise the overall defined benefit obligation. In particular, the plans differ in benefit design, currency and average term, meaning that different assumptions have different levels of significance for different plans. The sensitivity analysis is intended to illustrate the inherent uncertainty in the evaluation of the defined benefit obligation under market conditions at the measurement date. Its results cannot be extrapolated due to non-linear effects that changes in the key actuarial assumptions may have on the overall defined benefit obligation. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Group's view of expected future changes in the defined benefit obligation. Any management actions that may be taken to mitigate the inherent risks in the post-employment defined benefit plans are not reflected in this analysis.

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20. Share-based compensation and cash incentive plans

The Group has adopted various share-based compensation and cash incentive plans to attract, retain and motivate employees. The plans are designed to reward employees for their contribution to the performance of the Group and to encourage employee share ownership. Share-based compensation plans include performance-based share plans and employee share purchase plans. Share-based compensation plans are based on the provision of Zurich Insurance Group Ltd shares.

a) Cash incentive plans

The Group's short-term incentive plan (STIP) is utilized across the Group and in many countries covers all employees in that country who are selected to participate in a short-term incentive plan. In addition, there may be other local short-term incentive plans in place. Awards are made in cash, based on the accomplishment of both organizational and individual performance objectives. The expense recognized for these cash incentive plans amounted to USD 720 million and USD 607 million for the years ended December 31, 2023 and 2022, respectively.

b) Share-based compensation plans for employees

The Group encourages employees to own shares in Zurich Insurance Group Ltd and has set up a framework based on the implementation of performance share programs. Actual plans are tailored to meet local market requirements.

The cost of share-based payments depends on various factors, including achievement of targets, and are subject to the discretion of the Remuneration Committee and the Board. Costs may therefore vary significantly from year to year. The net amounts of USD 317 million and USD 246 million for the years ended December 31, 2023 and 2022, respectively, reflect all aspects of share-based compensation, including adjustments made during the year.

The explanations below provide a more detailed overview of the main plans of the Group.

Employee share plans

Share incentive plans for employees in the UK

The Group established an Inland Revenue approved Share Incentive Plan and launched the Partnership Shares element of this plan in 2003, which enabled participating employees to make monthly purchases of Zurich Insurance Group Ltd shares at the prevailing market price from their gross earnings. This plan was terminated in 2007. There were 9 participants in the plan as of December 31, 2023 and 2022.

A revised Partnership Share Scheme was launched in March 2013. Participants benefit from purchasing shares by making deductions from gross salary up to a maximum of GBP 1,800 or 10 percent of their year-to-date earnings. There were 883 and 744 active participants in the plan as of December 31, 2023 and 2022, respectively.

The Group also operates a profit-sharing element of the Share Incentive Plan (Reward Shares) which was launched in 2004 with annual share allocations being made in May each year subject to business performance. The awards are based on business operating profit (BOP) after tax for the year achieved by the business unit of each participating employee. Individual awards are subject to a maximum of 5 percent of a participant's base salary (before any flexible benefit adjustments) with an overall maximum of GBP 3,600. The total number of participating employees in Reward Shares as of December 31, 2023 and 2022 was 4,056 and 4,319, respectively.

A Dividend Shares scheme was launched in 2014 which allows employees to reinvest their dividends from Partnership Shares and Reward Shares. As of December 31, 2023 and 2022, there were 696 and 569 participants in the scheme, respectively.

Share incentive plan for employees in Switzerland

Under the Employee Share Plan, eligible employees are allowed to acquire sales-restricted shares at a 30 percent discount to the market value. The maximum permitted investment at the preferential price in shares is equivalent to CHF 3,500 per employee per annum. During 2023, 4,846 employees were eligible to participate in the plan, compared with 4,515 in 2022. For the years ended December 31, 2023 and 2022, 2,560 and 2,331 employees, respectively, purchased shares under the 2023 and 2022 share plans.

Consolidated financial statements (continued)

The Group Long-Term Incentive Plan (LTIP)

Participants in this plan are allocated a target number of performance shares units (PSUs) as notional shares of Zurich Insurance Group Ltd in April each year. The number of PSUs to be allocated is calculated according to each participant's annual target amount which is expressed as a percentage of their annual base salary. To further align participants with the interests of shareholders, PSUs are credited with dividend equivalent units (DEUs) during the vesting period to compensate participants in LTIP for dividends paid to shareholders.

PSUs allocated in 2023 will vest after a period of three years following the year of allocation (three-year cliff vesting), with the actual level of vesting between 0 percent and 200 percent of the overall target shares (PSUs allocated and DEUs that accrued during the vesting period), depending on the achievement of pre-defined performance criteria. The performance criteria used to determine the level of vesting are the Group's business operating profit after tax return on common shareholders' equity (average BOPAT ROE), the position of its relative total shareholder return (TSR) measured against an international peer group of insurance companies, and the achievement of cash remittance targets, each with a 30 percent weight, as well as operational CO2 equivalent (CO2e) emissions with a 10 percent weight. The four pre-defined performance criteria are assessed independently over a period of three consecutive financial years starting in the year of allocation. One half of the shares that vest are sales-restricted for a further three years for members of the Executive Committee. As of December 31, 2023 and 2022 there were 1,281 and 1,305 participants in this plan, respectively.

Table 20

Target shares allocated during the period

for the years ended December 31	Number		Fair value at the allocation date (in CHF)[1]	
	2023	2022	**2023**	2022
Target shares allocated during the period	424,071	408,015	443.50	451.20

1 Fair value measured using the market price of the shares at the allocation date and volatility indicators.

The target shares allocated each year are based on parameters under the Group's LTIP. The level of vesting will depend on the level of achievements in the performance criteria.

Consolidated financial statements (continued)

21. Commitments and contingencies, legal proceedings and regulatory investigations

The Group has provided contractual commitments and financial guarantees to external parties, associates and joint ventures as well as partnerships. These arrangements include commitments under certain conditions to make liquidity advances to cover default principal and interest payments, make capital contributions or provide equity financing.

Quantifiable commitments and contingencies

Table 21

in USD millions as of December 31	**2023**	2022
Remaining commitments under investment agreements	832	1,045
Guarantees and letters of credit[1]	864	838
Undrawn loan commitments	1	–
Other commitments and contingent liabilities[2]	447	427

1 Guarantee features embedded in life insurance products are not included.
2 Includes USD 94 million and USD 11 million future cash flows in 2023 and 2022, respectively, that the Group as a lessee is potentially exposed to which are not reflected in the measurement of lease liabilities in the balance sheet.

Commitments under investment agreements

The Group has committed to contribute capital to third parties that engage in making investments in direct private equity, private equity funds and real estate. Commitments may be called by the counterparty over the term of the investment (generally three to five years) and must be funded by the Group on a timely basis.

Guarantees and letters of credit

In 2023 and 2022, USD 605 million and USD 572 million related to guarantees in the aggregate amount of GBP 475 million which were provided to the directors of a wholly owned subsidiary in connection with the repatriation of capital. These guarantees have no expiry date.

The Group knows of no event of default that would require it to satisfy financial guarantees. Irrevocable letters of credit have been issued to secure certain reinsurance contracts.

The Group is active in numerous countries where insurance guarantee funds exist. The design of such funds varies from jurisdiction to jurisdiction. In some, funding is based on premiums written; in others, the Group may be called upon to contribute to such funds in case of a failure of another market participant. In addition, in some jurisdictions the amount of contribution may be limited to, for example, a percentage of the net underwriting reserve net of payments already made.

The Group carries certain contingencies in the ordinary course of business in connection with the sale of its companies and businesses. These are primarily in the form of indemnification obligations provided to the acquirer in a transaction in which a Group company is the seller. They vary in scope and duration by counterparty and generally are intended to shift the potential risk of certain unquantifiable and unknown loss contingencies from the acquirer to the seller.

Zurich Insurance Group Ltd has provided unlimited guarantees in support of entities belonging to the Zurich Capital Markets group of companies.

Other contingent liabilities

The Group has received notices from various tax authorities asserting deficiencies in taxes for various years. The Group is of the view that the ultimate outcome of these reviews will not materially affect the Group's consolidated financial position.

The Group has commitments to provide collateral on certain contracts in the event of a financial strength downgrading for Zurich Insurance Company Ltd from the current AA by Standard & Poor's. Should the rating by Standard & Poor's fall to A+, then the additional collateral based on information available amounts to nil as of December 31, 2023.

In common with other insurance companies, the Group is mindful of the trend toward enhanced consumer protection. There is significant uncertainty about the ultimate cost this trend might have on our business. The main areas of uncertainty concern court decisions as well as the volume of potential customer complaints related to sales activities and withdrawal rights, and their respective individual assessments.

Consolidated financial statements (continued)

Pledged assets

The majority of assets pledged to secure the Group's liabilities relate to debt securities pledged under short-term sale and repurchase agreements. The total amount of pledged financial assets including the securities under short-term sale and repurchase agreements amounted to USD 1.8 billion and USD 2.2 billion as of December 31, 2023 and 2022, respectively.

Terms and conditions associated with the financial assets pledged to secure the Group's liabilities are usual and standard in the markets in which the underlying agreements were executed.

Legal, compliance and regulatory developments

The Group's business is subject to extensive supervision, and the Group is in regular contact with various regulatory authorities. The Group is also involved in legal and arbitration proceedings and regulatory investigations arising, for the most part, in the ordinary course of its business operations in various jurisdictions where it operates. In addition, the Group and/or its subsidiaries are involved in legal matters arising out of transactions involving the transfer of portfolios or businesses. These legal matters can include claims brought by purchasers or other parties asserting claims for damages on various theories, including failure to disclose material information, failure to perform contractual duties or otherwise seeking to impose liability on the Group and/or its subsidiaries. With respect to significant legal or regulatory matters, the Group considers the likelihood of a negative outcome, and when the likelihood of a negative outcome is probable and the amount of the loss can be reliably estimated, a reserve or provision is established to record the estimated loss for the expected outcome. While the Group believes that it is not a party to, nor are any of its subsidiaries the subject of, any unresolved current legal proceedings, claims, litigation and investigations that will have a material adverse effect on the Group's consolidated financial condition, proceedings are inherently unpredictable, and it is possible that the outcome of any proceeding could have a material impact on results of operations in the particular reporting period in which it is resolved. Specifically:

- Several of the Group's subsidiaries as well as other insurance companies are involved in litigation relating to the extent to which COVID-19 was intended to be covered under Property Damage Business Interruption policies. A limited number of class actions have also been initiated. Most of the litigation has been filed in United States courts and in addition to test cases in the UK. The final determination of outcomes may take many years as appeals are pursued by the plaintiffs and insurers, including the Group or its subsidiaries.
- In 2016, the Group, on its own initiative, undertook an internal review of the life insurance, savings and pension business sold by its non-U.S. operating companies with relevant cross-border business to customers with a nexus to the U.S. The review confirmed that the Group's cross-border business with U.S. persons was very limited and of a legacy nature, with the large majority of sales having occurred more than a decade ago. The review also confirmed that the Group's U.S. operating companies were not involved in or connected to those activities. The Group voluntarily disclosed the results of the review and the regulatory issues presented by sales to U.S. residents to the Swiss Financial Market Supervisory Authority (FINMA), the U.S. Department of Justice (DOJ) and other authorities. The Group continues to cooperate with these authorities. In April 2019, the DOJ announced that Zurich Life Insurance Company Ltd (ZLIC) and Zurich International Life Limited (ZILL) entered into a non-prosecution agreement (NPA) with the DOJ, which memorializes the DOJ's decision not to prosecute these entities for any U.S. tax-related offenses in connection with legacy cross-border sales to U.S. persons. Under the terms of the NPA, ZLIC and ZILL have agreed to comply with certain specified conditions during the four-year term of the NPA. This resolution has not had, and will not have, an adverse effect on the Group's business or consolidated financial condition.
- In April 2023, a putative nationwide class action complaint was filed in the Superior Court for the County of Los Angeles, California (the 'Superior Court'), against Farmers Group, Inc., and its subsidiaries, Fire Underwriters Association and Truck Underwriters Association (collectively, 'FGI'). The case, captioned Paul Lim, et al v. Farmers Group, Inc., et al., alleges that FGI breached its fiduciary duty by accepting excessive compensation for their services and failing to disclose certain information about their fees, calculation methods and relationship to Zurich. In May 2023, FGI removed the action to the U.S. District Court for the Central District of California under the Class Action Fairness Act, and subsequently filed a motion to dismiss. On May 26, 2023, plaintiffs filed a motion to remand the action to the California state Superior Court, which was granted on November 13, 2023. In light of the remand, the U.S. District Court did not rule on the substance of FGI's motion to dismiss. On January 2, 2024, with the Superior Court's permission, plaintiffs filed a first amended complaint. An Initial Case Management Conference is set for February 15, 2024. The case has been subject to a stay leading up to the Initial Case Management Conference. At the Initial Case Management Conference, the Superior Court will likely consider the extent to which to lift the stay to allow motion practice or discovery to proceed. FGI believes it has numerous and substantial defenses to the claims raised and will vigorously contest the action.
- In July and August 2023, the administrators of Greensill Bank AG (GBAG) served two Particulars of Claim on Zurich Insurance plc (ZIP) issued in the London Commercial Court, alleging non-payment of claims presented under a trade credit policy written by ZIP. Subsequently, Zurich Insurance Company Ltd (ZIC) was substituted in the actions for ZIP. ZIC's defense to both actions was filed on January 26, 2024. In the defense, ZIC also filed counterclaims against GBAG and other third parties. ZIC believes that it has meritorious defenses to the policy and the claims raised and will vigorously contest the actions.

Consolidated financial statements (continued)

22. Fair value measurement

To measure fair value, the Group gives the highest priority to quoted and unadjusted prices in active markets. In the absence of quoted prices, fair values are calculated through valuation techniques, making the maximum use of relevant observable market data inputs. Whenever observable parameters are not available, the inputs used to derive the fair value are based on common market assumptions that market participants would use when pricing assets and liabilities. Depending on the observability of prices and inputs to valuation techniques, the Group classifies instruments measured at fair value within the following three levels (the fair value hierarchy):

Level 1 – includes assets and liabilities for which fair values are determined directly from unadjusted current quoted prices resulting from orderly transactions in active markets for identical assets/liabilities.

Level 2 – includes assets and liabilities for which fair values are determined using significant inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, and other observable market inputs.

Level 3 – includes assets and liabilities for which fair values are determined using valuation techniques with at least one significant input not being based on observable market data. This approach is used only in circumstances when there is little, if any, market activity for a certain instrument, and the Group is required to rely on third party providers or develop internal valuation inputs based on the best information available about the assumptions that market participants would use when pricing the asset or liability.

The governance framework and oversight of the Group's standards and procedures regarding the valuation of financial instruments measured at fair value lies within the responsibility of Group Risk Management, Group Investment Management, Treasury Capital Management and Group Finance. Specialists from these departments ensure the adequacy of valuation models, approve methodologies and sources to derive model input parameters, provide oversight over the selection of third-party pricing providers, and on a semi-annual basis review the classification within the fair value hierarchy of the financial instruments in scope.

The Group makes extensive use of third-party pricing providers to determine the fair values of its financial instruments measured at fair value through comprehensive income and at fair value through profit or loss, and only in rare cases places reliance on prices that are derived from internal models. Investment accounting, operations and process functions are independent from those responsible for buying and selling the assets, and are responsible for receiving, challenging and verifying values provided by third-party pricing providers to ensure that fair values are reliable, as well as ensuring compliance with applicable accounting and valuation policies. The quality control procedures used depend on the nature and complexity of the invested assets. They include variance and stale price analysis, and comparisons with fair values of similar instruments and with alternative values obtained from asset managers and brokers. Model review activities are also conducted for evaluated prices supplied by third parties to verify that their valuation processes, methodologies, models, and governance and control frameworks comply with applicable internal guidance, and that the allocation of those instruments within the fair value hierarchy is adequate. They include the collection and review of relevant documentation as well as meetings with third-party representatives to supplement the analysis.

Consolidated financial statements (continued)

Table 22.1 compares the fair value with the carrying value of financial assets and financial liabilities. Certain financial instruments are not included in this table as their carrying value is a reasonable approximation of their fair value. Such instruments include cash and cash equivalents, obligations to repurchase securities, deposits made under assumed reinsurance contracts, deposits received under reinsurance contracts held and other financial liabilities. This table excludes financial assets and financial liabilities related to unit-linked contracts.

