

Z Zurich Foundation

Annual Report 2013



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Our cover

In Mexico, the Z Zurich Foundation is helping communities to better prepare for and cope with severe seasonal floods.



For more information on the Z Zurich Foundation please go to the corporate responsibility section of our website:

www.zurich.com/corporateresponsibility

Message from Martin Senn



“Our house was completely demolished by floods and we had to live in other people’s houses. I couldn’t even afford to send my sons to school.”
Shahinor, Bangladesh

Floods affect more people globally than any other type of natural disaster and cause some of the largest economic, social and humanitarian losses. The effects of flooding are also felt long after the waters have receded, as damage to infrastructure and businesses weighs on communities which must also cope with disease, loss of life and significant social disruption.

“Our house was completely demolished by floods and we had to live in other people’s houses. I couldn’t even afford to send my sons to school.”

That is the story of Shahinor from Bangladesh. But it is also the story of millions of others around the world who have had their lives devastated by floods.

Troublingly, the frequency and severity of floods is expected to rise in the coming years due to a combination of factors including climate change, demographic trends such as urbanization, economic growth in coastal zones, and the degradation of natural flood protection. A recent study led by the Global Climate Forum estimates that without urgent action the average annual storm surge damage could rise from about USD 10 billion to USD 40 billion a year today to as much as USD 100 trillion by 2100. Such flooding would affect up to 600 million people around the world, or about five percent of the global population. Inaction in the face of such a significant risk is unthinkable. That is why the Z Zurich Foundation and Zurich Insurance Group have launched the Zurich flood resilience program. We believe that by using our combined resources, we can help communities reduce the harm caused by floods and contribute to the understanding of flood risks and the effectiveness of mitigation measures.

Our program starts where support is needed most – at the community level – in collaboration with partners such as the International Federation of Red Cross and Red Crescent Societies (IFRC), with its 187 national societies; Practical Action, a UK-based international non-governmental organization; the International Institute for Applied Systems Analysis (IIASA), and the Wharton Risk Management and Decision Processes Center. This program is closely aligned with the values and intentions of our Foundation. For 40 years, the Z Zurich Foundation has invested in the well-being and sustainable development of the communities in which we live and work. Foundations like ours can act in ways that other organizations may not, as we are not limited by political agendas or the need to generate an immediate financial return. This allows us to take quick and decisive action to address long-term challenges. We believe that our focus on building the resilience of communities against floods and supporting the development of long-term community programs in the countries in which we operate has a key role to play in preparing people and communities for the risks they face. We are very proud to be able to deploy our skills and resources to make a meaningful difference in our communities and society at large.

Thank you for your interest in our efforts, including those highlighted in this publication. We welcome your thoughts and observations to z.foundation@zurich.com.

Yours sincerely,

Martin Senn

Chairman of the Board of Trustees, Z Zurich Foundation
Chief Executive Officer, Zurich Insurance Group Ltd

Our mission and strategy

Mission

The mission of the Z Zurich Foundation is to build resilience by helping people understand and protect themselves from risk.

Thematic priorities



Sustainable disaster management

Build safer, more resilient communities by mitigating and preparing for risk before disaster strikes, to supporting long-term efforts to rebuild lives, livelihoods and communities devastated by natural catastrophes.



Social and economic empowerment

Increase the social and/or economic strength of people or communities faced with poverty, disadvantages, and physical or mental distress.



Insurance-relevant research and education

Promote insurance literacy, risk awareness, risk reduction and risk management.

Funding pillars

Global resilience

The Foundation aims to serve as global catalyst for building the resilience of communities to natural disasters, with a particular focus on floods.

Local resilience

To invest in the well-being and sustainable development of communities of which we are an integral part, the Foundation supports the implementation of local long-term community programs run by offices of Zurich Insurance Group ('Zurich').

Projects

- International Federation of Red Cross and Red Crescent Societies
- Practical Action
- Wharton Risk Management and Decision Processes Center, Wharton School of the University of Pennsylvania
- International Institute for Applied Systems Analysis
- RoadCross Schweiz, Switzerland
- Zurich Climate Prize, Switzerland
- St. Bernard Project, U.S.
- Mentor Foundation, Sweden

Our approach



Zurich employees in Morocco clean a beach during Zurich's annual Global Community Week.

We seek to align all our community activities with seven guiding principles that we consider to mark best practice, ensuring that projects and initiatives:

Have a positive impact

We support the development of effective solutions to address social concerns and generate a meaningful, positive impact in the communities of which we are an integral part.

Have a defined focus

We take a strategic, long-term perspective on social engagement and clearly define the type of impact we want to have, the issues we wish to address, and the communities we want to focus on.

Benefit from strategic alliances

We work together with organizations in the non-profit, public and private sectors to have the greatest impact beyond what each participant could achieve alone.

Engage Zurich Insurance Group employees

We enable and empower Zurich employees to actively participate in communities and find ways to involve them in the design, funding and governance of local community programs, while encouraging them to volunteer.

