

# Governance

40

Corporate governance report

92

Remuneration report

## Message from our Chairman on corporate governance

# Creating sustainable value for all our stakeholders

Insurance is perfectly placed to support society on environmental, social and governance (ESG) challenges, and Zurich has accelerated its contribution in the area of investments and insurance products and offerings. Furthermore, we are committed to work sustainability through our aims to build employability – making sure we provide our employees and others in the community with skills needed to keep pace with change – while playing our part in creating a sustainable future for all our stakeholders.

“With a clear strategy and a strong commitment to sustainability, we embed ESG issues across our business.”

**Michel M. Liès**  
Chairman of the Board of Directors



# Message from our Chairman on corporate governance

## Dear Shareholder

Good corporate decision-making is key to our organization. We continued to strengthen our governance structure in 2019.

## Sustainability is becoming increasingly important

Over the past twelve months, creating sustainable value for all stakeholders on environmental, social and governance (ESG) issues has become an even greater imperative for businesses. For example, the effects of climate change are increasingly becoming felt in the here and now, while young people are making their voices heard like never before.

Insurance is perfectly placed to support society on ESG challenges, and Zurich has accelerated its contribution. Key moments in 2019 included becoming the first insurer to sign up to the UN's Business Ambition for 1.5°C Pledge and joining the UN-convened Asset Owner Initiative for Net Zero Portfolios'. These commit us to tackling climate change and facilitating transition to a low carbon environment through our operations, our relationships with customers and in the way we invest our assets.

On social issues, we are helping workers protect incomes and fund longer retirements, as well as building employability and digital skills among our employees and communities. We are committed to Work Sustainability and promote a work culture in which everyone – employer and employee, each playing their part – can pursue their ambitions, with the aim to that we are all better prepared for the future,

together. And with regard to our third pillar of our sustainability strategy, building trust in a digital era, we recently released our global Data Commitment – a binding pledge to use our customers' data responsibly and securely.

And, in a fast-changing world marked by challenges such as climate change, cyber risks and new skillsets, sustainability is more than an objective. It is a principle that underpins everything we do so that future generations can thrive.

## Good governance supports our sustainable business

To add sustainable value, a business must also sustain itself. The Board's traditional governance and oversight functions are therefore crucial, with frameworks regularly reviewed to ensure robustness. As management continues to pursue transformation of the business, the Board is focusing on the long term perspective and planning. And, as we move into a new strategic cycle in 2020, the Board will encourage a learning culture within the business and further tangible impacts from our sustainability strategy.

## Changes to our Board and Executive Committee

At the Annual General Meeting (AGM) on April 3, 2019, Michael Halbherr, Jasmin Staiblin and Barry Stowe were elected to join the Board of Directors as new members. David Nish did not stand for re-election. The Board proposes to shareholders that they re-elect all current members of the Board at the AGM on April 1, 2020.

Amanda Blanc, former CEO EMEA and Bank Distribution, decided to step down from her role as of July 2, 2019, and Alison Martin took over the role as CEO EMEA and Bank Distribution effective July 9, 2019, while continuing as Group Chief Risk Officer (Group CRO) until September 30, 2019. On October 1, 2019, Peter Giger took up the role of Group CRO and became a member of the Executive Committee (ExCo).

These appointments continue to enhance diverse thinking within our Board and Executive team, as a result of different tenures, a more balanced gender mix, different professional backgrounds, geographic origins or other factors. Such diversity represents the global nature of our business and our customer and employee base. It enables us to see the full picture, promotes innovation, boosts productivity and ultimately delivers better results.

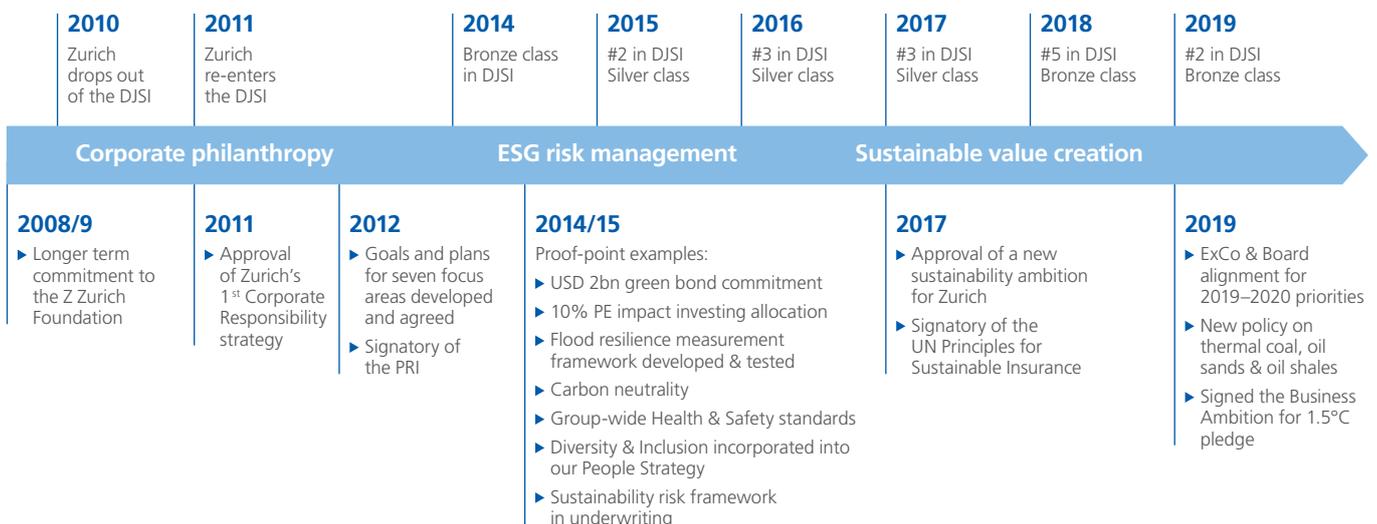
## Zurich stakeholders

Acting sustainably matters to all our stakeholders, and Zurich's strategy will enable us to deliver a positive impact for all of them. Thank you for your continued trust, support and engagement.



**Michel M. Liès**  
Chairman of the Board of Directors

## We have progressed in line with our evolving sustainability philosophy



## Corporate governance report

### Contents

Introduction	41
Overview on Group governance	42
Group structure	44
Board of Directors	46
Executive Committee	64
Governance, controls and assurance at Zurich Insurance Group	74
External auditors	75
Group Audit	77
Group Compliance	78
Stakeholders	79
Shareholders	79
Employees	82
Customers	84
Communities – our role in society	85
Capital structure	86
Changes of control and defense measures	88
Risk management and internal control framework	88
Going concern	88

## Corporate governance report (continued)

### Introduction

The Zurich Insurance Group, consisting of Zurich Insurance Group Ltd 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.

This report describes the Group’s approach to the key elements of corporate governance within the Group. It includes the information required under the following rules, with which Zurich complies:

- ▶ Directive on Information Relating to Corporate Governance of the SIX Exchange Regulation (as of March 20, 2018).
- ▶ Swiss Code of Best Practice for Corporate Governance (Swiss Code of Best Practice), issued in 2002 by *economiesuisse*, as amended in October 2007 and in August 2014.

The shares of Zurich Insurance Group Ltd are listed on the SIX Swiss Exchange. Certain Group companies have listed debt issued under its Euro Medium Term Note Programme and other financial instruments.

Zurich is subject to insurance group supervision by the Swiss Financial Market Supervisory Authority FINMA (FINMA). The Joint Committee of the European Supervisory Authorities has also designated the Group as an insurance group and not as an insurance conglomerate because of the small size of its non-insurance activities. The Swiss Insurance Supervision Act (ISA) requires Swiss insurance companies and groups to establish and maintain strong governance and risk management systems as well as effective internal control systems that are 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). 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 subsidiaries and remaining financial services entities of the Group are supervised by the respective local supervisory authorities.

The principles of corporate governance and the standards described above are incorporated and reflected in a number of corporate documents, in particular the Articles of Association, the Organizational Rules and the Charter of the Committees of the Board of Directors of Zurich Insurance Group Ltd ([www.zurich.com/en/about-us/corporate-governance/corporate-documents](http://www.zurich.com/en/about-us/corporate-governance/corporate-documents)). The Governance, Nominations and Sustainability Committee of the Board of Directors of Zurich Insurance Group Ltd regularly reviews the Group’s corporate governance against best practice standards and ensures compliance with corporate governance requirements.

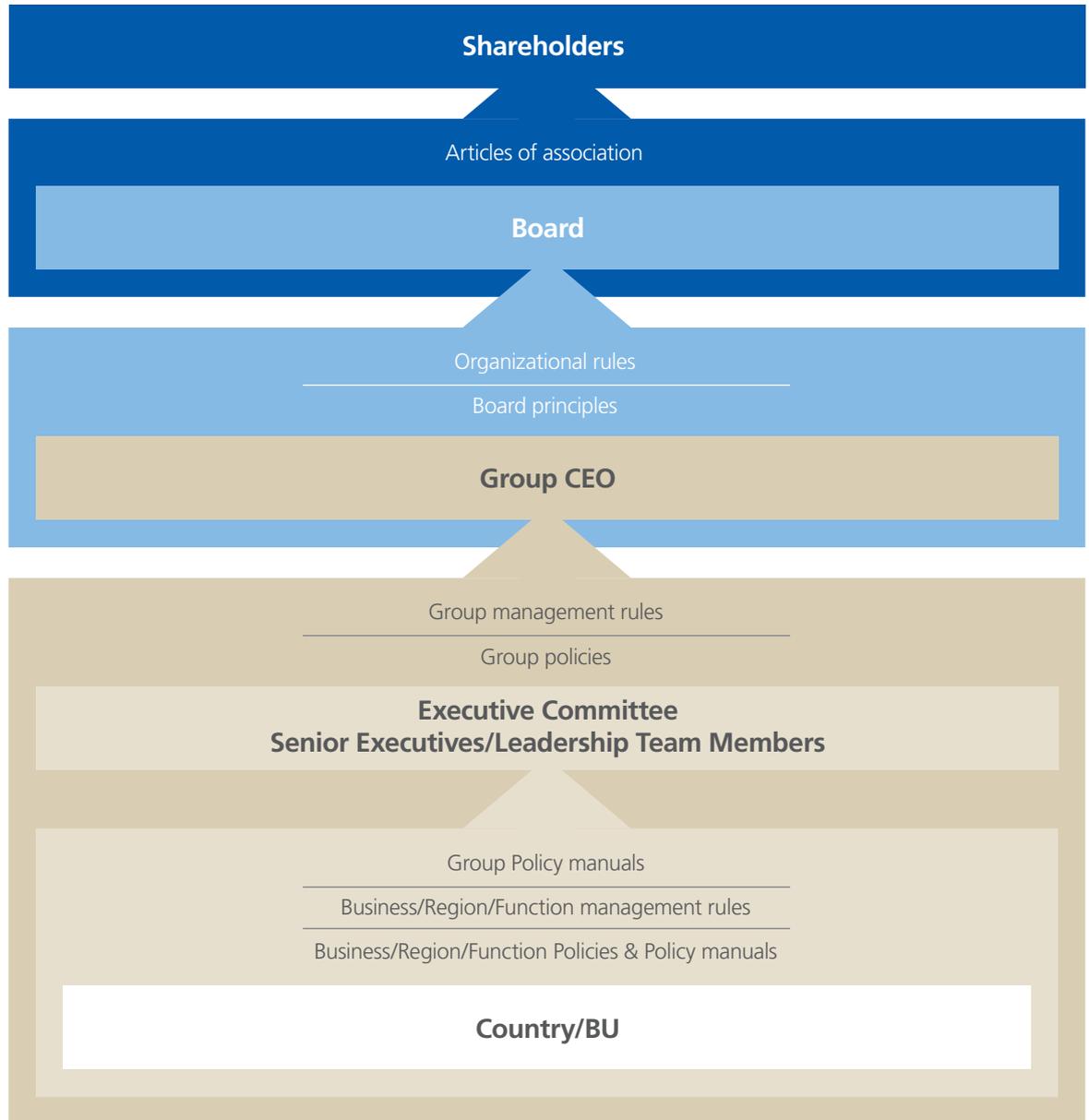
### Key governance developments in 2019 – at a glance as of December 31, 2019

Board of Directors	Executive Committee
<p><b>Election</b></p> <ul style="list-style-type: none"> <li>▶ Michael Halbherr, elected as member of the Board (as of April 3, 2019)</li> <li>▶ Jasmin Staiblin, elected as member of the Board (as of April 3, 2019)</li> <li>▶ Barry Stowe, elected as member of the Board (as of April 3, 2019)</li> </ul> <p><b>Retirements</b></p> <ul style="list-style-type: none"> <li>▶ David Nish, retired from the Board (as of April 3, 2019)</li> </ul>	<p><b>New appointments</b></p> <ul style="list-style-type: none"> <li>▶ Peter Giger, Group Chief Risk Officer (Group CRO) (as of October 1, 2019)</li> </ul> <p><b>Change of role</b></p> <ul style="list-style-type: none"> <li>▶ Alison Martin, CEO EMEA (Europe, Middle East &amp; Africa) and Bank Distribution (as of July 9, 2019), former Group CRO</li> </ul> <p><b>Resignations</b></p> <ul style="list-style-type: none"> <li>▶ Amanda Blanc, CEO EMEA and Bank Distribution (as of July 2, 2019)</li> </ul>

## Corporate governance report (continued)

### Overview on Group governance

#### Governance document structure



An effective structure is in place providing for cooperation between the Board of Directors of Zurich Insurance Group Ltd, management and internal control functions. This structure establishes checks and balances and is designed to provide for institutional independence of the Board from the Group Chief Executive Officer (Group CEO) and the Executive Committee (ExCo) which together are responsible for managing the Group on a day-to-day basis. The Board is composed entirely of non-executive members, independent from the management.

This report essentially follows the recommended structure outlined in the Directive on Information Relating to Corporate Governance of the SIX Exchange Regulation. The information on compensation, shareholdings and loans to Board members and members of the ExCo is contained in a separate report, the remuneration report (see pages 90 to 121), which supplements this corporate governance report and also includes the information as required by the Circular 2010/1 on remuneration schemes (minimum standards for remuneration schemes of financial institutions) issued by FINMA on October 21, 2009 as amended on June 1, 2012, December 3, 2015 and September 22, 2016, as well as the Ordinance Against Excessive Compensation (Ordinance AEC) of November 20, 2013.

## Corporate governance report (continued)

### Remuneration Governance

The Board is responsible for the design and implementation of Zurich's Remuneration Rules<sup>1</sup>, which include the overall remuneration philosophy, principles, system and practices. To support the Board in performing these duties, the Board has established a Remuneration Committee. Under the Ordinance AEC and as reflected in the Articles of Association, the members of the Remuneration Committee are elected individually at the AGM. Their term of office ends with the conclusion of the next AGM with re-election being possible. The Remuneration Committee consists of at least three members of the Board, all of whom are experienced in the area of remuneration. As of the AGM in 2019, there are five members in the Committee.

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, modified, changed or revised at any time. The Remuneration Committee proposes any amendments to the Board as required.

While reviewing the remuneration structures and practices on a regular basis, the Remuneration Committee and the Board receive independent advice from the executive compensation practices at Meridian Compensation Partners LLC (Meridian) and New Bridge Street, part of Aon Corporation (Aon Hewitt). The Remuneration Committee reviews their mandates and fees, and evaluates ongoing performance. Both Meridian and New Bridge Street provide advice to the Board, with the lead consultant employed by Meridian. Meridian does not provide any other services to the Group. Although certain practice areas within Aon Hewitt – a large, international brokerage and human resources firm – undertake work for the Group from time to time, the Remuneration Committee does not consider that the independence and integrity of the advice it receives from New Bridge Street is compromised by these separate assignments.

At Remuneration Committee and Board meetings where decisions are made on the individual remuneration of either the Chairman, the Group CEO or other members of the ExCo, those individuals are not present. See page 59 for further details on the Remuneration Committee's responsibilities.

The remuneration approval framework is set out as follows:

### A strong governance framework ensuring alignment of interest with Shareholders

#### Remuneration governance

Topic	Recommended by	Board approval	Shareholders' approval
Remuneration architecture	Board Remuneration Committee Board Risk & Investment Committee <sup>2</sup>		<div style="border: 1px solid #0070C0; padding: 2px; margin-bottom: 2px;">Consultative Vote</div> <div style="border: 1px solid #0070C0; padding: 2px; margin-bottom: 2px;">Binding vote</div> <div style="border: 1px solid #0070C0; padding: 2px; margin-bottom: 2px;">Binding vote<sup>4</sup></div> <div style="border: 1px solid #0070C0; padding: 2px;">Binding vote</div>
Relevant chapters within the Organizational Rules	Board Remuneration Committee		
Zurich Remuneration Rules	Board Remuneration Committee		
Remuneration Report <sup>3</sup>	Board Remuneration Committee		
Board of Directors remuneration	Board Remuneration Committee		
Group CEO remuneration	Board Remuneration Committee		
ExCo remuneration	Group CEO		
Total variable remuneration pool	Board Remuneration Committee		
STIP pool funding	Board Remuneration Committee <sup>5</sup>		
LTIP vesting level	Board Remuneration Committee <sup>5</sup>		

<sup>1</sup> The remuneration policy of the Company which serves as a framework for the governance, design, implementation and monitoring of the Group's remuneration architecture; is designed to support the Group's business strategy, risk management framework and operational and financial plans, and takes into account legal and regulatory requirements.

<sup>2</sup> On recommendation of Group CEO.

<sup>3</sup> Remuneration report addresses remuneration architecture, rules and disclosures.

<sup>4</sup> The Group CEO remuneration is approved in aggregate with the ExCo remuneration.

<sup>5</sup> Based on proposals by the Group CEO taking into account a risk assessment by Group Risk Management.

## Corporate governance report (continued)

### Group structure

#### Operational Group structure

Zurich Insurance Group Ltd, the Group's holding company, is a Swiss corporation organized in accordance with the laws of Switzerland. 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 following chart shows the operational Group structure on December 31, 2019.

#### Operational Group structure

as of December 31, 2019



The Group pursues a customer-centric strategy and is managed by regions, and in addition, Farmers in the U.S. and Commercial Insurance globally. The ExCo is headed by the Group CEO. Six members of the ExCo represent the Group's businesses: the CEOs of the regions (CEO North America, CEO Europe, Middle East & Africa (EMEA) and Bank Distribution, CEO Latin America, CEO Asia Pacific), the CEO of Farmers and the CEO of Commercial Insurance. Four members of the ExCo represent Group functions: the Group Chief Financial Officer (Group CFO), the Group Chief Investment Officer (Group CIO), the Group Chief Risk Officer (Group CRO) and the Group Chief Operating Officer (Group COO). The Group COO has responsibility for operations and technology as well as underwriting, claims, and pricing, creating a unified sense of purpose and responsibility for technical excellence, efficiency and business transformation across all parts of the business. The Group CFO is also responsible for Group Reinsurance. For further information on the ExCo see pages 64 to 74.

## Corporate governance report (continued)

The Group's operating structure reflects the businesses operated by the Group and how these are strategically managed to offer different products and services to specific customer groups. The Group's reportable segments for 2019 comprised:

- ▶ **Regions (EMEA, North America, LatAm and APAC):** segments through which the Group provides a variety of property and casualty and life products to retail and commercial customers as well as reinsurance propositions. Commercial Insurance brings together corporate and commercial insurance expertise worldwide under a single umbrella.
  - **Property & Casualty** is the business through which the Group provides a variety of motor, home and commercial products and services for individuals, as well as small, mid-sized and large businesses.
  - The **Life business** pursues a strategy with market-leading propositions in unit-linked and protection products as well as fee-based solutions managed through three global pillars (Bank Distribution, Corporate Life & Pensions and Other Retail) to develop leading positions in its target markets.
- ▶ **Farmers** provides, through Farmers Group, Inc. (FGI) and its subsidiaries, certain non-claims services and ancillary services to the Farmers Exchanges as attorney-in-fact. FGI receives fee income for providing services to the Farmers Exchanges, which are owned by their policyholders and managed by Farmers Group, Inc. a wholly owned subsidiary of the Group. Farmers 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.
- ▶ **Group Functions and Operations** comprise the Group's Holding and financing and headquarters activities. Certain alternative investment positions not allocated to business operating segments are included within Holding and Financing. In addition, Group Functions and Operations 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 the UK.

A detailed review of the results of the businesses as reported for 2019 can be found in the financial review starting on page 164. An overview of the Group's business activities is also available within the Group overview section of this Report. Additionally, we will provide information about our business throughout the year on our Group website, including on the 'about us' pages ([www.zurich.com/en/about-us](http://www.zurich.com/en/about-us)).

A list of the Group's significant subsidiaries can be found on pages 285 to 287. For further information on the share listing of Zurich Insurance Group Ltd, see the investor section on pages 24 to 25 and under the following link: <https://www.zurich.com/investor-relations/our-shares/registered-share-data>.

## Board of Directors

# A highly diverse Board combined with strong governance

Our governance structure and independent and diverse Board composition ensure effective corporate governance and strategic oversight, and foster ESG integration in the business, enabling Zurich to create sustainable value for our shareholders, customers, employees and other stakeholders.



**Michel M. Liès**  
Chairman

**Nationality:** Luxembourg

**Born:** 1954

[page 50](#)

**Committee membership:**

Governance, Nominations and Sustainability Committee (Chairman), Remuneration Committee

**Other directorships within the Group:**

Zurich Insurance Company Ltd



**Christoph Franz**  
Vice-Chairman

**Nationality:** Swiss and German

**Born:** 1960

[page 50](#)

**Committee membership:**

Remuneration Committee (Chairman), Governance, Nominations and Sustainability Committee

**Other directorships within the Group:**

Zurich Insurance Company Ltd



**Joan Amble**  
Member of the Board of Directors

**Nationality:** U.S.

**Born:** 1953

[page 50](#)

**Committee membership:**

Risk and Investment Committee

**Other directorships within the Group:**

Zurich Insurance Company Ltd



**Catherine Bessant**  
Member of the Board of Directors

**Nationality:** U.S.

**Born:** 1960

[page 51](#)

**Committee membership:**

Remuneration Committee, Audit Committee

**Other directorships within the Group:**

Zurich Insurance Company Ltd

## Board of Directors (continued)



### Dame Alison Carnwath

Member of the Board of Directors

**Nationality:** British

**Born:** 1953

[page 51](#)

**Committee membership:**

Audit Committee (Chairman), Governance, Nominations and Sustainability Committee, Risk and Investment Committee

**Other directorships within the Group:**  
Zurich Insurance Company Ltd



### Kishore Mahbubani

Member of the Board of Directors

**Nationality:** Singapore

**Born:** 1948

[page 52](#)

**Committee membership:**

Remuneration Committee, Risk and Investment Committee

**Other directorships within the Group:**  
Zurich Insurance Company Ltd



### Michael Halbherr

Member of the Board of Directors

**Nationality:** Swiss

**Born:** 1964

[page 51](#)

**Committee membership:**

Risk and Investment Committee

**Other directorships within the Group:**  
Zurich Insurance Company Ltd



### Jasmin Staiblin

Member of the Board of Directors

**Nationality:** German

**Born:** 1970

[page 53](#)

**Committee membership:**

Remuneration Committee

**Other directorships within the Group:**  
Zurich Insurance Company Ltd



### Jeffrey Hayman

Member of the Board of Directors

**Nationality:** U.S.

**Born:** 1960

[page 52](#)

**Committee membership:**

Risk and Investment Committee (Chairman), Governance, Nominations and Sustainability Committee, Audit Committee

**Other directorships within the Group:**  
Zurich Insurance Company Ltd



### Barry Stowe

Member of the Board of Directors

**Nationality:** U.S.

**Born:** 1957

[page 53](#)

**Committee membership:**

Audit Committee

**Other directorships within the Group:**  
Zurich Insurance Company Ltd



### Monica Mächler

Member of the Board of Directors

**Nationality:** Swiss

**Born:** 1956

[page 52](#)

**Committee membership:**

Governance, Nominations and Sustainability Committee, Audit Committee

**Other directorships within the Group:**  
Zurich Insurance Company Ltd

## Corporate governance report (continued)

### Board of Directors

The Board, under the leadership of the Chairman, is responsible for determining the overall strategy of the Group, including a strong commitment to sustainability. It holds the ultimate decision-making authority for Zurich Insurance Group Ltd, except for decisions on matters reserved for the shareholders.