Fair value and carrying value of financial assets and financial liabilities

Table 22.1

in USD millions, as of December 31	Total fair value		Total carrying value	
	2023	2022	**2023**	2022
Available-for-sale securities				
Equity securities		9,590		9,590
Debt securities		95,638		95,638
Total available-for-sale securities		105,228		105,228
Fair value through comprehensive income				
Debt securities	92,965		92,965	
Total fair value through comprehensive income	92,965		92,965	
Securities at FV through profit or loss				
Equity securities	13,217	3,540	13,217	3,540
Debt securities	8,390	6,386	8,390	6,386
Total securities at FV through profit or loss	21,607	9,926	21,607	9,926
Derivative assets	947	786	947	786
Held-to-maturity debt securities		1,727		1,716
Debt securities at amortized cost	4,252		4,568	
Mortgage loans at amortized cost	4,080	5,103	4,324	5,497
Other financial assets at amortized cost	3,392	2,836	3,682	2,855
Total financial assets	**127,242**	**125,605**	**128,094**	**126,007**
Derivative liabilities	(1,252)	(1,165)	(1,252)	(1,165)
Financial liabilities held at amortized cost				
Liabilities related to investment contracts	(463)	(539)	(463)	(518)
Senior debt	(4,775)	(4,468)	(5,190)	(5,071)
Subordinated debt	(7,859)	(7,773)	(8,559)	(8,899)
Total financial liabilities held at amortized cost	(13,096)	(12,780)	(14,212)	(14,488)
Total financial liabilities	**(14,349)**	**(13,945)**	**(15,465)**	**(15,653)**

All of the Group's financial assets and financial liabilities are initially recorded at fair value. Subsequently, financial assets measured at fair value through comprehensive income, financial assets measured at fair value through profit or loss and derivative financial instruments are carried at fair value as of the balance sheet date. All other financial instruments are carried at amortized cost and the valuation techniques used to determine their fair value measurement are described below.

Fair values for debt securities held at amortized cost and senior and subordinated debt are obtained from third-party pricing providers. The fair value received from these pricing providers may be based on quoted prices in active markets for identical assets, alternative pricing methods such as matrix pricing, or an income approach employing discounted cash flow models. Such instruments are categorized within level 2.

Discounted cash flow models are used for mortgage and other loans. The discount yields in these models use interest rates that reflect the return a market participant would expect to receive on instruments with similar remaining maturities, cash flow patterns, currencies, credit risk and collateral. Such instruments are categorized within level 3.

Different valuation techniques are used to value private debt instruments, including the income approach (such as discounted cash flow models) or the market approach (such as relative value models). Where prices are obtained from an evaluated pricing service from a data vendor in which price transparency data indicates no use of significant unobservable inputs, they are categorized within Level 2. All other prices are classified to Level 3 unless factual evidence indicates that unobservable inputs are not significant to the valuation.

Fair values of liabilities related to investment contracts are determined using discounted cash flow models. Such instruments are categorized within level 3 due to the unobservability of certain inputs used in the valuation.

Consolidated financial statements (continued)

Recurring fair value measurements of assets and liabilities

Fair value hierarchy – non-unit-linked – current period

Table 22.2a

in USD millions, as of December 31, 2023	**Level 1**	**Level 2**	**Level 3**	**Total**
Securities at fair value through comprehensive income				
Debt securities	–	92,518	448	92,965
Total securities at FV through comprehensive income	–	92,518	448	92,965
Securities at FV through profit or loss				
Equity securities	7,355	1,958	3,904	13,217
Debt securities	–	8,163	227	8,390
Total securities at FV through profit or loss	7,355	10,122	4,131	21,607
Derivative assets	1	921	25	947
Investment property	–	–	13,684	13,684
Total assets	**7,356**	**103,560**	**18,287**	**129,203**
Derivative liabilities	(9)	(739)	(504)	(1,252)
Total liabilities	**(9)**	**(739)**	**(504)**	**(1,252)**

Fair value hierarchy – non-unit-linked – prior period

Table 22.2b

in USD millions, as of December 31, 2022	Level 1	Level 2	Level 3	Total
Available-for-sale securities				
Equity securities	6,430	1,642	1,517	9,590
Debt securities	–	90,645	4,993	95,638
Total available-for-sale securities	6,430	92,287	6,510	105,228
Securities at FV through profit or loss				
Equity securities	1,046	474	2,021	3,540
Debt securities	–	6,358	28	6,386
Total securities at FV through profit or loss	1,046	6,832	2,049	9,926
Derivative assets	5	759	21	786
Investment property	–	2,896	11,902	14,798
Total assets	**7,481**	**102,774**	**20,483**	**130,738**
Derivative liabilities	–	(447)	(717)	(1,165)
Total liabilities	**–**	**(447)**	**(717)**	**(1,165)**

Consolidated financial statements (continued)

Table 22.3a

Fair value hierarchy – unit-linked – current period

in USD millions, as of December 31, 2023	Level 1	Level 2	Level 3	Total
Fair value through profit or loss securities				
Equity securities	107,079	13,127	2,235	122,442
Debt securities	–	12,860	11	12,871
Other loans	528	2,467	–	2,995
Total fair value through profit or loss securities	107,607	28,454	2,246	138,307
Derivative assets	–	26	–	26
Investment property	–	–	2,022	2,022
Total investments for unit-linked contracts[1]	**107,607**	**28,479**	**4,268**	**140,355**
Financial liabilities at FV through profit or loss				
Liabilities related to unit-linked investment contracts	–	(59,807)	–	(59,807)
Derivative liabilities	–	(1)	–	(1)
Total	**–**	**(59,808)**	**–**	**(59,808)**

1 Excluding cash and cash equivalents.

Table 22.3b

Fair value hierarchy – unit-linked – prior period

in USD millions, as of December 31, 2022	Level 1	Level 2	Level 3	Total
Fair value through profit or loss securities				
Equity securities	90,602	14,347	1,786	106,736
Debt securities	–	10,146	27	10,173
Other loans	419	1,833	–	2,251
Total fair value through profit or loss securities	91,021	26,326	1,814	119,160
Derivative assets	5	64	–	69
Investment property	–	–	2,233	2,233
Total investments for unit-linked contracts[1]	**91,026**	**26,390**	**4,046**	**121,462**
Financial liabilities at FV through profit or loss				
Liabilities related to unit-linked investment contracts	–	(50,039)	–	(50,039)
Derivative liabilities	(27)	(1)	–	(28)
Total	**(27)**	**(50,040)**	**–**	**(50,067)**

1 Excluding cash and cash equivalents.

Within level 1, the Group has classified common stocks, exchange-traded derivative financial instruments, investments in unit trusts that are exchange listed or daily published and other highly liquid financial instruments.

Within level 2, the Group has classified government and corporate bonds, thinly traded common stocks, investments in unit trusts without daily prices or with sales restrictions, agency mortgage-backed securities (MBS), 'AAA' rated non-agency MBS and other asset-backed securities (ABS), and certain private debt instruments where valuations are obtained from independent pricing providers. The fair value received from these pricing providers may be based on quoted prices in an active market for similar assets, alternative pricing methods such as matrix pricing, or an income approach employing discounted cash flow models.

Over-the-counter derivative financial instruments are valued using internal models and third-party valuation services. The fair values are determined using dealer price quotations, discounted cash flow models and option pricing models, which use various inputs including current market and contractual prices for underlying instruments, time to expiry, yield curves and volatility of underlying instruments. Such instruments are classified within level 2 as the inputs used in pricing models are generally market observable or derived from market observable data.

Fair values of liabilities related to unit-linked investment contracts are usually determined by reference to the fair value of the underlying assets backing these liabilities. Such instruments are classified within level 2.

Consolidated financial statements (continued)

Within level 3, the Group has classified:

- Unlisted stocks, private equity funds and hedge funds that are not actively traded. The valuations of such instruments are obtained from quarterly net asset value information from the fund manager and annual audited financial statements provided by the issuing company. The prices are generally derived for each underlying company in line with the International Private Equity and Venture Capital Valuation (IPEV) guidelines, using discounted cash flows (income approach) or multiples methods (market approach). The Group has only limited insight into the specific inputs used by the fund managers; hence, a narrative sensitivity analysis is not applicable.
- Non-agency MBS, ABS and collateralized loan obligations (CLO) rated below 'AAA' and private debt holdings including certain private placements that are valued by independent pricing providers or external asset managers using primarily the discounted cash flow method with significant unobservable input parameters such as asset prepayment rates, default rates and credit spreads. A significant market yield increase of the benchmark securities in isolation could result in a decreased fair value, while a significant market yield decrease could result in an increased fair value. However, a reasonable variation in the option-adjusted spread taken from a set of benchmark securities with similar characteristics has only an immaterial impact on fair value.
- All investment properties for which there are no active and transparent real estate markets or observable data available. The valuation for the majority of these investment properties – other than certain investment properties located in Switzerland – are typically performed annually by independent qualified appraisers. The parameters used for the valuations are specific to each country or region and vary significantly across different markets. External appraisals are reviewed by internal real estate valuation specialists; however, since the unobservable inputs were not developed by the Group they are not readily available. In some cases, where external valuations are obtained at least every three years, interim valuations by internal valuation specialists are performed. For investment properties located in Switzerland, the valuation model is based on a discounted cash flow method and is applied to each individual property based on its expected cash flows. The unobservable input parameters include the future transition cost for carbon emission and capital expenditures to achieve the desired environmental footprint depending on the current condition of each individual property. These input parameters are combined into a synthetic spread applied to the otherwise observable discount rate.
- Overall, as of December 31, 2023, around 40 percent of level 3 investment properties were covered by internal valuations. Significant increases/(decreases) in synthetic spread, in isolation, would result in a lower/(higher) fair value measurement. For example, an increase in spread of 10bps, considered in isolation, would result in a decrease in fair value of 3 percent or approximately USD 140 million as of December 31, 2023.
- Options and long-dated derivative financial instruments with fair values determined using counterparty valuations or calculated using significant unobservable inputs such as historical volatilities, historical correlation, implied volatilities from the counterparty or derived using extrapolation techniques. Quantitative information on unobservable inputs is not available when counterparty pricing was used. For internally calculated fair values, significant increases/(decreases) in volatilities or correlation would result in a significantly higher/(lower) fair value measurement; however, the overall effect on the Group's financial statements would not be material.

For details on Group investments sensitivities, refer to section analysis by risk type in the 2023 Risk Review as well as select disclosures included in note 7.

The fair value hierarchy is reviewed at the end of each reporting period to determine whether significant transfers between levels have occurred. Transfers between levels mainly arise as a result of changes in market activity and observability of the inputs to the valuation techniques used to determine the fair value of certain instruments.

For the year ended December 31, 2023, the Group recorded a transfer of USD 275 million of non-unit-linked mutual funds out of level 1 into level 2 due to their lower subscription and redemption volumes. For the year ended December 31, 2022, the Group recorded a transfer of USD 430 million of unit-linked fair value through profit or loss equity securities out of level 2 into level 1 for mutual funds with daily published prices.

Consolidated financial statements (continued)

Development of assets and liabilities classified within level 3 – non-unit-linked – current period

Table 22.4a

in USD millions	Debt securities	Fair value through profit or loss securities: Equity securities	Fair value through profit or loss securities: Debt securities	Derivative assets	Derivative liabilities	Investment property
As of January 1, 2023	575	3,590	287	46	(717)	11,900
Realized gain/(losses) recognized in income[1]	(3)	108	–	(4)	(107)	194
Unrealized gain/(losses) recognized in income[1,2]	(6)	53	6	(6)	233	(889)
Unrealized gain/(losses) recognized in other comprehensive income	18	–	–	3	–	–
Purchases	117	827	92	7	–	197
Settlements/sales/redemptions	(188)	(737)	(170)	(1)	107	(1,026)
Transfers into level 3	87	–	–	–	–	2,930
Transfers out of level 3	(158)	(1)	–	–	–	–
Acquisitions and divestments[3]	(15)	(71)	–	(9)	–	(376)
Foreign currency translation effects	20	135	12	(12)	(19)	753
As of December 31, 2023	**448**	**3,904**	**227**	**25**	**(504)**	**13,684**

1 Presented as net capital gains/(losses) and impairments on Group investments in the consolidated income statements (see note 5).
2 Unrealized gains/(losses) recognized in income for debt securities measured at fair value through comprehensive income relate to impairments.
3 Related to an agreement entered into by Inversiones Suizo-Chilena S.A. to sell the annuity book of Zurich Chile Seguros de Vida S.A. (see note 4).

For the year ended December 31, 2023, the Group transferred USD 87 million of debt securities held at fair value through comprehensive income from level 2 into level 3 corresponding to private debt instruments that exhibit higher reliance on unobservable valuation inputs, and non-agency ABS and MBS with a credit rating downgrade from AAA. The Group transferred USD 158 million of debt securities held at fair value through comprehensive income out of level 3 into level 2 attributable to private debt instruments with a higher reliance on observable valuation inputs and non-agency ABS and MBS whose credit rating has been upgraded to AAA.

For the year ended December 31, 2023, the Group transferred USD 3 billion of investment property from level 2 to level 3. During 2023, the Group reviewed the fair value hierarchy classification of investment properties primarily located in Germany. The sharp increase in interest rates, coupled with rising inflation and uncertainty around future interest rate development, resulted in significantly fewer transactions in the real estate market. Therefore, reliable market information was not available in sufficient quantity to substantiate some of the input parameters used by independent external appraisers in their valuations.

Development of assets and liabilities classified within level 3 – non-unit-linked – prior period

Table 22.4b

in USD millions	Available-for-sale securities: Equity securities	Available-for-sale securities: Debt securities	Fair value through profit or loss securities: Equity securities	Fair value through profit or loss securities: Debt securities	Derivative assets	Derivative liabilities	Investment property
As of January 1, 2022	1,953	6,148	2,150	40	103	(154)	10,800
Realized gain/(losses) recognized in income[1]	189	2	16	–	–	–	30
Unrealized gain/(losses) recognized in income[1,2]	(8)	(39)	(53)	(2)	(74)	(573)	675
Unrealized gain/(losses) recognized in other comprehensive income	(273)	(789)	–	–	–	2	–
Purchases	220	717	254	1	10	6	515
Settlements/sales/redemptions	(453)	(875)	(331)	(1)	(8)	–	(231)
Transfers into level 3	4	114	–	–	–	–	–
Transfers out of level 3	(6)	(105)	–	(7)	–	–	–
Acquisitions and divestments[3]	(30)	–	–	–	(4)	–	310
Foreign currency translation effects	(80)	(179)	(15)	(3)	(7)	1	(197)
As of December 31, 2022	**1,517**	**4,993**	**2,021**	**28**	**21**	**(717)**	**11,902**

1 Presented as net capital gains/(losses) and impairments on Group investments in the consolidated income statements (see note 5).
2 Unrealized gains/(losses) recognized in income for available-for-sale securities relate to impairments.
3 The movements are related to an agreement entered into by Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft to sell its legacy traditional life insurance back book (see note 4).

Consolidated financial statements (continued)

For the year ended December 31, 2022, the Group transferred USD 114 million of available-for-sale debt securities from level 2 into level 3 corresponding to private debt instruments that exhibit higher reliance on unobservable valuation inputs, and non-agency ABS and MBS with a credit rating downgrade from AAA. This effect is approximately offset by the transfer of USD 105 million of available-for-sale debt securities out of level 3 into level 2 attributable to private debt instruments with a higher reliance on observable valuation inputs and non-agency ABS and MBS whose credit rating has been upgraded to AAA.

Table 22.5a

Development assets and liabilities classified within level 3 – unit-linked – current period

in USD millions	Fair value through profit or loss securities		
	Equity securities	Debt securities	Investment property
as of January 1 ,2023	1,777	27	2,233
Realised gain/(losses) recognized in income[1]	11	1	(103)
Unrealised gain/(losses) recognized in income[1]	147	1	50
Purchases	377	–	29
Sales/redemptions	(77)	(19)	(279)
Transfers into level 3	–	–	–
Transfers out of level 3	–	–	–
Acquisitions/(divestments) and transfers	–	–	–
Foreign currency translation effects	1	–	91
as of December 31, 2023	**2,235**	**11**	**2,022**

1 Presented as net investment result on unit-linked investments in the consolidated income statements.

For the year ended December 31, 2023, there has been no significant movement in unit-linked fair value through profit or loss equity or debt securities or investment property.

Table 22.5b

Development assets and liabilities classified within level 3 – unit-linked – prior period

in USD millions	Fair value through profit or loss securities		
	Equity securities	Debt securities	Investment property
As of January 1, 2022	1,516	30	3,167
Realized gain/(losses) recognized in income[1]	14	–	(64)
Unrealized gain/(losses) recognized in income[1]	(70)	(3)	(332)
Purchases	375	–	185
Sales/redemptions	(63)	(1)	(402)
Transfers into level 3	18	5	–
Transfers out of level 3	–	–	–
Acquisitions/(divestments) and transfers	–	–	–
Foreign currency translation effects	(3)	(3)	(322)
As of December 31, 2022	**1,786**	**27**	**2,233**

1 Presented as net investment result on unit-linked investments in the consolidated income statements.

For the year ended December 31, 2022, there has been no significant movement in unit-linked fair value through profit or loss equity or debt securities or investment property.

