



Annual Report 2014



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Our cover

The Z Zurich Foundation supports people in their own communities to become more resilient to risks, including floods, helping to make a long-term difference to their lives and livelihoods.

For more information please visit:

www.zurich.com/zfoundation

Message from Martin Senn



“Dealing with uncertainty, creating safety and security is Zurich’s core business. The Z Zurich Foundation aims to extend this commitment... to the broader communities of which we are an integral part.”

The times we live in are governed by uncertainty. This uncertainty is a major theme of the Global Risks Report prepared by Zurich Insurance Group (‘Zurich’) together with other experts, presented at the World Economic Forum in Davos in January 2015. The global risk environment is becoming more fragile, more fragmented, and more unstable. Many people wonder: What does this mean for my country? What does it mean for the company I work for? What does it mean for me and my family?

We must adapt to a changing world. A world with less political and economic stability, and less predictability. In such a world, insurance companies such as Zurich will play an even more important role than they do today. Zurich’s mission is to help its customers understand and protect themselves from risk. Dealing with uncertainty, creating resilience is Zurich’s core business – helping to make sure that people and companies do not have to fear for their future, even when disaster strikes.

The Z Zurich Foundation aims to extend this commitment beyond Zurich’s customers to the broader communities of which we are an integral part. In an uncertain world, in uncertain times, we seek to help people and communities by providing them with the knowledge and means to better handle change and risk in their lives and the environment; today, tomorrow and into the distant future.

Extreme weather events (e.g., floods, storms) and failure of climate change adaptation are among the top five risks identified by the Global Risks Report – issues that are at the heart of the Foundation’s strategy. This is why we established our flood resilience program. This long-term program seeks to improve community flood resilience by identifying innovative ways to increase pre-event disaster risk reduction efforts, linking flood research, community-based programs and risk expertise in a pioneering cross-sector collaboration. Climate change transcends borders and spheres of influence and requires stakeholders to work together. We are honored that in 2014 the secretariat of the UN’s Framework Convention on Climate Change (UNFCCC) recognized the flood resilience program as a ‘Momentum for Change Lighthouse Activity,’ acknowledging it as an outstanding example of efforts to address climate change and its impacts.

In all our programs we start where support is needed most: at the community level. This is also true for our local grants program, through which we support Zurich subsidiaries in developing meaningful responses to challenges that their local communities face. These range from road safety training for young drivers in Switzerland, to supporting disadvantaged youths in Sweden, but also include work in the U.S. to build more effective tools to prepare for, and respond to disasters. All these programs receive not only financial support from the Foundation, but also benefit from the time and expertise of Zurich employees. During our third annual Global Community Week, 27 percent of Zurich employees contributed 33,210 business hours across 43 countries to serve their local communities – a fantastic achievement.

We thank our partners and Zurich employees for their support over the past year in helping the Foundation deliver transformative value to the communities we serve.

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

Sincerely,

A handwritten signature in dark ink, appearing to read 'Senn', written in a cursive, flowing style.

Martin Senn
Chair of the Board of Trustees, Z Zurich Foundation

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').

Partners

- 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
- south pole group
- RoadCross Schweiz, Switzerland
- Zurich Climate Prize, Switzerland
- St. Bernard Project, U.S.
- Mentor Foundation, Sweden

Our approach

We, the Z Zurich Foundation, seek to align all our community activities with seven guiding principles that we consider to be best practice. This ensures that projects and initiatives:

Have a positive impact

We support effective solutions that address social or environmental issues and have a meaningful, positive impact in communities where we are present.

Have a defined focus

We take a strategic, long-term approach to social engagement and clearly define the 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 with organizations in the non-profit, public and private sectors to achieve greater impact beyond that which each participant could achieve on its own.

Engage Zurich Insurance Group employees

We make it possible for Zurich employees to participate in community work and 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 people to ensure sustainability and appropriate management.

Are measurable and use transparent reporting

We set 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 carefully choose the organizations we cooperate with in our focus areas.

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/zfoundation

Below In Mexico, 120 Zurich employees took part in a Global Community Week initiative to plant pine trees as part of a reforestation project. Besides benefiting the environment, the new forest will provide jobs in the local economy.



Global resilience

Building resilience worldwide by mitigating the impacts of natural hazards

“It is imperative that we focus more on mitigating risks and preparing for floods, as opposed to simply dealing with the consequences after a flood occurs.”

We define community resilience as a community's ability to absorb shocks caused by natural hazards such as floods and its capacity to recover quickly after an event.

Floods cause more disruption worldwide to human lives and damage to property than any other type of natural disaster. This trend shows no sign of abating. Today, efforts to address flooding are mainly directed toward recovery. To reduce flood losses and help communities in both developed and developing countries improve flood resilience, it is imperative that we focus more on mitigating risks and preparing for floods, as opposed to simply dealing with the consequences after a flood occurs.

Below Helped by Zurich's risk specialists, people living in Tabasco, Mexico, are learning to reduce their community's vulnerability to floods.