#### Board of Directors and its Committees

as of December 31, 2019



\* Chairman of Board or Board Committee, respectively.

The members of the Board are elected by the shareholders at the AGM. The Board constitutes itself in its first meeting after the AGM, except for the Chairman and the members of the Remuneration Committee who, as required by the Ordinance AEC, in force since January 1, 2014, are elected by the shareholders.

The term of office of a Board member ends after completion of the next AGM. As a consequence, each member of the Board must be re-elected at the AGM each year.

All Directors of Zurich Insurance Group Ltd are also members of the Board of Directors of Zurich Insurance Company Ltd. Mr. Liès also serves as Chairman of that board. None of the Directors have further board memberships within the Group.

Fritz Gerber is the Honorary Chairman of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd. He was Chairman of Zurich Insurance Company Ltd from 1977 to 1995 and its Chief Executive Officer from 1977 to 1991. In recognition of his leadership and services to these companies, he was appointed Honorary Chairman. Such designation does not confer Board membership or any Director's duties or rights, nor does it entitle him to any Directors' fees.

## Corporate governance report (continued)

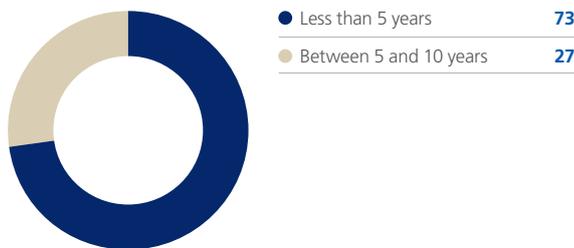
### Board Composition

Diversity is a key factor for success in today's fast-changing global environment. Zurich's Board consists of individuals with different geographic and cultural backgrounds and experience, which mirror our international footprint, bringing local cultural perspective as well as regional networks, and a diverse set of knowledge and skills that we have broadened through the election of three new Board members at the AGM this year. Zurich's Board is one of the most gender diverse in Switzerland with 45% women. The Board can draw on this diverse group of individuals to carry out its responsibilities and tasks, while taking into account a full range of current business needs.

As of December 31, 2019, the Board included members of six different nationalities. Board members' business experience covers a broad range of industries and jurisdictions, giving the Board profound collective knowledge of international business practices. The Board also benefits from the broad cultural, educational and professional backgrounds of its members, which include financial services, manufacturing, engineering, technology and legal and regulatory experience.

The composition as of December 31, 2019 in terms of length of tenure, gender, background, experience, knowledge and skills, as well as nationality, was as follows and average length of tenure was 3.5 years:

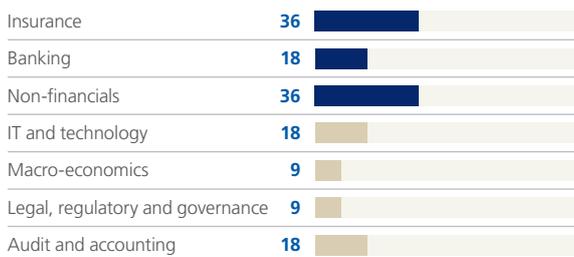
#### Board by length of tenure %, as of December 31, 2019



#### Board by gender %, as of December 31, 2019

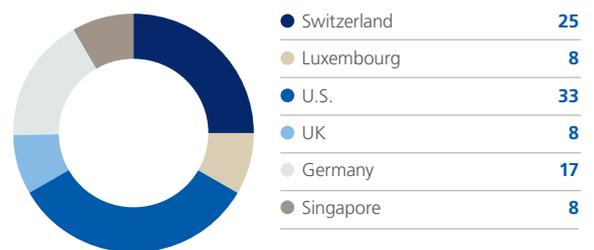


#### Board by background, experience, skills and knowledge %, as of December 31, 2019



● Sector ● Specialization

#### Board by nationality %, as of December 31, 2019



### Diversity of the Board as focus for the future

Optimal Board composition is, in Zurich's view, the key success factor for the performance of the board. A strong board succession pipeline is at the heart of the Chairman's ongoing duties. His focus lies on achieving the best possible diversity in terms of thinking among Board members. Optimal future Board composition shall be achieved by maintaining a well-balanced profile portfolio, also considering non-technical skills, matching the group's strategy and possible challenges ahead. They may arise in areas such as rapidly changing customer behavior, technology, macroeconomics, the legal and regulatory environment, etc.

## Corporate governance report (continued)

### Biographies

#### Michel M. Liès

Chairman

##### Skills and experience

Michel 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 also appointed as 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 Board of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in April 2018.

##### Committee membership

Governance, Nominations and Sustainability Committee (Chairman),  
Remuneration Committee

##### Other directorships within the Group

Zurich Insurance Company Ltd

##### External appointments

Mr. Liès is a member of the board of the Institute of International Finance (IIF), advisory board member of the Beirat Zukunft Finanzplatz, trustees board member of Avenir Suisse and of The Swiss Institute of International Studies. He is also a member of the European Financial Services Round Table and a member of the board of trustees of the Lucerne Festival and a member of the steering committee of the Insurance Development Forum.

##### Educational background

Mr. Liès holds a master's degree in mathematics from the Swiss Federal Institute of Technology in Zurich (ETH).

#### Christoph Franz

Vice-Chairman

##### 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. 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 (Chairman),  
Governance, Nominations and  
Sustainability Committee

##### Other directorships within the Group

Zurich Insurance Company Ltd

##### External appointments

Mr. Franz was elected chairman of the board of Roche Holding Ltd in March 2014. He is also a member of the board of directors of Chugai Pharmaceuticals Ltd. (controlled by Roche Holding Ltd), and of Stadler Rail Ltd. Mr. Franz serves as a member of the board of trustees of Ernst-Goehner-Foundation, of Avenir Suisse, 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.

##### Educational background

Mr. Franz studied industrial engineering at the Technical University Darmstadt (Germany) and completed his studies with a Ph.D. in economic sciences (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

##### 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 principle 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). She has been a member of the Boards of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd since April 2015.

##### Committee membership

Risk and Investment Committee

##### Other directorships within the Group

Zurich Insurance Company Ltd

##### External appointments

Ms. Amble is a member of the board of Sirius XM Satellite Radio, where she chairs the audit committee. In addition, she is a member of the board and the audit committee at Booz Allen Hamilton. In January 2015, Ms. Amble was appointed to the Public Company Accounting Oversight Board's Standing Advisory Group, which advises on the development of auditing and professional practice standards. Since October 2016, Ms. Amble has been 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 is also involved in developing women in business, including as chair emeritus and co-founder of W.O.M.E.N in America, LLC and through her various speaking engagements. Ms. Amble also participates in director and other forums and speaks on corporate governance and corporate 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).

## Corporate governance report (continued)

### Biographies (continued)

#### Catherine Bessant

Member of the Board of Directors

##### Skills and experience

Catherine Bessant is chief operations and technology officer at Bank of America and a member of the Bank of America's executive management team. 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; and market president of Bank of America, Florida. Prior to being appointed to her current position, Ms. Bessant served as president of Global Corporate Banking. Ms. Bessant has led Bank of America's Global Technology and Operations since 2010. In that role she is responsible for end-to-end technology and operating services across the company, overseeing nearly 95,000 employees and contractors in more than 35 countries. She became a member of the Board of Zurich Insurance Group Ltd and Zurich Insurance Company Ltd in March 2017.

##### Committee membership

Remuneration Committee, Audit Committee

##### Other directorships within the Group

Zurich Insurance Company Ltd

##### External appointments

Ms. Bessant is on the advisory board of the Ross School of Business at the University of Michigan and a member of the President's Council of Advisors on Science and Technology in the U.S. She previously served 16 years on the board of directors of Florida Blue, formerly Blue Cross 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

##### 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 directors 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. She has been a member of the boards of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd since March 2012.

##### Committee membership

Audit Committee (Chairman), Governance, Nominations and Sustainability Committee, Risk and Investment Committee

##### Other directorships within the Group

Zurich Insurance Company Ltd

##### External appointments

Dame Alison has been a senior advisor of Evercore Partners since 2011. She has been a member of the board of PACCAR Inc. since 2005 and since September 2013 a member of the advisory council of the St. George's Society of New York. Since May 2014 she has been a member of the supervisory board of BASF SE and Chairman of the Audit Committee of BASF SE. In May 2018 she was appointed as independent non-executive director and member of the Audit Committee of BP plc.

##### 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

##### Skills and experience

Michael Halbherr has extensive experience in the technology industry, serving as an investor, active board member and advisor for young, aspiring companies in many different areas including digital mapping, mobility technology, mobile operating systems, and industrial applications. He held leadership roles in Nokia Corporation from 2006 to 2014, including serving from 2011 to 2014 as member of Nokia's leadership team and later as CEO of HERE BV, a fully owned Nokia company and a leading company in automotive location technologies. 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, an investor into gate5 and 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 with a focus on programming paradigms for massively parallel computers. He joined the boards of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd in April 2019.

##### Committee membership

Risk and Investment Committee

##### Other directorships within the Group

Zurich Insurance Company Ltd

##### External appointments

Mr. Halbherr is a non-executive director and chairman of German Bionic Systems GmbH in Augsburg, Trafi Ltd. in Vilnius, FATMAP Ltd. in Berlin, and a strategic advisor of Zeotap GmbH. He is chairman of the board of trustees of the Institute for Mobility Research (ifmo), a research facility of the BMW Group.

##### Educational background

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

## Corporate governance report (continued)

### Biographies (continued)

#### Jeffrey Hayman

Member of the Board of Directors

##### Skills and experience

Mr. Hayman began his career as a claims representative in the property and casualty department of Travelers Companies in the U.S. in 1983, where he later held several positions. In 1998 he joined AIG as regional vice president, personal lines at AIU Far East in Japan. Beginning in 2003, he held various leadership positions within AIG, including as chairman of AIU Insurance Company in Japan and president and CEO of AIU Far East Holdings, Japan and Korea. From 2009 to 2011, Mr. Hayman served as senior vice president and chief administrative officer, and from 2011 to 2013 as executive vice president and CEO, Global Consumer Insurance, at AIG. In 2013 he served as president of international insurance operations at Starr Companies. He then became an independent consultant and advisor. He has been a member of the boards of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd since March 2016.

##### Committee membership

Risk and Investment Committee (Chairman), Governance, Nominations and Sustainability Committee, Audit Committee

##### Other directorships within the Group

Zurich Insurance Company Ltd

##### External appointments

None

##### Educational background

Mr. Hayman holds an MBA in finance from the University of Hartford, Barney School of Business and Public Administration, West Hartford, and a bachelor's degree in arts, economics and political science from Saint Olaf College, Northfield. He is a chartered life underwriter and a chartered financial consultant.

#### Monica Mächler

Member of the Board of Directors

##### 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 directors 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 directors of Deutsche Börse AG. She has been a member of the boards of Zurich Insurance Group Ltd and of 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 directors 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 and serves on the boards of the Stiftung für schweizerische Rechtspflege and of the Europa Institut at the University of Zurich.

##### 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

##### Skills and experience

Kishore Mahbubani began his career in 1971 as a diplomat with the Singapore Foreign Service, in which 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 UN 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 about economics in that year. His latest book, 'Has the West Lost It?,' published in London in April 2018, was described by Martin Wolf as "a compelling warning." He has been a member of the Boards of Zurich Insurance Group Ltd and of 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 September 2017 he was appointed non-executive chairman of the board of Aggregate Asset Management. Since January 2016 he has also 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), the World Economic Forum's Global Agenda Council on China and the Singapore Social Science Research Council.

##### 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.

## Corporate governance report (continued)

### Biographies (continued)

#### Jasmin Staiblin

Member of the Board of Directors

##### 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 December 31, 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 position of CEO of ABB Switzerland from 2006 to 2012. In 2013 she became CEO of Alpiq Holding Ltd. She joined the boards of Zurich Insurance Group Ltd and of Zurich Insurance Company Ltd in April 2019.

##### Committee membership

Remuneration Committee

##### Other directorships within the Group

Zurich Insurance Company Ltd

##### External appointments

Ms. Staiblin is a board member of Rolls-Royce plc, London; NXP Semiconductors N.V., the Netherlands; Georg Fischer Ltd., Schaffhausen; and Seves Group S.à.r.l., Luxembourg.

##### 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

##### 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 of directors 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 of Zurich Insurance Company Ltd in April 2019.

##### Committee membership

Audit Committee

##### Other directorships within the Group

Zurich Insurance Company Ltd

##### External appointments

Mr. Stowe acts as senior advisor to Prudential plc. He is co-chair of the Retirement Income Institute in Washington, D.C., vice 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.

## Corporate governance report (continued)

The business address for each Board member is Mythenquai 2, 8002 Zurich, Switzerland.

### Independence of the members of the Board of Directors

Zurich considers the independence of its Board members an essential feature of 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 Governance, Nominations and Sustainability Committee reviews Board members' independence status annually and reports its findings to the Board for final determination. In particular, the Governance, Nominations and Sustainability Committee checks the following independence criteria before recommending a new Board member for election and, thereafter, for re-election on an annual basis. It confirms that:

- ▶ No Board member, member of their immediate family, or any other related party, received – either directly or indirectly – any consulting or advisory fee or other compensation and/or material benefits from a member of the Zurich Insurance Group other than in their capacity as Board or Committee member in 2019 or the past three years;
- ▶ No Board members or any member of their immediate family, is or was employed by a member of Zurich Insurance Group in 2019 or the past three years.

Based on the recommendation of the Governance, Nominations and Sustainability Committee the Board determined that, as of February 12, 2020, the Board consisted entirely of Directors who were non-executive, independent from the management and who – except for Ms. Mächler – had never held an executive position in the Group. Ms. Mächler held an executive position until 2006 and was elected in 2013 as a non-executive Board member. According to the guidelines of the Swiss Code of Best Practice, she is considered independent. For further information on the Group's independence policy, please see art. 16.6 of the Annex to the Organizational Rules ([www.zurich.com/en/about-us/corporate-governance/corporate-documents](http://www.zurich.com/en/about-us/corporate-governance/corporate-documents)).

Board members are also subject to rules and regulations to avoid conflicts of interest and prevent any misuse of insider information.

### External mandates

In line with the Ordinance AEC, art. 33 of Zurich's Articles of Association ([www.zurich.com/en/about-us/corporate-governance/corporate-documents](http://www.zurich.com/en/about-us/corporate-governance/corporate-documents)), has rules on the number of mandates members of the Board and of the ExCo are permitted to hold, as shown in the table below.

Art. 33, para. 1, of the Articles of Association sets forth the following, generally applicable, maximum limits:

	Board of Directors	Executive Committee
Additional mandates for listed companies	3 maximum	1 maximum
Mandates for non-listed companies	5 maximum	3 maximum

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

	Board of Directors	Executive Committee
Mandates for Group subsidiaries	No limit	
Mandates on behalf of the Group	5 maximum	5 maximum
Mandates for associations, charitable organizations, foundations or pension funds	5 maximum	5 maximum

Multiple mandates for different companies under unified control are counted as a single mandate. The maximum limits set forth in the Articles of Association do not discharge the members of the Board or ExCo from their duties to act with due care and protect Group interests. As in the past, additional mandates may be assumed only where, upon assuming such mandates, time and resources remain available to perform the office held in the Group.

## Corporate governance report (continued)

### Size of Board and tenure

The Articles of Association require in art. 21 that the Board shall consist of not less than seven and not more than thirteen members. According to the Group's Organizational Rules (art. 4.4), in general, the maximum tenure of Board members may not exceed 12 years, although exceptions may be made under special circumstances (<https://www.zurich.com/en/about-us/corporate-governance/corporate-documents>).

### Elections

As required by Swiss law, directors and the members of the Remuneration Committee are elected annually. Directors are elected by an absolute majority of the votes represented (art. 17 and 21 of the Articles of Association).

David Nish did not stand for re-election at the AGM on April 3, 2019 (please see his biography in the Annual Report 2018, page 48 under the following link: <https://www.zurich.com/investor-relations/results-and-reports>). All other Board members were re-elected for another one-year term. Michael Halbherr, Jasmin Staiblin and Barry Stowe were newly elected as members of the Board. As members of the Remuneration Committee, the AGM elected Catherine Bessant, Christoph Franz, Michel M. Liès, Kishore Mahbubani and Jasmin Staiblin. As independent voting rights representative, the shareholders elected Mr. lic. iur. Andreas G. Keller, attorney at law.

The Board proposes to shareholders that they re-elect all current members of the Board at the AGM on April 1, 2020.

The Board proposes to shareholders that they re-elect as follows:

- ▶ as members: Michel M. Liès, Joan Amble, Catherine Bessant, Dame Alison Carnwath, Christoph Franz, Michael Halbherr, Jeffrey Hayman, Monica Mächler, Kishore Mahbubani, Jasmin Staiblin, and Barry Stowe
- ▶ as Chairman: Michel M. Liès
- ▶ as members of the Remuneration Committee: Catherine Bessant, Christoph Franz, Michel M. Liès, Kishore Mahbubani and Jasmin Staiblin
- ▶ as independent voting rights representative: Mr. lic. iur. Andreas G. Keller, attorney at law

## Corporate governance report (continued)

### Internal organizational structure

The Board is chaired by the Chairman, or in his absence, by the Vice-Chairman. The Vice-Chairman is appointed by the Board. The Board also appoints its secretary. The Board has a standard set of topics that is presented at its meetings throughout the year. It is regularly informed of developments relevant to the Group and is provided with timely information in a form and of a quality appropriate to the discharge of its duties in accordance with the standards of care set out in Article 717 of the Swiss Code of Obligations.

The Group CEO attends Board meetings ex officio. Members of the ExCo are regularly invited by the Board to attend meetings. Other executives also attend meetings from time to time at the invitation of the Board. Most Board meetings include private sessions of the Board without the participation of management members.

The Board is required to meet at least six times each year. During 2019 it held 11 meetings (of which six were partly attended by tele-/videoconference and four were held over two days). One meeting was fully dedicated to the discussion of strategy. Four meetings lasted four or more hours during the course of a day and five meetings lasted less than three hours on average. In addition, the Board approved three circular resolutions.

In 2019, average attendance at Board meetings was 94.21 percent. In fulfillment of their duties, the members of the Board spent additional time participating in Board committee meetings and preparing for meetings.

### Overview of meeting attendance

as of December 31, 2019

	Board of Directors	Governance, Nominations and Sustainability Committee	Remuneration Committee	Risk and Investment Committee	Audit Committee
No. of meetings held	11	7	7	8	8
No. of members <sup>1</sup>	11	5	5	5	5
Meeting attendance, in %	94.21	97.14	100	92.5	95

### Meeting attendance individualized

Joan Amble	11/11	–	–	8/8	–
Catherine Bessant	11/11	–	7/7 <sup>4</sup>	–	8/8
Dame Alison Carnwath	10/11	7/7	–	8/8	8/8
Christoph Franz	10/11	7/7	7/7	–	–
Michael Halbherr <sup>3</sup>	9/10	–	–	6/7 <sup>4</sup>	–
Jeffrey Hayman	11/11	7/7	–	8/8	7/7
Michel M. Liès	11/11	7/7	7/7	–	–
Monica Mächler	10/11	6/7	–	–	6/8
Kishore Mahbubani	10/11	–	7/7	6/8	–
David Nish <sup>2</sup>	2/2	–	–	1/1 <sup>5</sup>	1/1 <sup>5</sup>
Jasmin Staiblin <sup>3</sup>	9/10	–	6/6 <sup>4</sup>	–	–
Barry Stowe <sup>3</sup>	9/10	–	–	–	7/7 <sup>4</sup>

<sup>1</sup> Until April 3, 2019, the Board had 9, the Governance, Nominations & Sustainability Committee 5, the Audit Committee 4, the Remuneration Committee 4 and the Risk & Investment Committee 5 members.

<sup>2</sup> Retired at AGM April 3, 2019.

<sup>3</sup> Elected at AGM April 3, 2019.

<sup>4</sup> Joined Committee on April 3, 2019.

<sup>5</sup> Left Committee as of April 3, 2019.

## Corporate governance report (continued)

### Board

The Board is responsible for the ultimate management of Zurich Insurance Group Ltd and of the Group as a whole, as well as for the supervision of management. In particular, it is responsible for taking actions in the following areas:

- ▶ **Group strategy:** The Board approves the Group strategic plan and the overall Group 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.
- ▶ **Finance:** The Board approves the financial and operating plan annually, establishes guidelines for capital allocation and financial planning. Further, the Board reviews and approves the Annual Report and the half year financial reporting of the Group, as well as the Group's updates for the first three months and first nine months of the year. Above certain thresholds, the Board approves major lending and borrowing transactions.
- ▶ **Structure and organization of the Group:** The Board determines and regularly reviews the basic principles of the Group's structure and major changes in the Group's management organization, including major changes to Group functions. In this respect, the Board discusses the Group's corporate governance framework and its remuneration system. The Board also adopts and regularly reviews the Group's basic principles of conduct, compliance and risk management. Further, as part of its duty to convene the shareholders' meeting and submit proposals to the shareholders' meeting, it discusses the dividend policy and the Board's proposal for dividend. Within its authority the Board also makes resolutions on capital increases and the certification of capital increases and respective amendments to the Articles of Association.
- ▶ **Business Development:** Above certain thresholds, the Board regularly discusses and approves acquisitions and disposals of businesses and assets, investments, new businesses, mergers, joint ventures, co-operations and restructuring of business units or books of businesses.
- ▶ **Sustainability:** The Board approves targets on ESG matters upon the recommendation of the Group CEO which have a material impact on business strategy, underwriting or business performance. The Board also sets the Group's values and standards to ensure that the expectations of Shareholders and other Stakeholders are met.
- ▶ **Risk management:** The Board approves the Group's key risk management principles and procedures including, in particular, the Group's risk appetite and risk tolerance.