Consolidated financial statements (continued)

23. Expected credit loss measurement

The Group recognized expected credit losses in line with the accounting policies outlined in note 3e of the audited consolidated financial statements.

ECL scenarios and key input parameters

For rated debt securities, the Group determines the forward-looking inputs by evaluating a range of possible outcomes through a scenario-based approach. The following macroeconomic and financial variables have been selected due to historical correlation with credit loss emergence and relevance to the Group investment portfolio: GDP growth, 10-year interest rates and investment credit spread in the U.S. and Eurozone. Table 23.1 shows the variables for each of the three scenarios (downside scenario/base case/upside scenario) modelled by Group Investment Management – Market Strategy and Macroeconomics, as well as the weights assigned to each scenario. For residential and small commercial mortgage loan portfolios, the forward-looking parameters are derived from the forecast of the real estate prices by property type, as well as actual affordability of the loan for a customer.

For 2024, the economic scenarios remain broadly consistent with the previous estimate and are centered around expectations for the development of the U.S. economy:

- The base case scenario has global growth remaining below trend, as the U.S. enters recession in the first half of the year while economic activity in Europe and China remains weak. The U.S. recession is expected to be relatively mild and short lived, due to a lack of significant economic and financial imbalances and falling inflation, which allows the Federal Reserve and other major central banks to begin with limited interest rate cuts. Default rates in high-yield credit are expected to continue rising for the next few quarters, where weaker speculative grade companies remain vulnerable as supply is low and lending conditions tight, while cash positions have been run down. Financial markets are expected to stay volatile, with the possibility of further drawdowns in equity prices, before a recovery gains traction in the second half of 2024. Credit spreads are then also expected to fall back quickly from recessionary levels, ending the year tighter compared to 2023.
- In the downside scenario, there is a hard landing for the U.S. economy with a deeper and more drawn-out recession and asset price decline compared to the base case. In this scenario, the Federal Reserve and other central banks maintain their hawkish stance and deliver some further rate hikes in early 2024, as services inflation remains strong and labor markets tight. Hopes of a soft landing fade and fears of a deeper and longer lasting recession set in, causing a sharp selloff in financial assets. U.S. equity markets are assumed to fall by close to 30 percent from peak to trough while, in credit markets, more companies become vulnerable to cash burn and distress and defaults pick up notably, with spreads peaking in the second half of 2024. There is only a slow recovery toward the end of the year.
- The upside scenario sees the U.S. economy maintain growth at around trend, while inflation falls markedly in early 2024 as services price pressures normalize. Economic activity remains resilient, which allows companies and households to continue to service debt despite the high interest rate environment, while sentiment picks up from a lower level. Global financial markets consequently recover and stage a strong rally in 2024 with notable gains in credit, with spreads recovering significantly, leaving room for modest gains in subsequent years. While government bond yields fall from current elevated levels in this scenario, they remain high for longer compared with the base case.

Table 23.1

Scenario weights and macroeconomic assumptions for ECL measurement of debt securities

As of	USA	Eurozone	USA	Eurozone	Assigned weights in %	
					December 31, 2023	January 1, 2023
	December 31, 2023		January 1, 2023			
Upside scenario						
GDP year-on-year change in %	1.8	0.8	1.4	(0.1)		
10-year interest rate in %	3.7	2.5	3.2	1.6		
Credit spread in basis points	100	90	80	75	25%	20%
Base case scenario						
GDP year-on-year change in %	0.2	0.4	0.3	(0.4)		
10-year interest rate in %	3.5	2.3	3.0	1.6		
Credit spread in basis points	125	120	125	140	50%	45%
Downside scenario						
GDP year-on-year change in %	(0.6)	(0.4)	(0.6)	(1.0)		
10-year interest rate in %	3.0	2.0	2.5	1.3		
Credit spread in basis points	250	250	175	220	25%	35%

Consolidated financial statements (continued)

The scenario weights reflect management's assessment of economic and political risks that might affect the expected credit losses from financial assets held. Table 23.2 provides a sensitivity analysis of the effect of the calibration of the macroeconomic scenario on the recognition of expected credit losses of debt securities.

Table 23.2

ECL sensitivity to future economic conditions

Scenarios as of	December 31, 2023			January 1, 2023		
	Pro forma ECL (assuming application of 100% weighting)	in % of Base case	Actual ECL	Pro forma ECL (assuming application of 100% weighting)	in % of Base case	Actual ECL
Upside	(58)	65%		(63)	75%	
Base case	(90)	100%		(85)	100%	
Downside	(200)	222%	(109)	(112)	133%	(89)

The Group applies the low credit risk simplification for the rated debt securities and recognizes a 12-months ECL for debt securities that have an external or internal rating equivalent to 'investment grade' (i.e., AAA to BBB–). Other exposures are assessed for significant increase in credit risk. Table 23.3 below shows the carrying amount of debt securities by credit risk rating grades and the related expected credit losses recognized.

Table 23.3

Debt securities by rating of issuer-Carrying amount and ECL allowance

in USD millions, as of December 31, 2023	Carrying amount	% of total	12 months ECL	Lifetime ECL
Rating:				
AAA	22,836	23	(5)	–
AA– up to and including AA+	28,147	29	(5)	–
A– up to and including A+	16,021	16	(7)	–
BBB up to and including BBB+	19,387	20	(16)	–
BBB–	5,684	6	(9)	–
BB+ and below	5,459	6	(46)	(20)
Total	**97,534**	**100**	**(88)**	**(21)**

Maximum exposure to credit risk and ECL recognized

Table 23.4 provides a reconciliation for financial assets measured at fair value through OCI or at amortized cost between the gross carrying amount and the net carrying amount, including the recognition of 12-months ECL and lifetime ECL by asset type.

The gross carrying amount represents fair value for debt instruments measured at FVOCI and amortized cost (prior to recognition of any ECL) for debt instruments measured at amortized cost. The net carrying amount represents the balance sheet carrying amount (i.e., fair value for debt instruments measured at FVOCI and amortized cost less ECL allowance for debt instruments measured at amortized cost).

Table 23.4

Maximum exposure to credit risk and ECL by type of financial asset – current period

In USD millions, as of December 31, 2023	Gross carrying amount	12 months ECL	Lifetime ECL	Net carrying amount
Debt securities:				
of which Governments and supra-national bonds	49,839	(28)	(3)	49,808
of which Corporate securities	37,641	(58)	(18)	37,566
of which Mortgages and asset-backed securities	10,057	(1)	–	10,056
Total debt securities	97,537	(88)	(21)	97,429
Mortgage loans at amortized cost	4,325	–	(1)	4,324
Other financial assets at amortized cost	3,694	(5)	(6)	3,682
Receivables and other financial assets	10,410	–	(18)	10,391
Total	**115,966**	**(94)**	**(46)**	**115,827**

Consolidated financial statements (continued)

The carrying amount includes USD 42 million of debt securities subject to individual impairment with carrying amount reduced by cumulative impairment losses of USD (22) million as of December 31, 2023. Furthermore, the carrying amount includes USD 47 million of debt securities that were purchased or originated credit-impaired financial assets (POCI). There was no undiscounted lifetime expected credit losses associated with POCI financial assets initially recognized during 2023. There were no credit-impaired mortgage loans at amortized cost or other financial assets at amortized cost as of December 31, 2023.

Development of ECL allowances

Table 23.5 shows how the allowances for expected credit losses from financial assets in table 23.4 developed during the period ended December 31, 2023.

Table 23.5

Development of ECL allowance by type of financial asset – current period

in USD millions	Debt Securities[1]		Mortgage loans at amortized cost		Other financial assets at amortized cost	
	12-months ECL	Lifetime ECL	12-months ECL	Lifetime ECL	12-months ECL	Lifetime ECL
As of January 1, 2023	(68)	(21)	–	(2)	(5)	(2)
Transfer to lifetime expected credit losses	3	(3)	–	–	–	–
Transfer to 12-months expected credit losses	(1)	1	–	–	–	–
Debt securities that have been derecognized during the period	37	7	–	–	1	5
Additions	(37)	(1)	–	–	(1)	–
Write-offs	1	4	–	–	–	–
Other changes[2]	(17)	(6)	–	1	(1)	(9)
Foreign currency translation effects	(5)	(2)	–	–	–	–
As of December 31, 2023	**(88)**	**(21)**	**–**	**(1)**	**(5)**	**(6)**

1 Presented as loss allowance on FVOCI debt securities through comprehensive income within shareholders' equity.
2 Remeasurement without stage transfer/change in methodology.

In addition to the above, impairment gains/(losses) of USD (29) million were recognized in profit or loss for individually impaired debt securities measured at FVOCI and amortized cost in 2023. There were impairment gains/(losses) of USD 2 million recognized for POCI debt securities. Impairment losses for credit-impaired mortgage loans and other financial assets at amortized cost were not material in 2023.

For transition disclosures related to IFRS 9, please refer to note 2. For comparative disclosures regarding the valuation of impairments and losses on financial assets as measured in 2022 under IAS 39, please refer to note 24 in the 2022 Annual Report.

Consolidated financial statements (continued)

24. Related-party transactions

In the normal course of business, the Group enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. Related parties of the Group include, among others, subsidiaries, associates, joint ventures, key management personnel, and the post-employment benefit plans (please see note 19). Transactions between the Group and its subsidiaries are eliminated on consolidation, and they are not disclosed in the consolidated financial statements. A list of the Group's significant subsidiaries is shown in note 27. The transactions of the Group concluded with its associates and with its joint ventures are not considered material to the Group, either individually or in aggregate.

Table 24 summarizes related-party transactions with key management personnel reflected in the consolidated financial statements. Key management personnel includes members of the Board of Directors of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd and members of the Executive Committee.

Related party transactions – key personnel

Table 24

in USD millions, for the years ended December 31	**2023**	2022
Remuneration of key personnel of the Group		
Cash compensation, current benefits and fees	43	39
Post-employment benefits	–	–
Share-based compensation	46	43
Other remuneration	3	5
Total remuneration of key personnel	**92**	**87**

As of December 31, 2023, and 2022, there were no loans, advances or credits outstanding from members of the Executive Committee. Outstanding loans and guarantees granted to members of the Board of Directors amounted to nil for the years ended December 31, 2023 and 2022. The terms 'members of the Board of Directors' and 'members of the Executive Committee' in this context include the individual as well as members of their respective households. The figures in table 24 include the fees paid to members of the Board of Directors of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd, which were USD 7 million and USD 6 million for the years ended December 31, 2023 and 2022, respectively.

The cash compensation, current benefits and fees are short term in nature.

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25. Relationship with the Farmers Exchanges

Farmers Group, Inc. and its subsidiaries (FGI) provide certain non-claims services to the Farmers Exchanges as their attorneys-in-fact, and also provide certain ancillary services to the Farmers Exchanges. Farmers Group, Inc. is a wholly owned subsidiary of the Group. Attorney-in-fact services primarily include risk selection, preparation and mailing of policy documents and invoices, premium collection, management of the investment portfolios and certain other administrative and managerial functions. Fees for these services are primarily determined as a percentage of gross premiums earned by the Farmers Exchanges. Ancillary services primarily include information technology, brand advertising and certain distribution related services that are not covered under the attorney-in-fact contracts for which FGI acts as a principal in arranging for those services to the Exchanges. The finances and operations of the Farmers Exchanges are governed by independent Boards of Governors. In addition, the Group has the following relationships with the Farmers Exchanges.

a) Quota share reinsurance treaties with the Farmers Exchanges

Farmers Reinsurance Company (Farmers Re Co), a wholly owned subsidiary of FGI, assumes risk through a quota share reinsurance treaty, the All Lines Quota Share reinsurance agreement (All Lines agreement) with the Farmers Exchanges. The All Lines agreement can be terminated after 90 days' notice by any of the parties.

The All Lines agreement provides for an assumption of a quota share of the all lines insurance results of the Farmers Exchanges.

Quota share reinsurance treaties

Table 25.1

in USD millions, for the years ended December 31	All Lines agreement	
	2023[1]	2022[2]
Insurance revenue	1,536	316
Insurance service expense[3]	(1,461)	(298)
Insurance service result	**75**	**19**

1 Subject to regulatory approval, effective December 31, 2023, Farmers Re Co assumed a 10.00 percent quota share of which 8.25 percent was retroceded to Zurich Global, Ltd. Another 23.00 percent was assumed by other third parties.
2 Effective December 31, 2022, Farmers Re Co assumed an 8.50 percent quota share of which 6.75 percent was retroceded to Zurich Global, Ltd. Another 22.50 percent was assumed by other third parties.
3 Under the All Lines agreement, Farmers Re Co catastrophe losses are subject to a maximum amount each year. At December 31, 2023, catastrophe losses were limited to USD 174 million. At December 31, 2022, catastrophe losses were limited to USD 34 million.

Consolidated financial statements (continued)

b) Farmers management fees and other related revenues

Farmers Group, Inc. and its subsidiaries (FGI), wholly owned subsidiaries of the Group, are the appointed attorneys-in-fact of the Farmers Exchanges, which are not owned by FGI. As the attorney-in-fact, FGI is permitted by policyholders of the Farmers Exchanges to receive a management fee of up to 20 percent (up to 25 percent in the case of the Fire Insurance Exchange) of the gross premiums earned by the Farmers Exchanges. This management fee, the primary source of revenue for FGI, has an agreed upon margin cap of 7 percent which is derived from FGI gross management result divided by the gross premium earned by the Farmers Exchanges. The expected revenues and expenses are assessed monthly to determine if expected revenues will be in excess of the cap, in which case the revenue is reduced on a pro-rata basis to ensure that no revenue is recognized for the amounts exceeding the cap. In addition, FGI revenue includes reimbursement of certain ancillary service costs incurred by FGI on behalf of primarily the Farmers Exchanges that are not covered under the attorney-in-fact contracts. The amounts incurred for these services are reimbursed to FGI at cost in accordance with allocations that are subject to approval by the Farmers Exchanges Boards of Governors.

FGI has historically charged a lower management fee than the amount allowed by policyholders. The range of fees has varied by line of business over time and from year to year. The gross earned premiums of the Farmers Exchanges were USD 26.7 billion and USD 25.8 billion for the years ended December 31, 2023, and 2022, respectively.

Table 25.2

Farmers Management Services

in USD millions, for the years ended December 31	**2023**	2022	Change
Fee income	4,529	4,487	1%
Management fees	3,577	3,425	4%
Revenues for ancillary services	865	968	(11%)
Membership fees	51	55	(9%)
Other revenues	37	39	(5%)
Fee business expenses	(2,587)	(2,714)	5%
Expenses for ancillary services	(865)	(968)	11%
Management and other expenses	(1,722)	(1,746)	1%
Fee result	1,942	1,773	10%
Other management related income/expenses	(67)	(59)	(14%)
Gross management result[1]	**1,875**	**1,713**	**9%**
Managed gross earned premium margin	7.0%	6.6%	0.4 pts

1 Includes the impact of amortization/impairment of intangible assets acquired as part of a business combination.

Consolidated financial statements (continued)

26. Segment information

The Group pursues a customer-centric strategy, where the Property & Casualty (P&C) and Life businesses are managed on a regional basis. The Group's reportable segments have been identified on the basis of the businesses operated by the Group and how these are strategically managed to offer different products and services to specific customer groups. The Group has identified 13 reportable segments in accordance with IFRS 8 and segment information is presented accordingly as follows:

- P&C regions
- Life regions
- Farmers
- Group Functions and Operations
- Non-Core Businesses

The Group's reportable segments comprise the following:

P&C and Life regions

- Europe, Middle East & Africa
- North America
- Asia Pacific
- Latin America
- Group Reinsurance

P&C regions provide a variety of motor, home and commercial products and services for individuals, as well as small and large businesses on both a local and global basis. Products are sold through multiple distribution channels including agents, brokers and bank distribution.

Life regions provide a comprehensive range of life and health insurance products on both an individual and a group basis, including annuities, endowment and term insurance, unit-linked and investment-oriented products, as well as full private health, supplemental health and long-term care insurance. In addition to the agent distribution channel, certain of these products are offered via bank distribution channels.

Farmers, through Farmers Group, Inc. and its subsidiaries (FGI), provides certain non-claims administrative and management services to the Farmers Exchanges, which are owned by their policyholders. This segment also includes all reinsurance assumed from the Farmers Exchanges by the Group. Farmers Exchanges are prominent writers of personal and small commercial lines of business in the U.S. In addition, this segment includes the activities of Farmers Life, a writer of individual life insurance business in the U.S.

