



Climate Transition Plan





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CEO Foreword

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This climate transition plan marks an important step in Zurich's journey. It continues what we started in 2019 and sheds further light on how we are going to execute on our ambition to become net-zero by 2050 across our insurance business, investments and operations, and contribute to the wider society in our role as an insurer.

The effects of climate change are all around us. The record-breaking heatwaves, floods, droughts and wildfires we have witnessed in recent years are expected to become even more frequent and severe in the next years. These consequences should be addressed by helping society become more resilient while enabling an economy-wide transition to net-zero.

Indeed, we are determined to help the society of the future. This means we must act now, because climate risks are becoming too expensive and too painful. We want to provide a solution through what we do best: risk management. Through prevention, resilience and adaptation, we can better manage the physical impacts of climate change and reduce the size and frequency of potential losses, ensuring the world remains insurable.

This must be a collaborative effort in which all actors play their part. Today, the economy-wide transition is not progressing fast enough to meet the ambition of the Paris Agreement to limit the rise in temperatures to 1.5°C above pre-industrial levels and to avoid the worst impacts. To change course, we need radical collaboration across and between the public and private sectors.

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We are supporting the net-zero transition while helping make society more resilient, so that together, we can build a better future for the next generations.

Public policy must provide the right frameworks and incentives, but there is also a need for new technology, new solutions and considerable investments.

Supporting a successful transition offers the prospect of a stronger, more prosperous future that will ultimately benefit our customers, the companies we invest in, and our own business. There will be setbacks and challenges, but the price we pay for inaction is far higher than the price of protection.

As a global insurer, Zurich will be part of a collaborative solution. Our climate transition plan explains how.

Mario Greco

Mario Greco
Group Chief Executive Officer





1. Our role in the transition to net-zero

Our role in the transition to net-zero

1.1 Our Plan

Climate change presents a dual imperative. The world must rapidly reach net-zero emissions to avoid the most damaging impacts and simultaneously build greater resilience against the physical hazards which will continue to grow even as we transition. Insurers are fundamental to answering this challenge: as risk managers, helping customers to understand, prevent and reduce climate-related risks; as risk carriers, protecting households, companies and communities by absorbing the financial shocks from increasingly

extreme weather; and finally, as institutional investors, financing the transition of companies and scaling capital towards climate solutions.

In 2019, Zurich Insurance Group (Zurich) committed to becoming a net-zero business by 2050 across our insurance, investments and operations. This is our first climate transition plan ('Plan') which outlines how we are executing on this commitment.

Our Plan prioritizes supporting the transition to a net-zero economy, not just pursuing a net-zero Zurich. We believe this approach is in the best long-term interests of our customers, investee companies and our own business, because achieving net-zero will make the economy more resilient and successful.



Defining net-zero¹

At a global level, net-zero emissions refer to achieving an overall balance between greenhouse gas emissions produced and taken out of the atmosphere. To limit the average rise in temperature to 1.5°C, the world must reach net-zero by 2050. This will require deep, rapid and sustained emissions reductions.



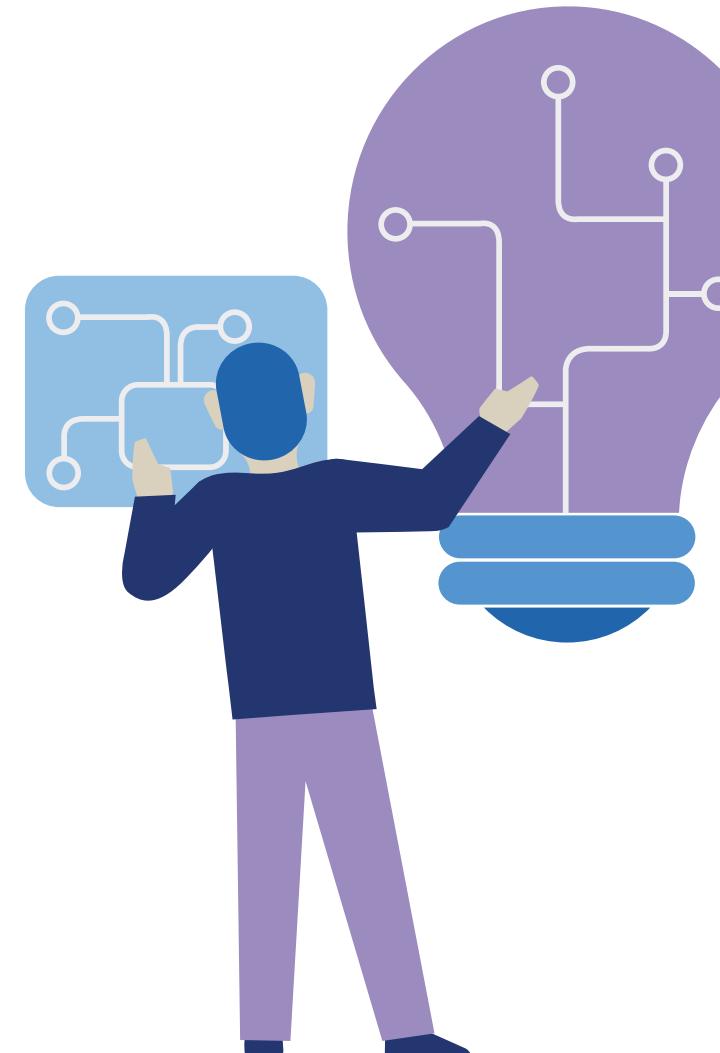
1.2 Dependencies

Transitioning the entire economy to net-zero will require the efforts of many organizations, across both public and private sectors. Our net-zero ambition and parts of our Plan are dependent on a range of factors which will influence or directly impact our ability to achieve our ambition and to reach our targets in time.

Some of the most critical factors include the introduction of the right public policy frameworks, the development of new technologies and climate solutions, and how effectively the real-world economy decarbonizes.

As a result, a significant focus of our Plan is advocating for supportive policies, standards and regulations needed to enable the economy to reach net-zero. As the transition progresses, we will continue to iterate our Plan based on the best available data, technologies, science, infrastructure, standards and policy outlooks. This will include looking more systemically at the integration of nature-related risks, opportunities, and nature-based climate solutions into our climate strategy.

We operate in compliance with applicable laws and regulations and will adapt and manage the execution of our Plan continuously to ensure it is aligned with such laws and regulations.



¹ Climate Council, 2023: What does net-zero emissions mean? [🔗](#)



1. Our role in the transition to net-zero

Our Plan focuses on four mutually reinforcing aims:



Enabling an economy-wide transition to net-zero

For more than 150 years, we have protected individuals and organizations against risk so they can invest in the future with confidence. Today, this includes supporting our customers and investee companies to succeed in the transition to net-zero. We believe a successful transition will support our business.



Making society more resilient

Climate hazards are likely to intensify for decades to come, even if the world reaches net-zero by 2050. So, we are using our expertise to help more companies, cities and communities better understand, prevent and reduce risks before they materialize, while also supporting them to build back better after loss and damage.



Advocating for supportive policies

Our net-zero ambition is dependent on the transition of the real-world economy and an effective public policy framework. That's why we want to put our data, expertise and global network to use in shaping and advocating for policies that can help achieve a just, resilient and economically successful transition.



Evolving how we operate

We are continuing to decarbonize our own operations and supply chain. We are investing in our people and fostering a culture of learning and knowledge-sharing so that our organization evolves with our ambition. This enables our employees to engage with customers, suppliers and the companies we invest in on their transition journey.

We do so by:

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

We do so by:

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

We do so by:

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

We do so by:

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



2. Executing our Plan

Executing our Plan

Enabling an economy-wide transition

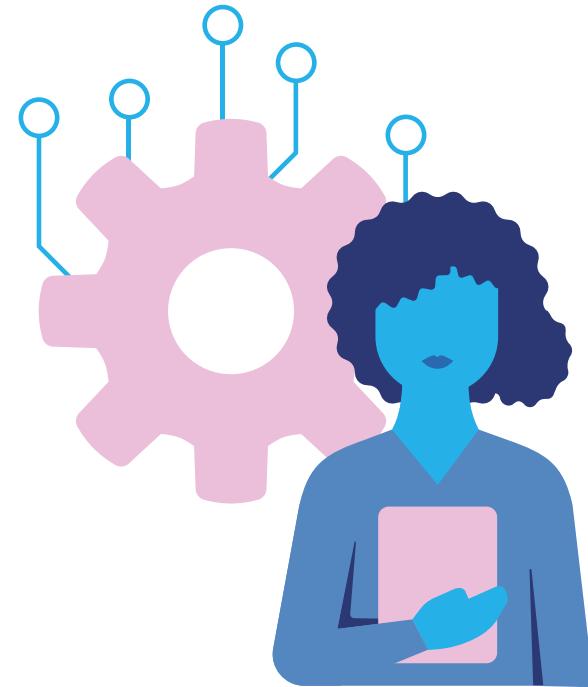
Achieving net-zero will make the global economy more successful and resilient, especially in a world where emissions continue to rise and the physical risks of climate change increase. Minimizing these physical climate risks is essential for limiting the size and frequency of potential losses, ensuring the world remains insurable.