Additional information on the Board's responsibilities can be found in the articles 5.3 and 5.4 of the Organizational Rules of Zurich Insurance Group Ltd (<https://www.zurich.com/about-us/corporate-governance/corporate-documents>).

**Activities 2019:** In 2019, the Board specifically focused on the following:

- ▶ succession of Board members and onboarding of new members
- ▶ ExCo succession
- ▶ strategy implementation and preparation of new strategic cycle and Group targets, including building sustainable and customer-centric business model
- ▶ risk management and internal control framework, enabling integrated view of risks and assurance customer trends, structural industry changes and new technologies
- ▶ merger and acquisition transactions
- ▶ Board external assessment and resulting recommendations.

The Board may establish committees for specific topics, terms of reference and rules with respect to delegated tasks, responsibilities and reporting to the Board. Except for the Remuneration Committee, the Board constitutes such committees from among its members at its own discretion. The members of the Remuneration Committee are elected at the shareholders' meeting. The committees assist the Board in performing its duties. They discuss and propose matters to the Board in order that it may take appropriate actions and pass resolutions unless they are authorized to take resolutions in specific areas on their own. In 2019, committee meetings lasted over an hour and a half on average.

### External assessment

At least annually, the Board reviews, on the basis of an assessment conducted by the Governance, Nominations and Sustainability Committee of the Board (which includes an appraisal by an external expert at least every three years), its own performance, as well as the performance of each of the Committees. Such a re-view seeks to determine whether the Board and the Committees function effectively and efficiently and whether any changes should be made to the membership of the Board and the Committees. The annual board-self assessment includes, in particular, the review of the profile of the Board members and the assessment of their availability to devote time to their mandate with the Board and its Committees (also with a view to the type and number of mandates carried out with other companies) (see Nomination Principles in article 15 ff. of the Annex to the Organizational Rules under <https://www.zurich.com/about-us/corporate-governance/corporate-documents>).

## Corporate governance report (continued)

An external assessment of the full Board and its committees was carried out in 2019. It considered key aspects of the effectiveness of the Board and its committees, such as its size, culture, composition, available skill sets and qualifications, dynamics within the board and with management, the work of the Board and its committees on strategy, governance, competition and peer comparison and performance management, the use of time and process (planning quality and allocation) etc. The Board considered a report identifying key strengths and challenges produced for it. The Board is taking steps to put findings of its assessment into practice.

### Committees of the Board of Directors

The Board has the following standing committees, which regularly report to the Board and submit proposals for resolution by the Board:

#### Governance, Nominations & Sustainability Committee

**Composition and membership:** The Governance, Nominations & Sustainability Committee consists of at least four Board members. Currently, the committee comprises Michel M. Liès (Chairman), Dame Alison Carnwath, Christoph Franz, Jeffrey Hayman and Monica Mächler.

**Key tasks and responsibilities:** In general, the Governance, Nominations & Sustainability Committee:

- ▶ supports the Board, in line with the Group's commitment to good corporate governance, sustainable business conduct and value creation, by establishing best practices in corporate governance across the Group with a view to ensuring that the shareholders' and other important stakeholders' rights are fully protected
- ▶ 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 organization
- ▶ develops and proposes guidelines to the Board for corporate governance and reviews them
- ▶ ensures compliance with corporate governance disclosure requirements and legal and regulatory requirements
- ▶ is entrusted with succession planning for the Board, the Group CEO and members of the ExCo. It proposes the principles for the nomination and ongoing qualification of members of the Board and makes proposals to the Board on the composition of the Board, the appointment of the Chairman, the Vice-Chairman, the Group CEO and members of the ExCo. Final decisions for nominations and appointments are made by the Board, subject to shareholder approval, where required. When identifying and proposing candidates as new Board members, preserving and increasing of the Board's diversity is a key consideration. This includes diversity in many respects, and goes beyond gender, to include culture, technical and interpersonal skills, education and viewpoints, experience, nationality and a variety of backgrounds, which should enable the Board to meet the Group's current and future challenges. Apart from specific qualifications, every candidate should possess integrity, be of good standing, and be capable and available to fulfill his or her duty of care by serving, in close collaboration with the other Board members, the best interests of the Group's stakeholders (see Nomination Principles in article 15 ff. of the Annex to the Organizational Rules under <https://www.zurich.com/about-us/corporate-governance/corporate-documents>)
- ▶ reviews the system for management development and supervises progress made in succession planning
- ▶ reviews and approves the Group's sustainability strategy and objectives
- ▶ reviews and proposes to the Board for approval targets on matters related to environmental, social and governance (ESG) that have a material impact on business strategy, underwriting or business performance.

**Activities 2019:** During 2019, the following topics were in particular focus in the Committee's discussions:

- ▶ succession of Board members
- ▶ Board committee composition and succession
- ▶ ExCo succession
- ▶ review of corporate governance documents and recommendation of changes to the Board implementation of sustainability goals and initiatives, such as work sustainability, climate change and confidence in a digital society, with regular updates
- ▶ developments affecting corporate governance, including changes to Swiss and international laws and regulations.

The Governance, Nominations & Sustainability Committee meets at least twice per year. In 2019 it met seven times.

## Corporate governance report (continued)

### Remuneration Committee

**Composition and membership:** Zurich Insurance Group Ltd's Organizational Rules require the Remuneration Committee to consist of at least three independent non-executive Board members. Currently, the committee comprises Christoph Franz (Chairman), Catherine Bessant, Michel M. Liès, Kishore Mahbubani and Jasmin Staiblin.

**Key tasks and responsibilities:** In general, the Remuneration Committee:

- ▶ regularly evaluates the Group's remuneration architecture and system, as well as Zurich's remuneration rules, and proposes amendments to the Board, which is responsible for the design, implementation and monitoring of the Group's remuneration framework (further details of the Group's remuneration framework, including the remuneration philosophy are set out in the remuneration report on pages 90 to 121)
- ▶ reviews and proposes to the Board annually the terms of remuneration of the members of the Board
- ▶ based on Zurich's remuneration rules, reviews and proposes to the Board the terms and conditions of employment of the Group CEO and reviews those of other members of the ExCo, as proposed by the Group CEO, including the annual review of performance objectives and performance against these objectives, proposing respective amendments to the Board, as appropriate, for approval
- ▶ liaises with the Group CEO on other important matters related to employment, salary and benefits
- ▶ reviews the performance achievements of the predefined performance metrics related to short-term and long-term incentive plans (STIP and LTIP), as well as conducting a qualitative assessment of the performance, before reviewing and proposing to the Board the amount of the total variable remuneration pool
- ▶ reviews and makes proposals to the Board on the amounts of Board and ExCo remuneration to be submitted for approval at the AGM
- ▶ discusses the regulatory environment and risk management aspects regarding remuneration, and prepares the remuneration report annually in accordance with applicable laws and regulations.

**Activities 2019:** During 2019, the following topics were in particular focus in the Committee's discussions:

- ▶ performance of the Group, the countries and the ExCo, as well as the approval of the STIP award level and the LTIP vesting level for the period ending December 31, 2018
- ▶ approval of the total variable remuneration pool for 2018
- ▶ the regulatory environment regarding remuneration, as well as external developments and the implications for Zurich
- ▶ the Ordinance AEC, including the proposed maximum amounts of total remuneration for the Board and the ExCo for the shareholder votes at the AGM on April 3, 2019, and subsequently the results of the votes
- ▶ together with the Risk and Investment Committee, risk management aspects of the Group's remuneration architecture, as well as key activities with respect to identified key risk taker (KRT) positions, for example the risk-based assessment of KRTs
- ▶ the remuneration report and the Board of Directors report on the approval of the remuneration for the Board of Directors and the ExCo
- ▶ Zurich's remuneration rules, which were approved by the Board of Directors
- ▶ the annual Corporate Governance Roadshow
- ▶ compensation and remuneration structures of the Board and the ExCo, including share ownership in line with guidelines
- ▶ activities of the Group Pensions Committee
- ▶ the performance and incentive architecture for 2019 and looking ahead into 2020, including the metrics of the long-term incentive plan and how these will support the next strategic cycle.

The Remuneration Committee has retained its own independent advisors, Meridian Compensation Partners, LLC and New Bridge Street, to assist in its review of the remuneration structures and practices.

The Remuneration Committee meets at least twice per year. In 2019 it met seven times.

## Corporate governance report (continued)

### Audit Committee

**Composition and membership:** Zurich Insurance Group Ltd's Organizational Rules require the Audit Committee to consist of at least four non-executive Board members, independent from management. Currently, the committee comprises Dame Alison Carnwath (Chairman), Catherine Bessant, Jeffrey Hayman, Monica Mächler and Barry Stowe, all of whom meet the relevant requirements for independence and qualification.

The Charter for the Committees of the Board of Directors of Zurich Insurance Group Ltd (Committees Charter) requires that the Audit Committee, as a whole, should have (i) an understanding of IFRS and financial statements, (ii) the ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves, (iii) experience in preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to those of Zurich Insurance Group Ltd and the Group, or experience in actively supervising one or more persons engaged in these activities, (iv) an understanding of internal controls and procedures for financial reporting, and (v) an understanding of audit committee functions.

To facilitate an ongoing exchange of information between the Risk and Investment Committee and the Audit Committee, the Chairman of the Audit Committee 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 and Risk and Investment Committee meetings as a guest.

The external auditors, the internal auditors, members of the ExCo and other executives attend Audit Committee meetings to, among other things, discuss auditors' reports, review and assess the auditing concept and the examination process and to assess the activities of both external and internal auditors. Private sessions with external and internal auditors are scheduled at the majority of Audit Committee meetings, to enable discussion without Management members being present. For more information on the supervision and control of the external audit process, see page 76.

**Key tasks and responsibilities:** In general, the Audit Committee:

- ▶ serves as a focal point for communication and oversight regarding financial accounting and reporting, internal control, actuarial practice, and financial and regulatory compliance
- ▶ reviews the Group's auditing process (including establishing the basic principles relating to and making proposals for the audit of Zurich Insurance Group Ltd and the Group)
- ▶ at least annually, reviews the standards of internal control, including activities, plans, organization and quality of Group Audit and Group Compliance
- ▶ reviews annual and half year consolidated financial statements of the Group, the Group's updates for the first three months and first nine months of the year and the Financial Condition Report of the Group.

**Activities 2019:** During 2019, the following topics were in particular focus in the Committee's discussions:

- ▶ 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 of the year
- ▶ the effectiveness of the internal control framework, including internal controls over financial reporting (ICFR)
- ▶ Group Audit work plans, Group Audit findings and management implementation of remedial actions
- ▶ the work of the external auditors, the terms of their engagement and the external auditor's findings on key judgments and estimates in financial statements
- ▶ the annual Group Compliance Plan, activities to support management managing compliance risks, compliance policy updates and enhancements, compliance findings, the result of the annual Code of Conduct training as well as the evolving regulatory expectations.

The Audit Committee meets at least four times per year. In 2019 it met eight times.

## Corporate governance report (continued)

### Risk and Investment Committee

**Composition and membership:** Zurich Insurance Group Ltd's Organizational Rules require the Risk and Investment Committee to consist of at least four non-executive Board members independent from management. Currently, the committee comprises Jeffrey Hayman (Chairman), Joan Amble, Dame Alison Carnwath, Michael Halbherr and Kishore Mahbubani.

To facilitate an ongoing exchange of information between the Risk and Investment Committee and the Audit Committee, the Chairman of the Audit Committee is a member of the Risk and Investment Committee and a member of the Risk and Investment Committee is a member of the Audit Committee.

**Key tasks and responsibilities:** In general, the Risk and Investment Committee:

- ▶ supports the Board to ensure sound risk and investment management for the Group
- ▶ assists the Board to fulfill its duty to
  - oversee the Group's risk portfolio, and the Group's enterprise-wide risk governance framework
  - set an appropriate risk management and control framework
  - oversee the Group's investment process
- ▶ In particular, the responsibilities of Risk and Investment Committee include:
  - Risk tolerance and risk governance framework:
    - overseeing the Group's risk tolerance, including agreed limits that the Board regards as acceptable for Zurich, the aggregation of agreed limits across the Group, the measurement of adherence to agreed risk limits and the Group's risk tolerance in relation to anticipated capital levels
    - overseeing the Group's enterprise-wide risk governance framework (embracing policies, models, methodologies, reporting, systems, processes and people)
    - overseeing the impact of risk on economic and regulatory capital requirements
- ▶ Risk management and controls:
  - reviewing the Company's and the Group's general policies and procedures, and satisfy itself that effective systems of risk management are established and maintained
  - receiving periodic reports from the risk management function and assess whether all "significant" risk matters (as defined in the Zurich Risk Policy) are being appropriately addressed by ExCo members in a timely manner
  - reviewing and proposing to the Board for approval the Group ORSA report as well as the Group Recovery Plan
- ▶ Investments:
  - overseeing the investment process
  - reviewing and recommending for approval to the Board investments above pre-defined threshold
  - monitoring developments in the macroeconomic environment
  - receiving updates on the Group's annual strategic asset allocation, the market risk consumption relative to allocated market risk capital and limit and major market risk drivers, the accounting investment result, the economic investment return relative to liabilities, and the performance of asset managers
- ▶ Risk management and investment management functions:
  - assessing the independence and objectivity of the risk management function
  - approving the terms of reference for the risk management function;
  - reviewing the key risk management principles and procedures
  - reviewing the activities, plans, organization and the quality of the risk management and investment management functions
- ▶ General
  - reviewing regulatory framework reforms affecting areas within the scope of the RIC's mandate and recommend any required changes to the Board;
  - appraising the Board of significant developments in the course of performing the above duties.

## Corporate governance report (continued)

**Activities 2019:** From an enterprise risk management perspective, during 2019 the Risk and Investment Committee in particular discussed the following topics:

- ▶ Enterprise Risk Management update, including Quarterly Risk Reports, strategic risk assessment (Group TRP), and scenario analysis results
- ▶ Key Risk Management Principles and Procedures
- ▶ Group Risk Appetite and Tolerance Statement 2020
- ▶ The Group's Own Risk and Solvency Assessment (ORSA), including self-assessment of the effectiveness of the risk management system
- ▶ Group Recovery Plan 2020
- ▶ Scope of Internal Control Framework and Management Report on Internal Controls
- ▶ Approval of ZRP Level II Limits
- ▶ Group Reinsurance Update
- ▶ Approach to managing accumulation risk, including Nat Cat and Cyber/Casualty Cat update and exposure limit monitoring (P&C)
- ▶ Two sessions on Cyber and Information security
- ▶ Exposure to long-tail Life risk, e.g. morbidity risk and longevity risk
- ▶ Risk Management Regulatory Update
- ▶ Updates from economic and regulatory capital perspectives
- ▶ Model validation results 2018 and the plan for 2019
- ▶ Credit & country risk update and semi-annual derivative report
- ▶ Update on business resilience
- ▶ GRM strategy implementation update.

For further information on risk governance, see the risk review on pages 126 to 161. The Risk and Investment Committee meets at least four times per year. In 2019 it met eight times.

### Areas of responsibility of the Board and management

The Board decides on the strategy of the Group, supervises senior management and addresses key matters in the area of strategy, finance, and organization. In particular, the Board approves the Group's strategic plan and the annual financial plans developed by management. It reviews and approves the Annual Report and the half-year financial reporting of the Group, as well as the Group's updates for the first three months and first nine months of the year, and the annual financial statements of Zurich Insurance Group Ltd. For more details with regard to the responsibilities of the Board see page 57.

Subject to the powers reserved for the Board, the Board has delegated management of the Group to the Group CEO and, under the Group CEO's supervision, to the ExCo and its members. The Group CEO is the most senior executive officer in the Group and has responsibility and accountability for the Group's management and performance. The Group CEO represents the overall interests of the Group toward third parties to the extent such interests are not represented by the Board. The Group CEO is responsible for developing and implementing the strategic and financial plans approved by the Board. The Group CEO has specific powers and duties pertaining to strategic, financial and organizational matters and manages, supervises and coordinates the activities of the members of the ExCo and of his other direct reports.

## Corporate governance report (continued)

### Information and control instruments vis-à-vis the ExCo

The Board supervises management and monitors its performance through reporting and controlling processes. The Group CEO and other executives provide information and updates through regular reports to the Board. These include reports on key performance indicators and other Group-relevant financial data, existing and emerging risks, and updates on developments in important markets and on industry peers and other significant events. During 2019, the Chairman of the Board 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 members of the Board do so as well, meeting 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.

The Group has adopted and implemented a coordinated, formal and consistent approach to risk management and control. Information concerning the Group's risk management and internal control processes is included in the risk review starting on page 126. The internal audit function, the external auditors and the compliance function also assist the Board in exercising its controlling and supervisory duties. Information on these functions' major areas of activity is set out on pages 75 to 78.

## Executive Committee

# Executive Committee focused on new strategic cycle and sustainable business development

Our Executive Committee in its experienced and diverse composition is well prepared for the new strategic cycle, our journey to transforming the industry and creating a new customer experience, and for becoming one of the most socially and environmentally responsible businesses worldwide.



**Mario Greco**  
Group Chief Executive Officer

Nationality: Italian  
Born: 1959

[page 70](#)



**Urban Angehrn**  
Group Chief Investment Officer

Nationality: Swiss  
Born: 1965

[page 70](#)



**Jeff Dailey**  
CEO of Farmers Group, Inc.

Nationality: U.S.  
Born: 1957

[page 70](#)



**Claudia Dill**  
CEO Latin America

Nationality: Swiss  
Born: 1966

[page 71](#)

## Executive Committee (continued)



**Peter Giger**  
Group Chief Risk Officer

Nationality: Swiss  
Born: 1964

[page 71](#)



**Kathleen Savio**  
CEO North America

Nationality: U.S.  
Born: 1965

[page 72](#)



**Jack Howell**  
CEO Asia Pacific

Nationality: U.S.  
Born: 1970

[page 71](#)



**James Shea**  
CEO Commercial Insurance

Nationality: Canadian  
Born: 1965

[page 73](#)



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

Nationality: British  
Born: 1974

[page 72](#)



**Kristof Terryn**  
Group Chief Operating Officer

Nationality: Belgian  
Born: 1967

[page 73](#)



**George Quinn**  
Group Chief Financial Officer

Nationality: British  
Born: 1966

[page 72](#)

## Corporate governance report (continued)

### Group Management

#### Executive Committee

##### Group Management

as of December 31, 2019



To the extent not reserved to the Board, management is delegated to the Group CEO. The Group CEO has overall responsibility and accountability for the Group’s management and the performance. The ExCo serves the Group CEO as the core management team in matters of Group-wide strategic, financial and business-policy relevance, including consolidated performance, capital allocation and mergers and acquisitions.

The ExCo is chaired by the Group CEO. As of December 31, 2019, to reflect both lines of business and geography, members of the ExCo included the CEO EMEA (Europe, Middle East & Africa) and Bank Distribution, the CEO North America, the CEO Latin America, the CEO Asia Pacific, the CEO of Farmers Group, Inc. and the CEO Commercial Insurance. The Group CFO, the Group CIO, the Group COO and the Group CRO were also members of the ExCo as of December 31, 2019.

#### ExCo Composition

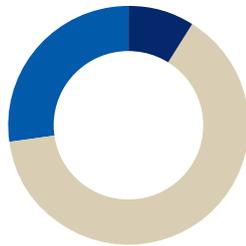
As of December 31, 2019, the ExCo included members of six nationalities. ExCo members’ business experience covers a broad range of jurisdictions, giving the ExCo profound collective knowledge of international business practices.

The composition as of December 31, 2019 in terms of length of tenure, gender, as well as nationality was as follows and the average length of tenure was 4 years:

## Corporate governance report (continued)

### Executive Committee by length of tenure

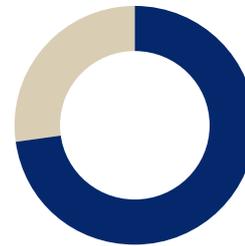
%, as of December 31, 2019



Less than 1 years	9
Between 1 and 5 years	64
More than 5 years	27

### Executive Committee by gender

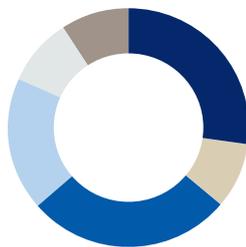
%, as of December 31, 2019



Male	73
Female	27

### Executive Committee by nationality

%, as of December 31, 2019



Switzerland	27
Italy	9
U.S.	27
UK	18
Canada	9
Belgium	9

### Changes to the ExCo

Amanda Blanc, former CEO EMEA and Bank Distribution, decided to step down from her role as of July 2, 2019 (please see her biography in the Annual Report 2018, page 66 under the following link: <https://www.zurich.com/investor-relations/results-and-reports>), and Alison Martin took over the role as CEO EMEA and Bank Distribution as of July 9, 2019, while continuing as Group Chief Risk Officer (Group CRO) until September 30, 2019. On October 1, 2019, Peter Giger took up the role of Group CRO and became a member of the ExCo.

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.

### Management committees

#### Group Balance Sheet Committee (GBSC)

**Members:** Group CFO (Chairperson), 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 Committee 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 among other by the Internal Economic Capital Model, including Z-ECM, RBC and related models, such as SST and Solvency II.

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

## Corporate governance report (continued)

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 and matters that may have a material impact on the balance sheet of the Group as determined by the chairperson

### The Group Risk Committee (GRC)

**Members:** Group CRO (Chairman), Group CFO, Group CIO, Group COO, Group General Counsel. The Head of Group Audit 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 insurance, financial markets, credit, operational and strategic risks.

The GRC reviews and recommends on topics such as:

- ▶ the overall Group risk appetite, risk tolerance and risk limits, including exceptions to limits over specified thresholds
- ▶ requests to enter new lines of insurance business or types of insurance coverage that would have a significant impact on the risk profile of the Group
- ▶ requests for exemptions from the Zurich Risk Policy (ZRP) for a particular transaction or product in case of a ratings or credit trigger
- ▶ the Group's TRP assessment and related actions
- ▶ changes to the Group Policy Framework and the ZRP
- ▶ regulatory developments affecting the Group's risk management and the Group's regulatory reporting
- ▶ prospective changes to capital models and methodologies that have a significant impact on economic solvency ratios
- ▶ the Group's model validation policy, and validation findings related to capital models and significant valuation models, including remedial actions
- ▶ market and credit risk internal model consumption relative to the Group's capital allocation, including remedial actions
- ▶ any significant deviations from established target solvency levels by subsidiaries, including remedial actions if needed

## Corporate governance report (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 retirement benefit arrangements and post-employment benefits, including the relevant policies and processes. It provides oversight and guidance on the Group's retirement benefit arrangements and post-retirement benefits in matters of benefit design, funding, investment and accounting and provides recommendations to the GBSC on material pension-related matters.

**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 position and/or performance of the Group. In particular, it reviews half-year and year-end IFRS financial results 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 material information as to the financial position and performance of the Group, proposals from Group Compliance regarding projects that have an impact on the Group and respective dealing restrictions as well as controls and procedures regarding the effectiveness of the Group's internal controls over financial reporting. It makes recommendations to the Group CFO.