Group Functions and Operations comprise the Group's Holding and Financing and Headquarters activities, including central initiatives in Zurich Global Ventures. Certain alternative investment positions not allocated to business operating segments are included within Holding and Financing. In addition, this segment includes operational technical governance activities relating to technology, underwriting, claims, actuarial and pricing.

Non-Core Businesses include insurance and reinsurance businesses that the Group does not consider core to its operations and that are therefore mostly managed to achieve a beneficial run-off. Non-core businesses are mainly situated in the U.S., Bermuda and in Europe.

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Aggregations and additional information

Regional P&C and Life results are further aggregated to show a total P&C and total Life business view.

- P&C – Total
- Life – Total

For additional informational purposes, the Group also discloses income statement information for P&C Commercial Insurance and P&C Retail and Other Insurance results. Other Insurance include SME, direct market and other program business.

- P&C Commercial Insurance
- P&C Retail and Other Insurance

Business operating profit

The segment information includes business operating profit, which is the Group's key performance measure. Business operating profit (BOP) indicates the underlying performance of the Group's businesses, after non-controlling interests, by eliminating the impact of financial market volatility and other non-operating variables. This measure is the basis on which the Group manages its business units. BOP reflects adjustments for shareholders' taxes, net capital gains/(losses) and expected credit losses on investments (except investments in hedge funds as at fair value through profit or loss and certain securities held for specific economic hedging purposes) after considering the effect of changes in fair value of underlying items held for direct participating contracts and effects of hyperinflation. Significant items arising from special circumstances, including restructuring charges, legal matters outside the ordinary course of business, amortization of intangible assets acquired as part of a business combination, gains and losses on divestment of businesses and impairments of goodwill are also excluded from BOP.

Consolidated financial statements (continued)

Table 26.1

Property & Casualty – Overview by segment

in USD millions, for the year ended December 31	Europe, Middle East & Africa		North America	
	2023	2022	**2023**	2022
Insurance revenue[1]	17,170	15,622	20,607	19,360
Insurance service expense	(15,558)	(13,330)	(16,716)	(16,197)
Net expenses from reinsurance contracts held[1]	(852)	(1,209)	(1,962)	(1,650)
Insurance service result	760	1,083	1,929	1,514
Net investment income on Group investments	736	533	1,094	929
Net capital gains/(losses) and impairments on Group investments	18	29	185	(48)
Net investment result on Group investments	755	563	1,278	881
Re-/Insurance finance income/(expenses)	(222)	(24)	(534)	(320)
Net investment result	533	538	744	561
Fee income	213	388	210	191
Fee business expenses	(162)	(361)	(131)	(124)
Fee result	51	26	79	67
Other revenues	143	231	130	72
Interest expense on debt	(52)	(20)	(14)	(4)
Other expenses	(687)	(595)	(417)	(282)
Restructuring costs and other items not included in BOP	90	55	196	103
Other result	(506)	(329)	(105)	(111)
Income tax (expense)/benefit attributable to policyholders (BOP relevant)	–	–	–	–
Business operating profit before non-controlling interests	839	1,319	2,647	2,030
Non-controlling interests	23	19	–	–
Business operating profit	**816**	**1,300**	**2,647**	**2,030**

1 Includes add-back and IPZ business.

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Asia Pacific		Latin America		Group Reinsurance		Eliminations		Total	
2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
3,434	3,201	2,812	2,642	781	645	(2,511)	(2,307)	42,293	39,164
(2,723)	(2,428)	(2,400)	(2,112)	(431)	(371)	1,373	1,130	(36,454)	(33,306)
(393)	(403)	(194)	(331)	(391)	(512)	1,138	1,177	(2,653)	(2,929)
319	371	218	199	(42)	(238)	–	–	3,186	2,928
134	102	224	254	2	17	–	–	2,191	1,836
(3)	–	17	8	8	(10)	–	–	225	(21)
131	102	242	262	10	7	–	–	2,416	1,815
(52)	(26)	(59)	(72)	(20)	2	–	–	(887)	(439)
80	76	183	190	(11)	10	–	–	1,529	1,376
53	85	–	–	–	–	–	–	476	664
(65)	(88)	–	–	–	–	(4)	(1)	(361)	(575)
(12)	(3)	–	–	–	–	(4)	(1)	115	89
27	17	19	31	65	30	(11)	(3)	373	378
(2)	(1)	(4)	(1)	(10)	(10)	11	3	(71)	(33)
(122)	(136)	(174)	(122)	(45)	(39)	4	1	(1,442)	(1,173)
6	13	41	16	–	4	–	–	334	190
(92)	(108)	(118)	(75)	10	(15)	4	1	(807)	(637)
(2)	–	–	–	–	–	–	–	(2)	–
293	336	284	313	(42)	(243)	–	–	4,020	3,756
2	5	102	98	–	–	–	–	127	122
290	**331**	**181**	**215**	**(42)**	**(243)**	**–**	**–**	**3,893**	**3,634**

Consolidated financial statements (continued)

Table 26.2

Life – Overview by segment

in USD millions, for the years ended December 31	Europe, Middle East & Africa		North America	
	2023	2022	**2023**	2022
Insurance revenue	5,912	5,088	194	278
Insurance service expense	(4,410)	(4,230)	(83)	(310)
Net expenses from reinsurance contracts held	(169)	(141)	(25)	(15)
Insurance service result	1,333	717	86	(47)
Net investment income on Group investments	2,164	2,087	59	32
Net capital gains/(losses) and impairments on Group investments	(234)	(4)	26	(30)
Net investment result on Group investments	1,930	2,083	85	2
Net investment income on unit-linked investments	1,090	1,098	–	–
Change in liabilities for investment contracts and other funds	(700)	(676)	–	–
Re-/Insurance finance income/(expenses)	(2,017)	(2,162)	(90)	9
Net investment result	304	342	(5)	11
Fee income	802	572	–	–
Fee business expenses	(594)	(442)	–	–
Fee result	208	130	–	–
Other revenues	115	52	24	8
Interest expense on debt	(16)	(3)	–	–
Other expenses	(402)	(363)	3	(7)
Restructuring costs and other items not included in BOP	10	36	–	5
Other result	(292)	(279)	27	6
Income tax (expense)/benefit attributable to policyholders (BOP relevant)	(137)	207	–	–
Business operating profit before non-controlling interests	1,416	1,118	108	(30)
Non-controlling interests	148	124	–	–
Business operating profit	**1,268**	**994**	**108**	**(30)**

Consolidated financial statements (continued)

Asia Pacific		Latin America		Group Reinsurance		Eliminations		Total	
2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
2,258	2,248	2,637	2,427	30	27	(35)	(26)	10,996	10,042
(1,919)	(2,052)	(2,047)	(1,973)	(10)	(10)	11	10	(8,458)	(8,566)
(46)	(65)	(34)	(18)	(7)	(8)	24	16	(256)	(231)
293	131	557	435	13	9	–	–	2,281	1,245
224	201	478	662	–	–	(1)	(1)	2,924	2,980
–	36	63	66	(12)	–	–	–	(156)	68
224	237	542	728	(12)	–	(1)	(1)	2,768	3,048
54	83	16	33	–	–	–	–	1,160	1,214
(33)	(107)	–	–	–	–	–	–	(733)	(782)
(156)	(131)	(340)	(501)	(1)	–	–	–	(2,603)	(2,785)
89	83	218	260	(13)	–	(1)	(1)	592	695
60	3	18	20	–	–	–	–	880	595
(17)	(5)	(13)	(13)	–	–	–	–	(624)	(461)
43	(3)	5	6	–	–	–	–	256	134
15	123	20	11	5	–	–	–	180	194
(18)	(7)	(3)	(2)	–	–	1	1	(36)	(11)
(141)	(164)	(149)	(122)	–	(5)	–	–	(689)	(660)
23	(51)	42	42	–	–	–	–	75	31
(120)	(99)	(90)	(71)	5	(5)	1	1	(469)	(445)
(31)	33	(2)	(12)	–	–	–	–	(170)	228
274	145	687	618	5	4	–	–	2,490	1,856
(1)	(1)	283	245	–	–	–	–	430	369
275	**146**	**404**	**373**	**5**	**4**	**–**	**–**	**2,060**	**1,487**

Consolidated financial statements (continued)

Business operating profit by business

Table 26.3

in USD millions, for the years ended December 31

	Property & Casualty		Life	
	2023	2022	**2023**	2022
Insurance revenue	42,293	39,164	10,996	10,042
Insurance service expense	(36,454)	(33,306)	(8,458)	(8,566)
Net expenses from reinsurance contracts held	(2,653)	(2,929)	(256)	(231)
Insurance service result	3,186	2,928	2,281	1,245
Net investment income on Group investments	2,191	1,836	2,924	2,980
Net capital gains/(losses) and impairments on Group investments	225	(21)	(156)	68
Net investment result on Group investments	2,416	1,815	2,768	3,048
Net investment income on unit-linked investments	–	–	1,160	1,214
Change in liabilities for investment contracts and other funds	–	–	(733)	(782)
Re-/Insurance finance income/(expenses)	(887)	(439)	(2,603)	(2,785)
Net investment result	1,529	1,376	592	695
Fee income	476	664	880	595
Fee business expenses	(361)	(575)	(624)	(461)
Fee result	115	89	256	134
Other revenues	373	378	180	194
Interest expense on debt	(71)	(33)	(36)	(11)
Other expenses	(1,442)	(1,173)	(689)	(660)
Restructuring costs and other items not included in BOP	334	190	75	31
Other result	(807)	(637)	(469)	(445)
Income tax (expense)/benefit attributable to policyholders (BOP relevant)	(2)	–	(170)	228
Business operating profit before non-controlling interests	4,020	3,756	2,490	1,856
Non-controlling interests	127	122	430	369
Business operating profit	**3,893**	**3,634**	**2,060**	**1,487**

Consolidated financial statements (continued)

Farmers		Group Functions and Operations		Non-Core Businesses		Eliminations		Total	
2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
2,553	1,278	293	340	98	112	(135)	(144)	56,099	50,792
(2,190)	(1,096)	(296)	(320)	(131)	(260)	107	102	(47,422)	(43,446)
(131)	18	–	(43)	32	24	28	43	(2,981)	(3,119)
233	201	(2)	(23)	(1)	(124)	–	–	5,696	4,227
146	160	135	124	145	108	(160)	(80)	5,382	5,128
7	(8)	142	33	16	(458)	–	–	234	(387)
153	152	277	157	162	(350)	(160)	(80)	5,616	4,742
47	124	–	–	–	–	–	–	1,207	1,338
(1)	(1)	–	–	(8)	(9)	–	–	(742)	(793)
(16)	(143)	(2)	–	(122)	232	–	–	(3,631)	(3,135)
182	132	275	157	32	(127)	(160)	(80)	2,450	2,152
4,529	4,487	–	–	–	–	–	–	5,885	5,746
(2,586)	(2,714)	(1)	(1)	–	–	(9)	(6)	(3,583)	(3,757)
1,942	1,773	(1)	(1)	–	–	(9)	(5)	2,303	1,989
33	(22)	216	153	21	14	(613)	(368)	210	350
(2)	(4)	(721)	(559)	(58)	(19)	432	182	(456)	(444)
(242)	(129)	(671)	(619)	(32)	(33)	350	272	(2,727)	(2,341)
150	135	75	96	–	–	–	–	634	453
(61)	(19)	(1,101)	(929)	(70)	(37)	169	85	(2,339)	(1,982)
–	–	–	–	–	–	–	–	(172)	228
2,296	2,086	(830)	(796)	(38)	(288)	–	–	7,938	6,613
–	–	–	(1)	–	–	–	–	557	490
2,296	**2,086**	**(830)**	**(796)**	**(38)**	**(288)**	**–**	**–**	**7,381**	**6,123**

Consolidated financial statements (continued)

Reconciliation of BOP to net income after income taxes

Table 26.4

in USD millions, for the years ended December 31

	Property & Casualty		Life	
	2023	2022	**2023**	2022
Business operating profit net	**3,893**	**3,634**	**2,060**	**1,487**
Revenues/(expenses) not included in BOP:				
Net capital gains/(losses) and impairments on Group investments	(130)	(87)	(200)	(1,288)
Net capital gains/(losses) on unit-linked investments	–	–	12,426	(12,621)
Change in liabilities for investment contracts and other funds	–	–	(5,637)	6,611
Re-/insurance finance income/(expenses)	–	–	(6,769)	6,972
Net gains/(losses) on divestment of businesses[1]	–	(17)	(116)	(144)
Restructuring costs	(211)	(61)	(34)	(32)
Other adjustments[2]	(123)	(129)	(42)	1
Add back:				
Business operating profit attributable to non-controlling interests	127	122	430	369
Net income before shareholders' taxes	3,557	3,462	2,119	1,355
Income tax expense/(benefit) attributable to policyholders (BOP relevant)	2	–	170	(228)
Net income before income taxes	**3,559**	**3,462**	**2,289**	**1,127**
Income tax (expense)/benefit				
attributable to policyholders				
attributable to shareholders				
Net income after taxes				
attributable to non-controlling interests				
attributable to shareholders				

1 In 2023, Life included losses of USD 15 million as Zurich Investments Life S.p.A. agreed to sell part of its life and pension back book, losses of USD 2 million as Inversiones Suizo-Chilena S.A. agreed to sell the annuity book of Zurich Chile Seguros de Vida S.A. and losses of USD 99 million as Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft agreed to sell its legacy traditional life insurance back book (see note 4). In 2022, Property & Casualty included losses of USD 30 million related to the sale of the Joint Stock Company Insurance Company (Zurich Russia) (see note 4) offset by gains of USD 13 million related to a regional divestment. In 2022, Life included losses of USD 121 million as Zurich Investments Life S.p.A. sold part of its life and pension back book and transaction costs of USD 34 million as Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft agreed to sell its legacy traditional life insurance back book (see note 4).
2 Other adjustments in 2023 include charges related to the implementation of IFRS 17, business combination integration costs, charitable contributions and litigation costs. Other adjustments in 2022 include charges related to the implementation of IFRS 17 and business combination integration costs.

Consolidated financial statements (continued)

	Farmers		Group Functions and Operations		Non-Core Businesses		Total	
	2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
	2,296	**2,086**	**(830)**	**(796)**	**(38)**	**(288)**	**7,381**	**6,123**
	(479)	1	(128)	(76)	8	(8)	(930)	(1,458)
	182	(376)	–	–	377	(661)	12,984	(13,658)
	–	–	–	–	–	–	(5,637)	6,611
	(180)	368	–	–	(383)	765	(7,332)	8,106
	–	–	12	1	–	–	(104)	(159)
	(75)	(7)	(7)	(9)	–	–	(327)	(109)
	(75)	(128)	(68)	(87)	–	–	(307)	(343)
	–	–	–	(1)	–	–	557	490
	1,669	1,944	(1,021)	(967)	(37)	(192)	6,286	5,602
	–	–	–	–	–	–	172	(228)
	1,669	**1,944**	**(1,021)**	**(967)**	**(37)**	**(192)**	**6,458**	**5,374**
							(1,741)	(1,076)
							(172)	241
							(1,568)	(1,317)
							4,717	**4,299**
							366	334
							4,351	3,964

Consolidated financial statements (continued)

Assets and liabilities by business

Table 26.5

in USD millions, as of December 31

	Property & Casualty		Life	
	2023	2022	**2023**	2022
Assets				
Cash and cash equivalents	7,175	7,343	4,866	4,163
Total Group investments	68,102	64,463	67,878	65,961
Equity securities	8,445	7,722	4,661	4,379
Debt securities	49,527	45,944	47,399	44,996
Investment property	5,047	5,275	8,454	9,257
Mortgage loans at amortised cost	964	886	3,360	4,093
Other assets at amortised cost	4,116	4,631	3,979	3,214
Investments in associates and joint ventures	3	5	26	21
Investments for unit-linked contracts	–	–	137,249	119,003
Total investments	68,102	64,463	205,127	184,964
Insurance contract assets	357	380	223	296
Reinsurance contract assets	13,569	12,632	3,197	3,224
Goodwill	1,855	1,760	1,412	1,413
Other intangible assets	1,453	1,424	1,597	1,590
Other assets[1]	7,207	6,983	27,843	25,377
Total assets (after cons. of investments in subsidiaries)	**99,718**	**94,984**	**244,264**	**221,028**
Liabilities				
Liabilities for investment contracts	–	–	60,115	50,391
Insurance contract liabilities	63,252	59,397	140,897	131,568
Reinsurance contract liabilities	19	26	347	340
Other liabilities[2]	11,848	10,993	30,729	27,632
Senior debt	1,163	954	402	434
Subordinated debt	917	868	611	578
Total liabilities	**77,199**	**72,238**	**233,102**	**210,944**
Equity				
Shareholders' equity				
Non-controlling interests				
Total equity				
Total liabilities and equity				
Supplementary information				
Additions and capital improvements to property, equipment and intangible assets	312	336	58	450

1 As of December 31, 2023, the Group had USD 23.8 billion of assets held for sale based on agreements signed to sell portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft, Zurich Chile Seguros de Vida S.A., Zurich Insurance plc (Spain Medical Malpractice) and Zurich Insurance Company Ltd, UK Branch (see note 4). In addition, assets held for sale include land and buildings formerly classified as investment property and held for own use amounted to USD 2 million. In 2022, the Group had USD 21.1 billion of assets held for sale portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft, Zurich Insurance plc and Zurich Insurance plc (Spain Medical Malpractice) (see note 4). In addition, assets held for sale include land and buildings formerly classified as investment property and held for own use amounting to USD 39 million.