This is why our focus is on supporting the transition to a net-zero economy. It will require a major transformation, as almost every aspect of how we design, build, power, transport, use, re-use or recycle goods will need to change.



The economic benefits of net-zero

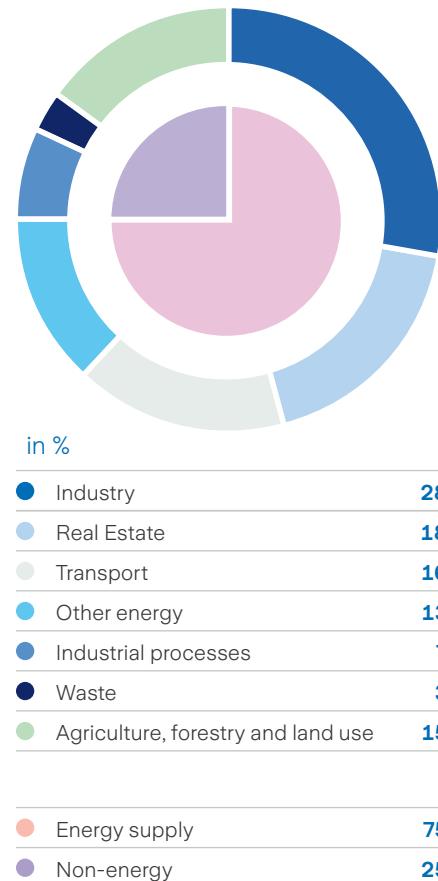
According to a study by risk assessment firm Moody's, the economic benefits of transitioning to a climate-resilient, zero-carbon economy could amount to a cumulative increase in GDP of almost 25 percent over the next two decades alone². This is based on a comparison with a scenario in which the world does not take action on climate change. The study indicates an investment opportunity totaling USD 45 trillion for those able to take advantage of it.



And while the net-zero transition involves all sectors, four of them – energy, transportation, industry and real estate – account for 75 percent of global emissions today. Drawing on our expertise and experience in these sectors presents a particular opportunity for Zurich to enable a faster, more successful transition.

By definition, such a transformation also comes with new uncertainties which our insurance products, risk engineering services, expert advice and investments can help reduce. Zurich's expertise and global reach means we are well-placed to support customers across all sectors of the economy in making their transition successful.

Real-world emissions by sector
(CO2e, 2020)



² Moody's, November 2021, Ready or not? Sector Performance in a Zero-Carbon World [↗](#)



2.1 Enabling an economy-wide transition

Our key levers

We support our customers' net-zero transition in three main ways:

Engaging
on the
transition

1

To understand the needs, challenges and transition plans of our customers and investees who make the largest contribution to our portfolio emissions, as well as gaining deep insight into the industry, technological and regulatory contexts they are operating in.

Supporting
climate
solutions

2

By prioritizing our insurance capacity and risk engineering expertise to support our customers' transition needs and objectives with current and new insurance products; and by putting our own investment capital to work in activities, projects and technologies contributing to climate change mitigation or building resilience.

Aligning our
portfolios

3

Aiming for net-zero by 2050 in our insurance and investment portfolios in ways that support real-world emission reductions, in line with science-based pathways.



2.1.1 Engaging with our customers and investee companies

Our insurance customers

We engage our insurance customers to better understand where they are in their transition; their needs and priorities, and to deepen our understanding of the technologies, barriers and dependencies involved in their industries' transitions. The insights we gather help inform how we support our customers, our approach to investments, and our understanding of likely decarbonization pathways.

Our focus is on creating real-world impact, so we prioritize engagement with customers who can make the greatest contribution to emission reductions and where our direct relationship means we have a greater degree of influence.

Within the next 12 months³, we will engage with 65 insurance customers on their transition-related objectives, opportunities and challenges. We will continue to expand our engagement efforts, so that by 2030 we will have engaged with 450 of our large

insurance customers who contribute most heavily to our portfolio emissions.⁴

As we engage with our customers on an ongoing basis, we look at their transition plans along four criteria:

- 1. Alignment with the Paris Agreement and net-zero targets.**
- 2. Commitment, including what near-term plans and significant investments are in place.**
- 3. Delivery, including what progress has been made so far against targets.**
- 4. Communication, in particular transparent and regular disclosures.**

As we build our understanding of and evaluate our customers' plans, we will prioritize our support and capacity for those customers who are actively transitioning.



³ From the publication date of this Plan

⁴ Determined by scope 1 & 2 for our customers' emissions using the PCAF (Partnership for Carbon Accounting Financials) insurance associated emissions methodology for commercial lines, covering customers with revenues > USD 1bn

Our investee companies

We engage our investee companies to better understand their climate commitments and transition plans, and to encourage those which have not done so to set and deliver against targets aligned with the Paris Agreement. We believe this is a significantly more effective approach to supporting an economy-wide transition than simply divesting from companies which are carbon-intensive today. As investors, we retain an active dialogue and influence with our investee companies, such as using our voting rights to support their net-zero commitments, which would not be possible if our approach emphasized divestment and exclusions.

Since 2019, we have engaged with companies representing 60 percent of our investment portfolio emissions. Looking ahead, we will evolve our approach to prioritize bilateral engagements with a select group of companies. Continuing our engagement efforts over the past years, by 2030, we will directly engage with 20 high-emitting companies which currently do not have credible science-based targets. The rationale behind this strategy is to focus our efforts on those companies with the greatest potential to reduce real-world emissions. Where an investee company is also an insurance customer, we coordinate our engagement to maximize our impact.

Should engagement fail and companies refuse to set targets after due dialogue, Zurich will use its voting rights against board members at shareholder meetings and, ultimately, will divest.

Our diversified investment approach means Zurich often owns a small stake in individual companies. Therefore, to maximize our impact beyond bilateral engagements, we engage with investee companies through two other routes: we work with initiatives which bring together investors and asset owners to amplify our voice, and we instruct the asset managers who place our funds to consider climate change as part of their mandate and stewardship. We also advocate for public policies and regulations which would support the transition (see section 2.3. for further details).



2.1.2 Scaling climate solutions

Scaling climate solutions

In 2024, total energy investment worldwide is expected to exceed USD 3 trillion for the first time, with USD 2 trillion set to go toward clean technologies. In 2023, the combined investment in renewable power and grids overtook the amount spent on fossil fuels for the first time, an unprecedented investment in clean energy infrastructure⁵. We believe helping meet this accelerated demand through both underwriting and our investments is an important area where Zurich can make a significant contribution to the transition.

Insuring the transition

Insuring the development, manufacture, construction, and operation of this vast scale of new projects will be an essential part of the transition to net-zero and presents a significant growth opportunity for our sector. The knock-on effect of USD 2 trillion investments in renewable power generation and distribution grids alone is already expected to increase the size of the construction insurance market by between USD 10–30 billion across the U.S., Europe and Asia⁶. At the same time, renewable energy will make up an ever-larger part of the energy insurance market and is expected to grow from USD 3 billion in 2022 to reach USD 16 billion by 2035⁷.