### Panels

To enhance its understanding and assessment of the challenges and risks Zurich may face, the Group seeks external expertise and perspectives. As of December 31, 2019, the Group had access to one panel of leading academics and experts from business and industry which provides feedback and insights. Panels are not corporate bodies of the Group and have no decision-making powers. They provide expertise and advice to senior management or certain functions of the Group. The Advisory Council for Catastrophes (formerly Natural Catastrophe Advisory Council) provides insights into the patterns of occurrence, predictability and destructiveness of catastrophes and gives feedback about Zurich's approach to such catastrophes to help improve the effectiveness of its underwriting and reinsurance purchasing.

## Corporate governance report (continued)

### Biographies

#### Mario Greco

Group Chief Executive Officer

##### Skills and experience

Mario Greco joined Zurich in March 2016 as Group Chief Executive Officer 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 board of directors of the Swiss-American Chamber of Commerce. He is also a member of the International Advisory Council of Bocconi University, a member of the advisory board of the Department of Economics at the University of Zurich and a member of the EMBA X advisory board at the University of St. Gallen.

##### 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.

#### Urban Angehrn

Group Chief Investment Officer

##### Skills and experience

Urban Angehrn joined the Executive Committee as Group Chief Investment Officer in July 2015. Before taking his current position, he served as Head of Alternative Investments and prior to that, from 2010 to 2012, as Head of Strategy Implementation in Investment Management. He joined Zurich in 2007 as Regional Investment Manager for Europe. Before joining Zurich, he held various positions in capital markets-related roles in the insurance and investment banking industries, including as Head of Allocation & Strategy in asset management at the Winterthur Group. He also served as an adviser to Swiss institutional clients in the use of derivatives, and held positions in derivatives marketing and fixed income sales at Credit Suisse and J.P. Morgan.

##### External appointments

Mr. Angehrn is the Chairman of the Board of Trustees of the Zurich Insurance Group Swiss Pension Plan. He is also a member of the advisory board of the Department of Banking and Finance at the University of Zurich.

##### Educational background

Mr. Angehrn holds a Ph.D. in mathematics from Harvard University and a Master of Science in theoretical physics from the Swiss Federal Institute of Technology in Zurich (ETH).

#### Jeff Dailey

CEO of Farmers Group, Inc.

##### Skills and experience

Jeff Dailey began his career in 1980 with Mutual Service Insurance Company. He also worked for Progressive Insurance Company. He went on to form Reliant Insurance Company, an auto insurance start-up owned by Reliance Group Holdings, which was sold to Bristol West Holdings, Inc. in 2001. From 2001 until 2003 Mr. Dailey was Chief Operating Officer (COO) of Bristol West Holdings, Inc. and, in 2003 he was named President and COO of Bristol West Holdings, Inc., in conjunction with the firm's initial public offering (IPO) on the New York Stock Exchange. In 2006, he became CEO of Bristol West Holdings, Inc. Mr. Dailey joined Farmers Group, Inc. in 2007 as Vice President when Farmers acquired Bristol West Holdings, Inc., and he was promoted in 2008 to Executive Vice President of Personal Lines. In January 2011, he was promoted to the position of President and COO of Farmers Group, Inc. He became a member of the Board of Farmers Group, Inc. in February 2011 and has been its Chairman since October 2015. Mr. Dailey was appointed to his current role of CEO of Farmers Group, Inc. and became a member of the Executive Committee in January 2012.

##### External appointments

Mr. Dailey is a member of The Institutes Board of Trustees and serves on the advisory board of Team Rubicon, a disaster relief organization that brings together military veterans, first responders, medical professionals and technology experts.

##### Educational background

Mr. Dailey graduated from the University of Wisconsin-Madison with a bachelor's degree in economics and has an MBA from the University of Wisconsin-Milwaukee.

## Corporate governance report (continued)

### Biographies (continued)

#### Claudia Dill

CEO Latin America

##### Skills and experience

Claudia Dill has more than 25 years of experience in the banking and insurance sectors and has held a range of senior international positions. Ms. Dill joined Credit Suisse as an internal auditor in 1990. She moved to Japan in 1992, where she worked as an auditor for Deutsche Bank and Commerzbank. Ms. Dill spent most of 1994 working as an external auditor for Coopers & Lybrand in Moscow, before returning to Switzerland. She resumed working for Credit Suisse from the end of 1994 until 1999 in various roles in the credit risk management department. Ms. Dill joined Zurich in 1999 as Financial Controller of Group Reinsurance and in 2001 was promoted to Chief Financial Officer (CFO) for Group Reinsurance. In 2003, she was appointed CFO for the business division Continental Europe and was promoted in 2004 to CFO of the European Region and European General Insurance business division. In 2007 she was appointed Chief Operating Officer (COO) for the same business area. In 2009, Ms. Dill took on the role of CEO and President for the North America Shared Services Platform (ZFUS) and was promoted in 2010 to Head of Global Business Services, both roles based in the U.S. From 2012 until 2015, Ms. Dill served as COO for the General Insurance business, based in Switzerland. In 2015 she was named CEO General Insurance Latin America, based in Brazil, and was appointed CEO Latin America in 2016. She became a member of the Executive Committee in October 2016.

##### External appointments

None.

##### Educational background

Ms. Dill holds an MBA from the Universities of Rochester in the U.S. and Bern, Switzerland, and a master's degree in economics from the University of St. Gallen, Switzerland.

#### Peter Giger

Group Chief Risk Officer

##### Skills and experience

Peter Giger has extensive experience in insurance and reinsurance, including in areas of finance, risk, strategy, underwriting and regulatory management. Prior to being appointed as Zurich's Group Chief Risk Officer and member of the Executive Committee, effective October 1, 2019, he served for four years from 2014 to 2018 as the head of the Swiss Financial Market Supervisory Authority 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

None.

##### 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.

#### Jack Howell

CEO Asia Pacific

##### Skills and experience

Jack Howell has more than 20 years' experience in the financial services sector, of which more than 10 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 in AIG in the Philippines, Hong Kong and New York, co-founded a boutique investment bank called TwentyTen, and spent several years as a consultant, including in 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.

##### 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.

## Corporate governance report (continued)

### Biographies (continued)

#### Alison Martin

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

##### Skills and experience

Alison Martin has extensive management, financial and commercial experience within the insurance sector. She was appointed Chief Executive Officer Europe, Middle East & Africa (EMEA) and Bank Distribution in July 2019. Prior to that, she served as Group Chief Risk Officer 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 Chief Risk Officer-designate and a member of the Executive Committee in October 2017.

##### External appointments

Alison Martin became a member of the Swiss Federal Institute of Technology (ETH) Risk Center's advisory board in September 2018. In June 2019 she also became 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.

#### George Quinn

Group Chief Financial Officer

##### 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 Chief Financial Officer (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 finance chapter 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.

#### Kathleen Savio

CEO North America

##### Skills and experience

Kathleen Savio is Chief Executive Officer for Zurich North America, a position she has held since January 2018. She became a member of the Executive Committee in October 2017. She has more than 25 years of experience working across several disciplines at Zurich. From 2012 through 2017, she served as Zurich North America's Head of Alternative Markets, which delivers products and services to customers through multiple distribution channels, including direct, program administrators, crop agents, captive consultants and brokers. Prior to that appointment, Ms. Savio held the position of Chief Administrative Officer for North America Commercial. Before assuming that role, she led Corporate Marketing and Communications for North America Commercial, as well as Strategic Initiatives for Marketing and Distribution. She also has held roles in product underwriting and corporate marketing and within key business units. She joined Zurich in 1991.

##### External appointments

Ms. Savio is a board member and serves on the Executive Committee of the American Property Casualty Insurance Association (APCIA). She is also a board member for The Institutes and sits on the NYU Stern Center for Sustainable Business Advisory Board. She is a member of The Chicago Network, an organization of Chicago's leading professional women.

##### Educational background

Ms. Savio earned a master's degree in communication and a bachelor's degree in speech communication from Illinois State University. She is also a graduate of the Harvard Business School Advanced Management Program and has participated in executive management programs at Northwestern University's Kellogg School of Management.

## Corporate governance report (continued)

### Biographies (continued)

#### James Shea

CEO Commercial Insurance

##### Skills and experience

James Shea began his insurance career at AIG in 1994 as a financial lines underwriter in New York. He joined the American International Underwriters (AIU) division in 1996, where he held several senior underwriting and general management positions. These included senior vice president of International Financial Lines, regional president for Central Europe and the Commonwealth of Independent States and managing director of AIG UK. In 2011 he was appointed president of Global Specialty Lines and in 2012 his role was expanded to CEO of Commercial Insurance for AIG in Asia Pacific. Most recently he was President of Global Financial Lines based in New York. During his career, he has worked in Canada, the U.S., UK, France, Japan and Singapore. Mr. Shea joined Zurich in September 2016 as CEO Commercial Insurance and as a member of the Executive Committee effective October 2016.

##### External appointments

None.

##### Educational background

Mr. Shea holds a bachelor's degree in political science from McGill University, Canada.

#### Kristof Terryn

Group Chief Operating Officer

##### 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 after becoming CEO General Insurance in October 2015, continued to serve as CEO Global Life on an ad interim basis until the end of December 2015. He was appointed Group Chief Operating Officer effective July 2016.

##### External appointments

None.

##### 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.

## Corporate governance report (continued)

### Changes to the ExCo since January 1, 2020

There were no changes to the ExCo since January 1, 2020.

### Management contracts

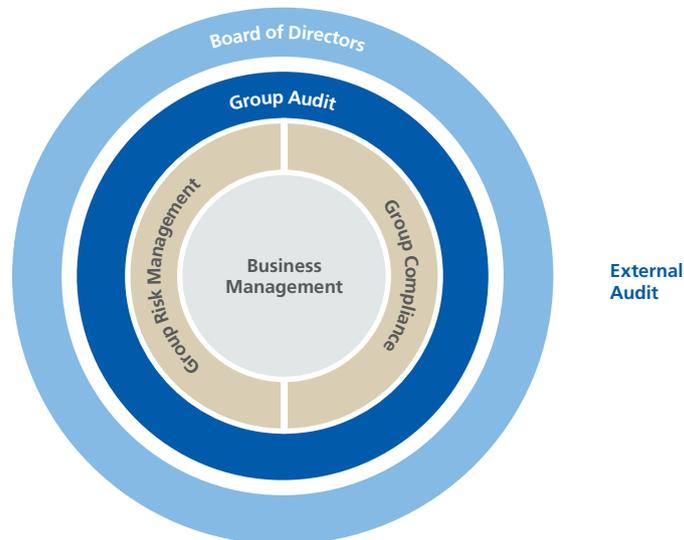
Zurich Insurance Group Ltd has not transferred key parts of management by contract to other companies (or individuals) not belonging to (or employed by) the Group.

## Governance, controls and assurance at Zurich Insurance Group

At Zurich, various governance and control functions help to ensure that risks are identified and appropriately managed and internal controls are in place and operating effectively. The Board is ultimately responsible for the supervision of these activities. Although each governance and control function maintains its distinct mandate and responsibilities, the functions are closely aligned and co-operate 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 and that adequate mitigation actions are implemented.

### Three lines of defense at Zurich Insurance Group

as of December 31, 2019



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

- **1st 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).
- **2nd 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 is responsible for Zurich's enterprise risk management framework. The Group CRO regularly reports risk matters to the Group CEO, senior management committees and the Risk and Investment Committee of the Board.  
Group Compliance is responsible for providing assurance to management that compliance risks within its mandate are appropriately identified and managed. The Group Chief Compliance Officer regularly provides reports to the Audit Committee and has an additional reporting line to the Chairman of the Audit Committee and appropriate access to the Chairman of the Board.
- **3rd line: Group Audit**  
The third line of defense consists of the assurance function Group Audit.  
Group Audit is responsible for auditing risk management, control and governance processes. The Head of Group Audit reports functionally to the Chairman of the Audit Committee and administratively to the Group CEO, and meets regularly with the Chairman of the Board and the Chairman of the Audit Committee and attends each meeting of the Audit Committee.
- **Board**  
The Board is ultimately responsible for the supervision of the control and assurance activities.  
**External Audit**  
External audit is responsible for auditing the Group's financial statements and for auditing Zurich's compliance with specific regulatory requirements. The Audit Committee regularly meets with the external auditors.

## Corporate governance report (continued)

### External auditors

#### Duration of the mandate and term of office of the auditor-in-charge

PricewaterhouseCoopers AG (PwC), Birchstrasse 160, in 8050 Zurich, is Zurich Insurance Group Ltd's external auditor.

PwC assumes all auditing functions which are required by law and by the Articles of Association of Zurich Insurance Group Ltd. The external auditors are appointed by the shareholders of Zurich Insurance Group Ltd annually. At the Annual General Meeting on April 3, 2019, PwC was re-elected by the shareholders of Zurich Insurance Group Ltd. The Board proposes that PwC be re-elected at the Annual General Meeting on April 1, 2020 as external auditors for the financial year 2020. PwC fulfills all necessary requirements under the Swiss Federal Act on the Admission and Oversight of Auditors and has been admitted as a registered auditing company by the Federal Audit Oversight Authority.

PwC and its predecessor organizations, Coopers & Lybrand and Schweizerische Treuhandgesellschaft AG, have served as external auditors of Zurich Insurance Group Ltd and its predecessor organizations since May 11, 1983. In 2000 and 2007, the Group conducted tender processes, inviting all major auditing firms to submit their work program and tender offers. After a thorough review, on both occasions the Board came to the conclusion that PwC's work program and offer prevailed and therefore proposed PwC for re-election.

Alex Finn of PwC is the Global Relationship Partner and lead auditor since the business year 2018. Mark Humphreys, audit engagement partner, co-signs the auditors' report for 2019 and is the auditor in charge for the statutory audit work since 2018. Ray Kunz is the auditor in charge for the regulatory audit work since 2017.

The Group has updated its policy on the rotation of the external audit mandate to adopt best practices adopted by the European Union and as a result will rotate its external auditor in 2021. The Group will thereafter tender its external audit mandate every ten years.

In 2018, in accordance with the new policy and in order to allow the greatest amount of flexibility and time for a smooth transition to the selected audit firm, the Group ran a competitive, transparent and fair tender process to select the firm to replace PwC. The Audit Committee was actively engaged throughout. At the AGM in 2021 Ernst & Young Ltd will be proposed as external auditor for financial year 2021.

#### Audit fees

Total audit fees (including expenses and value added taxes) charged by PwC in the year 2019 amounted to USD 43.8 million (USD 45.3 million in 2018).

External audit fees are reviewed annually by the Group's Audit Committee. Once the fees are agreed, they are further allocated to the countries and reporting units via a global allocation process with the allocations communicated to local CFOs and FAR Controllers. As the year comes to a close, actual fees charged are reviewed and agreed with the local CFOs. At all levels – Group and local – there is a clear understanding of the basis for the current year fee including the impacts of changes in scope or other factors. Unplanned overruns are reviewed and agreed with the business (responsible CFO or audit contact).

#### Non-audit fees

Total fees (including expenses and value added taxes) in the year 2019 for additional services, such as tax advice, audit-related services (primarily for the MCEV review, non audit assurance engagements and actuarial regulatory reviews) and other services (primarily IFRS 17 projects, strategy and forensic services) were USD 19.4 million (USD 16.2 million in 2018).

The Group has a comprehensive policy covering non-audit services. The Group's policy specifies definitions of allowable and non-allowable non-audit services as well as approval limits for non-audit service mandates at the local and Group level. The Group's external auditor tracks non-audit services and reports semi-annually to the Head of Group FAR and the Audit Committee the extent of non-audit services provided world-wide.

## Corporate governance report (continued)

Non-audit fees were as follows:

Audit and non-audit fee amounts	in USD millions, as of December 31	
	2019	2018
<b>Total audit fees</b>	<b>43.8</b>	<b>45.3</b>
<b>Total non-audit fees</b>	<b>19.4</b>	<b>16.2</b>
– Tax advice	1.6	0.9
– Audit-related, including MCEV	4.7	5.0
– Other, primarily related to the IFRS 17/9 projects	13.1	10.3

### Supervision and control over the external audit process

The Audit Committee regularly meets with the external auditors. During 2019, the Audit Committee met with the external auditors nine 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 the external auditors 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 Zurich Insurance Group Ltd and the Group.

The Audit Committee oversees the work of the external auditors. It reviews, at least annually, the qualification, performance and independence of the external auditors and reviews any matters that may impair their objectivity and independence. The review is based on a written report by the external auditors describing the firm's internal quality control procedures, any material issues raised and all relationships between the external auditors and the Group and/or its employees that could be considered to bear on the external auditors' independence. The Audit Committee evaluates the performance of the external auditors 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 of the external auditors to the needs of Zurich Insurance Group Ltd 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 appointment by the shareholders and is responsible for approving the audit fees. A proposal for fees for audit services is submitted to management by the external auditors and validated, before it is submitted to the Audit Committee for approval. The proposal is mainly based on an analysis of existing reporting units and expected changes to the legal and operational structure during the year.

The Audit Committee has approved a written policy on the use of external auditors for non-audit services, which sets out the rules for providing such services and related matters (including a list of prohibited services). Allowable non-audit services may include tax advice, comfort and consent letters, certifications and attestations, and due diligence and audit support in proposed transactions, to the extent that such work complies with applicable legal and regulatory requirements and does not compromise the independence or objectivity of the external auditors. To avoid conflicts of interest, all allowable non-audit services need pre-approval from the Audit Committee (Chairman), the Group CFO or the local CFO, depending on the level of the expected fee. This policy further requires, among other things, an engagement letter specifying the services to be provided.

## Corporate governance report (continued)

### Group Audit

The Group's internal audit function (Group Audit) is tasked with providing independent and objective assurance to the Board, the Audit Committee, the Group CEO and management and to the boards and audit committees of subsidiary companies. This is accomplished by developing a risk-based plan, which is updated continuously as the risks faced by the business change. The plan is based on the full spectrum of business risks including concerns and issues raised by the Audit Committee, management and other stakeholders. Group Audit executes the 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). Key issues raised by Group Audit are communicated to the responsible management function, the Group CEO and the Audit Committee using a suite of reporting tools.

The Audit Committee, boards and audit committees of subsidiary companies and Group CEO are regularly informed of important audit findings, including adverse opinions, mitigation actions and attention provided by management. Group Audit is responsible for ensuring that issues identified by Group Audit, that could have an impact on the Group's operations are brought to the attention of the Audit Committee and appropriate levels of management and that timely follow-up action occurs. This is supported by the attendance of the Head of Group Audit at each meeting of the Audit Committee. In addition, the Head of Group Audit meets with the Chairman of the Audit Committee each month.

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. In the course of its work, Group Audit takes into consideration the work of other assurance functions. In particular, Group Audit co-ordinates its activities with the external auditors, sharing risk assessments, work plans, audit reports and updates on audit actions. Group Audit and the external auditors meet regularly at all levels of the organization to optimize assurance provision and efficiency.

The Audit Committee assesses the independence of Group Audit and reviews its activities, plans and organization, the quality of its work and its cooperation with the external auditors. As required by the Institute of Internal Auditors' (IIA) International Standards, the Internal Audit function is quality-reviewed at least every five years by an independent qualified assessor. This review was conducted most recently in 2016 and 2017, and reported to the Audit Committee in February 2017. The results confirmed that Group Audit's practices conform to all IIA Standards.

The Audit Committee approves the Group Audit Plan annually, and reviews reports from the function on its activities and significant risk, control and governance issues, at least three times per year. The Head of Group Audit reports functionally to the Chairman of the Audit Committee and administratively to the Group CEO, and meets regularly with the Chairman of the Board and the Chairman of the Audit Committee. Group Audit has no operational responsibilities for the areas it reviews and, to ensure independence, all Group Audit staff report (via audit managers) to the Head of Group Audit. In some instances, country audit managers also have a reporting line to the local CEO to comply with regulatory requirements.

## Corporate governance report (continued)

### Group Compliance

The Group is committed to comply with all applicable laws, regulations and internal requirements, professional and industry standards and its stated corporate values.

Group Compliance is a control function responsible for:

- ▶ enabling the business to manage its compliance risks
- ▶ being a trusted advisor
- ▶ 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 it is led by the Group Chief Compliance Officer.

Group Compliance performs its activities according to the Global Annual Compliance Plan and reports on progress against plan, outcomes and insights to management, the Audit Committee of the Board or to the regional and local equivalent body.

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, taking into account both internal and external key risk drivers.

Group Compliance provides an independent compliance view on the key compliance risks to the business and performs independent risk-based monitoring and assurance activities, challenging the business. In addition, it provides compliance risk insight through relevant and targeted reporting.

The Group Chief Compliance Officer defines and issues compliance policies relevant to the Group and establishes appropriate processes and guidance.

Group Compliance supports the embedment of a strong compliance culture across the Group in a changing regulatory environment via training and awareness initiatives.

The Group Chief Compliance Officer has direct access to the Group CEO and the Chairman of the Board's Audit Committee and appropriate access to the Chairman of the Board. The Group Chief Compliance Officer has an additional reporting line to the Chairman of the Audit Committee, while maintaining functional independence as a second line of defense function.

As part of Zurich's commitment to promoting a culture of compliance, Group Compliance establishes and maintains the global reporting mechanism for reporting of concerns. Zurich encourages its employees to speak up and report improper conduct that they believe is illegal, unethical, or violates Zurich's Code of Conduct or our Group's policies. Employees are free to report their concerns to management, Human Resources, the Group's Legal department, its Compliance function, 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.

## Corporate governance report (continued)

### Stakeholders

#### Shareholders

##### Significant shareholders

According to the rules regarding the disclosure of significant shareholdings of Swiss companies listed in Switzerland, it has to be disclosed if certain thresholds starting at 3 percent are reached or if the shareholding subsequently falls below those thresholds. Disclosure must be made separately for purchase positions (including shares, long call options and short put options) and sale positions (including long put options and short call options). The percentage thresholds are calculated on the basis of the total amount of voting rights according to the number of shares issued as disclosed in the commercial register.

Zurich Insurance Group Ltd is obliged to announce shareholdings by third parties in its shares upon receipt of a third-party notification that a threshold has been reached. During 2019, the Group received one such notification that a relevant threshold had been exceeded.

As of December 31, 2019, Zurich Insurance Group Ltd was not aware of any person or institution, other than BlackRock, Inc., New York (> 5 percent) and The Capital Group Companies, Inc., Los Angeles (> 5 percent), which, directly or indirectly, had an interest as a beneficial owner in shares, option rights and/or conversion rights relating to shares of Zurich Insurance Group Ltd exceeding the relevant thresholds prescribed by law.

The announcements related to these notifications can be found via the search facility on the SIX Disclosure Office's platform: [www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html](http://www.six-exchange-regulation.com/de/home/publications/significant-shareholders.html).

Zurich Insurance Group Ltd is not aware of any person or institution which, as of December 31, 2019, directly or indirectly, alone or with others, exercised or was a party to any arrangements to exercise control over Zurich Insurance Group Ltd.