2 As of December 31, 2023, the Group had USD 23.9 billion of liabilities held for sale based on agreements signed to sell portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft, Zurich Chile Seguros de Vida S.A., Zurich Insurance plc and Zurich Insurance Company Ltd (UK Branch) (see note 4). In 2022, the Group had USD 20.6 billion of liabilities held for sale based on agreements signed to sell portfolios of Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft and Zurich Insurance plc (Spain Medical Malpractice and UK Employers' Liability portfolios) (see note 4).

Consolidated financial statements (continued)

	Farmers		Group Functions and Operations		Non-Core Businesses		Eliminations		Total
2023	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
2,633	939	3,142	2,929	392	376	(10,927)	(8,190)	7,280	7,560
1,172	4,670	8,204	8,919	4,174	4,354	(8,564)	(8,256)	140,966	140,111
29	348	21	609	61	72	–	–	13,217	13,130
1,023	3,624	4,149	5,266	3,826	3,911	–	–	105,924	103,740
113	174	–	–	70	92	–	–	13,684	14,798
–	518	–	–	–	–	–	–	4,324	5,497
7	7	3,987	3,033	157	225	(8,564)	(8,256)	3,682	2,855
–	–	46	11	60	55	–	–	135	92
1,245	1,035	–	–	2,650	2,423	–	–	141,144	122,461
2,417	5,706	8,204	8,919	6,825	6,777	(8,564)	(8,256)	282,110	262,573
–	–	–	–	–	–	–	–	580	676
3,094	1,609	–	134	2,115	2,229	(33)	51	21,942	19,878
1,264	1,237	10	10	–	–	–	–	4,541	4,420
1,232	778	55	43	–	–	–	–	4,337	3,835
3,591	3,298	2,931	1,986	2,227	2,068	(3,208)	(3,242)	40,591	36,470
14,231	**13,567**	**14,343**	**14,021**	**11,558**	**11,450**	**(22,731)**	**(19,637)**	**361,382**	**335,412**
42	43	–	–	113	123	–	–	60,270	50,557
5,355	5,254	3	45	7,488	7,517	(33)	56	216,962	203,837
138	–	–	–	–	–	–	–	504	367
1,433	1,865	10,757	7,857	3,101	2,952	(14,251)	(11,547)	43,617	39,752
–	–	8,504	9,201	292	281	(5,171)	(5,799)	5,190	5,071
760	–	9,548	9,800	–	–	(3,277)	(2,346)	8,559	8,899
7,728	**7,162**	**28,812**	**26,902**	**10,994**	**10,873**	**(22,733)**	**(19,636)**	**335,102**	**308,482**
								24,860	25,683
								1,419	1,247
								26,280	26,930
								361,382	**335,412**
664	122	79	36	–	–	(61)	(1)	1,051	943

Consolidated financial statements (continued)

Property & Casualty – Commercial and Retail Insurance overview[1]

Table 26.6

in USD millions, for the years ended December 31	Commercial Insurance		Retail and Other Insurance	
	2023	2022	**2023**	2022
Insurance revenue	29,475	27,612	14,550	13,211
Insurance service expense	(23,664)	(22,038)	(13,716)	(12,009)
Net expenses from reinsurance contracts held	(3,087)	(3,275)	(330)	(335)
Insurance service result	2,724	2,299	503	867
Net investment income on Group investments	1,501	1,267	690	552
Net capital gains/(losses) and impairments on Group investments	258	(12)	(41)	–
Net investment result on Group investments	1,759	1,256	649	552
Re-/insurance finance income/(expenses)	(718)	(408)	(149)	(34)
Net investment result	1,041	848	500	518
Fee result	94	64	22	17
Other result	(286)	(149)	(534)	(465)
Income tax (expense)/benefit attributable to policyholders (BOP relevant)	–	–	(2)	–
Business operating profit before non-controlling interests	3,574	3,062	489	937
Non-controlling interests	–	–	127	122
Business operating profit	**3,573**	**3,062**	**362**	**815**

1 Commercial and Retail Insurance overview exclude Group Reinsurance and Eliminations.

Consolidated financial statements (continued)

Table 26.7

Property & Casualty – Revenues and non-current assets by region

in USD millions	Insurance revenue from external customers: Total, for the years ended December 31, 2023	2022	of which Commercial Insurance, for the years ended December 31, 2023	2022	of which Retail and Other Insurance, for the years ended December 31, 2023	2022	Property, equipment and intangible assets, as of December 31, 2023	2022
Europe								
Austria	643	611					116	100
France	402	364					13	14
Germany	2,943	2,627					570	585
Italy	1,671	1,528					15	23
Ireland	655	600					62	68
Portugal	385	354					16	14
Spain	1,563	1,397					268	263
Switzerland	2,645	2,570					762	763
United Kingdom	4,012	3,561					119	99
Rest of Europe	994	835					166	43
Middle East & Africa								
Middle East	150	139					1	–
Europe, Middle East & Africa	16,064	14,585	5,752	5,277	10,313	9,308	2,107	1,973
North America								
Canada	1,022	1,075					36	25
United States	19,065	17,784					1,065	1,098
North America	20,088	18,859	20,088	18,859	–	–	1,101	1,123
Asia-Pacific								
Australia	1,192	1,056					741	760
Hong Kong	363	324					45	29
Japan	807	843					10	14
Malaysia	410	375					49	53
Rest of Asia-Pacific	574	506					251	244
Asia-Pacific	3,346	3,104	965	954	2,381	2,150	1,096	1,101
Latin America								
Argentina	326	513					163	253
Brazil	1,062	940					110	102
Chile	424	351					14	15
Mexico	767	632					148	138
Rest of Latin America	232	210					51	44
Latin America	2,812	2,646	948	886	1,864	1,760	487	551
Group Reinsurance	8	7	–	–	8	7	1	1
Total	**42,318**	**39,201**	**27,752**	**25,975**	**14,567**	**13,226**	**4,793**	**4,749**

Consolidated financial statements (continued)

Life – Revenues and non-current assets by region

Table 26.8

in USD millions	Insurance Revenue from external customer for the years ended December 31		Property/equipment and intangible assets as of December 31	
	2023	2022	**2023**	2022
Europe, Middle East & Africa				
Austria	47	46	6	6
Germany	1,107	1,088	7	–
Italy	273	326	366	380
Ireland[1]	347	346	85	88
Spain	610	497	953	923
Switzerland	1,320	1,269	3	3
United Kingdom	1,460	999	94	90
Zurich International Life[2]	627	470	28	26
Rest of Europe, Middle East & Africa	117	41	3	1
Europe, Middle East & Africa	5,907	5,083	1,545	1,516
North America				
United States	192	278	–	–
North America	192	278	–	–
Asia Pacific				
Australia	1,719	1,716	1,144	1,142
Hong Kong	54	57	2	–
Indonesia	27	26	1	1
Japan	264	253	7	9
Malaysia	195	199	33	36
Asia Pacific	2,259	2,251	1,186	1,189
Latin America				
Argentina	102	155	27	43
Brazil	1,411	1,347	198	198
Chile	502	417	218	238
Mexico	520	428	91	85
Urugay	65	53	3	3
Colombia	37	28	–	–
Latin America	2,637	2,427	537	567
Total	**10,996**	**10,039**	**3,268**	**3,272**

1 Includes business written under freedom of services and freedom of establishment in Europe, and the related assets.
2 Includes business written through licenses, mainly into Asia Pacific and Middle East, and the related assets.

Consolidated financial statements (continued)

27. Interest in subsidiaries

Significant subsidiaries are defined as those subsidiaries which either individually or in aggregate, contribute significantly to insurance revenue, shareholders' equity, total assets or net income attributable to shareholders.

Significant subsidiaries – non-listed

Table 27.1

as of December 31, 2023	Registered office	Voting rights %	Ownership interest %	Nominal value of share capital (in local currency millions)	
Australia					
Cover-More Group Limited	Sydney	100	100	AUD	1,014.17
Zurich Australia Limited	Sydney	100	100	AUD	543.52
Zurich Australian Insurance Limited	Sydney	100	100	AUD	6.62
Zurich Financial Services Australia Limited	Sydney	100	100	AUD	2,983.02
Austria					
Zürich Versicherungs-Aktiengesellschaft	Vienna	99.98	99.98	EUR	9.75
Brazil					
Zurich Santander Brasil Seguros e Previdência S.A.[1]	Sao Paulo	51	51	BRL	2,509.18
Zurich Minas Brasil Seguros S.A.	Belo Horizonte	100	100	BRL	2,316.01
Zurich Resseguradora Brasil S.A.	Sao Paulo	100	100	BRL	124.00
Zurich Santander Brasil Seguros S.A	Sao Paulo	100	100	BRL	138.96
Chile					
Chilena Consolidada Seguros de Vida S.A.	Santiago	99.23	99.23	CLP	256,260.35
Zurich Santander Seguros de Vida Chile S.A.[1]	Santiago	51	51	CLP	21,707.53
Germany					
Deutscher Herold Aktiengesellschaft	Köln	100	100	EUR	18.43
Zürich Beteiligungs-Aktiengesellschaft (Deutschland)	Frankfurt	100	100	EUR	152.88
Zurich Deutscher Herold Lebensversicherung Aktiengesellschaft	Köln	100	100	EUR	48.00
Zurich Immobilien (Deutschland) AG & Co. KG	Köln	100	100	EUR	0.001
Zurich Life Legacy Versicherung AG (Deutschland)	Köln	100	100	EUR	54.00
Indonesia					
PT Zurich Asuransi Indonesia Tbk	Jakarta Selatan	80	80	IDR	3,101,846.0
Ireland					
Zurich Life Assurance plc	Dublin	100	100	EUR	17.53
Zurich Holding Ireland Limited	Dublin	100	100	EUR	0.10
Zurich Insurance plc	Dublin	100	100	EUR	8.16
Italy					
Zurich Investments Life S.p.A.	Milan	100	100	EUR	207.93
Zurich Italy Bank S.p.A	Milan	100	100	EUR	49.00
Japan					
Zurich Life Insurance Japan Company Ltd	Nakano-ku	100	100	JPN	7,316.31
Luxembourg					
REX-ZDHL S.C.S. SICAV-SIF	Leudelange	100	100	EUR	2,229.78
Malaysia					
Zurich Life Insurance Malaysia Berhad	Kuala Lumpur	100	100	MYR	579.00
Zurich Holdings Malaysia Berhad	Kuala Lumpur	100	100	MYR	768.44
Mexico					
Zurich Santander Seguros México, S.A.[1]	Mexico City	51	51	MXN	383.02

Consolidated financial statements (continued)

Significant subsidiaries – non-listed (continued)

Table 27.1

as of December 31, 2023	Registered office	Voting rights %	Ownership interest %		Nominal value of share capital (in local currency millions)
Spain					
Bansabadell Pensiones, E.G.F.P, S.A.	Madrid	50	50	EUR	7.81
Bansabadell Seguros Generales, S.A. de Seguros y Reaseguros	Madrid	50	50	EUR	10.00
Bansabadell Vida S.A. de Seguros y Reaseguros	Madrid	50	50	EUR	43.86
Zurich Latin America Holding S.L. – Sociedad Unipersonal	Barcelona	100	100	EUR	43.00
Zurich Santander Holding (Spain), S.L.[1]	Boadilla del Monte	51	51	EUR	942.77
Zurich Santander Holding Dos (Spain), S.L.[1]	Boadilla del Monte	51	51	EUR	94.28
Zurich Santander Insurance America, S.L.	Boadilla del Monte	51	51	EUR	40.00
Zurich Vida, Compañía de Seguros y Reaseguros, S.A. – Sociedad Unipersonal	Madrid	100	100	EUR	56.45
Switzerland					
Zurich Finance Company Ltd	Zurich	100	100	CHF	0.20
Zurich Insurance Company Ltd	Zurich	100	100	CHF	825.00
Zurich Life Insurance Company Ltd	Zurich	100	100	CHF	60.00
Zurich Reinsurance Company Ltd	Zurich	100	100	CHF	11.68
United Kingdom					
Allied Zurich Holdings Limited	St. Hélier, Jersey	100	100	GBP	597.69
Zurich Assurance Ltd	Swindon, England	100	100	GBP	356.24
Zurich Employment Services Limited	Swindon, England	100	100	GBP	378.91
Zurich Financial Services (UKISA) Limited	Swindon, England	100	100	GBP	1,460.94
Zurich Holdings (UK) Limited	Fareham, England	100	100	GBP	318.30
Zurich International Life Limited	Douglas, Isle of Man	100	100	GBP	123.40
Zurich UK General Services Limited	Fareham, England	100	100	GBP	470.88
United States of America					
Farmers Group, Inc.[2]	Carson City, NV	100	100	USD	0.001
Farmers Reinsurance Company[2]	Woodland Hills, CA	100	100	USD	5.00
Farmers New World Life Insurance Company[2]	Bellevue, WA	100	100	USD	–
Zurich American Insurance Company	New York, NY	100	100	USD	5.00
Zurich American Life Insurance Company	Schaumburg, IL	100	100	USD	2.50
Zurich Holding Company of America, Inc.[3]	Wilmington, DE	100	100	USD	–
Centre Group Holdings (U.S.) Limited	Wilmington, DE	100	100	USD	0.000001
ZCM (U.S.) Limited	Wilmington, DE	100	100	USD	0.000001
Zurich Structured Finance, Inc.	Wilmington, DE	100	100	USD	0.012000

1 Zurich Insurance Group Ltd (ZIG) indirectly owns 51 percent.
2 The ownership percentages in Farmers Group, Inc. and its fully owned subsidiaries have been calculated based on the participation rights of Zurich Insurance Group in a situation of liquidation, dissolution or winding up of Farmers Group, Inc.
3 Shares have no nominal value in accordance with the company's articles of incorporation and local legislation.

Consolidated financial statements (continued)

Due to the nature of the insurance industry, the Group's business is subject to extensive regulatory supervision, and companies in the Group are subject to numerous legal restrictions and regulations. These restrictions may refer to minimum capital requirements or the ability of the Group's subsidiaries to pay dividends imposed by regulators in the countries in which the subsidiaries operate. These are considered industry norms, generally applicable to insurers who operate in the same markets.

For Zurich Santander Insurance America, S.L. and its subsidiaries, and the Bansabadell insurance entities, certain protective rights exist, which, among others, include liquidation, material sale of assets, transactions affecting the legal ownership structure, dividend distribution and capital increase, distribution channel partnerships and governance, which are not quantifiable.

For details on the Group's capital restrictions, see the capital management section in the 2023 Risk Review, which forms an integral part of the consolidated financial statements.

Table 27.2 shows the summarized financial information for each subsidiary that has non-controlling interests that are material to the Group.

Non-controlling interests

Table 27.2

in USD millions, as of December 31	Zurich Santander Insurance America, S.L. and its subsidiaries		Bansabadell insurance entities	
	2023	2022	**2023**	2022
Non-controlling interests percentage	49%	49%	50%	50%
Total Investments	20,680	16,105	9,881	8,508
Other assets	1,325	1,158	1,733	1,587
Insurance and investment contract liabilities	20,048	15,540	9,431	8,330
Other liabilities	780	643	701	551
Net assets	**1,177**	**1,080**	**1,481**	**1,214**
Non-controlling interests in net assets	**577**	**529**	**741**	**607**
Insurance revenue	2,465	2,275	620	503
Net income after taxes	483	424	255	247
Other comprehensive income	86	47	25	(278)
Total comprehensive income	**569**	**471**	**280**	**(31)**
Non-controlling interests in total comprehensive income	**279**	**231**	**140**	**(16)**
Dividends paid to non-controlling interests	224	171	12	73

Consolidated financial statements (continued)

28. Events after the balance sheet date

In January 2024, the Group was informed that Viridium Group will not complete the purchase of Zurich Life Legacy Versicherung AG (Deutschland) in Germany as planned. Zurich is committed to finding a solution for this portfolio and will explore options in due course and as such does not see any change to the current classification of the assets and liabilities related to the portfolio as held for sale for 2023. Any potential subsequent discontinuation of held-for-sale treatment is not expected to have a material effect on Group's financial position or performance.