Keeping pace with the scale of insurance needed for the transition presents its own challenges and will place new pressures on the industry's underwriting capacity. Analysis suggests a significant net expansion of insurance capacity will be needed, particularly through to 2030.⁸

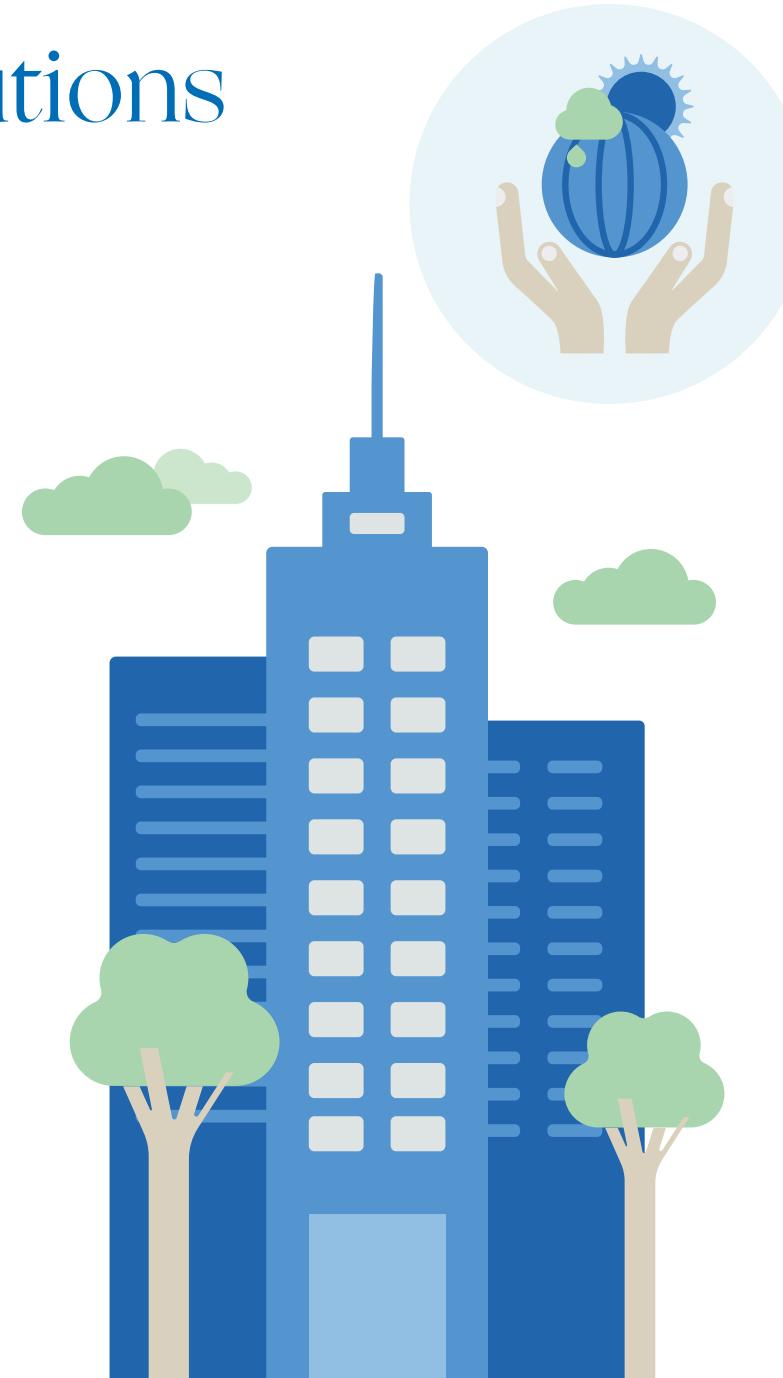
⁵ IEA, June 2024, Investment in clean energy this year is set to be twice the amount going to fossil fuels [🔗](#)

⁶ Internal Zurich calculation

⁷ Internal Zurich calculation

⁸ Analysis by BCG and Howden, June 2024

\$10 Trillion of Insurance Needed to Cover Net Zero Transition [🔗](#)



Zurich's scale and expertise in complex property and construction risks, combined with deep industry knowledge and strong relationships with customers, position us well to take a leading role in insuring this transition. Beyond supporting the development of green infrastructure, we also see growing commercial opportunities in our core underwriting services. Between 2022 and 2023, revenues from environmental solutions more than doubled to reach USD 479 million⁹. As just one example, in North America a newly approved service contract solution in 2023 for portable electronics gives repair priority over replacement (revenue of USD 131.7 million). In almost all cases the devices are repaired, saving the resources and energy required to produce a replacement.

Our key levers

We are focusing on channeling our insurance capacity across all insurance lines, profitably expanding our range of sustainable products and services, and deploying and growing our expertise to support key net-zero technologies and infrastructure in key markets.

This includes applying our core insurance capabilities to underwrite new infrastructure, as well as developing new insurance solutions for nascent technologies which present new risks and therefore require innovative approaches to insurance. By engaging early, we collect crucial data to identify and mitigate technological risks, thus improving the insurability and access to finance for these innovations. This proactive approach helps accelerate the commercialization of emerging sustainable energy technologies.

The transition will happen faster in some sectors than others. The heaviest emitting sectors face the most difficult and longest journey ahead and will require technologies, such as hydrogen and carbon capture and storage, that have not yet achieved commercial scale.

⁹ Zurich Sustainability report (SR) 2023, pages 182 – 184 [🔗](#)



2.1.2 Scaling climate solutions

We are supporting customers across every aspect of the transition, from helping to scale up clean energy generation to supporting demand-side solutions for large users of energy such as transport, industry and buildings:

Transitioning energy supply

Initiatives & Examples

Accelerating mature renewable technologies

Growing the number of Zurich Renewable Energy Hubs, leveraging specific underwriting capacity and expertise to support more renewable energy customers with local market requirements. The number of such hubs more than doubled in 2023.

Deploying our Risk Engineering expertise to support the design and construction of windfarms on and offshore, including understanding, assessing and mitigating the particular risks involved in this form of energy.

Supporting nascent net-zero solutions

Launching new multi-line clean energy insurance facilities to scale global clean hydrogen value chains and supporting smaller projects that cannot be covered by conventional insurance models. In collaboration with Aon, we created an innovative clean energy insurance facility that provides comprehensive coverage globally for blue and green¹⁰ hydrogen projects with capital expenditures of up to USD 250 million. It also covers for carbon capture, utilization and storage technologies¹¹.

Transitioning energy demand

Initiatives & Examples

Accelerating mature renewable technologies

Deploying our risk-engineering expertise through Zurich Resilience Solutions¹² to support a large steel manufacturer in producing Direct Reduced Iron (a cleaner process, using green hydrogen) as well as installing newer, lower emission electric arc furnaces.

Decarbonizing road transport

In Switzerland, Zurich is the insurance partner of H2Energy and supports the company's goal of establishing green 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.

Delivering sustainable buildings

In the U.S., Zurich North America is the leading insurer of mass timber buildings – including insuring the largest mass timber campus project in the country. Mass timber is a sustainable alternative to steel and concrete and can help to significantly reduce the carbon footprint of the construction industry.



Our approach is underpinned by further developing our people's skills and expertise, including creating a pipeline of talent equipped to insure nascent net-zero technologies and solutions (see section 2.4.3. for further details) ↗

¹⁰ Blue hydrogen is derived from natural gas and uses carbon capture technologies to reduce its carbon intensity; while green hydrogen is produced by splitting water into hydrogen and oxygen via electrolysis powered by renewable energy. zurich.com/media/news-releases/2024/2024-0701-01 ↗

¹¹ zurich.com/media/news-releases/2024/2024-0701-01 ↗

¹² zurich.com/commercial-insurance/services/zurich-resilience-solutions ↗



2.1.2 Scaling climate solutions

Investing in climate solutions

As an investor, we put our own capital to work to help scale climate solutions. We invest in a range of climate solutions investments across different asset classes, including:

- Green and sustainability bonds, from both government and corporate entities where the proceeds are linked to specific projects.
- Private debt for clean infrastructure projects, such as transport and renewable energy.
- Real estate, including reducing energy use and carbon emissions across our commercial and residential portfolio.
- Private equity, where we allocate capital to third-party fund managers whose investment strategies can support our impact objectives.

Looking ahead, we expect to see the bulk of new money to be deployed into further redeveloping our real estate portfolio to achieve certifications as well as investing in attractive green and sustainability bonds. Expanding our investments in climate solutions is dependent on the supply of appropriate projects to invest in, as well as the need to maintain appropriate diversification and liquidity in our overall investment approach to match our liabilities.

By 2030, we aim to continue expanding our investments in climate solutions to approximately USD 10 billion, equivalent to 6 percent of AUM¹³.



Impact investing through Private Equity

Since 2018, Zurich has invested in a private equity fund backing NG Group, a Norwegian-headquartered company repurposing household and industrial waste through extensive recycling and safe treatment of hazardous materials. Scaling recycling solutions is a growing imperative with global waste expected to increase by 70 percent by 2050¹⁴, putting additional strain on energy and resource demands.