Flood risk prevention is highly cost-effective. Cost-benefit analysis studies show that for every dollar spent on selected flood risk reduction measures, an average of five dollars is saved by avoiding and reducing losses. Yet despite this, more resources are going toward helping communities recover after a flood instead of being used to enhance flood resilience. This is true in developed countries where most spending is through government relief and insurance payments after a disaster. It is also true in less-developed countries where disaster aid is heavily dominated by emergency response. Over the past two decades, nearly 87 percent of spending on aid went into emergency response, reconstruction and rehabilitation – just 13 percent was channeled into reducing risks and managing risks that could cause, or contribute to a disaster. For every USD 100 spent on development aid, just 40 cents have been invested in defending that aid from the impact of disaster.

Our flood resilience program launched jointly by the Z Zurich Foundation and Zurich in 2012 emphasizes risk reduction 'ex-ante,' as opposed to recovery efforts 'ex-post.' Flood resilience is a complicated issue.

Below Flood resilience alliance members possess complementary capabilities, skills, expertise, experience and knowledge. These mutually reinforce and support a cooperative approach.

Tackling it demands a multi-stakeholder approach, which led us to bring together an alliance of community, academic and private sector organizations:

- The International Federation of Red Cross and Red Crescent Societies (IFRC), Switzerland
- Practical Action, UK
- The Wharton School of the University of Pennsylvania, U.S.
- The International Institute of Applied Systems Analysis (IIASA), Austria
- Zurich Insurance Group, Switzerland

The Foundation and Zurich work within this alliance to ensure that the knowledge and ideas it generates fit the needs of local communities, and that they have practical application in the 'real world.' All alliance members share a common vision: enhancing communities' well-being by making them more resilient to floods.

Our five-year alliance with the IFRC began its work in 2013 and continued its efforts in 2014 in communities in both Mexico and Indonesia. In Mexico, the focus is on flood-vulnerable clusters of communities in Tabasco, where standing flood waters affect people's lives and livelihoods for months at a time. Communities were selected using processes that benefited from Zurich Mexico's risk expertise. Their vulnerabilities and capacities were analyzed. To encourage communities to take ownership and commit to finding solutions, 446 people were selected from four communities to attend flood awareness workshops and receive first-aid training. We are now at a stage where we can effectively identify meaningful ways to build resilience in these communities.

In Indonesia we are following a similar process. Here the focus is on how upstream behavior affects downstream communities in West Java.

Work in Nepal and Peru is being carried out through our five-year alliance with Practical Action. In Nepal, initial measures include strengthening critical infrastructure (such as evacuation routes and shelters) and improving





Above In Nepal work includes supporting communities in building critical infrastructure to help to reduce the danger of seasonal floods.

“Economic growth and well-being should be considered alongside risk preparedness. We approach solutions in ways that respect communities’ need for development while addressing flood risks.”

livelihoods of people in communities to make them better able to withstand the threats posed by floods. Work includes assessing the effectiveness of early warning systems so these systems can be improved. In Peru, the initial work has focused on raising awareness of the impact of floods among members of communities and local government officials. Practical Action is implementing processes supported by ‘baselining’ and community selection principles.

Economic growth and well-being should be considered alongside risk preparedness. We thus approach solutions in ways that respect communities’ need for development, while addressing specific risks associated with floods.

Generating knowledge to build scale

Our partnership with Wharton and IIASA delivered key research insights in 2014. A first issue brief produced through our cooperation examined the nature of flood resilience and proposed a framework to address the complexities in understanding and dealing with resilience. It will give us insights on the best ways to measure the impact of resilience efforts. The findings are being tested using baseline data collected in Mexico and Peru. A second issue brief reviewed ways to evaluate costs and benefits of reducing risks. These findings will make it easier to identify the best options for our community programs.

Carbon neutrality supports our flood resilience objectives

Zurich Insurance Group became carbon neutral at the end of 2014. This was a result of ambitious internal carbon emission reduction efforts (e.g., improving operational efficiency and increasing the percentage of renewable energy purchased) and offsetting remaining emissions that cannot be eliminated. As Zurich provides the management and supporting services to the Foundation, covering, for example, travel, facilities, IT, printing, etc., the carbon neutrality also extends to the Foundation’s operations.

Carbon emissions are offset by supporting a forestry project in Indonesia, complementing our flood resilience program. The project protects and preserves lowland peat swamp forests that have a high conservation value. These forests were initially slated to be cut down to establish a palm oil plantation. Forests of this type are among the world’s largest repositories of carbon; when slashed, burned and drained they emit large amounts of greenhouse gas. Forestry projects have been identified as best-suited to support both the contribution to flood resilience (climate change adaptation) and climate change mitigation: forests regulate moisture absorption in soil; they prevent landslides and absorb and convert large amounts of CO₂. Beyond this environmental impact, the project also has socio-economic benefits;

for example, it provides alternative sources of income to the communities that use the forests in a sustainable way. Zurich and the Foundation jointly share the cost of the carbon offsetting program.

Measuring the impact of our work

The program's impact will be evident in terms of communities' enhanced resilience to flooding. But demonstrating this impact presents a particular challenge: measuring resilience is not as easy as it sounds. Many approaches to measuring resilience have been developed over the last 10 years, any of which could potentially be applied to our efforts. A recent survey conducted for the United Nations Development Programme, however, concluded that "no general measurement framework for disaster resilience has been empirically verified yet."