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Report of the statutory auditor

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To the General Meeting of
Zurich Insurance Group Ltd, Zurich

Zurich, February 21, 2024[1]

Report of the statutory auditor

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Zurich Insurance Group Ltd and its subsidiaries (the Group), which comprise the consolidated balance sheet as of December 31, 2023, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and Notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements (pages 269 to 408) and the audited sections of the risk review (pages 225 to 251) give a true and fair view of the consolidated financial position of the Group as of December 31, 2023, as well as of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards and comply with Swiss law.

Basis for opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISA) and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We are independent of the Group in accordance with the provisions of Swiss law, together with the requirements of the Swiss audit profession, as well as those of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards* (IESBA Code)), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the consolidated financial statements.

Report of the statutory auditor (continued)

Initial application of IFRS 17 relating to the building block and variable fee measurement approaches (altogether Initial Application)

Area of focus

On January 1, 2023, the Group adopted IFRS 17 “Insurance Contracts”, which replaced IFRS 4 “Insurance Contracts”. As described in the Notes to the consolidated financial statements, the Group applied IFRS 17 to insurance contracts issued and reinsurance contracts held retrospectively from January 1, 2022, in accordance with the accounting policies outlined in Note 3. The 2022 comparative figures as presented in these consolidated financial statements have been restated for the adoption of IFRS 17.

On transition to the new standard, shareholders equity as of January 1, 2022, decreased by USD 8.7 billion, resulting from a decrease of USD 14.4 billion relating to the recognition of the Contractual Service Margin (CSM) as part of the insurance contract assets and liabilities and an increase of USD 5.7 billion relating to a combination of the derecognition of intangibles, other valuation differences and deferred tax.

Auditing the Group’s Initial Application was complex, as it related to the measurement of the Group’s insurance contract liabilities, including the transition CSM. This required the application of significant auditor judgment due to the complexity of the models, accounting interpretations made and the development of fair value assumptions used in the determination of the transition CSM. The audit effort involved professionals with specialized skills and knowledge to assist in evaluating the audit evidence obtained.

Accordingly, we have identified the Initial Application as a key audit matter.

The critical accounting judgments and the impact related to the Initial Application are disclosed in Notes 2 and 7 to the consolidated financial statements.

Report of the statutory auditor (continued)

Our audit response

We obtained an understanding, evaluated the design and tested the operating effectiveness of selected key controls over the Initial Application. The controls we tested included controls related to management's selection of accounting policies and the related determination of the transition approach, as well as controls related to the development of fair value and actuarial models, the integrity of data used and the implementation of new systems and models.

To test the Initial Application, our audit procedures were executed with the assistance of our actuarial specialists and included, amongst others:

- Evaluating the Group's accounting policies and actuarial methodology to assess compliance with IFRS 17.
- Assessing the analyses of contracts prepared by the Group for the purpose of the classification according to the different measurement approaches (either the building block approach (BBA), variable fee approach (VFA) or premium allocation approach (PAA)) and tested such analyses for compliance with IFRS 17 and to the underlying contracts on a sample basis.
- In respect of the transition approaches (Fully retrospective, Modified retrospective or Fair Value approach) applied in the calculation of the CSM, evaluating the Group's assessment on the availability of reasonable and supportable historic information required by the full retrospective approach, and the appropriateness of simplifications, under the modified retrospective approach, or fair value approach applied.
- Testing of the completeness and accuracy of data used in the calculation of the transition balances to underlying source systems on a sample basis.
- Assessing the appropriateness and consistency of key assumptions used in the calculation of the transition balances with those used in IFRS 4 for the corresponding period, publicly available market data, our knowledge of the products and the requirements of IFRS 17.
- Testing the methodology and calculation of the IFRS 17 insurance contract liabilities and transition CSM, either through review of the calculation logic within the newly implemented models, or through calculating an independent estimate of the insurance contract liability for a sample of insurance contracts and comparing the results to the Group's results.

Finally, we assessed the adequacy of the disclosures in the Notes to the consolidated financial statements.

Report of the statutory auditor (continued)

Estimation of the expected future cash outflows relating to loss and loss adjustment expense incurred but not reported (IBNR) measured under the Premium Allocation Approach (PAA)

Area of focus

As of December 31, 2023, the Group recorded a liability for incurred claims (LIC) of USD 63,352 million on its consolidated balance sheet. Of this amount, USD 62,042 million relates to the present value of future cash flows, and USD 1,310 million relates to the risk adjustment for non-financial risk. (*)

As described in the Notes to the consolidated financial statements, the LIC reflects a current, explicit, unbiased and probability-weighted estimate of the present value of the expected future cash outflows (best estimate), and an explicit risk adjustment for non-financial risk.

The estimation of the IBNR is a complex process, applying actuarial and statistical methods over historical data and patterns requiring the use of estimates and judgments. It requires the use of complex formulas and computational tools that may be incorrectly configured, and for which inaccurate or incomplete input data may be used.

This is specifically the case for lines of business that are considered longer-tail, such as worker's compensation, general and professional liability, and other specialty lines where certain longer-term assumptions are required as part of the projection techniques. These projection techniques also consider emerging risks, which can have a significant impact on the determination of the ultimate settlement costs, but where available experience is limited, including uncertainty around claims litigation, timeliness of claims reporting, and inflation.

Additionally, the expected future cash outflows relating to the IBNR for catastrophes which are usually of less frequency but higher severity, are more difficult to estimate and their calculation require the use of expert judgment, especially for events taking place close to period end.

Accordingly, we have identified the IBNR as a key audit matter.

The accounting policies and critical accounting judgments and estimates regarding the IBNR are described in Note 3, with additional information presented in Note 7 to the consolidated financial statements.

Report of the statutory auditor (continued)

Our audit response

We obtained an understanding, evaluated the design, and tested the operating effectiveness of a sample of controls over methods selection, completeness and accuracy of the underlying data, relevant information technology and assumption setting used by management related to the estimation of the IBNR.

To test the IBNR, our audit procedures were executed with the assistance of our actuarial specialists and included, for certain lines of business selected based on risk:

- Testing the completeness and accuracy of data utilized by the Group in estimating the IBNR by reconciling such amounts to the underlying accounting records and performing data-enabled audit procedures and claims data plausibility checks on selected samples.
- Evaluating the actuarial methods and assessing key assumptions used within projection techniques by the Group via quantitative and qualitative analysis.
- Comparing the IBNR to our independently developed range of IBNR.
- Evaluating the appropriateness of any significant adjustments made by management relating to the valuation of the IBNR.

Finally, we assessed the adequacy of the disclosures in the Notes to the consolidated financial statements.

Report of the statutory auditor (continued)

Building a better working world

Estimation of the present value of future cash flows (PVFCF) measured under the Building Block Approach (BBA) and Variable Fee Approach (VFA)

Area of focus

As of December 31, 2023, the Group recorded liabilities for remaining coverage measured under the VFA and the BBA of USD 122,263 million and USD 22,361 million, respectively, on its consolidated balance sheet. For VFA, USD 113,575 million relates to the PVFCF. (*)

At initial recognition, the Group measures a group of insurance contracts under BBA and VFA as the total of:

- Fulfilment cash flows, which comprise of:
  - (i) estimates of future cash flows, adjusted to reflect the time value of money and financial risks.
  - (ii) risk adjustment for non-financial risk.
- Contractual service margin (CSM), which represents the unearned profit the Group will recognize as it provides service under the related insurance contracts.

PVFCF are associated with significant uncertainties requiring the use of expert judgment within complex actuarial models relying on subjective assumptions in relation to future events. Key assumptions include mortality, lapse and expense assumptions as well as modelled future decisions of management and of policyholders. Moreover, because of the long duration of many life insurance products, relatively small changes in key assumptions may have a significant impact on PVFCF.

The determination of PVFCF requires the use of complex formulas as well as the construction of models and other computational tools that may be incorrectly designed or configured, and for which inadequate assumptions and/or incomplete or inaccurate input data may be used.

Accordingly, we have identified PVFCF within the recorded liability for remaining coverage as a key audit matter.

The accounting policies and critical accounting judgments and estimates regarding PVFCF are described in Notes 3, with additional information presented in Note 7 to the consolidated financial statements.

Report of the statutory auditor (continued)

Building a better working world

Our audit response

We obtained an understanding, evaluated the design, and tested the operating effectiveness of a sample of controls over methods selection, completeness and accuracy of the underlying data, relevant information technology, assumption setting, and the models used by management related to the estimation of PVFCF.

To test PVFCF, our audit procedures were executed with the assistance of our actuarial specialists and included, for certain lines of business selected based on risk:

- Testing of the completeness and accuracy of data, including in-force policyholder data as utilized by the Group to value estimated future cash flows by reconciling such amounts to the underlying accounting records.
- Assessing key best estimate assumptions used in selected actuarial models via quantitative and qualitative analysis, including considerations of their reasonableness based on experience studies, our knowledge of the Group and local markets, products offered, publicly available market and macroeconomic data.
- Reviewing a sample of experience studies supporting specific assumptions.
- Challenging the nature, timing and completeness of changes in key assumptions, models and methods and assessing whether individual changes were errors or refinements of estimates.
- Testing the models used through review of the calculation logic on a sample basis as well as through performing independent calculations of PVFCF and comparing the results to those of the Group.
- Performing analytical review procedures, including period-to-period analysis of changes in PVFCF and assessing whether such changes appropriately reflect current period facts and circumstances.

Finally, we assessed the adequacy of the disclosures in the Notes to the consolidated financial statements.

Report of the statutory auditor (continued)

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Building a better working world

Recoverability of goodwill and attorney-in-fact contracts (AIF)

Area of focus

As of December 31, 2023, the Group recognized goodwill and AIF with a net carrying amount of USD 4,541 million and USD 2,650 million, respectively. Goodwill and AIF are allocated to the cash-generating units (CGUs) that are identified at the segment level.

Management tests goodwill and AIF for impairment annually, or more frequently if there are indications that the amount of goodwill and AIF is not recoverable.

Estimation of the recoverable amount requires management to use complex models, expert judgment, and is based on subjective assumptions, particularly in respect of projections of future income based on prospective business plans, perpetual growth rates, and discount rates.

Accordingly, we deem the measurement of the recoverable amount of goodwill and the AIF contract intangibles to be a key audit matter.

The accounting policies and critical accounting judgments and estimates related to goodwill and AIF are disclosed in Note 3, with additional information presented in Note 13 to the consolidated financial statements.

Our audit response

We obtained an understanding and evaluated the design of controls over the model used and centrally provided key assumptions.

To test the recoverability of goodwill and AIF, our audit procedures included:

- Assessing, with assistance of our valuation specialists, the valuation methods used and the reasonableness of the key assumptions within these models, i.e., discount rates, perpetual growth rates and tax rate.
- Evaluating whether the goodwill and AIF allocation to CGUs as identified by management is supportable.
- Performing risk-based substantive procedures for selected CGUs regarding key assumptions, including evaluating the:
  - consistency of projected future cash flows with management's most recent estimates, including those used in the Group's planning process;
  - assumptions made with respect to projected future cash flows and whether they are reasonable in terms of the applicable CGU's economic and financial outlook, including the impacts of the current macro-economic environment;
  - comparison of actual results versus historical projected financial information;
  - completeness and accuracy of data used by management to project future cash flows; and
  - sensitivity analysis performed by management.

Report of the statutory auditor (continued)

- Analyzing the recoverable amounts against market capitalization to corroborate fair value estimates.

Finally, we assessed the adequacy of the disclosures in the Notes to the consolidated financial statements.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

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

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

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

Board of Directors' responsibilities for the consolidated financial statements

The Board of Directors is responsible for the preparation of the consolidated financial statements, which give a true and fair view in accordance with IFRS Accounting Standards and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISA and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report of the statutory auditor (continued)

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and PS-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the consolidated financial statements according to the instructions of the Board of Directors.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young Ltd

Isabelle Santenac
Licensed audit expert
(Auditor in charge)

Thomas Fiepke
Certified Public Accountant (U.S.)

1. This version of our Report on the audit of the consolidated financial statements of Zurich Insurance Group Ltd and its subsidiaries as of December 31, 2023, issued as of February 21, 2024, was created on March 4, 2024, with certain typographical corrections to sections marked with (*).

Holding company

Contents

Review of the year
Net income after taxes for Zurich Insurance Group Ltd amounted to CHF 5,245 million in 2023 compared with CHF 3,290 million in 2022. The increase was mainly driven by a higher dividend income from its subsidiary Zurich Insurance Company Ltd of CHF 5,170 million in 2023 compared to CHF 3,200 million in 2022.

Shareholders' equity increased by CHF 310 million to CHF 13,488 million as of December 31, 2023, from CHF 13,178 million as of December 31, 2022. The increase was mainly driven by the net income after taxes for the year 2023 of CHF 5,245 million. This was partially offset by the dividend of CHF 3,507 million paid in 2023 out of available earnings as well as by the reduction of the retained earnings following the cancellation of shares due to the public share buyback program of CHF 1,428 million in 2023, which was completed on June 7, 2023.

The Board of Directors proposes to the Annual General Meeting, which is to be held on April 10, 2024, to distribute a dividend of CHF 26.00 gross per share from the available earnings for 2023.

Holding company (continued)

Income statements

in CHF thousands, for the years ended December 31	Notes	**2023**	2022
Other operating income		12	9
Other operating expenses	4	(40,552)	(16,952)
Depreciation and valuation adjustments to non-current assets	9	(2,500)	(7,000)
Financial income	5	5,308,801	3,341,099
Dividend income		*5,170,000*	*3,205,835*
Interest income		*138,801*	*135,237*
Other financial income		*–*	*26*
Financial expenses		(5,508)	(2,143)
Direct taxes	6	(15,229)	(24,980)
Net income after taxes		**5,245,024**	**3,290,033**

Holding company (continued)

Balance sheets

Assets

in CHF thousands, as of December 31	Notes	2023	2022
Current assets			
Cash and cash equivalents	18	334	332
Receivables from subsidiaries	7	7,667	1,652,031
Receivables from third parties		4,784	2,398
Accrued income and prepaid expenses from subsidiaries		91,443	92,042
Total current assets		104,229	1,746,804
Non-current assets			
Subordinated loans to subsidiaries	8	2,132,405	2,132,405
Investments in subsidiaries	9	11,261,268	11,263,768
Total non-current assets		13,393,674	13,396,174
Total assets		**13,497,902**	**15,142,977**

Liabilities and shareholders' equity

in CHF thousands, as of December 31	Notes	2023	2022
Short-term liabilities			
Other liabilities to subsidiaries		2	1
Other liabilities to third parties	10	8,270	161,415
Other liabilities to shareholders		1,990	1,846
Accrued expenses and deferred income to subsidiaries		–	2,121
Accrued expenses and deferred income to third parties		21	20
Interest-bearing loans from subsidiaries	11	–	1,800,000
Total short-term liabilities		10,282	1,965,404
Total liabilities		**10,282**	**1,965,404**
Shareholders' equity (before appropriation of available earnings)			
Share capital	13	14,636	15,046
Legal reserves:		1,159,495	1,042,615
Capital contribution reserve[1]	*14*	*264,208*	*264,208*
General capital contribution reserve		*6,225*	*6,225*
Reserve for treasury shares (indirectly held via subsidiaries)	*15*	*257,983*	*257,983*
General legal reserve		*895,287*	*778,407*
General legal reserve		*341,140*	*341,140*
Reserve for treasury shares (indirectly held via subsidiaries)	*15*	*554,147*	*437,266*
Treasury shares (directly held by the Company)	13	–	(372,543)
Free reserve	16	346,869	346,869
Retained earnings:			
As of January 1		*12,145,587*	*11,895,259*
Dividends paid		*(3,507,283)*	*(3,031,307)*
Cancellation of treasury shares (directly held by the Company)	*13*	*(1,799,827)*	*–*
Net income after taxes		*5,245,024*	*3,290,033*
Allocation to reserve for treasury shares (indirectly held via subsidiaries)		*(116,880)*	*(8,399)*
Retained earnings, as of December 31		11,966,620	12,145,587
Total shareholders' equity (before appropriation of available earnings)		13,487,620	13,177,574
Total liabilities and shareholders' equity		**13,497,902**	**15,142,977**

1 Dividends paid in 2022, out of capital contribution reserve in respect of the 2021 result, amounting to CHF 246 million.

Holding company (continued)

Notes to the financial statements

1. General information

Zurich Insurance Group Ltd (the Company or ZIG) is a corporation domiciled in Zurich, Switzerland, and its shares are listed on the SIX Swiss Exchange. It was incorporated on April 26, 2000, and is the holding company of the Zurich Insurance Group (Group) with the principal activity of holding subsidiary companies. The Company does not employ staff, as employees work in a joint capacity for Zurich Insurance Company Ltd (ZIC).