NG Group, with around 20 processing sites across Scandinavia and Poland, handles approximately 2.3 million tons of waste annually, sending approximately 96 percent to recycling and energy recovery.



Investing in green bonds to support renewable energy

As of December 2023, Zurich had an investment of EUR 130 million in green bonds issued by Iberdrola, a Spanish-headquartered multinational utility company, which is one of the world's largest issuers of green bonds. This investment enables the utility company to avoid 22,000 tons of CO2e emissions each year¹⁵. One Iberdrola project supported by green bonds acquired by Zurich, is the East Anglia ONE renewable energy project. The offshore windfarm, located in the North Sea, 85 kilometers from England's coast, comprises 102 wind turbines. Its site produces enough renewable energy to power the equivalent of around 700,000 homes per year.

¹⁵ For details on the methodology please see our [impact measurement framework](#) ↗

¹³ Estimated based on assets under management (AUM) 2023. Any portfolio activity will be subject to market conditions and potential other constraints

¹⁴ Global Waste to Grow by 70 Percent by 2050 Unless Urgent Action is Taken: World Bank Report ↗



2.1.3 Aligning our portfolios

Aligning our portfolios

As part of our transition, we have committed to aligning our insurance and investment portfolios with net-zero by 2050.

Aligning our insurance portfolio

As an interim target on the path to net-zero, we are targeting a **reduction in the intensity of insurance associated emissions (IAE)** in our **large corporate customer portfolio** by 20 percent by 2030, starting from a 2022 baseline¹⁶.

In line with the International Energy Agency's Net Zero Emissions by 2050 Scenario¹⁷, Zurich does not believe that further exploration and development of new fossil fuel projects, beyond those already operating or with approved licenses already in place, is required for the transition. As a result, we no longer underwrite new single site policies for upstream oil and gas exploration and development projects, including production.

Looking ahead, we expect oil and gas producers to have credible transition plans aligned to achieving net-zero by 2050, with interim targets and clear measurable commitments. Those transition plans¹⁸ should be in place by 2030. As a last resort, we will then exit customers where transition risks are not sufficiently managed¹⁹.

A full explanation of our underwriting positions on fossil fuels (including thermal and metallurgical coal, oil sands and oil shale) can be found on our website under [sustainability risk](#).

Aligning our investments

As an interim target on the path to net zero, by 2030²⁰ we are targeting:

- **55 percent reduction in the emissions intensity of our listed equity and corporate bond investments against a 2019 baseline²¹.**
- **45 percent reduction in the emissions intensity of our direct real estate investments against a 2019 baseline²².**

Our progress to date means we are well-positioned to meet these targets. Since 2019, we have reduced our emissions intensity by 43 percent in our listed equity and corporate bond portfolio²³, and by 25 percent in our direct real estate portfolio²⁴.

Emission reductions in listed equity and corporate bonds were driven almost equally by changes in portfolio composition and structural emission reductions of our investee companies. Reductions in direct real estate were achieved by wider implementation of green electricity, introduction of smart metering devices, improvement of data and reporting quality and increasing the share of green certified buildings. Looking ahead, further reductions will likely mean re-assessing the

composition of our listed equity and corporate bonds portfolio as we expect limited structural emissions reduction of our investee companies through 2030 and contributions from the largest issuers are declining.

To support aligning our portfolio with net-zero, we exclude thermal coal, oil sands and oil shales related assets above certain thresholds in our portfolios. Our exposure to project financing of fossil fuel assets is limited to our private debt portfolio²⁵. Therefore, we have agreed dedicated fossil fuel guidelines with our asset managers for these portfolios and exclude any thermal coal related assets. Further, these portfolios will not finance oil and gas assets which are not aligned with science-based or government-issued regional or national 1.5°C pathways. A full explanation of our investments positions can be found on our website under [sustainability risk](#).



¹⁶ Determined by scope 1 & 2 for our customers' emissions using the PCAF (Partnership for Carbon Accounting Financials) insurance associated emissions methodology for commercial lines, covering customers with revenues > USD 1 bn

¹⁷ IEA (2023), Global Energy and Climate Model, IEA, Paris, Licence: CC BY 4.0

¹⁸ For details about our assessment of credible transition plans, see section 2.1.1

¹⁹ These positions do not apply to Workers' Compensation, Employers Liability, Accident & Health, Life, Surety Reclamation Bonds, certain environmental products and other employee protection coverages that have a positive impact on human health or the environment.

²⁰ Based on 2029 year's end data

²¹ Reduction of emissions intensity (Scope 1 and Scope 2). Emissions intensity is defined as metric tons CO₂ equivalent per USD million invested

²² Reduction of emissions intensity (Scope 1 and Scope 2). Emissions intensity is defined as kilograms CO₂ equivalent per square meter

²³ Based on 2023 year's end data

²⁴ Real estate data is reported with a one-year time-lag; data as of Q4-2022

²⁵ Private debt here excludes collateralized loan obligation and real estate



2.2 Making society more resilient

Making society more resilient

Natural hazards such as flooding, drought and forest fires are getting more frequent and severe with a changing climate. The implications of these climate risks for companies, governments and society are growing in significance even as the world moves towards net-zero. Building climate resilience will be critical to economic success and social wellbeing throughout the transition, ensuring communities are protected factories and farms continue operating, and supply chains keep flowing.

The case for investing in climate resilience is clear: According to the Global Commission on Adaptation, every USD 1 invested in climate-resilient infrastructure can yield USD 4 to USD 10 in economic benefits.

As of today, the global cost to infrastructure, property, agriculture and human health from physical climate risks with no further adaptation measures is estimated to reach between USD 1.7 to 3.1 trillion per year by 2050²⁶ while there is no likely scenario²⁷ where climate hazards will not intensify for the foreseeable future, with near term impacts for organizations around the world.

Moving forward, we will:

- Further integrate resilience insights into our insurance business with an emphasis on risk reduction and mitigation.
- Grow our specialized risk advisory business to help our customers understand, anticipate and adapt to future climate risks.
- Collaborate beyond our business to support the communities we operate in, by leveraging our skills and expertise and raising awareness of the importance of adaptation and resilience.

²⁶ World Economic Forum, Climate change is costing the world \$16 million per hour: study [🔗](#)

²⁷ IPCC, 2021: Summary for Policymakers. In: Climate Change 2021: The Physical Science Basis. Contribution of Working Group I to the Sixth Assessment Report of the Intergovernmental Panel on Climate Change [🔗](#) [Masson-Delmotte, V., P. Zhai, A. Pirani, S.L. Connors, C. Péan, S. Berger, N. Caud, Y. Chen, L. Goldfarb, M.I. Gomis, M. Huang, K. Leitzell, E. Lonnoy, J.B.R. Matthews, T.K. Maycock, T. Waterfield, O. Yelekçi, R. Yu, and B. Zhou (eds.)]. In Press

²⁸ Heat Extremes – C40 Cities [🔗](#)



Customer example: Madrid City Council

Madrid endured three heat waves during the summer of 2023 with temperatures often exceeding 40°C (104°F). Such temperatures can be devastating for local communities, and in some tragic cases even deadly.

By applying our core risk engineering expertise in new settings, we have been helping Madrid City Council adapt to more frequent, intense and longer lasting heat waves. This has included providing analysis on how Madrid's schools are being impacted by extreme heat. Hot weather can cause performance levels to drop, absenteeism to rise, and exacerbate health issues. Schools, like all aspects of life, need to become more climate resilient.

This challenge goes far beyond Madrid. There are more than 350 cities around the world, home to 200 million people, that experience summer temperature highs over 35 °C (95 °F), according to research from C40²⁸. Zurich intends to build on the experience with Madrid City Council to help cities around the world build resilience to climate change. Read more: Madrid's battle against extreme heat [🔗](#)





2.2.1 Further integrating resilience insights into our insurance business

Further integrating resilience insights into our insurance business



UK FloodRe

In the UK, Zurich is part of FloodRe, a re-insurance scheme helping British households at the highest risk of flooding by making flood cover more widely available and affordable. As part of strengthening communities' resilience, we are part of FloodRe's 'Build Back Better' program which allows householders to install flood resilience measures up to GBP 10,000 as part of repairing their properties after a flood.