##### Overview on shareholder structure

#### Number of shares held

as of December 31, 2019

	Number of registered shareholders	% of registered share capital
1–500	115,416	13.1
501–1,000	5,101	4.0
1,001–10,000	3,991	10.6
10,001–100,000	395	12.1
100,001+	66	60.1
<b>Total registered shares<sup>1</sup></b>	<b>124,969</b>	<b>100.0</b>

<sup>1</sup> of registered shareholders.

#### Registered shareholders by type

as of December 31, 2019

	Registered shareholders in %	Registered shares in % <sup>1</sup>
Individual shareholders	96.0	25.7
Legal entities	3.9	28.3
Nominees, fiduciaries	0.1	46.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

<sup>1</sup> of registered shareholders.

## Corporate governance report (continued)

### Registered shareholders by geography

as of December 31, 2019

	Registered shareholders in %	Registered shares in % <sup>1</sup>
Switzerland	48.4	93.5
UK	32.6	0.5
North America	10.9	0.7
Asia	0.9	0.2
Latin America	0.0	0.1
Rest of the world	7.2	5.0

<sup>1</sup> of registered shareholders.

### Cross-shareholdings

Zurich Insurance Group Ltd has no interest in any other company exceeding 5 percent of the voting rights of that other company, where such other company has an interest in Zurich Insurance Group Ltd exceeding 5 percent of the voting rights in Zurich Insurance Group Ltd.

### Shareholders' participation rights Voting rights restrictions and representation

Each share entered into the share register entitles the holder to one vote. There are no voting rights restrictions (other than set out under "Limitations on transferability and nominee registrations", see page 87).

A shareholder with voting rights can attend shareholders' meetings of Zurich Insurance Group Ltd in person. He or she may also authorize, in writing, another shareholder with voting rights or any person permitted under the Articles of Association and a more detailed directive of the Board to represent him or her at the shareholders' meeting. Based on the Articles of Association, minors or wards may be represented by their legal representatives, married persons by their spouses and a legal entity may be represented by authorized signatories or other authorized representatives, even if such persons are not shareholders.

In accordance with the Ordinance AEC and reflected in article 13 of our Articles of Association, authority of representation may also be given to the independent voting rights representative. The AGM elects the independent voting rights representative. The term of office ends with the conclusion of the next AGM. The independent voting rights representative may be re-elected. The shareholders may give voting instructions to the independent voting rights representative either in writing or via the online platform of Computershare Switzerland Ltd.

Zurich Insurance Group Ltd may under certain circumstances authorize the beneficial owners of shares that are legally held by professional persons as nominees (such as a trust company, bank, professional asset manager, clearing organization, investment fund or another entity recognized by Zurich Insurance Group Ltd) to attend shareholders' meetings and exercise votes as proxy of the relevant nominee. For further details, see page 87 of this report.

In accordance with Swiss law and practice, Zurich Insurance Group Ltd informs all shareholders at the beginning of the shareholders' meeting of the aggregate number of shares represented by shareholders and the number of shares represented by the independent voting rights representative. Zurich Insurance Group Ltd provided electronic voting devices to its shareholders for all the resolutions taken at the AGM on April 3, 2019.

### Statutory quora

Pursuant to the Articles of Association ([www.zurich.com/en/about-us/corporate-governance/corporate-documents](http://www.zurich.com/en/about-us/corporate-governance/corporate-documents)), 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. Article 704 of the Swiss Code of Obligations provides for a two-thirds majority of votes represented and an absolute majority of the nominal value of shares represented for certain important matters, such as a change of the company's purpose or domicile, a dissolution of the company and certain matters relating to capital increases.

## Corporate governance report (continued)

### Convening of shareholders' meetings

Shareholders' meetings are convened by the Board or, if necessary, by the auditors and other bodies in accordance with the provisions set out in articles 699 and 700 of the Swiss Code of Obligations. Shareholders with voting rights representing at least 10 percent of the share capital may call a shareholders' meeting, indicating the matters to be discussed and the corresponding proposals. The invitation to shareholders is mailed at least 20 calendar days before the meeting is held and, in addition, is published in the Swiss Official Gazette of Commerce.

### Agenda

The Board is responsible for setting the agenda and sending it to shareholders. Shareholders with voting rights who together represent shares with a nominal value of at least CHF 10,000 may request in writing, no later than 45 days before the day of the meeting, that specific items be included in the agenda.

### Registrations in the share register

With a view to ensuring an orderly process, the Board determines the date on which a shareholder needs to be registered in the share register in order to exercise their participation rights by attending the shareholders' meeting. That date is published, together with the invitation to the shareholders' meeting, in the Swiss Official Gazette of Commerce.

### Information Policy

As of December 31, 2019, Zurich Insurance Group Ltd had 124,969 shareholders registered in its share register, ranging from private individuals to large institutional investors. Each registered shareholder receives an invitation to a shareholders' meeting. A Letter to Shareholders provides an overview of the Group's activities as the year progresses and outlines its financial performance. A more comprehensive Annual Report and half-year reports are available on Zurich's website. Information on the Group's updates for the first three months and first nine months of the year is also available on Zurich's website ([www.zurich.com/en/investor-relations/results-and-reports](http://www.zurich.com/en/investor-relations/results-and-reports)). News Releases are distributed in accordance with the Directive on Ad hoc Publicity and available on Zurich's website [www.zurich.com](http://www.zurich.com) ([www.zurich.com/en/media](http://www.zurich.com/en/media)).

Zurich Insurance Group Ltd will hold its Annual General Meeting on April 1, 2020. The meeting will be held at the Hallenstadion in Zurich-Oerlikon. An invitation setting out the agenda for this meeting and an explanation of the proposed resolutions is issued to shareholders at least 20 days before the meeting.

For addresses see information on page 313 and further upcoming important dates, see investor section starting on page 24 (financial calendar on page 25).

## Corporate governance report (continued)

### Employees

Work sustainability is of high concern in today's world, especially in these times of great change and transformation and we are making it our top priority. The Group, with a long-term vision and a strong sense of purpose, supports and encourages each one of our employees to progress in their careers and build a path for their future.

Therefore, we put in place shared commitments that lead to a sense of security and trust in the workplace, as we continue to grow: developing our employees for new job opportunities rather than hiring externally, prioritizing our in-house local skills over outsourcing solutions and offering career choices that match the employees' talents and ambitions and meet the market needs of today and tomorrow.

We are now actively moving to bring forward a range of solutions designed to promote a culture of continuous learning within Zurich, reskilling and upskilling our employees to ensure they are fit for the future needs of our business.

The Group has already made good progress in promoting a truly diverse and inclusive work environment, and we have received worldwide recognition for this; our recent commitment to granting equal access to paid maternity/ paternity leave globally, is unprecedented in our industry. The Group is committed to providing equal opportunities when recruiting and promoting people, whereby ability, experience, skills, knowledge, integrity and diversity are guiding principles.

#### Employees by gender

% 2019



● Male	<b>49</b>
● Female	<b>51</b>

#### Female representation

%

##### ExCo



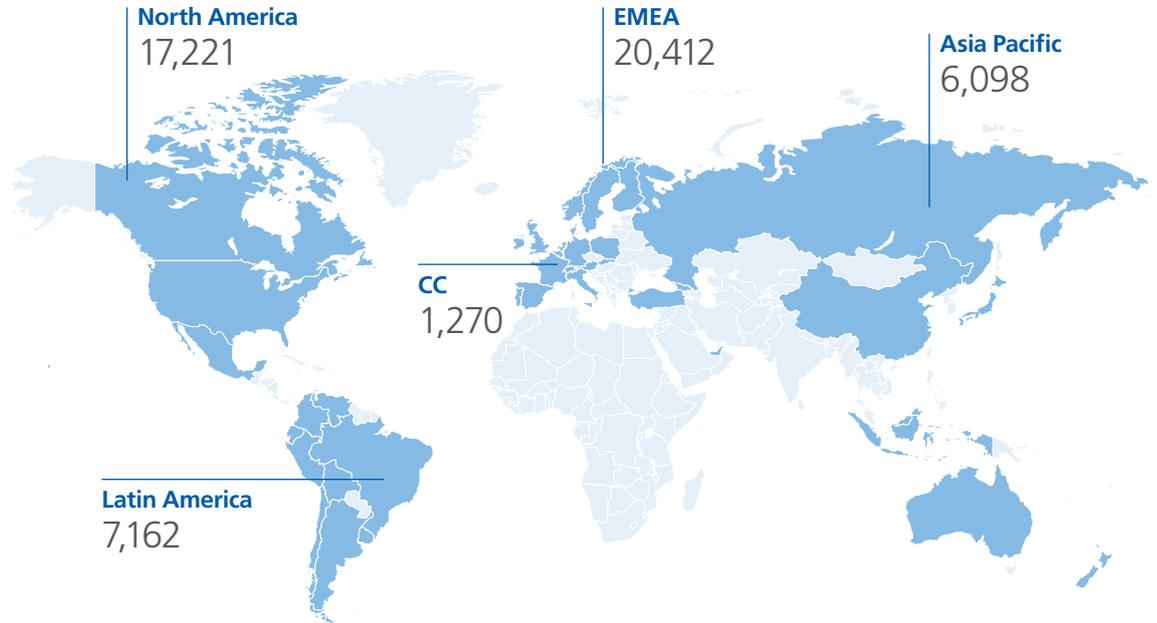
##### Leadership team



## Corporate governance report (continued)

### Our organizational footprint<sup>1</sup>

Number of people



Nationalities	Average Tenure <sup>2</sup>	Average Turnover <sup>3</sup>	Boomer <sup>4</sup>	Gen X <sup>4</sup>	Gen Y <sup>4</sup>
112	10	13.6%	17%	43%	38%

<sup>1</sup> Excluding Cover-More and parts of Germany.

<sup>2</sup> Average tenure as per 31.12.2019.

<sup>3</sup> Annualized turnover in 2019.

<sup>4</sup> Boomer, <1964; Gen X, 1965–1979; Gen Y, 1980–1994.

Our commitment to a positive employee value proposition has been greatly assisted by the deployment of a number of ‘listen and act’ initiatives such as organizational health and employee net promoter score (ENPS) to deliver the improvements our employees want to see.

As an employer we see diversity and inclusion as being of primary importance, and recent efforts to improve employee engagement have resulted in a strong improvement in ENPS.

The Group actively encourages employee involvement in its activities through publications, team briefings and regular meetings with employees’ representatives. The Group is also part of an agreement with employee representatives of the Group’s companies in Europe. For further information on the Group’s people management activities, see pages 22 and 23 of the Annual Report. In some countries, the Group has established broad-based employee share compensation and incentive plans to encourage employees to become shareholders of the Group.

# Corporate governance report (continued)

## Customers

Our customers are at the center of all our activities and thinking. Society is facing increasingly interconnected and complex environmental, social and governance challenges. The insurance industry cannot be a bystander and where appropriate, it must play its role in addressing these challenges as a manager of risk. Failing to do so, can have a damaging impact on society, stakeholder trust and the reputation of the insurance industry and its customers. That is why we work with our corporate customers and brokers to better manage sustainability risks and strive to promote international best practice standards that help ensure that potentially adverse social, environmental and economic impacts are adequately managed.

As an insurer, we systematically identify sustainability risks and deliver solutions that can enhance the social and environmental impact of our customer. We proactively engage with customers to support their transition to a low carbon economy. We work continuously to develop relevant products and solutions for customers that have a positive social and environmental impact, and support well-being, enhance resilience and facilitate the transition to a low-carbon economy. Some of the ways we have achieved this recently include:

## ESG in insurance – specific solutions with sustainable impact



### Examples of Zurich’s environmental, social and governance (ESG) products around the world



<b>Resource efficiency</b>		
1 Better Green construction insurance	USA/EMEA	
2 Homeowners Eco-Rebuild	Farmers <sup>1</sup> USA	
<b>Severe weather</b>		
3 Flood pre-loss incentives	USA	
<b>Financial inclusion</b>		
4 Insurance protection: Blue Marble Microinsurance <sup>2</sup>	Latin America/ East Africa/India	
5 Basic Ability: Income protection	Germany/Austria/Spain/ Italy/Latin America	
6 Savings product	Brazil	
7 TrueLady	Malaysia	
<b>Supporting communities</b>		
8 Savings product <sup>5</sup>	Spain <sup>3</sup>	
9 Medical expenses <sup>5</sup>	Mexico <sup>4</sup>	
10 Pension fund <sup>5</sup>	Spain <sup>3</sup>	
11 One Tree for One Policy	UK/Hong Kong/Switzerland	
<b>Mobility</b>		
12 Electric car insurance	Ireland/Switzerland/Germany/ Spain/Austria/Portugal	
13 Telematics	Italy/UK/Japan/Spain/ Germany/Brazil	
<b>Renewable energy</b>		
14 Construction insurance	US/South Africa/Israel	
15 Construction insurance	Italy/Germany/Switzerland	
16 Zurich4Power	Italy	
17 Zurich SOLARplus	Germany	
18 Renewable Energy Generating Equipment Insurance	USA	
<b>Risk tool</b>		
19 Natural Hazards Radar	Switzerland	
<b>Environmental impact</b>		
20 Carbon Capture and Sequestration Liability Insurance	USA	
21 Z Choice Pollution liability insurance	USA	

<sup>1</sup> The Farmers Exchanges are owned by their policyholders. 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.  
<sup>2</sup> Zurich Insurance Group is one of the founding members of Blue Marble Microinsurance, a consortium of eight companies collaborating to innovate solutions that protect the underserved.  
<sup>3</sup> Zurich’s joint venture with Banco Sabadell.  
<sup>4</sup> Zurich Santander.  
<sup>5</sup> Supporting various projects around the world.

## Corporate governance report (continued)

We integrate our commitment to sustainability and the UN Global Compact into our underwriting and business decisions. We believe in the value of engaging with customers to understand their business and operations, and working together with them to ensure they have responsible and sustainable business practices in place. This enables us to make better-informed decisions on how we can support customers in developing best practice in areas of ESG (<https://www.zurich.com/sustainability/working-with-customers/esg-integration-in-insurance>). For further information see pages 20 and 21.

### Communities – our role in society

We are investing in our communities to create social impact, enhance resilience and provide engagement opportunities for our employees outside of their daily jobs.

There is a growing gap between natural hazards protection of the total economic losses and the portion of those losses that is insured. This needs to be tackled both by traditional risk transfer mechanisms such as insurance, and by leveraging the insurance industry's knowledge on risk management and risk reduction. By using Zurich's risk expertise as a global insurer, we can help customers and communities reduce the devastating impacts of floods – even before a flood hits – and build community flood resilience in a more integrated way.

We help communities dealing with floods through the Flood Resilience Alliance which is a program designed together with other members to lessen the prevalence of floods and allow communities to recover quickly. The Group provides the following contributions to the Alliance:

- ▶ secondment projects of Zurich employees with the relevant skills and expertise (flood/hydrological expertise and risk engineering expertise skills)
- ▶ ambitious impact targets through which we aim to help make 2 million people more resilient to flooding and to support generation of USD 1 billion in additional funding to flood resilience by 2023
- ▶ the award-winning post-event review capability (PERC) – comprising research and independent reviews of large flood events to identify best practices and opportunities based on understanding how a hazard event becomes a disaster and how resilience might be achieved.

Together with members of the Zurich Flood Resilience Alliance, we continued to help communities reduce flood risk directly benefiting 225,000 people across 13 programs in nine countries. We continued our charitable investment in community programs and many business hours were volunteered by our employees. The Z Zurich Foundation supports flood resilience efforts through donations. For further information see pages 26 and 27.

## Corporate governance report (continued)

### Capital structure

#### Share capital

As of December 31, 2019, the ordinary share capital of Zurich Insurance Group Ltd amounted to CHF 14,960,802.70 divided into 149,608,027 fully paid registered shares with a nominal value of CHF 0.10 each. The Board will propose to the shareholders at the Annual General Meeting on April 1, 2020 a dividend of CHF 20 per share. It is planned that the dividend will be paid out of the available earnings with a deduction of 35 percent Swiss withholding tax.

#### Authorized and contingent share capital as of December 31, 2019

Up to and including April 4, 2020, the Board of Zurich Insurance Group Ltd is authorized to increase the share capital by an amount not exceeding CHF 4,500,000 by issuing up to 45,000,000 fully paid registered shares with a nominal value of CHF 0.10 each (Art. 5<sup>bis</sup>). This authorized share capital corresponds to about 30 percent of the total registered shares issued as of December 31, 2019. Share issuances from authorized share capital where the shareholders' subscription rights are restricted or excluded are limited to 15,000,000 shares (i.e., about 10 percent of the total registered shares issued as of December 31, 2019).

The share capital of Zurich Insurance Group Ltd may be increased by an amount not exceeding CHF 3,000,000 by issuing of up to 30,000,000 fully paid 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 Zurich Insurance Group Ltd or one of its Group companies, or by mandatory conversion of financial instruments issued by Zurich Insurance Group Ltd or one of its Group companies, that allow for contingent mandatory conversion into shares of Zurich Insurance Group Ltd, or by exercising option rights which are granted to the shareholders (Art. 5<sup>ter</sup> 1a). This contingent share capital corresponds to about 20 percent of the total registered shares issued as of December 31, 2019.

Up to and including April 4, 2020, the total number of new shares which could be issued from (i) authorized share capital under Art. 5<sup>bis</sup> where the subscription rights are restricted or excluded and (ii) contingent share capital in connection with financial instruments under Art. 5<sup>ter</sup> 1a where the advance subscription rights are restricted or excluded is limited to 30,000,000 shares (i.e., about 20 percent of the total registered shares issued as of December 31, 2019).

Moreover, there is an additional contingent share capital (Art. 5<sup>ter</sup> 2a) of CHF 494,723.20, representing 4,947,232 fully paid registered shares with a nominal value of CHF 0.10 each, which may be issued to employees of Zurich Insurance Group Ltd or one of its Group companies. For further information on the capital structure and the authorized and contingent share capital, see the audited consolidated financial statements, note 19 on pages 239 to 241. This contingent share capital compares to about 3.3 percent of the current total registered shares issued as of December 31, 2019.

For further information please see Article 5<sup>bis</sup> and 5<sup>ter</sup> of the Articles of Association, as published under the following link: [www.zurich.com/IR-articles-of-association](http://www.zurich.com/IR-articles-of-association).

#### Changes to share capital during 2019

During 2019, no shares were issued from authorized or contingent share capital. As a result, on December 31, 2019, the share capital amounted to CHF 14,960,802.70 (149,608,027 shares). The authorized share capital (Art. 5<sup>bis</sup> 1) amounted to CHF 4,500,000 (45,000,000 shares). The contingent share capital for financial instruments (Art. 5<sup>ter</sup> 1a) amounted to CHF 3,000,000 (30,000,000 shares) and the contingent share capital for employees (Art. 5<sup>ter</sup> 2a) amounted to CHF 494,723.20 (4,947,232 shares).

On April 3, 2019, the Annual General Meeting approved the reduction of the ordinary share capital of the Company by CHF 174,000 (1,740,000 shares) from CHF 15,134,802.70 (151,348,027) to CHF 14,960,802.70 (149,608,027 shares) in conclusion of the public share buy-back program for 1,740,000 of Zurich Insurance Group Ltd's own shares launched in 2018. The capital reduction was executed by the Board of Directors and filed with the Commercial Register of the Canton of Zurich subsequent to the required publications of the notice to creditors. The capital reduction was reduced in the share register effective as of June 21, 2019.

## Corporate governance report (continued)

### Changes to share capital during 2018

During 2018, a total of 8,176 shares were issued to employees from contingent share capital. As a result, on December 31, 2018, the share capital amounted to CHF 15,134,802.70 (151,348,027 shares) and the authorized share capital (Art. 5<sup>bis</sup> 1) amounted to CHF 4,500,000 (45,000,000 shares). The contingent share capital for financial instruments (Art. 5<sup>ter</sup> 1a) amounted to CHF 3,000,000 (30,000,000 shares) and the other contingent share capital for employees (Art. 5<sup>ter</sup> 2a) amounted to CHF 494,723.20 (4,947,232 shares).

On April 11, 2018, the Board of Directors launched a public share buy-back program for 1,740,000 of Zurich Insurance Group Ltd's own shares for cancellation purposes, which was completed on May 18, 2018. The respective capital reduction to cancel the shares repurchased under this share buy-back program was conducted in 2019.

#### Summary of changes in the ordinary share capital over the last two years

	Share capital in CHF	Number of shares	Nominal value in CHF
As of December 31, 2017	15,133,985.10	151,339,851	0.10
Newly issued shares from contingent capital	817.60	8,176	0.10
As of December 31, 2018	15,134,802.70	151,348,027	0.10
Newly issued shares from contingent capital	0.00	–	0.10
Capital reduction June 2019	174,000.00	1,740,000	
As of December 31, 2019	14,960,802.70	149,608,027	0.10

For information on changes of share capital during 2017, see the Annual Report 2017 of Zurich Insurance Group, pages 41 to 42 and pages 232 to 233 ([www.zurich.com/en/investor-relations/results-and-reports](http://www.zurich.com/en/investor-relations/results-and-reports)).

### Shares and participation certificates

Zurich Insurance Group Ltd's shares are registered shares with a nominal value of CHF 0.10 each. The shares are fully paid in. Pursuant to article 14 of the Articles of Association ([www.zurich.com/IR-articles-of-association](http://www.zurich.com/IR-articles-of-association)), each share carries one vote at shareholders' meetings, entitles all shareholders to dividend payments (excluding treasury shares) and the registered holder to exercise all other membership rights in respect of that share.

Some interests in shares are held by investors in the form of American Depositary Receipts (ADRs)<sup>1</sup>. As of December 31, 2019, investors held 21'244'780 ADRs (representing 2'124'478 Zurich Insurance Group Ltd shares).

### Profit-sharing certificates

Zurich Insurance Group Ltd has not issued any profit-sharing certificates.

### Limitations on transferability and nominee registrations

The Articles of Association do not provide for any 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. Nominees holding Zurich Insurance Group Ltd 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 owner.

There are special provisions relating to the registration and exercise of rights attached to shares by The Bank of New York Mellon Corporation in connection with the Zurich Insurance Group Ltd ADR program.

### Convertible bonds and options

Zurich Insurance Group Ltd had no public convertibles or options outstanding as of December 31, 2019. For information on employee share plans, see the audited consolidated financial statements, note 21 on pages 250 to 251.

<sup>1</sup> Zurich Insurance Group Ltd has established an American Depositary Share, or ADS, level 1 program in the U.S. Under this program, The Bank of New York Mellon Corporation issues the ADSs. Each ADS represents the right to receive one-tenth of one share of Zurich Insurance Group Ltd. Each ADS also represents securities, cash or other property deposited with The Bank of New York Mellon Corporation but not distributed to ADS holders. Zurich's ADSs are traded over the counter (OTC) and are evidenced by American Depositary Receipts, or ADRs. Since July 1, 2010, Zurich'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 shareholders of Zurich Insurance Group Ltd and are not able to directly enforce or exercise shareholder rights. Only The Bank of New York Mellon Corporation as Depository of the level 1 program may exercise voting rights with respect to instructions received from beneficial owners of ADRs.