Leverage core competencies

We do not limit our contributions to cash, but also offer our time, skills and expertise.

Are effectively managed

We seek to commit dedicated, skilled resources to ensure sustainability and appropriate management.

Are measurable and use transparent reporting

We set specific objectives and monitor and evaluate performance against these indicators to ensure continuous improvement in the areas we support. We are accountable to our stakeholders and report on our activities in a clear, transparent way.

To stay true to this approach, we actively choose the organizations we want to cooperate with in our areas of focus.

The Z Zurich Foundation ('Foundation') strategy is closely aligned with and supportive of Zurich Insurance Group's Corporate Responsibility Strategy.

 For more information, please visit www.zurich.com/corporateresponsibility



Floods are a universal hazard. In 2013 a levee break along the Elbe river in Germany left towns, croplands – and roads – under water.

Global resilience – working to build resilience worldwide by mitigating the impacts of natural hazards

“On average, some 250 million people have been affected annually by floods over the last 10 years and they are the single most widespread and increasing disaster risk to urban settlements of all sizes. Flooding is an extensive recurring risk which causes enormous damage to critical infrastructure including transport systems, roads, schools and health facilities.”

UN Office for Disaster Risk Reduction, June 2013

In recent years it has become more widely recognized that while it is essential to prepare for and cope with disasters, this in itself is not enough. We share the belief that more can be done to improve pre-event flood risk mitigation, as opposed to granting relief only in the wake of these devastating disasters. To address such an immense global challenge in a sustained, meaningful way and achieve genuine change, we need to involve strategic allies whose experience and skills complement our own expertise. To this aim, in 2012 the Foundation and Zurich Insurance Group established the Zurich flood resilience program.

The program seeks to improve community flood resilience by identifying innovative ways to increase pre-event disaster risk reduction efforts at the community, national and global levels. It develops and disseminates knowledge and expertise to enhance resilience to floods. It also works to make an impact on the ground through strategic long-term alliances with the public and private sectors, non-governmental organizations (NGOs), and the academic community. At the same time it examines the ways that insurance can contribute to efforts aimed at reducing flood risk.

Our flood resilience program represents a new approach to cross-sector collaboration. It is based on an innovative alliance linking flood research, community-based programs and risk expertise. We have established a close working relationship with two universities – the Wharton Risk Management and Decision Processes Center at the University of Pennsylvania (Wharton), and the International Institute for Applied Systems Analysis (IIASA) based in Austria. They will develop research to help us better understand significant trends related to flooding. Some of this research will focus on identifying new ways to intervene on the ground to support at-risk communities. The work on the ground is being led by two organizations with complementary strengths – Practical Action, an international development NGO, and the International Federation of Red Cross and Red Crescent Societies. Zurich and its Foundation act as catalysts in these efforts, providing human, technical and financial resources.

Together all alliance partners share a common vision: enhancing communities' well-being by making them more resilient to floods.



As part of our continuing efforts to encourage productive collaboration across the flood resilience alliance, we have agreed upon three areas of focus that reflect what we believe to be the greatest challenges:

- How can we best measure a community's resilience to flooding, and based on this knowledge, the impact of specific interventions?
- How can we build a knowledge platform to share information and best practice at a practitioner level?
- How should we disseminate information and engage in advocacy efforts to highlight the importance of pre-event mitigation as opposed to disaster relief?

We are pooling the Foundation's resources, the knowledge and networks of those organizations with which we cooperate, and Zurich's risk management and insurance expertise. This combined approach harnesses the strength of each individual member of the collaboration. It allows us to go beyond what each entity could achieve on its own, to reach scale and achieve impact across sectors and geographies. It offers the potential to transform communities in a lasting, positive way.

In 2013, the focus was particularly on establishing one single alliance by bringing together the individual partners. We recognize that this type of collaboration is a completely new way of working for all parties involved. It thus requires more time to build. We believe, however, that the time and effort required to establish this common understanding across the alliance will help us develop innovative solutions that ultimately have greater impact on the ground for the affected communities going forward, helping them become more resilient to flood risk.

International Federation of Red Cross and Red Crescent Societies (IFRC)

The IFRC was the first to join the new alliance. In March 2013, we announced that we would enhance our existing cooperation with the IFRC to establish a new model of collaboration that benefits from close cooperation between the private sector and humanitarian organizations. In doing so, we agreed to a pioneering approach that builds on a joint vision and joint objectives, combining the expertise and capacities of our separate organizations. The collaboration includes a financial commitment of up to CHF 21 million over five years.

Through the IFRC and the Red Cross/Red Crescent national societies, we are establishing community flood resilience programs in both urban and rural settings, integrating Zurich's risk management knowledge and experience with the on-the-ground knowledge and experience of the Red Cross and local communities. Decisions on which communities to include were based on an approach supported by Zurich's expertise in hazard assessments. During the year 2013, Zurich and the IFRC took the initial steps toward implementing flood resilience programs in Mexico as the first priority country, starting in the Tabasco region. Following an assessment by the Mexican Red Cross, Zurich and the IFRC, work has started to establish the necessary relationships and define a detailed action plan. In 2013 we also started working in Indonesia with the Indonesian Red Cross (PMI), where a detailed action plan is being developed.