Today, the annual cost of flood damage in the UK is estimated to be GBP 700 million and set to rise as climate change worsens²⁹. By supporting customers to raise the height of electrical sockets, install non-return valves in the plumbing and replace wooden floors with waterproof tiling and grout among other measures, the 'Build Back Better' program is designed to reduce the cost and impacts of future flooding.

²⁹ newscientist.com/article/2363025-uk-faces-rising-costs-for-flood-damage-even-with-modest-warming/

Our risk assessment process is already key to providing effective insurance cover, and the assessments we undertake are constantly evolving to include a growing number of resilience factors.

We observe that scenario-based analysis is becoming increasingly central for our customers. Therefore, we continue to explore ways to identify and visualize risk scenarios to quantify and present climate risks, bringing resilience factors into the core of our overall insurance approach and further embedding an emphasis on risk reduction and mitigation. For our customers, this will enable effective and agile end-to-end decision-making in

risk selection, capacity deployment and risk improvement execution. Our aim is to benefit customers and society, helping them minimize the risks that need to be transferred as well as reduce future potential damages.

We also help our customers build resilience to climate change by using our expertise to incorporate future readiness into repairs and new constructions. For example, we have begun factoring targeted adaptation measures into construction plans and our claims response particularly in areas that are at increased risk of the impacts of climate change, such as those with higher flood risk.

2.2.2 Growing our specialized risk advisory business

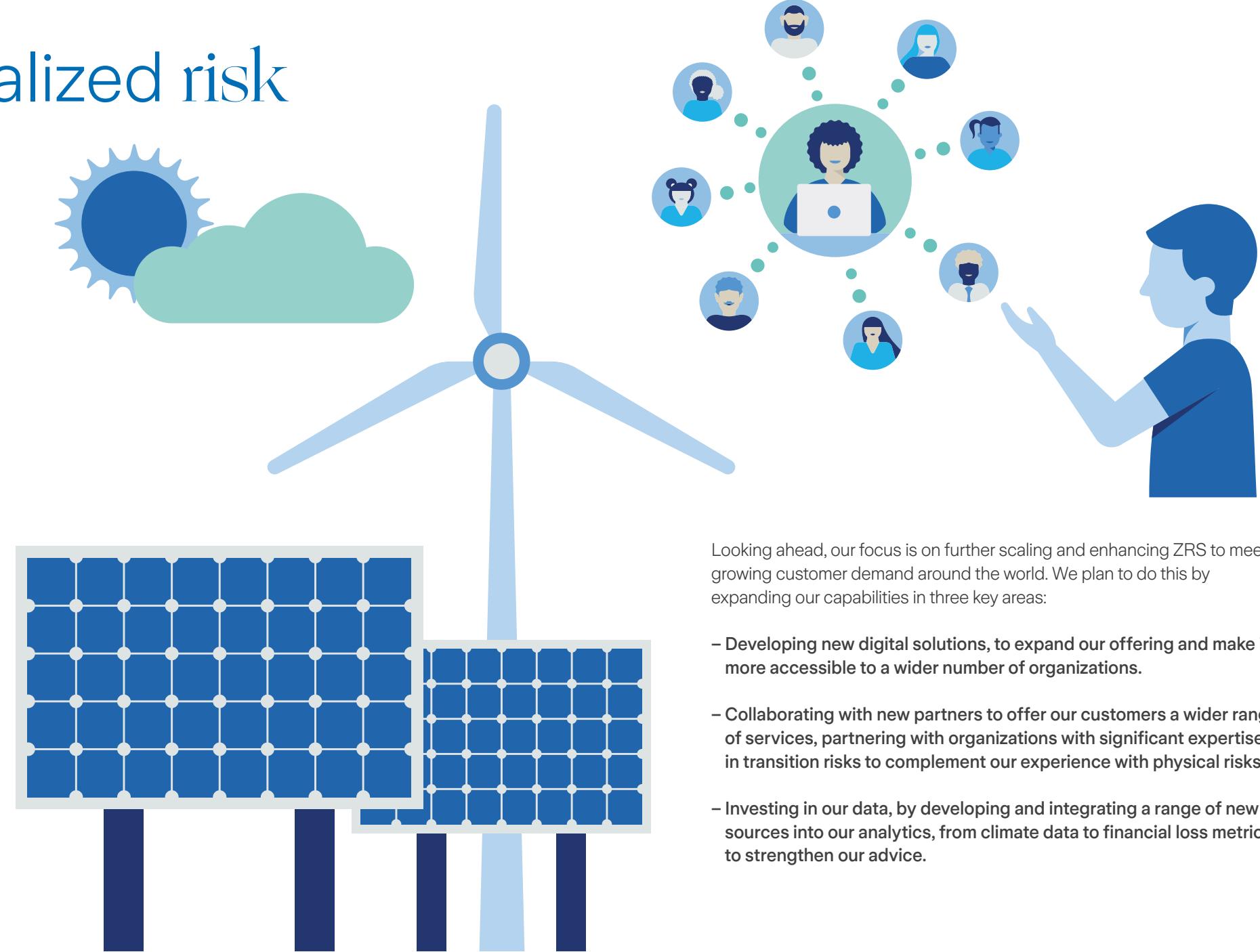
Growing our specialized risk advisory business

Established in 2020, Zurich Resilience Solutions (ZRS) provides organizations with specialist insights and advice on how to minimize and ideally prevent the risks they face – including climate change. It is built on our many years' experience of risk engineering.

ZRS now employs more than 950 risk engineering professionals in 40 countries, carrying out 60,000 risk assessments per year. As a reflection of the significant increase in demand and in support of our intention to grow, ZRS's climate-related revenues grew 22 percent between 2022 and 2023.

We support organizations to insure and manage climate risks both short- and long-term. We are a credible partner to our customers because of our insurance expertise in understanding risk and our alignment of intent in reducing future impact of climate-related events. To help our customers improve their resilience as quickly as possible, we use natural hazards maps to assess their current exposure to events such as floods, heat or wildfires. Risk experts also perform detailed assessments at customer site-locations to determine the criticality of these assets and operations, and to recommend risk management solutions to enhance climate resilience.

In addition, we help customers anticipate and adapt to future climate risks by combining their own data with Zurich-developed climate data, to provide a detailed analysis that identifies the customer's specific exposure and vulnerability to climate change, as well as actionable options to minimize them.



Looking ahead, our focus is on further scaling and enhancing ZRS to meet growing customer demand around the world. We plan to do this by expanding our capabilities in three key areas:

- **Developing new digital solutions, to expand our offering and make it more accessible to a wider number of organizations.**
- **Collaborating with new partners to offer our customers a wider range of services, partnering with organizations with significant expertise in transition risks to complement our experience with physical risks.**
- **Investing in our data, by developing and integrating a range of new sources into our analytics, from climate data to financial loss metrics, to strengthen our advice.**



2.2.3 Collaborating beyond our business

Collaborating beyond our business

Although the most effective way we can help build societies' resilience is by strengthening the resilience of our customers, Zurich is committed to leveraging the skills and expertise we have developed as one of the world's leading insurers to the benefit of wider society, too. We aim to focus on those communities which are particularly vulnerable or would not otherwise have the means to access such support.

That is why we will continue to promote understanding amongst policymakers and civil society of the critical importance of adaptation, as well as collaborate and invest beyond our business to help communities around the world build their resilience to climate risks. This includes continuing to fund the charitable work of the Z Zurich Foundation³⁰ ('Foundation') to develop targeted tools, technologies and solutions that address the resilience needs of communities worldwide.

Zurich Climate Resilience Alliance

In 2013, Zurich and the Foundation launched the Zurich Flood Resilience Alliance ('Alliance'), a multi-sector program to work with communities to analyze current levels of resilience and identify the most appropriate actions to increase their resilience to flooding.

Alongside funding, Zurich collaborates with the Foundation and the Alliance to provide technical expertise and insights that draw on our risk management mindset and expertise. For instance, we worked closely with the Alliance to develop the

Climate Resilience Measurement³¹ for Communities tool. This tool assesses a community's ability to handle climate change impacts by evaluating social, economic, environmental and institutional factors, helping communities prioritize actions to improve resilience.

Since 2018, the Alliance has positively impacted more than 3 million people in approximately 350 communities and helped unlock around USD 1.26 billion. In 2024, the Alliance evolved to become the Zurich Climate Resilience Alliance, recognizing the broader range of physical risks from climate.