## Corporate governance report (continued)

### Changes of control and defense measures

#### Duty to make an offer

The Articles of Association of Zurich Insurance Group Ltd do not provide for opting out or opting up in the meaning of articles 125 and 135 of the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives Trading. Therefore, mandatory offers have to be submitted when a shareholder or a group of shareholders acting in concert exceed 33 1/3 percent ownership of the issued and outstanding share capital of Zurich Insurance Group Ltd.

#### Clauses on changes of control

Employment agreements have been entered into with members of the ExCo, setting out the terms and conditions on which they are employed. The longest notice period for members of the ExCo is 12 months. No other benefits are provided in the case of a change of control.

The Group's share-based compensation programs include regulations regarding the impact of a change of control. These regulations provide that in the case of a change of control, the plan administrator (the Remuneration Committee or the Group CEO, as applicable) has the right to roll over the existing share obligations into new share rights or to provide consideration for such obligations that are not rolled over. Participants who lose their employment as a result of a change of control have the right to the vesting of share obligations. No other benefits are provided to members of the ExCo in case of a change of control. No benefits are provided for the members of the Board in case of a change of control.

### Risk management and internal control framework

For information regarding the Group's risk management and internal control framework, see the risk review of this Annual Report 2019 on pages 126 to 161. The Group no longer separately describes risk management and internal control information in this governance report.

### Going concern

The Directors are satisfied that, having reviewed the performance of the Group and forecasts for the forthcoming year, the Group has adequate resources to enable it to continue in business for the foreseeable future. For this reason, the Directors have adopted the going concern basis for the preparation of the consolidated financial statements.

Group overview	<b>Governance</b>	Risk review	Financial review
----------------	-------------------	-------------	------------------

THIS PAGE HAS INTENTIONALLY BEEN LEFT BLANK

## Message from our Chairman of the Remuneration Committee

# Rewarding achievements

“Reward decisions for Zurich’s leadership reflect performance against business, customer and employee targets, as well as key risk objectives.”

**Christoph Franz**  
Chairman of the Remuneration Committee



## Message from our Chairman of the Remuneration Committee

**Zurich operates a balanced and effectively managed remuneration system. The remuneration report provides further details on this, as well as the link between business performance and variable pay decisions for 2019.**

### Dear Shareholder

The remuneration outcomes detailed in this report are a reflection of Zurich's performance achievements against the Group's strategic targets. In 2019 Zurich demonstrated further strong performance with the Group exceeding all targets with a business operating profit after tax return on equity of 14.2 percent, expense savings of over USD 1.5 billion, and net cash remittances of USD 10.9 billion, while maintaining a very strong capital base. In 2019, business operating profit (BOP) increased 16 percent, while net income attributable to shareholders (NIAS) increased by 12 percent and was at the highest level over the past decade.

### Activities in 2019

Zurich supports continuous improvement to standards of governance, culture and remuneration, and has engaged with regulators in the markets in which we operate where changes to the regulation of remuneration have been proposed. We will continue to monitor developments and best practices in the areas of reward and remuneration-related regulation and review Zurich's remuneration approach accordingly.

2019 also saw the expansion of customer metrics, in addition to existing financial metrics, to further markets to assess the overall business performance for the funding of short-term incentive awards. The customer metrics now cover the majority of employees participating in short-term incentives, supporting continuous improvement of customer experience. In addition, the enhancements to the performance management and incentive approach shared in the previous year's remuneration report have been implemented to allow for more flexible, differentiated and merit-based awards.

### Looking ahead

With the next strategic cycle commencing this year, the performance criteria for the long-term incentive plan (LTIP) have been aligned to the targets beginning as of the allocation in 2020. Further information is provided in the outlook section of this report.

Details on the remuneration votes of the Board and of the ExCo, are included in the 2020 Board of Directors Report of Zurich Insurance Group Ltd (Board of Directors Report), which accompanies the invitation to the AGM 2020 ([www.zurich.com/investor-relations/shareholder-area/annual-general-meeting](http://www.zurich.com/investor-relations/shareholder-area/annual-general-meeting)).

We welcome your feedback on this report and thank you for your ongoing support and engagement.

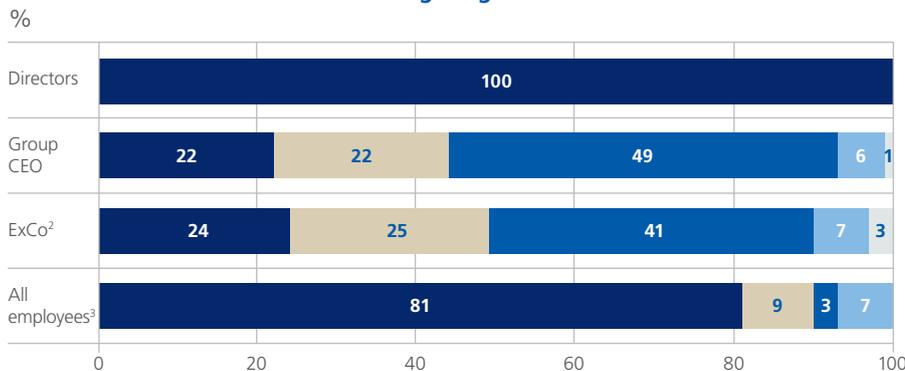


**Christoph Franz**  
Chairman of the Remuneration Committee

## Remuneration structure

Zurich's remuneration architecture puts a greater emphasis on variable remuneration elements, with a higher weighting on average towards the long term for our most senior employees. The variable remuneration is largely determined by the achievements against predefined measures which are aligned with the Group's strategy and financial targets.

### 2019 remuneration structure and weighting of elements<sup>1</sup>



● Base salaries/fees ● Short-term incentives ● Long-term incentives  
● Service costs for pension benefits ● Other remuneration

<sup>1</sup> At target, as a percentage of total remuneration.  
<sup>2</sup> Considering all members of the ExCo that were active for the full year, including the Group CEO.  
<sup>3</sup> Other remuneration is included under base salaries/fees for all employees.

### Short-term incentive plan (STIP)

109%

The overall STIP awarded as a percentage of target, considering the relevant BOP results and customer metrics in selected markets, along with an assessment of overall qualitative performance for 2019 (2018: 109%).

### Long-term incentive plan (LTIP)

178%

Vesting level in 2020 as a percentage of target based on the actual achievements for relative total shareholder return (TSR), net income attributable to shareholders' return on common shareholders' equity (NIAS ROE) and cash remittance for the performance period 2017 to 2019 (2019: 149%).

### Total variable remuneration

CHF 697m

The aggregate amount of variable remuneration for 2019 for the entire Group considering the Group's long-term economic performance (USD: 716m 2018: CHF 678m/USD 693m).

## Remuneration report

### Contents

<b>Remuneration summary 2019</b>	93
<b>Remuneration governance</b>	97
Legal and regulatory requirements	97
Remuneration and risk	98
Share ownership guidelines	99
Share dilution	99
<b>Remuneration framework</b>	100
Philosophy	100
Elements of remuneration	100
<b>Remuneration and shareholdings 2019</b>	107
Board of Directors	107
Executive Committee	111
All employees	118
<b>Outlook 2020</b>	120
<b>Report of the statutory auditor</b>	122

## Remuneration report (continued)

### Remuneration summary 2019

This summary provides an overview of the 2019 remuneration of Zurich Insurance Group Ltd and its affiliates (Group or Zurich), including details regarding the link between business performance and variable pay decisions for 2019.

#### Zurich's remuneration

Zurich operates a remuneration system which aims to provide competitive total remuneration opportunities and variable remuneration awards based on results achieved and good outcomes for all stakeholders. The remuneration system is closely integrated with the Group's risk management framework and is designed to not encourage or reward inappropriate risk-taking.

The members of the 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 as applicable, fixed remuneration consisting of base salaries, pensions and employee benefits, as well as variable remuneration consisting of short- and long-term incentive awards. The Group short-term incentive plan (STIP) and long-term incentive plan (LTIP) aim to align the remuneration architecture with the achievement of the Group's key financial targets, the execution of the business strategy, the risk management framework and the operational plans (see the remuneration framework section for more information on the elements of Zurich's remuneration).

#### 2019 remuneration in light of the business results

Expenditure on remuneration is considered in the context of Zurich's overall revenues, capital base and profitability. The key financial figures in the following table show an increase in profitability and net income in 2019 compared with 2018.

#### Key financial figures

in USD millions, for the years ended December 31		2019	2018
Gross written premiums and fees <sup>1</sup>		54,305	52,689
Business operating profit (BOP)		5,302	4,566
Net income attributable to shareholders (NIAS)		4,147	3,716
Shareholders' equity		35,004	30,189
Return on common shareholders' equity (ROE)		14.4%	13.1%
Dividends paid to shareholders <sup>2</sup>		2,819	2,805
Total variable remuneration for all employees gross before tax <sup>3</sup>		716	693
– as a percentage of gross written premiums and fees		1%	1%
– as a percentage of shareholders' equity		2%	2%
– as a percentage of dividends paid to shareholders		25%	25%

<sup>1</sup> Consists of USD 50,525 million gross written premiums and policy fees, as well as USD 3,780 million Farmers management fees and other related revenues in 2019. 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.

<sup>2</sup> Dividend at transaction day exchange rate in 2019 and 2018, respectively.

<sup>3</sup> The corresponding amount of total variable remuneration in Swiss francs is CHF 697m for 2019 and CHF 678m for 2018.

## Remuneration report (continued)

As can be seen from the metrics in the previous table, relative to Zurich's overall revenues and shareholders' equity, expenditure on variable remuneration remains relatively small, also in relation to the amount of dividends payable to shareholders.

The total variable remuneration, amounting to CHF 697 million, includes the following elements:

- ▶ The total expenditure on cash incentives to be paid for the performance year comprising the amount of the aggregated funding pools under the STIP, and the amounts to be paid under local short-term incentive plans.
- ▶ The value of the target share allocations made in 2019 on the assumption that the allocations will vest at 100 percent of the target level in 2022 for performance over the three years 2019, 2020 and 2021.
- ▶ The total amount of sign-on payments<sup>1</sup> committed in 2019, regardless of when the payments are due, for people taking up their employment in 2019.
- ▶ The total amount of severance payments<sup>2</sup> committed in 2019, regardless of when the payments are due.

Commission payments made to employed sales agents are not included in the total variable remuneration amount.

In determining the amount of the total variable remuneration for all employees, 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 actual expenditure on variable pay.

The following table provides details on the overall STIP awarded and the LTIP vesting level in relation to the performance achievements under each plan. More information on the Group's variable remuneration plans can be found in the remuneration framework section later in this report.

<sup>1</sup> Zurich defines sign-on payments as 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.

<sup>2</sup> 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. Zurich does include garden leave or similar payments however, 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 report (continued)

### Variable remuneration outcomes

		Overall STIP awarded as a percentage of target	
		2019	2018
<b>Short-term incentive plan</b>			
<b>Context</b>			
<p>The primary measures driving STIP awards for 2019 are:</p> <ul style="list-style-type: none"> <li>▶ the relevant BOP or other profitability metric achievements and,</li> <li>▶ the relevant customer satisfaction achievements using the net promoter score (NPS) metric where applicable.</li> </ul> <p>The overall STIP awarded is a reflection of the relevant performance achievements against plan for 2019. Based on these results and along with a qualitative assessment, the overall STIP funding as a percentage of the STIP target amount, for plan participants across the Group (more than 39,000 employees), is the same as the previous year.</p>		109%	109%
<b>Long-term incentive plan</b>			
<b>Context</b>			
<p>The key factors driving the vesting level in 2020, for the three-year performance period from 2017 to 2019, are the Group's:</p> <ul style="list-style-type: none"> <li>▶ relative TSR against an international peer group of insurance companies,</li> <li>▶ NIAS ROE and</li> <li>▶ cash remittance.</li> </ul> <p>Each performance criteria has an equal weighting and no discretionary adjustment has been made to the calculated vesting level. Based on the achievements under the predefined performance criteria, the calculated vesting level is higher compared with the vesting level in 2019.</p>		178%	149%

For 2019, the remuneration amounts were as follows:

### Remuneration amounts

	in CHF millions, for the years ended December 31					Total remuneration 2018 <sup>4,5</sup>
	Fixed remuneration/ Fees <sup>1</sup>	Short-term incentives <sup>2</sup>	Long-term incentives <sup>3</sup>	Total remuneration 2019 <sup>4</sup>		
Directors	4.7	–	–	4.7	4.3	
ExCo	14.8	16.5	17.5	48.8	49.2	
All employees <sup>6</sup>	4,941	558	139	5,638	5,231	

<sup>1</sup> For ExCo and all employees, fixed remuneration includes base salaries, employee benefits and service costs for pension benefits. For Directors, the amount includes the portion paid in sales-restricted shares.  
<sup>2</sup> The cash incentives earned for the year for all employees comprise the amounts under STIP and other local incentive plans which are subject to approval by the applicable local Boards. For all employees, sign-on and severance payments in cash are also included.  
<sup>3</sup> Represents the value of the target performance share allocations made in 2019, which assumes vesting in 2022 at 100 percent of target, and for all employees, also includes any other target share allocations such as sign-on payments in shares.  
<sup>4</sup> Actual, gross and for cash amounts based on the accrual principle.  
<sup>5</sup> The 2018 amounts have been restated from the U.S. dollar amounts disclosed in the remuneration report 2018, to Swiss francs using the relevant exchange rates.  
<sup>6</sup> Includes the remuneration for members of the ExCo.

## Remuneration report (continued)

### Outlook summary for 2020

► **Performance management and short-term incentives:** Enhancements to the performance management and incentive approach that were implemented in 2019 will continue to be reviewed and refined to ensure they support the achievement of the Group's strategic goals and consider the interests of shareholders, customers, employees and other stakeholders. In addition, the customer net promoter score (NPS), a global best practice standard for measuring customer experience, has been rolled out to further markets to assess business performance, along with financial metrics, for STIP funding purposes. The customer NPS now covers the majority of STIP participants and will continue to be expanded to additional markets as sufficiently robust data becomes available.

[More on page 102](#)

► **Long-term incentives:** The performance metrics for the LTIP have been aligned to the targets for the next strategic cycle from 2020. The adjusted performance criteria in the vesting grid will be effective for new allocations beginning with the performance period 2020–2022, relevant for vesting decisions from 2023. The changes include increases to the targets for both the NIAS ROE and cash remittance metrics, demonstrating that the bar has been raised with higher performance expectations. The details are outlined in the outlook section later in this report.

[More on page 120](#)

► **Board:** No changes have been made to Board fees since 2015. As part of the regular monitoring of market developments on Board remuneration, a benchmarking analysis was conducted by Zurich's independent adviser. Some adjustments to the fee structure are proposed to bring certain fee elements closer to the relevant median levels for companies of a similar size in the Swiss Market Index (SMI). The adjustments are incorporated in the shareholder vote on the maximum amount of remuneration for the Board, and subject to approval, would be applicable from the AGM in 2020. This follows successful completion of the targets set for the strategic cycle ending in 2019 and aligns with the timing of the next strategic cycle from 2020. Further details are provided in the outlook section later in this report.

[More on page 120](#)

► **ExCo:** No changes are proposed to the structure of remuneration for the ExCo in 2020. A benchmarking analysis including a review of best practices, market data, internal relativities and alignment with the strategy, will be carried out again in 2020.

[More on page 111](#)

## Remuneration report (continued)

### Remuneration governance

The following information on the governance of Zurich's remuneration framework can be found on pages 43 and 59 of the corporate governance report:

- ▶ The governance framework, including the approval framework, which underpins Zurich's remuneration philosophy, system and practices.
- ▶ Responsibilities and activities of the Remuneration Committee.

Outlined below is information regarding:

- ▶ The legal and regulatory requirements which this remuneration report complies with.
- ▶ The role of risk in Zurich's overall remuneration architecture and approach.
- ▶ Group share ownership guidelines.
- ▶ A review of the impact of Zurich's long-term compensation awards on possible share dilution.

### Legal and regulatory requirements

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

- ▶ Chapter 5 of the Directive on Information Relating to Corporate Governance of the SIX Exchange Regulation (as of March 20, 2018).
- ▶ Swiss Code of Best Practice for Corporate Governance (Swiss Code of Best Practice), issued in 2002 by *economiesuisse*, as amended in October 2007 and in August 2014.
- ▶ Articles 14–16 of the Ordinance Against Excessive Compensation (AEC) (replacing the information in the notes to the consolidated financial statements according to Article 663bbis of the Swiss Code of Obligations).
- ▶ Information as required by Article 663c para 3 of the Swiss Code of Obligations.
- ▶ Requirements of the Circular 2010/1 on minimum standards for remuneration schemes of financial institutions, issued by the Swiss Financial Market Supervisory Authority (FINMA) on October 21, 2009 as amended on June 1, 2012, December 3, 2015 and September 22, 2016, as well as further guidance issued on January 19, 2011 (FINMA Circular on Remuneration Schemes).

### Zurich's approach to implementing the requirements of the Ordinance AEC

Since the AGM in 2015, binding votes are held where shareholders vote on and 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 (Article 18 para 1 Articles of Association: [www.zurich.com/en/investor-relations/our-shares/articles-of-association](http://www.zurich.com/en/investor-relations/our-shares/articles-of-association)). Details on the votes can be found in the Board of Directors Report accompanying the invitation to the AGM 2020 ([www.zurich.com/en/investor-relations/shareholder-area/annual-general-meeting](http://www.zurich.com/en/investor-relations/shareholder-area/annual-general-meeting)). Additionally, details 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, as well as the approach regarding loans and credits, can be found in Articles 18, 28 and 34 of the Articles of Association ([www.zurich.com/en/investor-relations/our-shares/articles-of-association](http://www.zurich.com/en/investor-relations/our-shares/articles-of-association)).

Further, the information provided according to Articles 14–16 of the Ordinance AEC contained in the remuneration report has been externally audited following the audit requirements of the Ordinance AEC (Article 13 para 1 and Article 17 of the Ordinance AEC) and the information subject to audit is marked in the respective sections of the remuneration report.

## Remuneration report (continued)

### 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 2019 and reported that the remuneration architecture is consistent with effective risk management and does not encourage inappropriate risk-taking that exceeds the Group's level of tolerated risk.

To help align remuneration with the Group's risk-taking capacity, Group Risk Management consults with other control 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 Chief Risk Officer (Group CRO) is available to discuss these findings with the Remuneration Committee and the Board. The Group CEO takes into account Group Risk Management's assessment, amongst other factors, when proposing the STIP awards to the Remuneration Committee, which in turn makes its recommendation to the Board for final approval.

Group Risk Management reviews the processes and criteria for identifying the key risk taker roles annually. The criteria are based on factors that materially affect risk-taking within the Group, such as overall governance, capital consumption for each risk type as determined by the internal model, strategy and reputation. The criteria are then applied to those who take and those who control the specific risks at the level of the Group where the risks are most material. All leadership team roles are included in the analysis.

The remuneration for key risk taker positions includes STIP and LTIP with a greater emphasis toward long-term and therefore, deferred remuneration. Group Risk Management, together with other control and assurance functions, provide risk and compliance information about each key risk taker as part of the annual individual performance assessment and for the target cards of the leadership team including the ExCo. This is taken into account when assessing performance and making reward decisions.

The variable remuneration of employees in control 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.

Group Audit periodically assesses the operational implementation of Zurich's Remuneration Rules to verify that the remuneration architecture is adhered to across the Group.

## Remuneration report (continued)

### Share ownership guidelines

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

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

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

As of December 31, 2019, Directors held 22,510 shares and members of the ExCo held 194,572 shares. At the end of 2019, all Directors and all members of the ExCo who have served at least five years on the Board or the ExCo respectively, met the required share ownership level.

### Share dilution

In 2018, Zurich began purchasing its own shares on the market to fulfill share obligations for share-based compensation awards and currently the intention is to continue doing this. Zurich has also taken additional measures to offset the impact of dilution from previously vested long-term share plans in the past few years with the completion of its public share buyback program for cancellation purposes in 2018. On April 3, 2019, the Annual General Meeting approved the cancellation of the 1,740,000 own shares of Zurich Insurance Group Ltd with a nominal value of CHF 0.10 repurchased under the public share buy-back program. The corresponding reduction of the share capital of Zurich Insurance Group Ltd from 151,348,027 to 149,608,027 fully paid registered shares with a nominal value of CHF 0.10 each through cancellation of the repurchased own shares, was completed in June 2019.

#### Share dilution as of December 31

		2019	2018
Share dilution	Shares issued during the year <sup>1</sup>	–	8,176
	Shares cancelled during the year	1,740,000	–
	Registered shares as of December 31	149,608,027	151,348,027
LTIP	Total number of unvested target shares <sup>2</sup>	1,736,154	1,912,087
	– as a percentage of the registered shares	1.16%	1.26%

<sup>1</sup> No new shares were issued during 2019 and only a relatively small number of shares were issued in 2018 as the LTIP and other employee share plans continued to be funded predominantly by shares bought back from the market, as well as by treasury-owned shares. Moving forward, Zurich intends to continue purchasing shares on the market instead of issuing new shares to fund the LTIP and other employee share plans.

<sup>2</sup> Given the vesting level of 178 percent for the share allocations vesting in 2020 and assuming 100 percent vesting in 2021 and 2022. For 2018 the figure represents vesting of 149 percent in 2019 and assumed 100 percent vesting for 2020 and 2021.

## Remuneration report (continued)

### Remuneration framework

#### Philosophy

The remuneration philosophy is an integral part of the overall employment offering to employees. Based on established remuneration principles, the Group operates a balanced and effectively managed remuneration system that provides competitive total remuneration opportunities to attract, retain, motivate and reward employees. The remuneration system and practices are embedded in the Group's risk management framework and take into consideration legal and regulatory requirements, as well as market developments.

#### Guiding principles of the remuneration philosophy

The guiding principles of the remuneration philosophy as set out in Zurich's Remuneration Rules are as follows:

- ▶ The remuneration architecture is simple, transparent, can be put into practice and considers the interests of key stakeholders such as customers, shareholders and employees.
- ▶ Remuneration is tied to long-term results for individuals who have a material impact on the Group's risk profile.
- ▶ The structure and level of total remuneration are aligned with the Group's risk policies and risk-taking capacity.
- ▶ Expected performance is clearly defined through a structured system of performance management and this is used as a basis for remuneration decisions.
- ▶ Variable remuneration awards are linked to key performance factors which include the 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 and the overall expenditure on variable pay is considered in connection with the Group's long-term economic performance.
- ▶ The structure of the LTIP links remuneration with the future development of performance and risk by including features for deferred remuneration.
- ▶ Employees are provided with a range of benefits based on local market practices, taking into account the Group's risk-taking capacity on pension funding and investments.
- ▶ 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. The remuneration system and practices ensure all employees have equal opportunities.

#### Elements of remuneration

##### Total remuneration

Total remuneration for an individual employee and its composition is influenced by factors including 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 towards median levels in clearly defined markets which can be local, regional or global, and reflects practices in either insurance, financial services or general industry depending on the role.