The programs in Mexico and Indonesia are intended as models that demonstrate an effective and integrated approach toward enhancing communities' preparedness and resilience to flooding. The programs seek to enable micro projects that support risk mitigation, and facilitate activities that contribute to preparedness and resilience. One area of focus will be looking to strengthen and increase communities' skills, knowledge and resources to reduce vulnerability to floods. In addition, the programs will seek to increase the impact of initiatives aimed at improving health and housing, along with measures related to disaster risk reduction (DRR), addressing climate change, diversifying livelihoods, preventing violence, etc., depending on the specific needs of the communities.



In Mexico (above) and other countries, the International Federation of Red Cross and Red Crescent Societies and Red Cross/Red Crescent national societies, stakeholders of our flood resilience program, provide a crucial link to communities.

An important aspect is to develop and test enhanced flood resilience tools and solutions to make them available in the field. With this in mind, we have identified the following areas for potential collaboration:

- Enhanced assessment of the context in which these measures are applied, including a more rigorous hazard and risk analysis. This could potentially serve to both improve the community selection process as well as the vulnerability and capacity assessment (VCA) that our humanitarian partners are conducting in community projects.
- Enhanced community selection process to enable programs to have a wider positive impact beyond individual communities (for example, joint efforts and opportunities in areas that share watersheds).
- Enhanced processes to enable impacts to be measured (for example, by defining and collecting relevant metrics, baseline and endline evaluations).
- Enhanced identification and prioritization of these programs (for example, options based on best practices, cost-benefit analyses). This could potentially improve the VCA.

Our objectives are interrelated and iterative; the enhanced tools and solutions that we develop will be tested and applied in the communities selected. Based on the learnings from these tests/ applications, they will continue to be adapted and refined.

Practical Action

As a further strategic commitment of the flood resilience program, Zurich also collaborates with Practical Action, a small international development organization with a strong technical background, which focuses on providing innovative and sustainable solutions to alleviate poverty. In September 2013, we enhanced our existing cooperation with Practical Action by agreeing to invest up to CHF 9 million over five years. Together with Practical Action, we are implementing community programs that are carried out on a smaller scale than the IFRC programs. These smaller programs will serve as incubators for innovation and knowledge-sharing.

In Peru we work in poor and vulnerable urban communities in the Rimac and Piura river basins to reduce flood risks and risks from natural hazards, including those related to climate change. Projects have started on the ground in communities that were selected on the basis of their exposure, sensitivity and vulnerability to floods. The program incorporates Zurich's expertise in risk and hazard assessment, and learnings from programs of alliance partners in other countries. These activities aim to achieve four key objectives:

- Increase resilience to flood risks and associated natural hazards in urban municipalities in Piura and Rimac by raising awareness and enhancing preparedness, monitoring, early warning and risk mitigation measures (both structural and non-structural).



The Z Zurich Foundation supports Practical Action's efforts to make communities more resilient to floods, including in Bangladesh's flood-prone Sirajganj district.

- Establish disaster risk reduction (DRR) networks that represent the communities' interests in government development plans, processes, implementation and budgets.
- Improve urban risk management practices with impact on national policy and practice.
- Share the Peruvian experience of increasing resilience to river basin flooding in urban settings with relevant institutions in priority countries in Latin America, in conjunction with other members of the alliance.

In Nepal, we are working on two separate but related projects. One is in the Koshi river basin as part of the Government of Nepal's Flagship Programs for Disaster Risk Reduction. Together with the IFRC and the Nepal Red Cross Society (NRCS), Practical Action is helping to establish a flood early warning system (EWS). Practical Action is also providing support to the Nepal Red Cross Society to increase and expand flood warning capacity across Nepal. This program marks the first collaboration among our alliance partners on the ground, with each partner bringing complementary skills and expertise to the project. The second project focuses on communities at risk of floods in the Karnali river basin. It aims to increase communities' capacity to resist, absorb, and respond to floods, and explores ways to minimize the impacts by adapting people's livelihoods to the ever-present threat of floods, thereby managing the risk and not responding to the disaster.

We will also continue to provide financial support to Practical Action's work in Bangladesh to ensure that what has been achieved there can be sustained and applied on a wider scale. This includes exploring the issues related to 'holistic' river basin management, and increasing local stakeholders' capacity to cope with floods. The work also explores innovative ways to provide early warnings in places where this is made challenging by a highly complex upper watershed located in several neighbouring countries.

All projects provide opportunities to engage our research partners. This helps us to learn from practice. Beyond its central development role, Practical Action also provides knowledge through two units: Practical Action Consulting, and Practical Answers. Alongside the Red Cross and other community-based organizations, these units will help disseminate what we learn on a greater scale. Practical Action doesn't have the global capacity to take new ideas to scale. Our relationship with the IFRC is highly valuable in this regard. The IFRC is hugely influential and represented in 187 different countries. In terms of the overall program, this provides unparalleled access, allowing best practice to be rolled out for use on a global scale.