Urban Climate Resilience Program

In 2023, the Foundation launched the Urban Climate Resilience Program in nine countries. The program is a community-led process aiming to transform the lives of the most vulnerable. It focuses on urban resilience through collaborations with local Zurich teams and charitable organizations. It aims to influence system adaptation and support vulnerable urban populations assessing their resilience to climate risks and to co-develop customized solutions that build on existing strengths. Implementing these solutions in urban areas is a multi-dimensional challenge that requires close collaboration across sectors.

³⁰ The Foundation is a Swiss-based charitable foundation established and funded by various members of the Group

³¹ ZCRAlliance.org





2.3 Advocating for supportive policies

Advocating for supportive policies

Achieving an economy-wide transition to net-zero at the same time as building society's resilience will require active collaboration between the public and private sectors. That's why the third pillar of our Plan focuses on how we can engage to help develop a public policy framework to support the transition to net-zero.

We are committed to harnessing our risk expertise and insights to play an active and constructive role in this process to shape policies to aid that transition. We believe this is a crucial component in supporting our customers, investee companies and the societies in which we operate, as well as the long-term success of our own business. As a financial institution, our ability to reduce our own emissions will be dependent on the ability of the wider economy to decarbonize and so we have a clear interest in public policy which will support that. In addition, as risk managers and experts, we have a significant opportunity to inform the policies needed to build society's climate resilience and underpin a just transition.





2.3.1 Policy, regulation and standards

Policy, regulation and standards

Our advocacy focuses on the policymakers, regulators and standard setters in the key jurisdictions where we operate, including Switzerland, the European Union, the U.S. and the UK. We see three priorities to accelerate the transition, where we want to work with policymakers to make an impact:

Clarity on transition pathways

The transition to net-zero will require economy-wide changes across sectors, value chains and borders. Company-level planning alone will not be sufficient to achieve this and greater clarity from governments will be key to mobilizing finance, providing confidence for investment and addressing dependencies early. Effective transition planning by governments or companies will be dependent on the availability of globally consistent, comparable and credible data on emissions.

What we are advocating for:

– Development of national transition plans.

An economy-wide transition will require significant volumes of finance. For that to happen, governments must articulate clear and detailed national transition plans. These should set out policy priorities and target timeframes for decarbonization, alongside measures to enhance climate resilience and adaptation.

– Consistent, comparable and credible climate-related data.

So far, jurisdictions including the European Union, Switzerland and the UK have introduced mandatory climate-related disclosures. But to be effective, there needs to be an international approach to climate disclosure to ensure that climate risks are properly identified across the economy. Zurich believes that consistent, comparable, and credible climate-related data is essential to support climate transition. For such information to be of value there needs to be an internationally coordinated approach to climate disclosures and we support the work of the ISSB to achieve a global baseline for sustainability reporting standards.

Decarbonizing key sectors

Heavy-emitting sectors, in particular heavy industry, transport, real estate, energy and utilities, face many challenges in transitioning, often including technological or market constraints on the pace of change. Supportive policy can play an especially important role in encouraging the development and adoption of new technologies at the pace and scale needed.

What we are advocating for:

– Growing clean energy capacity and incentivizing the electrification of transport, heat and cooling. For many sectors, the transition will be defined by electrifying processes currently run on fossil fuels, meaning it is crucial to ensure a speedy, abundant and low-cost supply of clean electricity. We intend to work market-by-market to support measures which help make these technologies more widely available.

– Support for a just transition. The transition to net-zero will not happen without political and public support. We believe that working towards a just transition is the best way to secure public backing for actions supporting the net-zero transition. Financial resilience and wellbeing will be an important element of securing that support and we will support policy efforts to enhance both to help cushion the impacts of transition.

Evolving the insurance market to ensure continued protection from physical climate risks

As physical climate risks increase, prioritizing prevention to limit damage and maintain insurability over the longer term will be critical. We will work to ensure that the insurance market, in collaboration with the public sector, can continue to provide the level of cover that businesses and communities require.

What we are advocating for:

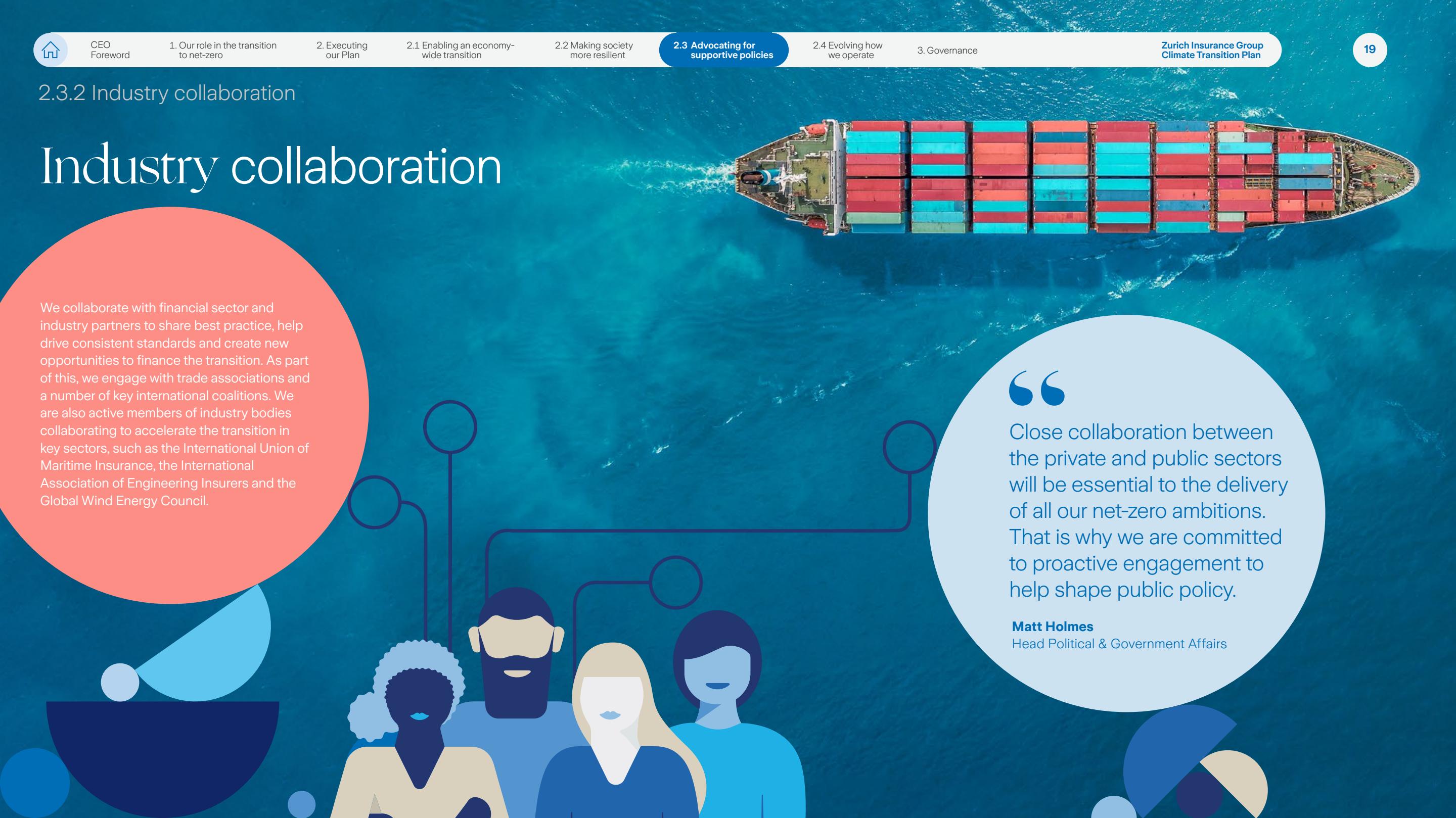
– Greater public investment in adaptation and resilience. Without this, the potential damage from the physical impacts will be worse than it could be, especially as the effects of climate change intensify overtime. We believe that greater investment in prevention and adaptation is an important part of building effective resilience, but it is also key to supporting investment. Governments and policy makers should prioritize this.