## Remuneration report (continued)

### Remuneration elements

	Fixed remuneration	Variable remuneration		Fixed benefits
	Base salary	Short-term incentives	Long-term incentives	Pensions and employee benefits
<b>Description</b>	Fixed pay for the role performed to attract and retain employees. It is reviewed annually.	Discretionary incentive awards to reward achievement of key business and individual objectives during the year.	Annual target share allocations, 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.	Employee benefits are provided to attract and retain employees, in line with market practices and positioned toward the market median.  Pension plans are designed and managed in line with the Group guidelines.
<b>Drivers and/or performance metrics</b>	Scope and complexity of the role, level of responsibility, professional experience and geographic location.	Award is driven by: – The relevant business profitability achievements, as well as customer experience where applicable. – Individual performance on personal objectives and behavior in line with Zurich's values, as assessed through the performance management process.	Vesting is determined based on (i) the position of the TSR compared with an international peer group of insurance companies derived from the Dow Jones Insurance Titans 30 Index, (ii) the NIAS ROE and (iii) cash remittance.	Market practice and Group guidelines.
<b>Duration</b>	n.a.	1 year.	3–6 years (target shares subject to three-year cliff vesting and for the ExCo one-half of the vested shares are sales-restricted for an additional three years).	n.a.
<b>Range of opportunity</b>	Generally paid within an 80–120 percent range around the relevant market median.	Award of 0 to 200 percent of an individual's target amount.	Vesting level of 0–200 percent of the individual target shares and dividend equivalent target shares.	n.a.
<b>Eligibility</b>	All employees.	Country specific (more than 39,000 plan participants in 2019).	Members of the ExCo and a defined group of the most senior positions, including key risk takers.	Country-specific.
<b>Delivery</b>	Fixed cash.	Performance-based cash.	Performance-based shares.	Country-specific fixed benefits.
<b>Clawback, malus and hedging</b>	n.a.	Clawback framework established for members of the ExCo, and in some jurisdictions for additional STIP participants, to allow for recovery, forfeiture and/or clawback, subject to specific conditions. Malus conditions to reduce or eliminate awards applicable to all STIP participants.	Clawback framework established for members of the ExCo, and in some jurisdictions for additional LTIP participants, to allow for recovery, forfeiture and/or clawback, subject to specific conditions. Malus conditions to reduce or eliminate awards applicable to all LTIP participants. Individual hedging of share-based remuneration is prohibited.	n.a.

## Remuneration report (continued)

### 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. Further information on the Group's STIP and LTIP are set out below.

### Short-term incentives

Short-term (one-year) incentives are performance-driven based on the following design for 2019:

Short-term incentives support employees to focus their performance on the achievement of key financial, customer and individual objectives set at the beginning of the year. The main enhancements outlined in last year's remuneration report and implemented in 2019<sup>3</sup> were:

- ▶ Simplification of the performance assessment approach with a move from a five-point rating scale to three performance categories. These are merit-based and are assigned on the basis of an individual's personal achievement on objectives and the behaviors demonstrated. Each performance category has further differentiation levels to define where on the range of performance an individual's performance lies. For STIP participants, the differentiation levels also allow for more flexible and differentiated award outcomes. In some markets the differentiated STIP awards only apply to employees above a certain job level.
- ▶ Use of the customer net promoter score (NPS), a global best practice standard for measuring customer experience, was extended to additional markets in 2019 to assess the overall business performance for a STIP pool in addition to the existing financial metrics. The customer metrics now cover the majority of STIP participants, supporting continuous improvement of customer experience.

Determination of the final individual STIP award for the year ending December 31, 2019, is set out in the following overview.<sup>3</sup> The STIP award is based on an individual's STIP target amount, the performance of the business and an individual's personal achievements. Except for individuals above a certain job level, markets have the option to base the award solely on the individual STIP target amount and the STIP pool achievement level without further individual differentiation.

<sup>3</sup> Farmers will implement the enhancements as of 2020. Local plans may deviate somewhat from the Group plan, however they broadly follow the same principles.

## Remuneration report (continued)



STIP participants have a STIP target amount established for the performance year at a maximum of 100 percent of base salary, unless otherwise approved by the Board.



### Key financial and customer metrics, where relevant, determine the STIP pool achievement level.

Business performance achievements, including a qualitative assessment of the achievements, determine the STIP pool achievement level and the respective funding or allowable spend available for each STIP pool. This can vary between 0 – 175 percent of the target amount. STIP participants are allocated to one of the following STIP pools with the associated key metrics:

STIP pools	Key measures
Group pools <sup>1</sup>	Group BOP and the overall customer NPS. <sup>2</sup>
Investment management	Investment results.
Countries	The relevant BOP, along with customer NPS as applicable. <sup>2</sup>
Farmers <sup>3</sup>	Growth, profitability and customer metrics.
Joint ventures	Relevant profitability metrics.



### Individual performance determines the differentiation level for the STIP award.

Zurich has a clearly defined global performance and development approach where individuals, jointly with their managers, define and agree on annual objectives that support the achievement of the business strategy and operating plans. An individual's personal achievements consider performance on objectives, as well as the behaviors demonstrated. These continue to be guided by the Group's Code of Conduct, purpose and values.

At the end of the year, one of three performance categories is assigned:

- Partially met
- Fully met
- Exceeded

Differentiated award levels are determined across the range of performance within each of the performance categories.



### STIP target x STIP pool achievement x individual performance

**Underperformance by the business and/or the individual can result in a STIP award that is below the target amount and can be 0 percent. Similarly, if business performance and/or individual performance is above expectations, this can result in a STIP award that is above the target amount and capped at 200 percent of the STIP target amount. The resulting STIP award is paid in cash.**

<sup>1</sup> Covering the leadership team, control functions, Group and regional employees.

<sup>2</sup> The customer net promoter score (NPS) is one of the key measures (20 percent weight) used to determine business performance in markets where there is sufficiently robust data.

<sup>3</sup> The customer NPS currently applies to the majority of STIP participants and extending the metric to further markets will continue to be reviewed.

<sup>3</sup> Including a separate pool for Farmers New World Life.

## Remuneration report (continued)

Short-term incentives are delivered primarily through the Group's STIP which 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 in STIP. In a small number of countries where local plans exist, they broadly follow the same principles as the Group's STIP.

### Long-term incentives

Long-term (three- to six-year) incentives are performance-driven based on the following design for the performance period 2019 to 2021:

To support the achievement of the Group's longer-term financial goals, long-term incentives are utilized for a defined group of the most senior positions in the Group, those that have a significant influence on the risk profile of the Group, as well as individuals considered suitable for participation, for example due to market competitiveness given their skills and areas of expertise. This group generally contains the individuals with the highest levels of total remuneration. The LTIP aligns the incentives and behaviors of participants with the 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 taking into account best practice principles among insurance companies as well as views from proxy advisers and shareholders, 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 2019–2021 is set out on the following page.

Details of the LTIP relevant for the 2020 vesting decision following the performance period from 2017–2019, can be found in the remuneration report 2017. For the next performance period, 2020–2022, an overview of the updates to the LTIP vesting grid reflecting the targets for the next strategic cycle, can be found in the outlook section of this report.

## Remuneration report (continued)

### Target shares

Each participant has an annual LTIP target amount determined as a percentage of the annual base salary. The number of target shares to be allocated on the third working day in April, is calculated by dividing the target amount by the closing share price on the day prior to the allocation. To further align plan participants with the interests of shareholders, target shares may be credited with dividend equivalent units (DEUs)<sup>1</sup> during the vesting period.

### Vesting Level

#### Defines the percentage of target shares that will vest.

The vesting level is calculated according to an assessment of the predefined performance criteria detailed in the vesting grid below. At the end of the three-year performance period each performance metric is assessed independently and has an equal weighting. For the NIAS ROE and cash remittance metrics, linear interpolation is used to determine the level of vesting.

#### Assessment of the predefined performance criteria as per the vesting grid:

The vesting grid is set and reviewed by the Board annually to ensure alignment with the strategy and financial targets.

Performance criteria	0% vesting	50% vesting	100% vesting	150% vesting	200% vesting
Relative TSR position <sup>2</sup>	18th – 13th	12th – 10th	9th – 7th	6th – 4th	3rd – 1st
NIAS ROE (average annual rate over 3 years)	< 9.75% p.a.	9.75% p.a.	12.00% p.a.	13.125% p.a.	≥ 14.25% p.a.
Cash remittance (cumulative over the three-year period)	< USD 8.5 bn	USD 8.5 bn	USD 9.5 bn	USD 10 bn	≥ USD 10.5 bn
	Ensures that an external market industry view is taken by considering Zurich's performance in comparison to its peers.				
	Key measure for shareholders, supporting the alignment of LTIP participants with shareholder interests, and reflecting the targets in the financial plan.				
	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.				

### Target shares x vesting level

Any vesting of shares for the LTIP award takes place on April 3, three years after the target shares were allocated to the participant.

### LTIP award

**At the vesting date, the number of target shares plus the accrued DEUs are assessed for vesting. In this way, only the number of target shares vesting are eligible for the accrual of DEUs. The final LTIP award for an individual is capped at 200 percent of the aggregate number of target shares and DEUs. For the ExCo, half of the vested shares, including vested DEUs, are sales-restricted for an additional three-year period after the date of vesting. This brings the overall vesting and sales-restriction period to a six-year holding period for this part of the award.**

<sup>1</sup> Each year during the vesting period, the dividend amount is calculated on the number of target shares provided at the date of allocation and this amount is subsequently converted into DEUs based on the closing share price on the day prior to the dividend payment. No dividend equivalent target shares are credited in the year of allocation if the allocation is made after the ex-dividend date. Further, no dividends will accrue on the dividend equivalent target shares.

<sup>2</sup> The position of the TSR over the performance period compared with an international peer group of insurance companies derived from the Dow Jones Insurance Titans 30 Index. The Remuneration Committee reviews the peer companies to be included in the relative TSR assessment regularly to ensure that the peer group exhibits a strong TSR correlation and reflects the Group's business profile and geographic spread. The resulting industry peer group 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 and Travelers Cos. Inc.

## Remuneration report (continued)

### Exceptional adjustments

The Board may exercise discretion when determining the 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 percent to the calculated vesting level may be applied and this can be positive or negative. No discretionary adjustment was made to the 2020 calculated vesting level.

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 Remuneration Committee and the Board. An adjustment of +/-25 percent to the calculated final vesting level may be applied on an individual level prior to vesting. However, if performance under exceptional or unusual circumstances warrants it, exceptions to the +/-25 percent 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 (e.g. in connection with a breach of internal or external rules) during the period prior to vesting. Any such adjustment is reserved exclusively for the Remuneration Committee and the Board.

### LTIP vesting levels

To increase transparency for the reader, a table with the vesting levels under the LTIP is provided below.

Vesting levels for LTIP	Performance period	Vesting level as a percentage of target in				
		2018	2019	2020	2021	2022
	2015–2017	83%				
	2016–2018		149%			
	2017–2019			178%		
	2018–2020				n.a.	
	2019–2021					n.a.

### Pensions

The Group provides a range of pension benefits to employees, which are designed to reflect local market practices. Benefit levels are positioned toward the relevant market median. The Group Pensions Committee oversees the management of the Group's pension arrangements within the de-risking frameworks established for benefit design, investments, funding and accounting. On a regular basis, the Group Pensions Committee and the local countries assess the competitive environment with regard to pensions. In recent years, there has been a significant shift away from final salary defined benefit pension arrangements such that almost all new employees are now enrolled in defined contribution and/or cash balance type arrangements.

### Other remuneration including employee benefits

The Group also provides a range of other relevant employee benefits in line with the local market, for example life insurance, medical coverage and flexible benefits. Further, the Group operates a number of mobility-related policies to facilitate the movement of people across the organization.

## Remuneration report (continued)

**Audited**

The information provided according to Articles 14–16 of the Ordinance AEC contained in the remuneration report needs to be externally audited following the audit requirements of the Ordinance AEC (Article 13 para 1 and Article 17 of the Ordinance AEC). In addition, the information according to Article 663c of the Swiss Code of Obligations is being audited and disclosed as such in the remuneration report. All audited sections have been highlighted accordingly.

### Remuneration and shareholdings 2019

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

#### Board of Directors

##### Directors' fees

As a global insurance provider, Zurich's Directors' 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 adviser carries out benchmarking studies on a regular basis. Zurich aims to set the remuneration of its members of the Board at the relevant median levels using the Swiss Market Index (SMI) as a basis. Based on the role and the fee structure, fee levels are established for each member of the Board. Fees are paid in cash and in shares, with approximately half of the basic fee provided in five-year sales-restricted Zurich shares. The fees paid to Directors (including the portion provided in sales-restricted shares) are not subject to the achievement of any specific performance conditions.

The following table sets out the current fee structure and levels for the Chairman, the Vice-Chairman and the members of the Board, as well as committee fees and chair fees for the four committees. The outlook section later in this report details the proposed fee structure applicable from the AGM in 2020.

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

#### Fee structure for members of the Board<sup>1</sup>

	Fee elements		Total fees in 2019 (CHF 000)	Total fees in 2018 (CHF 000)
	in cash (CHF 000)	in sales-restricted shares (CHF 000)		
Basic fee for the Chairman of the Board <sup>2</sup>	750	750	1,500	1,500
Basic fee for the Vice-Chairman of the Board <sup>2</sup>	200	200	400	400
Basic fee for a Member of the Board	120	120	240	240
Committee fee <sup>3</sup>	60	–	60	60
Chair fee for the Audit Committee	80	–	80	80
Chair fee for the Remuneration Committee <sup>4</sup>	60	–	60	60
Chair fee for the Risk and Investment Committee	60	–	60	60
Chair fee for the Governance, Nominations and Sustainability Committee <sup>5</sup>	60	–	60	60

<sup>1</sup> These amounts are for the period from AGM to AGM. The table excludes other fees for board memberships of subsidiary boards of Zurich.

<sup>2</sup> Neither the Chairman nor the Vice-Chairman receive any additional fees for their committee work on the Board of Zurich.

<sup>3</sup> Amount remains the same irrespective of the number of committees on which a member of the Board serves.

<sup>4</sup> No Chair fee has been paid for the Remuneration Committee since the end of the first quarter in 2018, following the designation of the Vice-Chairman of the Board as Chair of the Remuneration Committee.

<sup>5</sup> For 2019 and 2018 no Chair fee has been paid for the Governance, Nominations and Sustainability Committee, as the Chairman of the Board has been chairing this committee.

## Remuneration report (continued)

The committees on which the Directors serve are set out in the corporate governance report on page 48. In 2019, the Board consisted entirely of non-executive Directors independent from management.

Where a Director is also a member of one or more subsidiary boards of Zurich, the Director is entitled to an additional fee of CHF 50,000 per annum plus CHF 10,000 per annum if he or she also chairs an audit committee of such a board. The fee structure for subsidiary boards can be modified if certain circumstances, for example, the additional time commitment to discharge the duties of a board member, warrant it.

The total aggregate fees allocated to the Directors of Zurich and Zurich Insurance Company Ltd for the calendar year ended December 31, 2019, amounted to CHF 4,650,000. This included CHF 2,620,000 in cash and CHF 2,030,000 in five-year sales-restricted shares. The share price at the allocation date was CHF 337.30. The corresponding amount for 2018 was CHF 4,257,500, which comprised CHF 2,467,500 in cash and CHF 1,790,000 in five-year sales-restricted shares. The share price at the allocation date in 2018 was CHF 297.20.

The following tables set out the actual fees paid to the Directors for 2019 and 2018 in Swiss francs. In 2019, eight members served for the full year and four members served for part of the year. In 2018, eight members served for the full year and four members served for part of the year.

**Audited**

### Directors' fees 2019

	2019 <sup>1</sup>						
	Fee elements in cash				Total cash	Total sales restricted shares <sup>4,5</sup>	
	Basic fee	Committee fee <sup>2</sup>	Chair fee <sup>3</sup>	Other fees		Total	Total fees
M. Liès, Chairman <sup>6</sup>	750,000	n.a.	n.a.	–	750,000	750,000	1,500,000
C. Franz, Vice-Chairman <sup>6</sup>	200,000	n.a.	n.a.	–	200,000	200,000	400,000
J. Amble, Member	120,000	60,000	–	–	180,000	120,000	300,000
C. Bessant, Member	120,000	60,000	–	–	180,000	120,000	300,000
A. Carnwath, Member	120,000	60,000	80,000	–	260,000	120,000	380,000
M. Halbherr, Member <sup>7</sup>	90,000	45,000	–	–	135,000	120,000	255,000
J. Hayman, Member	120,000	60,000	60,000	–	240,000	120,000	360,000
M. Mächler, Member	120,000	60,000	–	–	180,000	120,000	300,000
K. Mahbubani, Member	120,000	60,000	–	–	180,000	120,000	300,000
D. Nish, Member <sup>7</sup>	30,000	15,000	–	–	45,000	–	45,000
J. Staiblin, Member <sup>7</sup>	90,000	45,000	–	–	135,000	120,000	255,000
B. Stowe, Member <sup>7</sup>	90,000	45,000	–	–	135,000	120,000	255,000
<b>Total in CHF<sup>8</sup></b>	<b>1,970,000</b>	<b>510,000</b>	<b>140,000</b>	<b>–</b>	<b>2,620,000</b>	<b>2,030,000</b>	<b>4,650,000</b>

## Remuneration report (continued)

Audited

### Directors' fees 2018

in CHF

	2018 <sup>1</sup>						
	Fee elements in cash				Total cash	Total sales	
	Basic fee	Committee fee <sup>2</sup>	Chair fee <sup>3</sup>	Other fees <sup>9</sup>		restricted shares <sup>4,10</sup>	Total fees
M. Liès, Chairman <sup>6,11</sup>	562,500	n.a.	n.a.	–	562,500	750,000	1,312,500
T. de Swaan, former Chairman <sup>6,11</sup>	187,500	n.a.	n.a.	–	187,500	–	187,500
C. Franz, Vice-Chairman <sup>6,11</sup>	180,000	15,000	15,000	–	210,000	200,000	410,000
F. Kindle, former Vice-Chairman <sup>6,11</sup>	50,000	n.a.	n.a.	–	50,000	–	50,000
J. Amble, Member	120,000	60,000	–	–	180,000	120,000	300,000
C. Bessant, Member <sup>11</sup>	120,000	60,000	–	–	180,000	120,000	300,000
S. Bies, Member <sup>11</sup>	30,000	15,000	15,000	12,500	72,500	–	72,500
A. Carnwath, Member	120,000	60,000	80,000	–	260,000	120,000	380,000
J. Hayman, Member	120,000	60,000	45,000	–	225,000	120,000	345,000
K. Mahbubani, Member	120,000	60,000	–	–	180,000	120,000	300,000
M. Mächler, Member	120,000	60,000	–	–	180,000	120,000	300,000
D. Nish, Member	120,000	60,000	–	–	180,000	120,000	300,000
<b>Total in CHF<sup>8</sup></b>	<b>1,850,000</b>	<b>450,000</b>	<b>155,000</b>	<b>12,500</b>	<b>2,467,500</b>	<b>1,790,000</b>	<b>4,257,500</b>

<sup>1</sup> The remuneration shown in the tables is gross, based on the accrual principle and does not include any business-related expenses incurred in the performance of the Directors' services.

<sup>2</sup> Members of a committee receive a cash fee of CHF 60,000 for all committees on which they serve, irrespective of the number. The committees on which the Directors serve are set out in the corporate governance report.

<sup>3</sup> Committee chairs receive an annual fee of CHF 60,000 and the chair of the Audit Committee receives an additional CHF 20,000. The committees on which the Directors serve and the chairs are set out in the corporate governance report.

<sup>4</sup> The shares allocated to the Directors are not dependent on the achievement of performance criteria and are sales-restricted for five years.

<sup>5</sup> As of June 16, 2019, Michel Liès was allocated 2,223 shares, Christoph Franz was allocated 592 shares, and the other members of the Board were allocated 355 shares. The share price as of June 15, 2019 (CHF 337.30) was adopted to calculate the number of shares based on the fixed portion of the fee allocated in shares for the respective members. Where the value of the allocated shares did not equal the value of the portion of the fee to be allocated in shares, the difference was paid in cash.

<sup>6</sup> Neither the Chairman nor the Vice-Chairman received any additional fees for their committee work on the Board of Zurich.

<sup>7</sup> At the AGM on April 3, 2019, Michael Halbherr, Jasmin Staiblin and Barry Stowe were elected as members of the Board, and David Nish retired from the Board. Jasmin Staiblin was newly elected as a member of the Remuneration Committee.

<sup>8</sup> In line with applicable laws, Zurich paid the company-related portion of contributions to social security systems, which amounted to CHF 191,738 in 2019. The corresponding contributions in 2018 were CHF 192,690. Any personal contributions of the Directors to social security systems are included in the amounts shown in the table above. Swiss-based Directors are eligible for selected employee benefits.

<sup>9</sup> In addition to the fees received as a Director of Zurich Insurance Group Ltd, Susan Bies earned fees for her board membership of the subsidiary board Zurich American Insurance Company on a pro rata basis for her time in the role in 2018.

<sup>10</sup> As of June 16, 2018, Michel Liès was allocated 2,523 shares, Christoph Franz was allocated 672 shares, and the other members of the Board were allocated 403 shares. The share price as of June 15, 2018 (CHF 297.20) was adopted to calculate the number of shares based on the fixed portion of the fee allocated in shares for the respective members. Where the value of the allocated shares did not equal the value of the portion of the fee to be allocated in shares, the difference was paid in cash.

<sup>11</sup> At the AGM on April 4, 2018, Michel Liès was elected to the Board as Chairman of the Board, and Tom de Swaan, Fred Kindle and Susan Bies retired from the Board. Michel Liès and Catherine Bessant were newly elected as members of the Remuneration Committee. At the constituent Board meeting following the AGM, the Board appointed Christoph Franz as Vice-Chairman of the Board.

## Remuneration report (continued)

**Audited**

### Special payments and termination arrangements, additional honoraria and remuneration and personal loans for Directors

At the AGM on April 3, 2019, Michael Halbherr, Jasmin Staiblin and Barry Stowe were elected as new members of the Board, and David Nish retired from the Board. No replacement payments or other benefits were provided. No termination payments (golden parachutes) were made, nor any other benefits such as additional contributions to occupational pension schemes were provided to the leaving member of the Board.

None of the Directors received any additional honoraria, remuneration or benefits-in-kind from the Group or from any of the Group's companies other than what is set out earlier. In addition none of the Directors had any outstanding loans, advances or credits as of December 31, 2019 and 2018.

### Remuneration and personal loans for former Directors

No benefits (or waiver of claims), loans, advances or credits have been provided to former Directors during 2019 at conditions which are not at arm's length, nor were any provided during 2018.

### Related parties to the Directors or to former Directors

No benefits (or waiver of claims) have been provided to related parties of the Directors or related parties of former members of the Board during the years 2019 and 2018, nor had any related party of the Directors or of former members of the Board any outstanding loans, advances or credits as of December 31, 2019 and 2018.

### Share plans and shareholdings of Directors

The shareholdings of the Directors who held office at the end of 2019, in shares of Zurich Insurance Group Ltd are shown in the following table. All interests shown include the portion of shares allocated to the Directors as part of their fees, shares acquired in the market by the Directors and shares held by parties related to the Directors.