Matching employee contributions following Typhoon Haiyan

While the Foundation's focus is on pre-event disaster mitigation, we recognize that certain disasters warrant an additional, more immediate response. In such circumstances the Foundation supports employees of Zurich Insurance Group in their efforts to aid people who have been harmed by these disasters, matching their financial contributions made to charities of their choice. The Foundation's contribution typically goes to support the respective relief, recovery and rehabilitation efforts of the IFRC.

In 2013, the Foundation launched a matching appeal to help meet the desperate need following Typhoon Haiyan, which devastated the Philippines. Together, the Foundation and Zurich employees donated CHF 370,000 to support the victims of this tragic event – the strongest tropical cyclone making landfall on record. Reports from the United Nations at that time indicated that as many as 9.5 million people could have been affected by the storm, and as many as 10,000 may have died.

The Foundation also continues to support the IFRC's Disaster Relief Emergency Fund – a vital part of the IFRC's global system of disaster and crisis management. It is a source of non-earmarked funds that ensures financial support is available for Red Cross/Red Crescent emergency response operations immediately before, during and after a disaster.

The Wharton School at the University of Pennsylvania (Wharton) and the International Institute for Applied Systems Analysis (IIASA)

In July 2013, we added two research institutions to our alliance: the Risk Management and Decision Processes Center at the Wharton School of the University of Pennsylvania (Wharton) in the U.S., and the International Institute for Applied Systems Analysis (IIASA), a non-governmental research institution based in Austria. We have committed a total of CHF 3 million to these two institutions over four years. The goal of this cooperation is to provide the alliance with state-of-the-art analyses in the field of flood risk resilience and to build our knowledge base.

Wharton has a long-standing reputation for working with organizations to help them better manage and finance low-probability, high-consequence events, and plays a critical role in flood resilience. IIASA has well-established expertise in global change problems including catastrophic risk management, for which it is providing insights to key stakeholders. Working together, the knowledge these institutions contribute will help to:

- Validate resilient systems and measure flood resilience
- Demonstrate the benefits of ex-ante risk management
- Provide strategies to overcome key obstacles that make it difficult to put flood resilience plans and policies into action
- Implement research programs together with community partners in Mexico, Nepal and Peru that will apply and test different approaches, and make a case for flood resilience
- Examine flood risk management strategies in both developed and emerging countries
- Create a strong and robust knowledge base through academic research and the publication of white papers

A portion of the research these institutions carry out will focus specifically on programs on the ground in vulnerable communities. These efforts will help to provide further information and enhance our community work, to encourage an iterative approach connecting all our activities.

In 2014 we will seek to explore ways to further accelerate the impact of our flood resilience program.

 Please visit www.zurich.com/corporateresponsibility for the latest information on this program.

In 2013, the Foundation also continued to support the important work of the following three organizations:

The Rainforest Alliance

2013 marked the fifth and final year of our support for the Rainforest Alliance. Our cooperation sought to build community-based resilience to food and water scarcity, and climate change. Its efforts helped to increase local communities' capacity to engage in sustainable agriculture. They also included work on carbon sequestration, and expanding the Rainforest Alliance's impact-monitoring activities. With the Foundation's primary focus shifting toward building community flood resilience, by mutual agreement we decided not to renew the cooperation. During our years of cooperation, however, we were able to introduce significant changes: together we created economic incentives for farmers and communities to manage their land and water in a more sustainable manner. Communities dependent on farming and forestry are also contributing to efforts to address climate change. This includes developing tools to help mitigate the impact of their activities on the environment. Beyond that, technical assistance has helped them to use natural resources in a more sustainable way, and increase their income from these resources. The Rainforest Alliance has developed a new set of impact-monitoring tools that will continue to validate these efforts. Through this cooperation, the Foundation also gained valuable knowledge that will allow us to further enhance our monitoring and evaluation capabilities. We remain grateful for the close relationship we were able to build with the Rainforest Alliance.

www.rainforest-alliance.org/work

ETH Zurich (Swiss Federal Institute of Technology)

The Foundation continues to support ETH Zurich Foundation and ETH Zurich's strategic risk management initiative. This program looks at natural, technical, economic and social risks within the context of specific geographic regions. It takes into account comprehensive risk landscapes to find ways to understand, assess, compare and manage risks. Its research will help societies to better manage risk portfolios and design novel solutions and collaborative approaches to reduce risk. Our support to set up a new chair in the field of 'risk and insurance economics' makes it possible to accelerate research of importance not only to the Foundation, but to the entire insurance industry, and more importantly, to society as a whole.

www.riskcenter.ethz.ch/

International Labor Organization (ILO) – Microinsurance Innovation Facility

The Foundation shares the aims of the ILO's Microinsurance Innovation Facility ('Facility'), which was established in 2008 to reduce the vulnerability to risks faced by millions of low-income people in the developing world by promoting access to better quality insurance services. We have supported the Facility's efforts to catalyze learning and new knowledge through innovation grants. These are awarded to encourage solutions through technology and innovations that increase efficiency, reach larger numbers of poor households, and enhance processes related to insurance. Over the past year, the focus has shifted to activities that center around knowledge management and dissemination. The cooperation pursues two objectives: generating more knowledge, and amplifying impact of this knowledge by further disseminating the lessons learned, helping put the knowledge into practice. The cooperation between the Foundation and the Facility will end in 2014.

www.microinsurancefacility.org



The Swiss Federal Institute of Technology (ETH) is a leading research institution. With the Foundation's support, it has set up a new chair in risk and insurance economics.