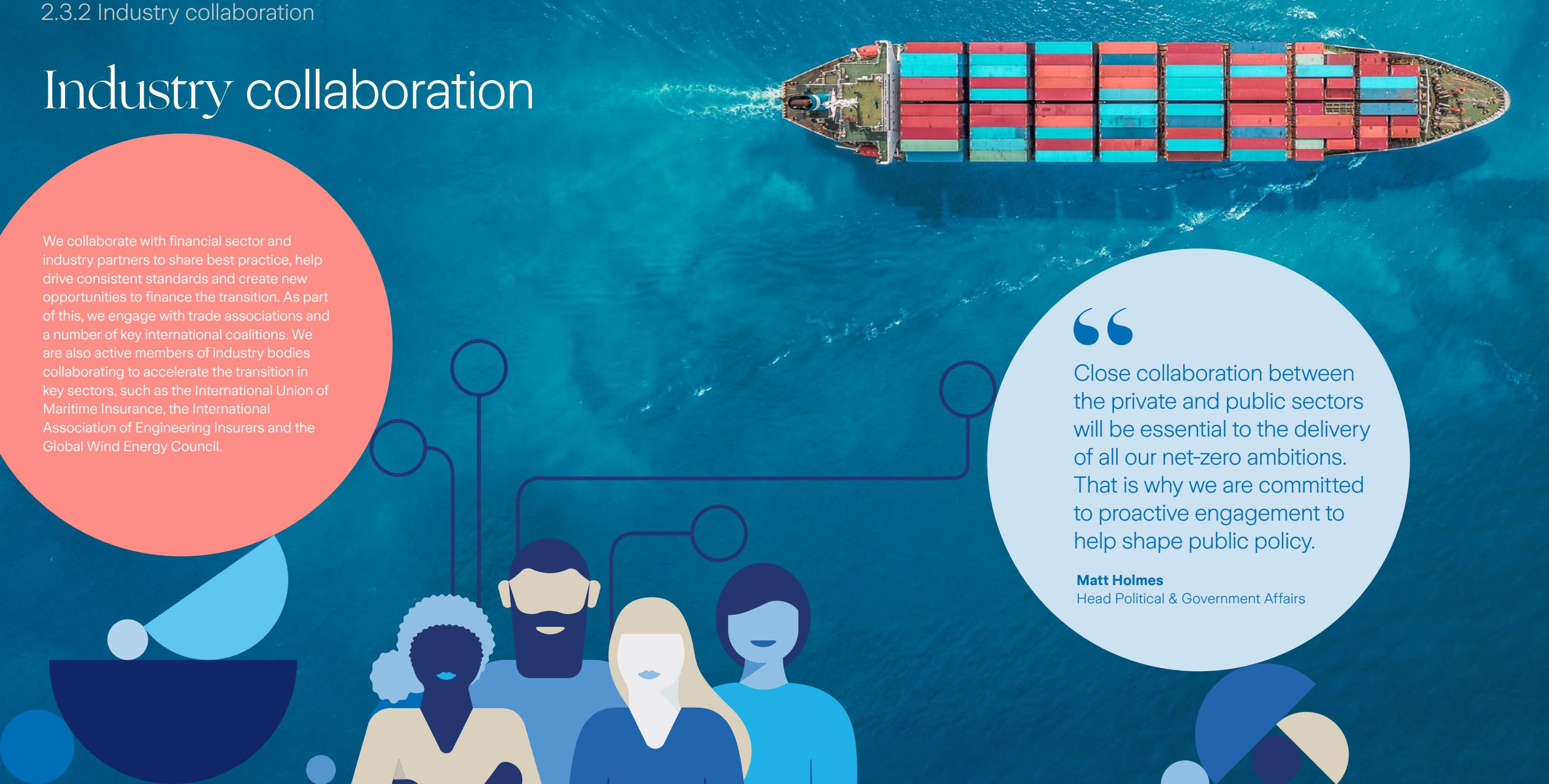


2.3.2 Industry collaboration

Industry collaboration



We collaborate with financial sector and industry partners to share best practice, help drive consistent standards and create new opportunities to finance the transition. As part of this, we engage with trade associations and a number of key international coalitions. We are also active members of industry bodies collaborating to accelerate the transition in key sectors, such as the International Union of Maritime Insurance, the International Association of Engineering Insurers and the Global Wind Energy Council.



“

Close collaboration between the private and public sectors will be essential to the delivery of all our net-zero ambitions. That is why we are committed to proactive engagement to help shape public policy.

Matt Holmes

Head Political & Government Affairs

2.4 Evolving how we operate

Evolving how we operate

We are decarbonizing our business operations and supply chain while working to build out and evolve our capabilities, culture and skills to meet emerging customer needs, and respond to scientific, technological, regulatory and economic developments.

We aim to achieve net-zero operational emissions by 2030³²



2.4.1 Operations

From 2030 onwards, we will continue to drive down our emissions and balance out residual operational emissions by purchasing a matching volume of high-quality carbon removal credits, with a focus on durable carbon removal solutions, such as biochar and direct air capture.

Building on our successful drive to purchase 100 percent renewable electricity, our three biggest levers for reducing operational emissions are the accelerated transition of our fleet to 100 percent EVs; a gradual shift of our employees' commute to EVs and to public transportation where possible; and keeping air travel near current levels while further improving digital collaboration as an adequate substitute for air travel. This will be accompanied by a progressive internal carbon pricing model, aiming to increase the carbon price above USD 100 per ton of CO₂e by 2030. Applying an internal carbon price to our actual operational emissions has already helped build an

internal Zurich Carbon Fund, which has reached approximately USD 3 million in 2024. The fund's purpose is to support Zurich's ongoing emissions reduction efforts and innovation. Zurich employees can apply to the fund to support a business project or initiative that will help drive down carbon emissions in our own operations, those of our employees or customers, or in our supply chain. Throughout this process we have seen repeatedly that the emissions we have avoided in our operations deliver cost savings that have far exceeded current investments.

2.4.2 Supply chain

As part of our ambition to reduce our supply chain emissions, we expect our suppliers to set emissions reduction targets. Our target is to have 75 percent of our Managed Procurement Spend³³ of approximately USD 2 billion annually with suppliers that, by 2025, have set science-based targets³⁴ to reduce emissions, and, by 2030, set targets to reach net-zero³⁵.

We provide training for employees so they will have the skills to engage with suppliers on climate issues. Equally, we provide training for our suppliers to help them understand Zurich's net-zero targets and how they can play their part in reaching a net-zero future. This includes free access to a Business Carbon Calculator³⁶ and other resources which our small and medium-sized suppliers can use to develop practical steps for their own decarbonization journey.



³² For operational emissions, Cover-More, Farmers Group, Inc. and its subsidiaries, joint ventures and third-party vendors are currently out of scope

³³ Managed Procurement Spend means the spend of approximately USD 2 billion annually managed by Zurich's Procurement and Vendor Management function on goods and services that are required to enable Zurich to maintain and develop its operations

³⁴ We consider a supplier to have science-based targets when their emission reduction targets are approved by the SBTi,

³⁵ a similar scientifically accredited body or otherwise require a reduction of at least 42 percent in Scope 1 and 2 emissions

³⁶ 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

³⁶ The Business Carbon Calculator provided by Normative is a tool for precise and simplified carbon accounting 



2.4.3 Capabilities, skills and culture

Capabilities, skills and culture

Success in supporting our customers on their transition journey and achieving our own targets relies on our people. One of our top priorities is to develop their skills and capabilities and foster a culture of employee engagement.



The Zurich Forest Project

The Zurich Forest Project is a nature restoration sponsorship of Brazilian non-profit Instituto Terra, established in 2020.

In its first phase, Zurich provided Instituto Terra, founded in 1998 by Lélia and Sebastião Salgado, a grant covering operations for eight years (2020 – 2027), helping to restore the Mata Atlântica across 700 hectares. To this end, one million scientifically selected seedlings will be planted on the former cattle farm "Bulcão" to bring back a fully self-sustaining and biodiverse forest.

Based on the success of the collaboration, Zurich in 2022 decided to extend its engagement. This second phase of the Zurich Forest Project enables the expansion of Instituto Terra to include vast areas of new land. Zurich provided the means to acquire additional land in an audited process and covered the infrastructure needed to restore the formerly destroyed ecosystems.



We must rebuild
parts of the planet
that we destroy.

Sebastião Salgado
Photographer

Capabilities and skills

From entry-level to senior management, we place considerable emphasis on training and upskilling. Across the organization, we deliver targeted training and development opportunities specific to each function. We also created an in-house Sustainability Academy available to all employees.