2. Basis of presentation

The Company presents its financial statements in accordance with Swiss law.

All amounts in these financial statements, including the notes, are shown in Swiss franc thousands, rounded to the nearest thousand, unless otherwise specified. All variances are calculated using the actual figures rather than the rounded amounts.

3. Summary of significant accounting policies

a) Exchange rates

Unless otherwise stated, assets and liabilities expressed in currencies other than Swiss francs are translated at end-of-period exchange rates. Revenues and expenses are translated using the exchange rate at the date of the transaction. Net unrealized exchange losses are recorded in the income statements and net unrealized exchange gains are deferred until realized.

b) Investments in subsidiaries

Investments in subsidiaries are equity interests, held on a long-term basis for the purpose of the Company's business activities. Each investment in subsidiaries is valued individually and carried at its cost less adjustments for impairments.

c) Accrued income

Income is accrued for interest which is earned but not yet due for payment at the end of the reporting period.

d) Reserves for treasury shares (indirectly held via subsidiaries)

Reserves for treasury shares are accounted for at the acquisition costs of these shares held by the respective subsidiary.

e) Treasury shares (directly held by the Company)

On June 7, 2023, ZIG completed the public share buyback program of up to CHF 1,800 million, which was launched on November 21, 2022. After completion of the public share buyback program, all treasury shares directly held by the Company were cancelled using the capital band introduced on April 6, 2023, by the Annual General Meeting. The new share capital of CHF 14,635,575.40 and the new number of shares of 146,355,754 shares were registered in the commercial register of the Canton of Zurich on August 7, 2023.

As of December 31, 2022, treasury shares directly held by the Company were carried at acquisition cost and presented as a deduction in the shareholders' equity.

4. Other operating expenses

Other operating expenses for the year were CHF 40.6 million compared with CHF 17.0 million in 2022. The increase of CHF 23.6 million was mainly due to the Company making a charitable contribution to the Z Zurich Foundation of CHF 29.5 million, while there was no contribution in 2022. In addition, Board member fees of CHF 5.8 million and CHF 5.6 million for the years ended December 31, 2023, and December 31, 2022, respectively, are included in this line item. Overhead expenses decreased by CHF 6.1 million to CHF 1.4 million in 2023. Furthermore, fees paid to the Swiss Financial Market Supervisory Authority FINMA amounting to CHF 2.9 million are included for the years ended December 31, 2023, and December 31, 2022, respectively.

5. Financial income

Financial income for the year 2023 mainly consists of dividend income of CHF 5,170 million received from the Company's subsidiary ZIC and interest income of CHF 134.3 million on the subordinated loan with ZIC. This interest income is recognized when ZIC declares its intention to pay a dividend to the Company.

Holding company (continued)

6. Direct taxes
Direct taxes include Swiss income and capital tax expense.

7. Receivables from subsidiaries
Receivables from subsidiaries include intragroup balances related to the Group's internal cash pooling facility in the amount of CHF 7.7 million and CHF 1,652 million for the years ended December 31, 2023, and December 31, 2022, respectively. The decrease in 2023 is driven by the dividend paid out of available earnings totaling to CHF 3,507 million as well as the repayment of the senior debt of CHF 1,800 million issued by ZIC (see also note 11). Further, the cash payment as consideration for the public share buyback program in 2023 of CHF 1,580 million has contributed to the decrease. This decrease is partially offset by the receipt of the dividend and interest income of CHF 5,304 million.

8. Subordinated loans to subsidiaries
Subordinated loans include a loan to ZIC of CHF 2,132 million as of December 31, 2023, and December 31, 2022, respectively.

9. Investments in subsidiaries

Investments in subsidiaries

as of December 31	2023			2022		
	Carrying value[1]	Voting rights in %	Capital rights in %	Carrying value[1]	Voting rights in %	Capital rights in %
Zurich Insurance Company Ltd	11,088,466	100.0	100.0	11,088,466	100.0	100.0
Zurich Financial Services EUB Holdings Limited	14,636	99.9	99.9	17,136	99.9	99.9
Farmers Group, Inc.	157,992	12.1	4.6	157,992	12.1	4.6
Allied Zurich Limited	175	100.0	100.0	175	100.0	100.0
Total	**11,261,268**			**11,263,768**		

1 in CHF thousands.

The investment in Zurich Financial Services EUB Holdings Limited was impaired by CHF 2.5 million in 2023 compared with CHF 7.0 million in 2022.

In addition to the above mentioned directly held subsidiaries, the Company indirectly owns additional subsidiaries primarily through ZIC. Information regarding indirectly owned subsidiaries is included on pages 405 to 406 of this Annual Report.

10. Other liabilities to third parties
As of December 31, 2023, Other liabilities to third parties mainly consist of tax payables of CHF 7.8 million, whereas as of December 31, 2022, Other liabilities to third parties mainly included a withholding tax payable of CHF 128.2 million and a payable due to a bank of CHF 23.7 million, both in connection with the public share buyback program.

11. Interest-bearing loans from subsidiaries
In 2022, ZIC granted a senior loan of CHF 1,800 million to the Company to fund the public share buyback program which has been completed on June 7, 2023. The senior loan has been paid back by the Company on April 14, 2023.

12. Commitments and contingencies
The Company has entered into support agreements and guarantees for the benefit of certain of its subsidiaries. They amounted to CHF 765 million as of December 31, 2023, and CHF 794 million as of December 31, 2022. The decrease is solely due to a negative foreign exchange effect. Furthermore, the Company has issued an unlimited guarantee in favor of the Institute of London Underwriters in relation to a run-off business transferred to Zurich Insurance plc and to ZIC from a Group company which no longer has insurance licenses. On March 27, 2023, the Company has terminated the unlimited guarantee in support of entities belonging to the Zurich Capital Markets group of companies.

The Company is not aware of any event of default that would require it to satisfy any of these guarantees or to take action under a support agreement.

Holding company (continued)

13. Share capital

a) Changes to the share capital

On April 6, 2023, the Annual General Meeting (AGM) of the Company approved a capital band as replacement of the authorized share capital (Art. 5bis of the Articles of Association). From April 2021 until April 6, 2023, the authorized share capital (former Art. 5bis of the Articles of Association) was comprised of 44,882,400 shares. The capital band parameters, which are in force since April 6, 2023, until April 6, 2028, are described in section b) below. Since April 2021, the contingent share capital for Financial Instruments (Art. 5ter 1a of the Articles of Association; term as defined in section b) below) is comprised of 29,921,600 shares. As of December 31, 2023, and as of December 31, 2022, the contingent share capital for Group employees (Art. 5ter 2a of the Articles of Association) was comprised of 4,095,092 shares. During the years 2023 and 2022, no shares were issued to Group employees out of the contingent share capital.

On June 7, 2023, the Company completed its public share buyback program of up to CHF 1,800 million that was launched on November 21, 2022. Under this program, the Company repurchased 4,104,413 of its shares, which were subsequently cancelled using the capital band introduced on April 6, 2023, by the AGM. The new share capital of CHF 14,635,575.40 and the new number of shares of 146,355,754 shares were registered in the commercial register of the Canton of Zurich on August 7, 2023. For further information, see the audited consolidated financial statements, note 19 on pages 364 to 372 of this Annual Report.

b) Capital band (as specified in Article 5bis of the Articles of Association)

On April 6, 2023, the AGM approved a capital band as replacement of the authorized share capital. Until and including April 6, 2028, the Board of Directors of the Company is authorized to conduct one or more increases and/or reductions of the share capital within the upper limit of CHF 18,917,751.50, corresponding to 189,177,515 registered shares with a nominal value of CHF 0.10 each, and the lower limit of CHF 13,541,415.00, corresponding to 135,414,150 registered shares with a nominal value of CHF 0.10 each. In case of a capital increase, the Board of Directors would determine the number of shares, the date of issue of any such new shares, the issue price, type of contributions (including cash contributions, contributions in kind, set-off and conversion of freely usable reserves, including retained earnings, into share capital), the conditions of exercising subscription rights, and the beginning of the dividend entitlement.

The Board of Directors may issue such new shares by means of a firm underwriting by a financial institution, a syndicate of financial institutions or another third party and with a subsequent offer of those shares to the current shareholders. The Board of Directors is authorized to restrict or to prohibit trading in the subscription rights to the new shares and may allow the expiry of subscription rights which have not been exercised, or it may place these rights as well as shares, the subscription rights of which have not been exercised, at market conditions, or use them otherwise in the interest of the Company.

The Board of Directors is further authorized to restrict or exclude the subscription rights and to allocate them to individual shareholders, third parties, the Company or one of its group companies for one or more increases up to a maximum of 14,600,000 shares, if the shares are to be used:

- for the take-over of an enterprise, of parts of an enterprise or of participations or for investments by the Company or one of its group companies, or the financing including refinancing of such transactions;
- for the purpose of expanding the scope of shareholders in connection with the listing of shares on foreign stock exchanges or issuance of shares on the national or international capital markets (including private placements to one or more selected investors);
- for the conversion of loans, bonds, similar debt instruments, equity-linked instruments or other financial market instruments (collectively, the 'Financial Instruments') issued by the Company or one of its group companies; or
- for the improvement of the regulatory and/or the rating capital position of the Company or one of its group companies in a fast and expeditious manner.

In case of a capital reduction, the Board of Directors shall, to the extent necessary, determine the number of shares to be cancelled and the use of the reduction amount. The acquisition and holding of shares repurchased for purposes of cancellation under the capital band are not subject to the 10% threshold for treasury shares within the meaning of art. 659 para. 2 of the Swiss Code of Obligations.

The Board of Directors is further authorized to carry out a capital increase by increase of the nominal value or a capital reduction by reduction of the nominal value within the capital band or to carry out a simultaneous reduction and re-increase. In the case of an increase or reduction of the nominal value, the Board of Directors shall determine the new nominal value of the shares and shall adapt all provisions of the Articles of Association relating to the nominal value of a share as well as the number of shares with a new nominal value corresponding to the fixed upper and lower limit of the capital band pursuant to art. 5bis para. 1 accordingly.

Up to April 6, 2028, the total of new shares issued from (i) the capital band where the subscription rights were restricted or excluded, and (ii) the contingent share capital in connection with Financial Instruments where the advance subscription rights were restricted or excluded, may not exceed 14,600,000 new shares.

Holding company (continued)

c) Contingent share capital (as specified in Article 5^{ter} of the Articles of Association)

Financial Instruments

The share capital of the Company may be increased by an amount not exceeding CHF 2,992,160 by issuing of up to 29,921,600 fully paid-in registered shares with a nominal value of CHF 0.10 each by the voluntary or mandatory exercise of conversion and/or option rights which are granted in connection with the issuance of Financial Instruments by the Company or one of its group companies or by mandatory conversion of Financial Instruments issued by the Company or one of its group companies, that allow for contingent mandatory conversion into shares of the Company, or by exercising option rights which are granted to the shareholders. The subscription rights are excluded. The then-current owners of the Financial Instruments shall be entitled to subscribe for the new shares. The conversion and/or option conditions are to be determined by the Board of Directors.

The Board of Directors is authorized, when issuing Financial Instruments, to restrict or exclude the advance subscription rights in cases where they are issued:

- for the financing including refinancing of a take-over of an enterprise, of parts of an enterprise, of participations, or of investments by the Company or one of its group companies;
- on national or international capital markets (including private placements to one or more selected investors); or
- for the improvement of the regulatory and/or the rating capital position of the Company or one of its group companies in a fast and expeditious manner.

If the advance subscription rights are restricted or excluded by a resolution of the Board of Directors, the following applies: the Financial Instruments are to be issued at prevailing market conditions (including standard dilution protection clauses in accordance with market practice) and the setting of the conversion or issue price of the new shares must take due account of the stock market price of the shares and/or comparable instruments priced by the market at the time of issue or time of conversion.

The conversion rights may be exercisable during a maximum of ten years and option rights during a maximum of seven years from the time of the respective issue; contingent conversion features may remain in place indefinitely.

Up to April 6, 2028, the total of new shares issued from (i) the capital band where the subscription rights were restricted or excluded, and (ii) the contingent share capital in connection with Financial Instruments where the advance subscription rights were restricted or excluded, may not exceed 14,600,000 new shares.

Employee participation

On January 1, 2023, and on January 1, 2022, the contingent share capital, to be issued to Group employees, amounted to CHF 409,509.20 or 4,095,092 fully paid registered shares with a nominal value of CHF 0.10 each.

During 2023 and 2022, no shares were issued to Group employees out of the contingent share capital. As of December 31, 2023, and as of December 31, 2022, the remaining contingent share capital available for issuance to Group employees amounted to CHF 409,509.20 or 4,095,092 fully paid-in registered shares with a nominal value of CHF 0.10 each. Subscription rights as well as advance subscription rights of the shareholders are excluded. The issuance of new shares or respective option rights to employees is subject to one or more regulations to be issued by the Board of Directors and taking into account performance, functions, levels of responsibility and criteria of profitability. New shares or option rights may be issued to employees at a price lower than that quoted on the stock exchange.

For further information, see Art. 5^{bis} and 5^{ter} of the Articles of Association (www.zurich.com/investor-relations/our-shares/articles-of-association).

14. Capital contribution reserve

Capital contribution reserve

in CHF thousands	**2023[1]**	2022[1]
As of January 1	264,208	509,990
Dividend payment out of capital contribution reserve	–	(245,782)
As of December 31	**264,208**	**264,208**

1 This capital contribution reserve does not qualify as capital contribution reserve within the meaning of Art. 5 para. 1^{bis} of the Swiss Withholding Tax Act.

Holding company (continued)

15. Reserves for treasury shares (indirectly held via subsidiaries)

These reserves correspond to the purchase value of all Zurich Insurance Group Ltd shares held by subsidiaries of the Company as shown in the table below. The treasury shares directly held by the Company as of December 31, 2022, are presented as a deduction in the shareholders' equity and are not part of these reserves for treasury shares.

Reserves for treasury shares (indirectly held via subsidiaries)

	Number of shares 2023	**Purchase value 2023**[1]	Number of shares 2022	Purchase value 2022[1]
As of January 1	2,097,833	695,249	2,169,197	686,872
Purchases during the year	1,000,000	424,075	850,754	364,467
Sales during the year	(732,256)	(307,194)	(922,118)	(356,090)
As of December 31	**2,365,577**	**812,130**	**2,097,833**	**695,249**
Thereof held in capital contribution reserve				
As of January 1	1,057,524	257,983	1,057,624	258,004
As of December 31	**1,057,524**	**257,983**	**1,057,524**	**257,983**
Thereof held in general legal reserve				
As of January 1	1,040,309	437,266	1,111,573	428,868
As of December 31	**1,308,053**	**554,147**	**1,040,309**	**437,266**
Average purchase price, in CHF		424		428
Average selling price, in CHF		339		338

1 in CHF thousands.

16. Free reserve

Free reserve

in CHF thousands	**2023**	2022
As of January 1	346,869	346,869
As of December 31	**346,869**	**346,869**

17. Shareholdings of the members of the Board of Directors, members of the Executive Committee and other employees

The information on share and share option holdings of members of the Board of Directors, members of the Executive Committee and other employees as of December 31, 2023, as required by article 959c paragraph 2 cif 11 of the Swiss Code of Obligations, is included and audited in the remuneration report on pages 76 to 113 and note 20 of the consolidated financial statements on pages 373 to 374 of this Annual Report.

18. Supplementary information

Cash and cash equivalents of CHF 0.3 million represent restricted cash as of December 31, 2023, and December 31, 2022, respectively.

Holding company (continued)

Proposed appropriation of available earnings

The available earnings for 2023 originate as follows:

in CHF thousands	Available earnings
Available earnings	
As of January 1, 2023	*12,145,587*
Dividends paid	*(3,507,283)*
Cancellation of treasury shares (directly held by the Company)	*(1,799,827)*
Net income after taxes	*5,245,024*
Allocation to reserve for treasury shares (indirectly held via subsidiaries)	*(116,880)*
Available earnings, as of December 31, 2023	11,966,620

The Board of Directors proposes to the Annual General Meeting to be held on April 10, 2024, to appropriate the available earnings as follows:

in CHF thousands	Available earnings
Appropriation of available earnings	
As of January 1, 2024	11,966,620
Dividend of CHF 26.00 gross per share[1]	(3,805,250)
Balance carried forward[1]	8,161,371

1 These figures are based on the share capital issued on December 31, 2023, of CHF 14,635,575.40 divided into 146,355,754 registered shares with a nominal value of CHF 0.10 each, and may change depending on the number of shares issued on April 15, 2024. Treasury shares held by the Company or its wholly owned subsidiaries do not receive dividends.

If this proposal is approved, the dividend, less 35 percent Swiss withholding tax, will be paid as from April 16, 2024.