Local resilience – building resilience in the communities in which we live and work

“Issues the world faces can be described as global, but in the end it comes down to addressing the specific needs of each and every individual community. Actively engaging people can bring about real, lasting change and create opportunities for communities to face issues and find solutions that truly match their needs.”



Helping communities where Zurich's employees live and work is part of Global Community Week. In Dubai, Zurich employees volunteered at a center for children with special needs.

St Bernard Project – Zurich North America

Storm Sandy unleashed its full fury on the U.S. east coast in October 2012. In its wake, Zurich North America, in cooperation with the St. Bernard Project – a non-profit organization focused on ensuring that communities affected by disasters recover in a prompt, efficient and predictable way – was awarded a local grant to support long-term rebuilding efforts in the New York area. This financial support, together with a steady supply of Zurich employees who volunteer their time, talent and energy, will help rebuild homes. In addition, it will allow the St. Bernard Project to more widely implement its model for affordable post-disaster recovery, enabling it to share practices with other communities. A grant of USD 165,000 was initially approved for one year, with an opportunity to further enhance, expand and extend the cooperation going forward. The cooperation between Zurich and the St. Bernard Project builds on an existing relationship that began in 2005 following Hurricane Katrina. The St. Bernard Project was originally founded to help New Orleans recover from the catastrophic effects of that storm.

www.stbernardproject.org

Mentor Sweden – Zurich Nordic

Sweden faces growing problems due to a rapid rise in the number of troubled young adults in the country. A significant number of Swedish young people feel they don't have an adult to talk to. This is not only a matter of concern for these individuals and their families; it also could cost communities in terms of actual losses and by weakening the social fabric. At the end of 2013, the Foundation approved funding for a program run by Zurich Nordic in cooperation with Mentor, an organization focused on promoting health and preventing drug problems among children and young people in Sweden. The cooperation increases Mentor's abilities to support its programs, including a mentoring program for young adults aimed at preventing violence and drug use, job-readiness workshops in schools, and courses to help parents build strong and stable relationships with their children. Funding was approved of CHF 366,000 (i.e. SEK 2.7 million) for three years. Zurich Nordic employees will have the opportunity to become involved as trained mentors or support the workshops as volunteers. The cooperation began in January 2014.

www.mentor.se

Every country has its own culture, each community its specific needs. Social, environmental and economic conditions vary from country to country. Those who are familiar with local issues and knowledgeable about a particular community and the challenges it faces have a distinct advantage when it comes to operating in a local environment. In addition, those with first-hand knowledge of situations tend to be highly motivated when it comes to achieving genuine results. Local programs are a necessary means to make a difference to the communities in which Zurich employees live and work. With this in mind, many of Zurich's subsidiaries have started to implement local community programs. They lend their resources, time and skills to enhance the wellbeing and encourage sustainable development of communities of which they are an integral part. To support them in their efforts, the Foundation launched its local grants program. This program reflects the needs, cultural considerations and priorities of individual communities. To provide additional resources and value, the Foundation will support particular projects that give Zurich employees an opportunity to use their time and skills to benefit their communities, as well as contribute to their own personal development.

Zurich Global Community Week – Zurich Insurance Group

Global Community Week, launched in 2012, involves the entire Zurich Group. By sharing time, skills and resources, Zurich employees engage in hands-on activities that make a positive difference in local communities around the world. Their efforts highlight useful and effective community work going on throughout the year across Zurich. Beyond a single week's activities, Global Community Week provides inspiration to seek opportunities for long-term alliances. This is further supported by the Foundation's local grants program, which gives Zurich offices the opportunity to apply for funding for longer-term local community programs. For the first time in 2013, the Z Zurich Foundation matched all contributions raised by Zurich employees during Global Community Week, further enhancing the impact of this initiative. In 2013, almost 25 percent of Zurich employees, in 43 countries, volunteered approximately 28,000 business hours, nearly triple the hours in 2012. They raised almost USD 1 million in cash and in-kind contributions (including Z Zurich Foundation matching funds).

www.zurich.com/corporateresponsibility

RoadCross and Zurich Climate Prize – Zurich Switzerland

The Foundation continued its support for the important work done by Zurich Switzerland through its cooperation with RoadCross Schweiz. The organization provides driver awareness and road traffic safety education specifically targeting young adults and new drivers. Funding amounts to CHF 450,000 for three years until 2014.