**Directors' shareholdings<sup>1</sup>**

Number of Zurich Insurance Group Ltd shares as of December 31	Ownership of shares	
	2019	2018
M. Liès, Chairman	4,746	2,523
C. Franz, Vice-Chairman	2,930	2,338
J. Amble, Member	2,133	1,778
C. Bessant, Member	1,178	823
A. Carnwath, Member	3,058	2,703
M. Halbherr, Member	355	n.a.
J. Hayman, Member	1,716	1,361
M. Mächler, Member	2,681	2,326
K. Mahbubani, Member	2,133	1,778
J. Staiblin, Member	1,225	n.a.
B. Stowe, Member	355	n.a.
<b>Total</b>	<b>22,510</b>	<b>15,630</b>

<sup>1</sup> None of the Directors, 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, 2019 or 2018, respectively.

## Remuneration report (continued)

### Executive Committee

#### Remuneration of the ExCo

The total remuneration of the members of the ExCo for 2019 comprises the value of base salaries, short-term cash incentives, the target share allocations made under the LTIP in 2019, pensions and other remuneration including employee benefits. To assist with decisions regarding the remuneration structure and the mix of the individual remuneration elements for members of the ExCo, 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 the Dow Jones Insurance Titans 30 Index, are 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. Further, the analysis is supplemented by additional benchmarking studies as appropriate, for example reviewing practices of large SMI companies in Switzerland or similarly-sized companies in other countries.

The distribution of the individual elements making up the total remuneration of the ExCo in 2019, is set out in the following chart and is based on the target values for the performance-related remuneration. It shows an appropriate balance of remuneration elements, with a significant emphasis on performance-related remuneration (STIP and LTIP), particularly long-term, deferred remuneration.

#### 2019 remuneration structure and weighting of elements<sup>1</sup>

%



<sup>1</sup> At target, as a percentage of total remuneration.

<sup>2</sup> Considering all members of the ExCo that were active for the full year, including the Group CEO.

## Remuneration report (continued)

### Amounts of remuneration for the ExCo

The following table shows the total remuneration in 2019 and 2018 for the highest-paid individual, which was Mario Greco, Group CEO, along with the total remuneration for all members of the ExCo (including the amounts for the Group CEO). Below the total amounts, the values of any one-time remuneration awards and the amounts of contractually agreed remuneration after stepping down from the ExCo and during the notice period, are shown.

Audited

### Remuneration of the highest-paid individual and all members of the ExCo (including the highest-paid)

in CHF millions, for the years ended December 31

	Highest-paid Group CEO		ExCo	
	2019 <sup>1</sup>	2018 <sup>1</sup>	2019 <sup>1,2</sup>	2018 <sup>1,3,4</sup>
Base salaries	1.7	1.6	10.6	10.9
Short-term incentives	3.2	3.0	16.5	15.9
Long-term incentives	3.8	3.6	17.5	17.8
Service costs for pension benefits	0.5	0.5	2.8	2.9
Value of other remuneration	0.1	0.1	1.4	1.7
<b>Total in CHF<sup>5</sup></b>	<b>9.3</b>	<b>8.8</b>	<b>48.8</b>	<b>49.2</b>
<b>Total in USD<sup>5,6</sup></b>	<b>9.4</b>	<b>9.1</b>	<b>49.9</b>	<b>50.6</b>
in CHF million, for the years ended December 31				
Other payments and share allocations	–	–	0.0	2.5
Contractually agreed remuneration after stepping down and during notice period in the respective year	–	–	4.8	5.6

<sup>1</sup> The remuneration shown is gross, based on the accrual principle, for the time employees are members of the ExCo during the year and does not include any business-related expenses incurred in the performance of the members' services.

<sup>2</sup> On the basis of 14 members and former members of the ExCo, of whom 10 served in the ExCo during the full year in 2019.

<sup>3</sup> On the basis of 14 members and former members of the ExCo, of whom 11 served in the ExCo during the full year in 2018.

<sup>4</sup> The remuneration of the ExCo for 2018, disclosed in the remuneration report 2018 in U.S. dollars, has been restated in Swiss francs using the relevant exchange rates.

<sup>5</sup> In line with applicable laws where the executives are employed, Zurich paid the company-related portion of contributions to social security systems, which amounted to CHF 4.6 million in 2019 and CHF 2.0 million in 2018. 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.

<sup>6</sup> 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 2020 has been translated at the year-end rate in 2019.

<sup>7</sup> The remuneration shown is gross, based on the accrual principle and does not include any business-related expenses incurred in the performance of the members' or former members' services.

## Remuneration report (continued)

Based on these figures, the value of the total remuneration for all members of the ExCo comprises 30 percent in fixed remuneration comprising base salaries, service costs for pension benefits and other remuneration including employee benefits (31 percent in 2018), and 70 percent in performance-related remuneration comprising cash incentive awards under the STIP and the value of the target share allocations under the LTIP (69 percent in 2018). The emphasis within variable remuneration lies on the deferred part, with 52 percent represented by target performance shares under the LTIP and 48 percent as cash incentive awards under the STIP.

### Explanations of the elements of remuneration for the ExCo

The individual remuneration elements shown in the previous table are described in more detail below.

#### ► Base salaries:

See the remuneration elements table on page 101 for further information.

#### ► Short-term incentives:

The amount shown in the table relates to the total cash incentives earned under the Group's STIP. The individual STIP awards for members of the ExCo are determined in a similar way as for all employees (see the overview on page 103), taking into account:

- **Business performance:** For the ExCo, including the Group CEO, the key metrics defined for the Group STIP pool determine the funding available. These are the Group's BOP with an 80 percent weight and the overall customer NPS with a 20 percent weight, followed by an overall qualitative assessment of the results. The BOP for 2019 was USD 5.3 billion reflecting a 16 percent increase compared with 2018. The overall customer NPS for the year was above plan and higher compared with 2018, also considering the additional markets included in the assessment for the first time in 2019. This stems from efforts to continuously improve the customer experience and transform the culture towards becoming truly customer led.
- **Individual performance:** At the beginning of the year, each member of the ExCo receives a target card for their area of responsibility. The target cards include objectives related to the execution of the strategy, in particular in the areas of financial measures, customers, people and relevant strategic projects. At the end of the year, each member of the ExCo conducts a self-assessment of their performance in relation to the targets set. Group Risk Management, together with other control and assurance functions, provide risk and compliance information to be considered as part of the ExCo members' individual performance assessment. A discussion is subsequently 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 of each member of the ExCo, including behavior and risk aspects. For the Group CEO, the review is conducted by the Remuneration Committee.
- **STIP target:** The STIP target percentages for the members of the ExCo for 2019 are 100 percent of the base salary.

As a result of the funding, and of the assessment of the performance achievements, individual STIP awards for each member of the ExCo are determined and approved by the Board. The maximum STIP award for all members of the ExCo is 200 percent of the individual target amount.

#### ► Long-term incentives:

The total number of target performance shares allocated under the Group's LTIP to members of the ExCo in 2019 for the three-year performance period 2019–2021, was 52,666. This reflects a value of target performance share allocations of CHF 17.5 million using the closing share price of CHF 332.80 on the day prior to the allocation (second working day in April), and assumes a vesting level of 100 percent in 2022. This compares with 57,555 target shares allocated in 2018 at a value of CHF 17.8 million. This does not include dividend equivalent target shares that may accrue during the performance period.

The LTIP target percentages for the allocation in 2019 varied between 125 percent and 225 percent of base salary for members of the ExCo and the maximum vesting level, to be assessed in 2022, is 200 percent of the aggregate number of target shares and dividend equivalent target shares.

The LTIP vesting level in 2020 for shares allocated in 2017 is 178 percent. No discretionary adjustment was made to the calculated vesting level.

## Remuneration report (continued)

► **Service costs for pension benefits:**

The total value of pension benefits accruing to members of the ExCo during the year are calculated on the basis of the service costs for the company as assessed under IAS 19 accounting principles. Service costs value the amount of the pension benefits accruing during the year and for defined contribution plans, take the amount of the company contribution paid during the year. Members of the ExCo participate in the pension plan arrangements of the entities where they are employed. The Group's philosophy is to provide pension benefits through cash balance and/or defined contribution plans where funds are accumulated throughout a career to provide retirement benefits. The majority of the ExCo participate in such plans and over time, all future members of the ExCo will participate in such plans. The remaining members of the ExCo participate in defined benefit plans that provide retirement benefits based on final pensionable earnings and the number of years of service. Normal retirement ages vary from 60 to 65.

► **Value of other remuneration:**

Members of the ExCo receive other remuneration in relation to employee benefits, expatriate allowances, perquisites, benefits-in-kind and any other payments due under each member's employment contract. Benefits-in-kind have been valued using market rates.

► **Other payments and share allocations:**

These are extraordinary and include payments and share allocations to compensate incentive plan forfeitures with previous employers.

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 or performance shares. 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. Restricted share allocations typically vest over three to five years following the date of allocation and may also be credited with DEUs during the vesting period to compensate for any dividend paid. Restricted shares and associated DEUs are typically forfeited if the holder of such allocations leaves the company before the vesting date and the employment relationship terminates.

No replacement payments were made in 2019.

► **Contractually agreed remuneration after stepping down and during notice period in the respective year:**

The amount shown in the table relates to contractually agreed remuneration for the period of employment in 2019 or 2018 as applicable, after stepping down from the ExCo and during the notice period. Such remuneration may include base salaries, cash incentives, LTIP target allocations, pension service costs and other remuneration including employee benefits, on a pro rata basis for the relevant financial year, for members that have stood down from the ExCo.

## Remuneration report (continued)

**Audited**

### Special payments and termination arrangements, additional honoraria and remuneration, and personal loans for members of the ExCo

During 2019, there was one new member appointed to the ExCo as an external appointment, and one member relinquished all responsibilities as a member of the ExCo.

There were no termination payments (golden parachutes) or payments in advance made, nor any other benefits, such as agreements concerning special notice periods or longer-term employment contracts (exceeding 12 months in duration), or additional contributions to occupational pension schemes, provided.

None of the members of the ExCo received any remuneration from the Group or from any of the Group's companies in 2019 or 2018 other than as set out in the tables above.

As of December 31, 2019 and 2018, there were no loans, advances or credits outstanding for members of the ExCo.

### Remuneration and personal loans for former members of the ExCo

Former members of the ExCo are eligible to continue their mortgage loans following retirement on similar terms to those when they were employed, in line with the terms available to employees in Switzerland. As of December 31, 2019 and 2018, no former member of the ExCo had any outstanding loans, advances or credits.

No former member of the ExCo received remuneration in 2019 other than disclosed in the remuneration report 2019.

### Related parties to members or former members of the ExCo

No benefits (or waiver of claims) have been provided to related parties of members of the ExCo or related parties of former members of the ExCo during 2019 and 2018. No party related to members of the ExCo or former members of the ExCo had any outstanding loans, advances or credits as of December 31, 2019 and 2018.

## Remuneration report (continued)

### Shareholdings of the members of the ExCo

This section provides a summary of total outstanding share commitments under the LTIP and from restricted share allocations for members of the ExCo as of December 31, 2019.

### Target share allocations under the LTIP and from restricted share allocations

As of December 31, 2019, the total number of unvested target share allocations under the LTIP was 171,320 (218,142 as of December 31, 2018). Further, the number of unvested restricted shares was 3,683 in 2019 (13,616 in 2018).

A summary of the unvested target share allocations as of December 31, 2019, under the LTIP and from restricted share allocations is set out in the following table:

### Summary of unvested target share allocations for the ExCo as of December 31

	Year of allocation	Year of vesting			Total
		2020	2021	2022	
LTIP <sup>1</sup>	2017	59,906	–	–	59,906
	2018	–	55,581	–	55,581
	2019	–	–	55,833	55,833
Restricted shares <sup>2</sup>	2016	1,935	–	–	1,935
	2017	1,748	–	–	1,748
	2018	–	–	–	–
	2019	–	–	–	–

<sup>1</sup> Dividend equivalent target shares are credited within the regular LTIP and are included in these amounts where they have already accrued. At the vesting date, the original number of target shares allocated, plus the dividend equivalent target shares, will be assessed for vesting in aggregate based on the performance achievements against the predefined vesting grid. No dividends will accrue on the dividend equivalent target shares.

<sup>2</sup> No performance conditions are applicable for vesting. As of July 1, 2018, dividend equivalent shares are credited during the vesting period and included in these amounts where they have already accrued.

Within the context of the regular LTIP allocations made in 2019, these performance-based share allocations will be considered for vesting in 2022, with half of the resulting vested shares being 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 this report.

## Remuneration report (continued)

**Audited**

### Shareholdings of the members of the ExCo

The actual shareholdings of each member of the ExCo, active as of December 31, 2019, are shown in the following table for the past two years.

In addition to any shares acquired in the market, the numbers also include vested shares, whether sales-restricted or not, received under the LTIP. The table does not however, include the share interests of the members of the ExCo that are currently unvested target shares or unvested restricted shares. All interests include shares held by related parties to members of the ExCo.

### Shareholdings of the members of the ExCo<sup>1</sup>

Number of shares, as of December 31	Shares	
	2019	2018
M. Greco, Group CEO	61,929	2,000
U. Angehrn, Group Chief Investment Officer	16,086	7,289
J. Dailey, CEO of Farmers Group, Inc.	19,117	12,055
C. Dill, CEO Latin America	14,825	13,865
P. Giger, Group Chief Risk Officer <sup>2</sup>	–	n.a.
J. Howell, CEO Asia Pacific	8,092	5,046
A. Martin, CEO EMEA and Bank Distribution <sup>2</sup>	3,747	2,487
G. Quinn, Group Chief Financial Officer	44,680	31,779
K. Savio, CEO North America	6,352	4,723
J. Shea, CEO Commercial Insurance	4,412	–
K. Terryn, Group Chief Operating Officer	15,332	14,136
<b>Total</b>	<b>194,572</b>	<b>93,380</b>

<sup>1</sup> 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, 2019 or 2018.

<sup>2</sup> Peter Giger was appointed as Group Chief Risk Officer as an external appointment effective October 1, 2019. A. Martin was appointed as CEO EMEA and Bank Distribution effective July 9, 2019.

### Trading plans

To facilitate the sale of shares for members of the ExCo, the Board approved the implementation of trading plans under a predefined transaction program effective as of 2008. The terms and conditions of the transactions have to be defined and they cannot be changed. All trading plans require the approval of the Chairman of the Board. The establishment of a trading plan by an ExCo member is reported to the SIX Swiss Exchange according to the rules on disclosure of management transactions. As of December 31, 2019, there were no trading plans in place. Further, no trading plans were entered into in 2019 or 2018.

## Remuneration report (continued)

### All employees

#### Remuneration of all employees

Please refer to the remuneration framework section on page 100 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 54,030 full-time equivalent employees as of December 31, 2019 (52,267 in 2018).

The following section includes information regarding the total remuneration earned by employees for 2019 and 2018 across the Group, including remuneration for members of the ExCo.

Total remuneration for all employees		in CHF millions, for the years ended December 31	
		2019	2018 <sup>1</sup>
<b>Fixed compensation</b>	Base salaries and other remuneration <sup>2</sup>	4,534	4,126
	Service costs for pension benefits <sup>3</sup>	407	427
<b>Variable remuneration</b>	Cash incentive awards earned for the year <sup>4</sup>	558	538
	Value of target share allocations made in the year <sup>5</sup>	139	140
<b>Total remuneration</b>		<b>5,638</b>	<b>5,231</b>

<sup>1</sup> The 2018 amounts have been restated from the U.S. dollar amounts disclosed in the remuneration report 2018, to Swiss francs using the relevant exchange rates.

<sup>2</sup> Other remuneration includes amounts for employee benefits and any other payments due under employment contracts.

<sup>3</sup> This represents 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 20 of the consolidated financial statements.

<sup>4</sup> Includes the amounts under the Group's STIP, as well as other cash incentive awards such as those from local plans which are subject to local Board approval and any sign-on and severance payments in cash.

<sup>5</sup> Includes the value of target performance share allocations made under the Group's LTIP, which assumes vesting in 2022 at 100 percent of target and any other target share allocations such as sign-on payments in shares.

#### 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 deferred remuneration as of December 31, 2019 and 2018.

Value of outstanding deferred remuneration for all employees		in CHF millions, for the years ended December 31	
		2019	2018 <sup>1</sup>
Unvested target share allocations		409	402
Unvested restricted share allocations		10	19
Vested but sales-restricted shares		229	113
<b>Value of overall outstanding deferred remuneration</b>		<b>648</b>	<b>534</b>

<sup>1</sup> The 2018 amounts have been restated from the U.S. dollar amounts disclosed in the remuneration report 2018, to Swiss francs using the relevant exchange rates.

The value of the deferred and unvested remuneration has been determined by multiplying the number of outstanding shares by the relevant share price at the original date of allocation and reflects the assumption of a future vesting level of 100 percent. The value of the vested, but sales-restricted shares considers the taxable value at the time of vesting.

## Remuneration report (continued)

### Impact on net income in 2019 and 2018 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 2020, along with adjustments to the estimated value of shares vesting in 2021, depending on performance to date, are reflected in the 2019 consolidated income statement in line with accounting principles. For the 2017 and 2018 plans with shares vesting in 2020 and 2021 respectively, there was an increase of USD 55 million in the expense recognized in the 2019 income statement to reflect actual performance to date compared with original estimates. In 2018, there was an increase of USD 11 million to the expense recognized in the income statement to reflect adjustments due to actual performance.

### 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, have to 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. Zurich does include garden leave or similar payments however, 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, however 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 Chairman 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 the company. 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 2019 and 2018 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	2019		2018	
		Amount (CHF m)	Number of beneficiaries	Amount <sup>1</sup> (CHF m)	Number of beneficiaries
Sign-on payments/number of beneficiaries		1.7	4	11.4	15
Severance payments/number of beneficiaries		–	–	0.1	1

<sup>1</sup> The 2018 amounts have been restated from the U.S. dollar amounts disclosed in the remuneration report 2018, to Swiss francs using the relevant exchange rates.

## Remuneration report (continued)

### Outlook 2020

With the next strategic cycle beginning from 2020, the remuneration architecture has been reviewed to ensure it continues to support the achievement of the new targets, complies with legal and regulatory requirements and best market practices, and aligns with risk considerations. Following the review, the main changes proposed relate to alignment of the LTIP performance criteria and adjustments to certain fee elements of the Board.

► **Long-term incentive plan:**

- The performance criteria of the LTIP have been aligned to the targets of the next strategic cycle as set out at the Investor Day in November 2019. Increases to both the NIAS ROE and cash remittance performance metrics are outlined in the vesting grid below and show a commitment to higher performance expectations as of the next performance period 2020–2022.

Vesting grid for the new strategic cycle	Vesting grid relevant for LTIP allocations made from 2020 and applicable for vesting decisions from 2023:				
	Performance criteria	0% vesting	50% vesting	100% vesting	150% vesting
Relative TSR position (no change)	18th – 13th	12th – 10th	9th – 7th	6th – 4th	3rd – 1st
NIAS ROE <sup>1</sup>	< 11.75% p.a.	11.75% p.a.	14.00% p.a.	15.125% p.a.	≥ 16.25% p.a.
Cash remittance	< USD 10.5 bn	USD 10.5 bn	USD 11.5 bn	USD 12.0 bn	≥ USD 12.5 bn

<sup>1</sup> Subject to change following adoption of IFRS 17. Refer to note 2 of the consolidated financial statements for further information.

- The last change to the LTIP metrics took place in 2017 when the cash remittance targets were increased by USD 0.5 billion.

► **Board fee structure:**

- As part of the regular review and monitoring of Zurich’s Board fees, the independent adviser to the Board’s Remuneration Committee carried out a benchmarking analysis of Board fees at similarly-sized companies in the SMI and Dow Jones Insurance Titans 30 Index.
- The last changes to Board fees were made in 2015. Given successful completion of the targets set for the 2017–2019 strategic cycle, as well as the results of the benchmarking analysis, some adjustments are proposed to bring certain elements of the fee structure closer to median levels of similarly-sized companies in the SMI. Applicable as of the AGM in 2020 and coinciding with the next strategic cycle from 2020, the proposal is to increase:
  - Chairman fees from CHF 1,500,000 to CHF 2,000,000;
  - Vice-Chairman fees from CHF 400,000 to CHF 450,000;
  - Committee membership allowances from CHF 60,000 to CHF 80,000;
  - Committee Chair fees by CHF 20,000 each.
- The basic fee for members of the Board remains the same. In addition, the amount for the committee fee continues to be paid only once, irrespective of the number of committees on which a member of the Board serves.
- The adjustments in the fee structure are incorporated in the maximum amount of remuneration for the Board, which is submitted for approval at the AGM. Further information can be found in the Board of Directors Report 2020 ([www.zurich.com/investor-relations/shareholder-area/annual-general-meeting](http://www.zurich.com/investor-relations/shareholder-area/annual-general-meeting)).

In addition to the topics outlined above, the enhancements to the performance management and incentive approach that were implemented in 2019 will continue to be reviewed and refined as needed. Incorporating customer metrics to assess business performance, along with existing financial metrics, for STIP funding purposes, will also be expanded to include additional markets once sufficiently robust data is available.

Shareholders are given the opportunity to express their opinion on the remuneration report 2019, through an advisory vote at the AGM in 2020. Shareholders will also receive the Board of Directors Report 2020 ([www.zurich.com/investor-relations/shareholder-area/annual-general-meeting](http://www.zurich.com/investor-relations/shareholder-area/annual-general-meeting)) which includes information regarding the two remuneration votes on the total maximum amounts of remuneration for the Board and for the ExCo, taking place at the AGM on April 1, 2020. The votes allow shareholders to have a say on the prospective remuneration for the Board and for the ExCo arising from Zurich’s remuneration policies.

## Remuneration report (continued)

The Remuneration Committee will continue to seek dialogue with investors and proxy advisers in 2020. Further, the Remuneration Committee will ensure that the remuneration framework, including reviews of the framework and any subsequent changes proposed, are aligned with the strategy, embedded in the risk framework and comply with legal and regulatory requirements. As in previous years, the Remuneration Committee enforces the governance framework and carefully monitors the link between key performance factors and variable remuneration awards.

## Report of the statutory auditor

### Report of the statutory auditor

#### to the General Meeting of Zurich Insurance Group Ltd, Zurich

We have audited the accompanying remuneration report of Zurich Insurance Group Ltd for the year ended December 31, 2019. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables labeled 'audited' on pages 108 to 110 and pages 112, 115 and 117 of the remuneration report.

#### **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive Compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

#### **Auditor's responsibility**

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14–16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14–16 of the Ordinance. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

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

#### **Opinion**

In our opinion, the remuneration report of Zurich Insurance Group Ltd for the year ended December 31, 2019 complies with Swiss law and articles 14–16 of the Ordinance.

PricewaterhouseCoopers AG

Mark Humphreys  
Audit expert  
Auditor in charge

Nicolas Juillerat  
Audit expert

Zurich, February 12, 2020

Group overview	<b>Governance</b>	Risk review	Financial review
----------------	-------------------	-------------	------------------

THIS PAGE HAS INTENTIONALLY BEEN LEFT BLANK