Our sustainable energy graduate program addresses the industry-wide shortage of underwriters who are specialists in this field and is designed to provide underwriters with the skills to support our global energy customers in their transition journey. With the focus on sustainable energy, participants rotate between three teams (energy, marine and construction underwriting; claims; and ZRS) developing a breadth of insurance expertise.

Sustainability is also becoming an integral part of our senior leadership programs to ensure our net-zero targets and Plan are incorporated in strategic decision-making and business practices.

Culture

Creating a sustainability-driven culture involves more than just skills and training. It's about inspiring and enabling employees.

A key initiative that allows employees to connect with Zurich's commitment to sustainability is the Zurich Forest Project. This collaboration with non-profit Instituto Terra aims to bring back part of Brazil's Atlantic Forest, one of the richest natural areas in the world. Restoring biodiversity loss and

reducing emissions are closely connected; and this project is a tangible example of what a company taking action can look like. Four years from its launch it continues to have positive impact inspiring our employees and demonstrating our culture and values.

Climate month campaigns and employee-driven engagement³⁷ reinforce the message that sustainability begins with us. These include climate educational activities such as Climate Fresk³⁸ workshops and townhalls where employees can engage with business leaders directly on sustainability related topics. Where Zurich offices offer employee restaurants, a dedicated sustainable foods program is improving the sustainability and health impact through the foods we serve. We believe it is important that our employees identify with our targets and ambitions so that we can achieve them together. We strive for employees to feel proud of Zurich as a sustainable company and see such initiatives as a core part of our offer in attracting and retaining top talent.

³⁷ Employees taking action: the power of many

³⁸ Further information can be found on the Climate Fresk website



3. Governance

Governance

3.1 Managing climate risk

Climate risk is fully embedded in our Group-wide risk management framework and is considered a driver for other types of risk we face. Given climate-impacts will unfold over decades, we consider both short-and long-term perspectives to support informed and disciplined risk taking, and to evaluate the resilience of our strategy.

Navigating short-term volatility

Our near-term focus is on understanding and managing the impacts of physical climate risks. We model our exposures to climate-related natural catastrophes such as hurricanes, hail and flooding with a focus on our Property and Casualty portfolio. This analysis contributes to our risk view and informs the structuring and purchase of reinsurance along with the profitability assessment and strategic capacity allocation for the risks we assume from our customers. We set risk appetite limits to guard against excessive risk taking.

We regularly revisit our underlying models to ensure they reflect the real-world trends in climate-related hazards.

Navigating medium and long-term uncertainty

We use scenario analysis to explore risks and opportunities over the medium (3 – 10 years) and long-term (to 2050). This approach draws on industry-standard scenarios³⁹ of how the transition could unfold and allows us to consider a range of factors, including physical climate risks, shifts in public policies, industry and market dynamics, new

technologies, as well as the size and composition of the economy. In turn, we can explore how demand for our products, our loss experience and asset valuations may be affected in different scenarios.

We published the modelled impacts across our underwriting and investment activities under two scenarios; one where the world successfully reaches net-zero by 2050 and limits the average rise in temperatures to 1.5°C, and another where no new policies are implemented to tackle climate change and temperatures rise by 3°C.

This analysis suggests our investment and insurance strategy is climate resilient. Our diversified portfolios, across both geographic and business lines, alongside strong risk management practices and a customer-focused approach, continues to provide the resilience and flexibility necessary to be able to adapt to climate impacts. In both scenarios, the modelled impacts on our business were not considered material at the Group level. We continue to analyze the changing risk profiles and evolve our approach to modelling climate scenarios.

³⁹ We use scenarios developed by the Network for Greening the Financial System, an international network of central banks and financial supervisors, and chosen to cover a relevant set of emissions pathways. 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



Insights from scenario analysis

While the modeled impacts on our business were not considered material at the Group level, the results of our scenario analysis have confirmed that we have the right initiatives in place.

Insurance

- **Energy:** We are growing our market share in renewables, building specialist risk knowledge and embedding our framework to review our customers' transition plans. (For more information, see section 2.1.2)
- **Property:** We continue to develop "best in class" natural catastrophe modeling and focus on building capabilities within our specialist risk team at ZRS.
- **Construction & Engineering:** We continue to balance risk across the portfolio and deepen our understanding of risks and risk mitigation benefits from evolving construction methods.
- **Motor:** We optimize our claims network to account for emerging technology.

Investments

- 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.
- Our strategic response to the climate change-related risks we observe is our long-term commitment to decarbonize our investment portfolio to net-zero by 2050.

3.2 Board and management

Board and management

We opt for an integrated approach, where existing governance bodies are responsible for sustainability-related topics, including climate, that concern their field of expertise.

Board-level governance

The Board of Zurich Insurance Group Ltd has ultimate responsibility for the Group's success, for delivering long-term sustainable value. As part of its strategic responsibility, the Board approves the Group's sustainability strategy and objectives, including non-financial targets with a material impact on the company or the Group, as well as this Plan. It is supported by its Board committees within their respective core mandates:

- **Governance, Nominations and Sustainability Committee (GNSC)** recommends the Group's sustainability strategy and objectives, reviews the Plan and exercises oversight on sustainability-related matters.
- **Audit Committee** exercises oversight on sustainability reporting.
- **Risk and Investment Committee** exercises oversight of risks, including sustainability risks.
- **Remuneration Committee** evaluates the remuneration architecture, including incentive plans which are linked to appropriate performance criteria supporting the strategy's execution.

The GNSC receives regular performance updates from the Group Chief Sustainability Officer on, among others, climate-related targets as well as reports on the material actions arising from scenario-based climate risk analysis. In 2024, the Board and GNSC focused on the approval of our first Plan.

Executive- and management-level governance

Each Executive Committee member and Group CEO direct report is accountable for sustainability-related topics (including climate) within their assigned function or business. Climate-related responsibilities include contributing to the development and implementation of the Plan, assessing and managing climate-related risks and opportunities, and engaging stakeholders across our value chain on climate-related issues.

The Group Chief Sustainability Officer, a Group CEO direct report, drives our sustainability framework, monitors progress on sustainability priorities and targets and reports thereon to the GNSC, the Group CEO and the Executive Committee. The Group Chief Sustainability Officer further acts as a sounding board for strategic alignment of global sustainability priorities to assure consistency and oversight.

The Group Sustainability Team, reporting to the Group Chief Sustainability Officer, drives the development of sustainability priorities across the Group and supports regions, business units and functions with implementation by providing centralized expertise, facilitating collaboration and knowledge sharing and ensuring that action plans are in place.

Approach across regions and business units

Regions and business units are operationally responsible for implementing the sustainability strategy developed at Group level. The Group reviews and monitors strategy implementation through quarterly internal scorecards. In addition to regular monitoring performed at Group level across key business functions, progress toward climate-related targets across regions and business units is discussed at least annually as part of regular business performance review meetings.

Performance management and remuneration

Actions to support the transition to net-zero are reflected in the annual objectives for employees, including the Executive Committee members, where relevant.



The corresponding achievements are considered in the individual performance assessment and in the determination of awards under the Group's short-term incentive plan (STIP).

To further support our net-zero journey, the performance metrics under the Group's long-term incentive plan (LTIP) include an operational CO2e emissions metric with a weighting of 10 percent for the 2023–2025 and 2024–2026 performance periods. The LTIP is used for a defined group of the most senior positions, including the Executive Committee members.

Both the STIP and LTIP are further described in our remuneration report⁴⁰.

⁴⁰ Sustainability is embedded into our remuneration framework; Zurich Annual Report 2023



3.3 Looking ahead

Looking ahead

This is our first Plan and marks an important milestone in our journey to achieving our net-zero ambition. Our transition will be an ongoing, iterative process reflecting the changing context in the shift to net-zero and developments in our own business. As a result, our Plan will evolve over time. We will provide annual progress updates as part of our annual reporting, and make necessary adjustments to our Plan as needed.

For example, we recognize the close interdependence between natural ecosystems, biodiversity and the planet's climate. Indeed, nature-related risk assessment is already part of our investment ESG integration. In future iterations of our Plan, we expect to explore a more systemic integration of nature-related risks, opportunities and nature-based climate solutions into our strategy.

In preparing our Plan we have drawn from the latest guidance, standards and frameworks available. Looking ahead, the only certainty is that this guidance will continue to rapidly evolve, as our collective understanding of how to transition the economy to net-zero improves. We welcome this process and are committed to reviewing and updating our Plan to reflect evolving best practice.





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