The Zurich Climate Prize Switzerland & Liechtenstein rewards innovations that help to reduce CO₂ emissions and improve energy/resource efficiency. Its criteria can also include effective ways to change people's behavior with regards to consumer choices, home energy use, and transportation. These three key areas together account for over 80 percent of greenhouse gas emissions related to daily life. Funding amounts to CHF 150,000 per award cycle (a total of CHF 300,000 for two cycles over three years). The second cycle was announced in November 2013; prizes will be awarded in November 2014.

www.roadcross.ch

www.climateprize.zurich.ch

In 2014 our focus will be on promoting the local grants program to a greater extent within Zurich. We will continue to encourage an environment conducive to such programs, and work with Zurich's local offices to develop meaningful programs suitable to individual communities' needs and the local culture, in line with our best practice guidance.



The Zurich Climate Prize is awarded annually for innovative projects that help to reduce CO₂ emissions.

Governance

Z Zurich Foundation is a private foundation established by Zurich Insurance Company Ltd and Zurich Life Insurance Company Ltd, in accordance with Swiss law, with registered office in Zurich.

The purpose of the Foundation as stipulated in its articles of association is to provide financial support for and promote charitable activities of any kind, particularly in the areas of science and culture, education, recreation and health, environmental protection, assistance to persons in need, the aged, the ill and the disabled. Giving guidelines further define the contribution areas and principles of the Foundation.

In 2008, the Foundation underwent a major transformation to align it with best practice governance and community investment standards, and to ensure that our community investments are supportive of Zurich's overall corporate responsibility strategy.

The Foundation is committed to transparency and continuous improvement in the effective use of Foundation funds. It is a member of SwissFoundations, the association for grant-making foundations in Switzerland and the first organization in Europe to publish generally applicable governance guidelines on modern and professional foundation management, promoting transparency, professionalism, and the effective use of charitable means.

The Foundation is governed by a Board of Trustees. The Board of Trustees comprises the Chairman and at least two other members who are elected by the Board of Directors of Zurich Insurance Company Ltd for a term of office of three years.

As of December 2013, the Board of Trustees and the management of the Foundation were comprised of the following members (in alphabetical order):

Board of trustees 2013	Name	Function	Term of office
	M. Senn, in Zumikon CH	Chairman	2011-2014
	F. Bouchard, in Kilchberg CH	Member	2012-2015
	C. Browning, in Los Angeles U.S.	Member	2012-2015
	A. Cassio, in São Paulo BR	Member	2012-2015
	S. Gallo, in Buenos Aires AR	Member	2011-2014
	A. Gillies, in Wheatley Oxford UK	Member	2013-2016
	M. Marchesani, in North Bergen U.S.	Member	2011-2014
	G. Riddell, in Hong Kong HK	Member	2012-2015
	K. Savio, in Deer Park U.S.	Member	2011-2014
	A. Serna, in Meilen CH	Member	2011-2014
	(A. Haugh, in Rüslikon CH	Member	2012-08.2013)
	K. Reiter, in Zurich CH	Manager	

Clear, comprehensive guidelines define the responsibilities of the Chairman, the Board of Trustees and the Foundation manager, as well as the necessary signing authority levels.

Financial statements

Balance sheet	in CHF, as of	31/12/13	31/12/12
	Investment assets		
	Liquid assets	20,522,314	20,420,366
	Accounts receivable	336,312	243,362
	Securities	1	1
	Investment funds bonds domestic	11,691,722	9,037,519
	Investment funds shares domestic	14,609,735	11,031,104
	Investment funds money market	21,368,796	15,650,745
	Total investment assets	68,528,879	56,383,097
	Total deferred charges and prepaid income	0	0
	Total assets	68,528,879	56,383,097
	Liabilities		
	Payables		
	Current account Zurich Insurance Company Ltd	0	0
	Total payables	0	0
	Total deferred charges and prepaid expense	1,793,000	798,061
	Foundation capital, uncommitted funds		
	Foundation capital	55,585,037	37,595,427
	Retained earnings – current year profit/loss	11,150,843	17,989,609
	Total Foundation capital, uncommitted funds	66,735,879	55,585,037
	Total liabilities	68,528,879	56,383,097

Note: all amounts in the Financial statements are shown in CHF, rounded to the nearest CHF 1 with the consequence that the rounded amounts may not add up to the rounded total in all cases.