Zurich, February 21, 2024

On behalf of the Board of Directors of Zurich Insurance Group Ltd

Michel M. Liès

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Report of the statutory auditor

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To the General Meeting of
Zurich Insurance Group Ltd, Zurich

Zurich, February 21, 2024

Report of the statutory auditor

Report on the audit of the financial statements

Opinion
We have audited the financial statements of Zurich Insurance Group Ltd (hereinafter "the Company"), which comprise the balance sheet as of December 31, 2023, the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements (pages 421 to 427) comply with Swiss law and the Company's articles of association.

Basis for opinion
We conducted our audit in accordance with Swiss law and Swiss Standards on Auditing (SA-CH). Our responsibilities under those provisions and standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the "Auditor's responsibilities for the audit of the financial statements" section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the financial statements (pages 421 to 427).

Report of the statutory auditor (continued)

EY Building a better working world

Recoverability of investments in subsidiaries

Area of focus	We consider the investments in subsidiaries to be a key audit matter not only due to the judgment involved but also based on the magnitude of CHF 11.3 billion, which makes up 83% of the Company's total assets. Investments in subsidiaries are carried at cost less necessary impairments and valued on an individual basis. The determination whether an impairment is required includes assumptions about the profitability of the underlying business and growth, which involves management's judgment. Refer to Note 3, para b) ("Summary of significant accounting policies") and Note 9 ("Investments in subsidiaries") to the 2023 financial statements.
Our audit response	We obtained an understanding of management's process and controls and assessed the design effectiveness of selected key controls over the recoverability of the carrying value of investments in subsidiaries. In addition, we performed the following substantive testing procedures in order to address the areas of focus above: • Assessing the appropriateness of the Company's impairment testing methodology. • Testing the mathematical accuracy of management's calculation. • Testing the reasonableness of the assumptions used in the impairment assessment. • Re-performing management's impairment test on the carrying value of all investments in subsidiaries and challenging the impairment decisions taken. Finally, we assessed the adequacy of the disclosures in the financial statements.

Report of the statutory auditor (continued)

Other information
The Board of Directors is responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements, the remuneration report and our auditor's reports thereon.

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

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

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

Board of Directors' responsibilities for the financial statements
The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the Company's articles of association, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern, and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and SA-CH will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on EXPERTsuisse's website at: https://www.expertsuisse.ch/en/audit-report. This description forms an integral part of our report.

Report of the statutory auditor (continued)

Report on other legal and regulatory requirements

In accordance with Art. 728a para. 1 item 3 CO and SA-CH 890, we confirm that an internal control system exists, which has been designed for the preparation of the financial statements according to the instructions of the Board of Directors.

Furthermore, we confirm that the proposed appropriation of available earnings complies with Swiss law and the Company's articles of association. We recommend that the financial statements submitted to you be approved.

Ernst & Young Ltd

Isabelle Santenac Licensed audit expert (Auditor in charge)	Thomas Fiepke Certified Public Accountant (U.S.)

Shareholder information

Zurich Insurance Group Ltd registered share data

Zurich shares

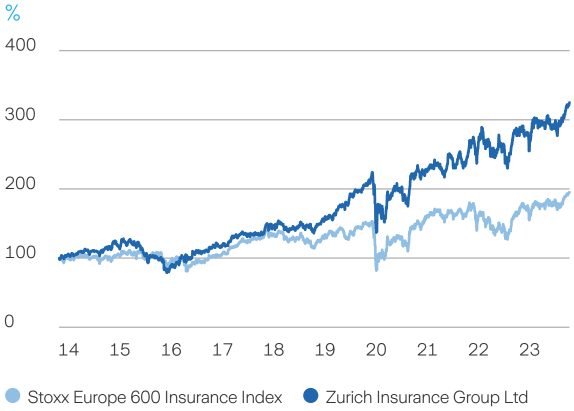
Zurich had a market capitalization of CHF 64 billion on December 31, 2023. The shares are listed on the SIX Swiss Exchange and traded on the SIX Swiss Exchange Blue Chip Segment; ticker symbol: ZURN; the Swiss security number (Valorennummer) is 1107539. Trading in Zurich Insurance Group Ltd shares on the Blue Chip Segment is conducted in Swiss Francs.

For further information about shareholders or the capital structure, please refer to the corporate governance report on page 34.

Share price performance

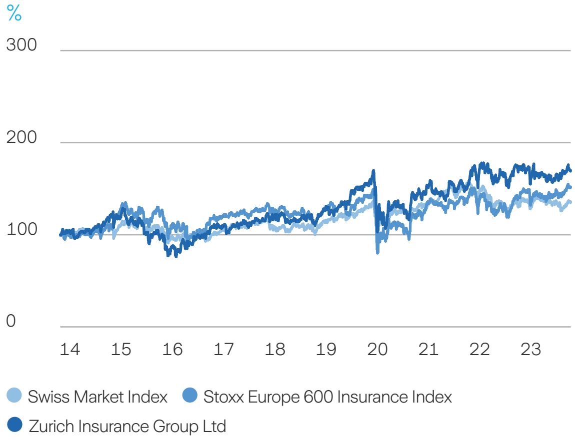
In terms of share price performance, the closing price at the end of 2023 was CHF 439.60. The lowest closing price recorded during 2023 was CHF 400.00 on March 15, and the highest closing price was CHF 457.90 on April 11.

Total shareholder return in U.S. dollars



Source: Refinitiv Datastream

Zurich share performance (indexed) over the last 10 years



Source: Refinitiv Datastream

Shareholder information (continued)

Dividend policy

The Group intends to maintain its current attractive dividend policy and proposes a target pay-out ratio of around 75 percent of net income attributable to shareholders, subject to a minimum of the prior-year dividend per share, with dividend increases based on sustainable earnings growth.

Share data (CHF)

as of December 31	**2023**	2022
Dividend per share	26.00[1]	24.00
Share price at end of period	439.60	442.30
Price period high	457.90	461.00
Price period low	400.00	389.50
Market capitalization (CHF millions)	64,338	66,549

1 Proposed dividend, subject to approval by shareholders at the Annual General Meeting, expected payment date as from April 16, 2024. Gross dividend, subject to 35 percent Swiss withholding tax.

Further details are available online:
▶ www.zurich.com/en/investor-relations/calendar

Dividend

	Financial Year	Total dividend per registered share in CHF	Paid from available earnings in CHF[1]	Paid from capital contribution reserve in CHF	Payment date as from
Dividend	2023	26.00[2]	26.00	–	April 16, 2024[2]
Dividend	2022	24.00	24.00	–	April 14, 2023
Dividend	2021	22.00	20.35	1.65	April 12, 2022
Dividend	2020	20.00	20.00	–	April 13, 2021
Dividend	2019	20.00	20.00	–	April 7, 2020
Dividend	2018	19.00	19.00	–	April 9, 2019
Dividend	2017	18.00	16.60	1.40	April 10, 2018
Dividend	2016	17.00	11.30	5.70	April 4, 2017
Dividend	2015	17.00	–	17.00	April 5, 2016
Dividend	2014	17.00	–	17.00	April 9, 2015

1 Gross dividend, subject to 35 percent Swiss withholding tax.
2 Proposed total dividend, subject to approval by shareholders at the Annual General Meeting 2024; expected payment date as from April 16, 2024.

Glossary

Group

Book value per share

is a measure that is calculated by dividing shareholders' equity by the number of shares issued less the number of treasury shares as of the period end.

Business operating profit (BOP)

is the Group's internal performance measure, on which the Group manages all of its business units. It indicates the underlying performance, after non-controlling interests, by eliminating the impact of financial market volatility and other non-operational variables. BOP reflects adjustments for shareholders' taxes, net capital gains/(losses) and change in expected credit loss (ECL) allowance on investments (except for certain non-insurance operations included in Non-Core Businesses, investments in hedge funds as at fair value through profit or loss, certain securities held for specific economic hedging purposes, policyholders' share of investment results for the life businesses), amortization of intangible assets acquired in a business combination and non-operational foreign exchange movements. Significant items arising from special circumstances, including restructuring charges, legal matters or large one-off regulatory projects outside the ordinary course of business, gains and losses on divestment of businesses, certain business combination integration costs, impacts from hyperinflation and impairments of goodwill are also excluded from BOP. Please refer to the 'consolidated financial statements, Note 26. Segment information, Table 26.4' for further information.

Business operating profit (after-tax) return on shareholders' equity (BOPAT ROE)

indicates the level of BOP relative to resources provided by shareholders. It is calculated as BOP, annualized on a linear basis and adjusted for taxes, divided by the average value of shareholders' equity, adjusted for net unrealized gains/(losses) on insurance liabilities and on investments classified as fair value through comprehensive income and cash flow hedges, using the value at the beginning and end of each quarter within the period. The average shareholders' equity for each quarter is then added together and divided by the number of quarters. If the dividend is approved at the Annual General Meeting within the first ten working days in April, then the dividend is deducted from the shareholders' equity at the start of the second quarter. Please refer to the 'supplementary information (unaudited)/ROE, EPS and BVPS' for further information.

Cash remittances

is the net extraction of capital from each of the business units (P&C, Life, Farmers and Non-Core Business) to Group Functions & Operations (GF&O) and after all central costs in GF&O. Cash remittances are typically extracted from subsidiaries by way of dividends, capital reductions, repayment of intragroup debt and reinsurance profits.

Investments

Total investments in the consolidated balance sheets include **Group investments** and investments for unit-linked contracts. Group investments are those for which the Group bears part or all of the investment risk. Average Group investments include investment cash and derivative financial instruments. The Group manages its diversified investment portfolio to optimize benefits for both shareholders and policyholders while ensuring compliance with local regulatory and business requirements under the guidance of the Group's Asset/Liability Management and Investment Committee. **Investments for unit-linked contracts** include investments where the policyholder bears the investment risk, and are held for liabilities related to unit-linked investment contracts and reserves for unit-linked contracts. They are managed in accordance with the investment objectives of each unit-linked fund.

Like-for-like

is the change in the underlying metric over a period of time and after removing the impact of foreign exchange movements and the impact of acquisitions and disposals.

Return on shareholders' equity (ROE)

is a measure that indicates the level of profit or loss relative to resources provided by shareholders. It is calculated as net income after taxes attributable to shareholders, annualized on a linear basis, divided by the average value of shareholders' equity, adjusted for net unrealized gains/(losses) on insurance liabilities and on investments classified as fair value through comprehensive income and cash flow hedges, using the value at the beginning and end of each quarter within the period. The average shareholders' equity for each quarter is then added together and divided by the number of quarters. If the dividend is approved at the Annual General Meeting within the first ten working days in April, then the dividend is deducted from the shareholders' equity at the start of the second quarter. Please refer to the 'supplementary information (unaudited)/ROE, EPS and BVPS' for further information.

Glossary (continued)

Property & Casualty

Gross written premiums (GWP)

is defined as the premium charged to a policyholder for an insurance contract. It is the total direct and assumed written premium excluding single parent captives before deductions for reinsurance and ceding commissions.

The following Property & Casualty (P&C) measures are net of reinsurance.

Insurance service result

is calculated as the difference between insurance revenue and the sum of net insurance service expenses and net expenses from reinsurance contracts held. Please refer to the 'supplementary information (unaudited)/P&C by segment' and 'supplementary information (unaudited)/P&C by country & customer unit' for further information.

Total net technical expenses

includes the total insurance services expenses for expenses for insurance contracts within the scope of IFRS 17, including the impact of discounting. It also includes other expenses which do not qualify for inclusion within IFRS 17 (reported under Other result) but are considered technical elements of administrative and other operating expenses. Please refer to the 'supplementary information (unaudited)/P&C by segment' for further information.

Combined ratio

is a measure that indicates the level of claims and net technical expenses during the period, relative to insurance revenues. It is calculated as the sum of the loss ratio and the expense ratio. Please refer to the 'supplementary information (unaudited)/P&C by segment' and 'supplementary information (unaudited)/P&C by country & customer unit' for further information.

Loss ratio

is a measure that indicates the level of claims during the period relative to insurance revenue. It is calculated as the sum of insurance services expenses for losses, including the impact of discounting and risk adjustment, and net expenses for reinsurance contracts held, divided by insurance revenue. Please refer to the 'supplementary information (unaudited)/P&C by segment' and 'supplementary information (unaudited)/P&C by country & customer unit' for further information.

Expense ratio

is a measure that indicates the level of the Total net technical expenses during the period relative to insurance revenue. It is calculated as the sum of the Total net technical expenses, divided by insurance revenue. Please refer to the 'Supplementary information (unaudited)/P&C by segment' and 'Supplementary information (unaudited)/P&C by country & customer unit' for further information.

Life

Present value of new business premiums (PVNBP)

is calculated as the present value of new business premiums gross of reinsurance discounted at the risk-free rate, before the effect of non-controlling interests.

New business contractual service margin (NB CSM)

represents the expected margin on the volume of business generated in the current period. It is calculated net of external reinsurance and before the effect of non-controlling interests.

New business margin (NBM)

is a measure that reflects the profitability of new business and is calculated as the new business CSM divided by PVNBP.

Farmers

Gross management result

is a measure of Farmers Management Services calculated as fee income minus fee business expenses, including amortization and impairments of intangible assets. Please refer to the 'supplementary information (unaudited)/Farmers' for further information.

Managed gross earned premium (MGEP) margin

is a measure calculated as the gross management result of Farmers Management Services divided by the gross earned premiums of the Farmers Exchanges, which are owned by their policyholders. Farmers Group, Inc., a wholly owned subsidiary of the Group, provides certain non-claims services and ancillary services to the Farmers Exchanges as its attorney-in-fact and receives fees for its services.

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Financial calendar

Information on our website:
www.zurich.com/en/investor-relations/calendar

Disclaimer and cautionary statement

Certain statements in this document are forward-looking statements, including, but not limited to, statements that are predictions of or indicate future events, trends, plans or objectives of Zurich Insurance Group Ltd or the Zurich Insurance Group (the Group). Forward-looking statements include statements regarding the Group's targeted profit, return on equity targets, expenses, pricing conditions, dividend policy and underwriting and claims results, as well as statements regarding the Group's understanding of general economic, financial and insurance market conditions and expected developments. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause actual results and plans and objectives of Zurich Insurance Group Ltd or the Group to differ materially from those expressed or implied in the forward-looking statements (or from past results). Factors such as (i) general economic conditions and competitive factors, particularly in key markets; (ii) the risk of a global economic downturn, in the financial services industries in particular; (iii) performance of financial markets; (iv) levels of interest rates and currency exchange rates; (v) frequency, severity and development of insured claims events; (vi) mortality and morbidity experience; (vii) policy renewal and lapse rates; (viii) increased litigation activity and regulatory actions; and (ix) changes in laws and regulations and in the policies of regulators may have a direct bearing on the results of operations of Zurich Insurance Group Ltd and its Group and on whether the targets will be achieved. Specifically in relation with the COVID-19 related statements, such statements were made on the basis of circumstances prevailing at a certain time and on the basis of specific terms and conditions (in particular applicable exclusions) of insurance policies as written and interpreted by the Group and may be subject to regulatory, legislative, governmental and litigation-related developments affecting the extent of potential losses covered by a member of the Group or potentially exposing the Group to additional losses if terms or conditions are retroactively amended by way of legislative or regulatory action. Zurich Insurance Group Ltd undertakes no obligation to publicly update or revise any of these forward-looking statements, whether to reflect new information, future events or circumstances or otherwise.

All references to 'Farmers Exchanges' mean Farmers Insurance Exchange, Fire Insurance Exchange, Truck Insurance Exchange and their subsidiaries and affiliates. The three Exchanges are California domiciled interinsurance exchanges owned by their policyholders with governance oversight by their Boards of Governors. Farmers Group, Inc. and its subsidiaries are appointed as the attorneys-in-fact for the three Exchanges and in that capacity provide certain non-claims services and ancillary services to the Farmers Exchanges. Neither Farmers Group, Inc., nor its parent companies, Zurich Insurance Company Ltd and Zurich Insurance Group Ltd, have any ownership interest in the Farmers Exchanges. Financial information about the Farmers Exchanges is proprietary to the Farmers Exchanges, but is provided to support an understanding of the performance of Farmers Group, Inc. and Farmers Reinsurance Company.

It should be noted that past performance is not a guide to future performance. Please also note that interim results are not necessarily indicative of full year results.

Persons requiring advice should consult an independent adviser.

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Imprint

The Annual Report is published in English and German. In the event of inconsistencies in the German translation, the English original version shall prevail.

Our reporting consists of the Annual Report, which is divided into the Group overview, the governance, the sustainability report, the risk review and the financial review, and which contains the annual financial statements (Holding Company) and the consolidated financial statements. With regards to content, the management report consists of the aforementioned reports excluding the remuneration report and the sustainability report.

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