Income statement	in CHF for the years ended December 31	2013	2012
Revenue			
Charitable and social institutions		0	0
Development aid		0	12,385
Total donation income		0	12,385
Contribution of Zurich Insurance Company Ltd		0	1,101,024
Contribution of Zurich Life Insurance Company Ltd		18,424,600	18,790,080
Interest income		3,249	3,797
Realized gains on investment			
Realized gains on investment funds bonds domestic		0	0
Total realized gains on investment		0	0
Unrealized gains on investment			
Unrealized gains on investment funds bonds		0	32,355
Unrealized gains on investment funds shares domestic		306,554	336,221
Total unrealized gains on investment		306,554	368,576
Dividend/interest incl. withholding tax		957,641	691,524
Total revenues		19,692,044	20,967,385
Expenses			
Foundation services			
Research, science and education		165,000	15,000
Development aid		185,000	12,385
Miscellaneous grants		487,718	5,000
Total donations		837,718	32,385
ETH Foundation Zurich		1,000,000	1,000,000
International Institute for Applied Systems Analysis (IIASA)		578,236	0
Microinsurance Innovation Facility		27,273	0
Practical Action		1,441,667	500,000
Rainforest Alliance		250,000	513,802
International Federation of Red Cross and Red Crescent Societies		2,625,000	500,000
Wharton School of the University of Pennsylvania		577,178	0
Total global non-profit alliances		6,499,354	2,513,802
RoadCross		150,000	150,000
Total Swiss non-profit alliances		150,000	150,000
Administration costs			
Bank charges and safekeeping charges		1,542	516
Other administration costs		68,161	41,669
Costs for the auditors		5,292	5,292
Costs for the regulators		1,000	1,000
Unrealized loss on investment			
Unrealized loss on investment funds shares domestic		490,661	0
Unrealized loss on investment funds money market domestic		487,474	233,112
Total unrealized loss on investment		978,135	233,112
Total expenses		8,541,202	2,977,776
Annual result		11,150,843	17,989,609

Note: all amounts in the Financial statements are shown in CHF, rounded to the nearest CHF 1 with the consequence that the rounded amounts may not add up to the rounded total in all cases.

Foundation assets/commitments

The founding companies endowed initial total assets of CHF 29,000,000 to the Foundation, payable from 2008 to 2012.

In 2011, Zurich Insurance Group Ltd (previously Zurich Financial Services Ltd) on behalf of Zurich Insurance Group (previously Zurich Financial Services Group) endowed additional assets of USD 100,000,000 to the Foundation, whereof USD 20,000,000 were paid as per December 31, 2011. The remaining amount of USD 80,000,000 plus market interest is to be transferred in equal installments by 31 December each year, over a period of four years, for the first time in 2012.

Commitments

Z Zurich Foundation assumed the following commitments to partners (pursuant to Memoranda and Letters of Understanding):

CHF 450,000	Stiftung RoadCross Schweiz, Zurich, Switzerland Three-year term from 2011 to 2014
CHF 300,000	Zurich Climate Prize, Switzerland Three-year term from 2011 to 2014
CHF 3,000,000	ILO's Microinsurance Innovation Facility, Geneva, Switzerland Three-year term from 2011 to 2013
CHF 3,000,000	ETH Zürich Foundation, Zurich, Switzerland Three-year term from 2013 to 2016 (Tacit renewal of the initial commitment from 2010 to 2013 for a second, final term)
USD 1,600,000	International Institute for Applied Systems Analysis (IIASA), Laxenburg, Austria Four-year term from 2013 to 2016
USD 1,600,000	Wharton School of the University of Pennsylvania, Philadelphia, U.S. Four-year term from 2013 to 2016
CHF 9,000,000	Practical Action Ltd., Rugby, Warwickshire, UK Five-year term from 2013 to 2018
CHF 21,000,000	The International Federation of Red Cross and Red Crescent Societies (IFRC), Geneva, Switzerland Five-year term from 2013 to 2018

Accounting and valuation rules

The accounting rules are according to the Swiss Code of Obligations (OR). The following valuation rules apply:

- Securities: balancing in market value at balance sheet date
- Other assets and liabilities: balancing at nominal amount

Risk assessment process

The Z Zurich Foundation is fully integrated in the Group-wide risk assessment process of Zurich Insurance Group Ltd. This Group-wide risk process considers the nature and extent of the business activities as well as the specific risks of the Z Zurich Foundation. We refer to the reporting on the risk assessment in the consolidated financial statements 2013 of Zurich Insurance Group Ltd.

Comments on the balance sheet and income statement

Balance sheet	Assets
	Total investment assets
	The cash inflow is due to the payment of the third installment of the commitment of Zurich Insurance Group Ltd, of which a part was invested in accordance with the investment guidelines of the Z Zurich Foundation. The remaining part of the installment was used to cover ongoing project commitments.
	Liabilities
	Total deferred charges and prepaid expense
	Audit fees in the amount of CHF 6,000, public charges for the reporting periods 2012 and 2013 in the amount of CHF 1,000 each, print costs for the annual report 2013 in the amount of CHF 10,000, and the obligations to IIASA in the amount of CHF 200,000, Wharton School of the University of Pennsylvania in the amount of CHF 200,000, Practical Action in the amount of CHF 541,667, and the IFRC in the amount of CHF 833,333 were recorded as accruals for December, 2013.
Income statement	Revenue
	Research, science and education
	This entry encompasses the following contributions:
	<ul style="list-style-type: none"> • Prize money in the context of the Zurich Dissertation Prize which rewards dissertations of outstanding scientific quality written by students at the Department of Management, Technology and Economics at the ETH Zurich with a connection to the subject matter of 'risk'; • Prize money in the context of the Zurich Climate Prize to promote innovative projects that help to reduce CO₂ emissions, improve energy/resource efficiency and/or change people's behavior with regards to consumer choices, home energy use, and transportation.
	Development aid
	This contribution comprises the matching of donations by Zurich employees following Typhoon Haiyan in the Philippines in the context of the disaster-giving guidelines of the Foundation. The Foundation's contribution was made to the Disaster Relief Emergency Fund of the International Federation of Red Cross and Red Crescent Societies.
	Miscellaneous grants
	This entry encompasses the following contributions:
	<ul style="list-style-type: none"> • Matching of Zurich employee contributions in the context of Zurich's second Global Community Week – a global initiative intended to increase and enhance our community involvement and impact; • A grant to the charitable organization St. Bernard Project in cooperation with Zurich North America for the rebuilding in Staten Island, U.S., following the devastation of storm Sandy, in the context of the Foundation's local grants program.
	Microinsurance Innovation Facility
The payment schedule to the Microinsurance Innovation Facility has been adapted over the term of the commitment to better account for the changed needs of the grantees. In 2012, therefore, no disbursement occurred. The deferred charges and prepaid expenses in the amount of CHF 572,727 accrued in 2011 thus remained in place and were only released in 2013. If offset against the actual payment of CHF 600,000 made in 2013, this results in the stated expenses of CHF 27,273 in the income statement 2013.	
Administration costs	
The administrative costs of the Foundation increased by CHF 27,518 to CHF 75,995 and represent 0.89 percent of total expenses in the amount of CHF 8,541,202, as compared to 1.63 percent the previous year. The increase is mostly due to increased costs related to the implementation of Global Community Week.	
Public charges for the reporting period 2012 that have not yet been invoiced, as well as those for the reporting period 2013, were recorded as accruals for December 2013.	
Zurich Insurance Company Ltd covers all of the personnel costs involved in the management of the Foundation, to ensure that a greater percentage of contributions can be allocated to community projects.	

Report of the statutory auditors

On the limited statutory examination to the Board of Trustees of Z Zurich Foundation

As statutory auditors, we have examined the financial statements of Z Zurich Foundation, which comprise the balance sheet, income statement and annex (pages 14-17), for the year ended December 31, 2013.

These financial statements are the responsibility of the Board of Trustees. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of foundation personnel and analytical procedures as well as detailed tests of foundation documents as considered appropriate in the circumstances. However, the testing of the operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements do not comply with Swiss law and the foundation's deed.

PricewaterhouseCoopers AG

Roland Sauter
Audit expert
Auditor in charge

Matthias Sutter
Audit expert

Zurich, 8 April 2014

Corporate responsibility at Zurich Insurance Group

Corporate responsibility is a key part of the strategy of Zurich Insurance Group ('Zurich') and supports Zurich's mission to help its customers understand and protect themselves from risk. As part of Zurich's strategy, Zurich is focusing on its strengths as a business, and on key enablers of success – actions Zurich needs to take to achieve its strategic objectives. Zurich thinks about corporate responsibility in the same way, focusing on seven areas that either make use of its insurance, risk management and investment expertise, or are enablers of Zurich's success. They are:

- Enhancing community flood resilience
- Investing Zurich Group assets responsibly (Zurich is a signatory of the Principles of Responsible Investment)
- Working with Zurich corporate customers to help them understand and manage their corporate responsibility risks
- Community investment locally and through the Z Zurich Foundation
- Environmental performance, and health and safety management in Zurich office buildings
- Diversity and inclusion in Zurich's workforce
- Responsible supply chain management

Zurich participates in the Dow Jones Sustainability Indices (DJSI) and FTSE4Good.

Zurich has been a signatory of the UN Global Compact since 2011 and is committed to making the Global Compact and its principles part of Zurich's strategy, culture and day-to-day operations.

For further information on corporate responsibility at Zurich, see Zurich's Annual Report 2013, available on www.zurich.com, as well as the corporate responsibility section of Zurich's website:

 www.zurich.com/corporateresponsibility

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Photography by Michael Szönyi, Zurich flood resilience specialist

Page 2: Martin Senn speaks to colleagues.

Photography by Anne Morgenstern for Zurich Insurance Company Ltd

Page 3: Beach clean-up in Morocco.

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Page 4: Flooded road.

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Page 6: Red Cross workers in Mexico.

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Page 7: Practical Action in Bangladesh.

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Page 9: Swiss Federal Institute of Technology (ETH).

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Page 11: Dubai Center for Special Needs.

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Page 12: Zurich Climate Prize.

Zurich Switzerland

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Different assumptions could result in materially different conclusions. All information contained in this publication have been compiled and obtained from sources believed to be reliable and credible but no representation or warranty, express or implied, is made by Z Zurich Foundation as to their accuracy or completeness.

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