This highlights a key challenge for any resilience-building efforts: if resilience cannot be empirically verified, how do you empirically measure whether a community is more resilient as a result of your work? By combining the expertise of all alliance members, we have set out to address this challenge.

Working with our alliance members we have developed a flood resilience measurement tool based on:

- the widely accepted principles expressed in the 'sustainable livelihoods framework' assessing a community's ability to deal with floods based on how well it can use the so-called 'five capitals' (or 'Five Cs'): human, social, natural, physical and financial;
- four separate properties associated with community resilience (the 'Four Rs'): robustness, redundancy, resourcefulness, and rapidity.

Zurich's Technical Risk Grading Standard (TRGS) provided the methodology used to build the measurement tool. TRGS provides an objective view of the impact of hazards and recommends actions to reduce risks. The role of Practical Action and the IFRC was key in ensuring that our model is not merely theoretical but is relevant to real communities. Both of these organizations have the on-the-ground experience that forms the basis for specific indicators that are highly relevant to communities.

Over the course of 2014, the Zurich flood resilience alliance built an initial model of the measurement tool. Programming work in Mexico allowed us to gather data to test it. The data will be analyzed using the tool, and the results will help us to evaluate how well the tool works. We will continue to develop the tool through 2015 with the aim of having a comprehensive model available, which will aid in identifying and assessing flood resilience strategies in communities around the world. This approach should help at-risk communities to not only survive floods, but to flourish despite repeated floods.

For more information please visit:
www.zurich.com/flood-resilience

UNFCCC Momentum for Change 2014 Lighthouse Activity

The secretariat of the UN's Framework Convention on Climate Change (UNFCCC) has recognized the flood resilience program as an outstanding example of efforts to address climate change and its impacts. The UNFCCC's decision to name the flood resilience program as a 2014 Momentum for Change 'Lighthouse Activity' highlights the program's work to improve resilience to floods through our innovative, collaborate alliance.

Momentum for Change singles out projects that are moving the world toward a highly resilient, low-carbon future. Activities deemed to be the most transformational are designated Lighthouse Activities, honoring them as innovative solutions to address climate change and wider economic, social and environmental challenges.

The flood resilience program received the prestigious award in the category of 'Financing for Climate Friendly Investment.' This distinction underscores our vision – to develop a new approach to collaboration across sectors.

IFRC Disaster Relief Emergency Fund/ matching employee contributions to respond to the Ebola crisis

The Foundation continues to support the IFRC's Disaster Relief Emergency Fund (DREF) – a vital part of the IFRC's global system of disaster and crisis management, which in 2014 provided assistance to more than 7.8 million people. 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 Z Zurich Foundation is the largest private-sector supporter of the DREF. In addition, we provide references for the DREF to other potential corporate donors. This has resulted in additional funds for the DREF of USD 1 million.

The majority of the DREF's allocations in 2014 continued to go toward flood assistance. Of the CHF 19 million distributed, 33 percent went toward responding to flood events – underscoring the importance of our flood resilience efforts. Floods are truly a universal hazard. The most serious and damaging floods in 2014 occurred in Europe and in South Asia (particularly Nepal, Pakistan, Bangladesh, and India).

Epidemics accounted for 25 percent of allocated funds in 2014, largely due to the Ebola outbreak. To help meet the desperate need, the Z Zurich Foundation pledged to match contributions by Zurich employees to support Ebola relief efforts. This was in addition to our non-earmarked donation to DREF. The Foundation and Zurich employees together donated CHF 34,000 to help victims of this humanitarian tragedy.

In 2014, the Foundation also continued to support important work in its long-term cooperation with the following two organizations:

ETH Zurich (Swiss Federal Institute of Technology)

The Foundation continues its support for ETH Zurich Foundation and ETH Zurich's strategic initiative for integrative risk management. This initiative aims to build an integrated view of risk landscapes and develop the means to understand, assess, compare and manage these risks. Using interdisciplinary research, its main objective is to support society in two major ways: improving the management of risk portfolios; and finding innovative ways to better protect highly interconnected social systems to make them more resilient. The Foundation's support accelerates research that is important not only to the insurance industry, but for society as a whole.

For more information please visit:
www.riskcenter.ethz.ch

International Labour Organization – Impact Insurance Facility (previously Microinsurance Innovation Facility)

Insurance is vital for social and economic development. It can significantly contribute to the wealth and stability of households, enterprises and countries. But in many developing countries, insurance has not yet reached its full potential. We have supported the Facility's efforts to make quality insurance available to millions of low-income people in the developing world. Through grants, we encouraged innovation focused on technology solutions, and on measures to increase efficiency, to reach greater numbers of poor households, and to enhance processes. Our collaboration is building on these achievements, transforming knowledge into practice and expanding the Facility's role as a global hub for capacity development. We have extended the term of the cooperation into 2015 to help us deliver on these objectives.

For more information please visit:
www.impactinsurance.org

Local resilience

Building resilience in the communities in which we live and work

Social, environmental and economic issues each country faces vary: youth unemployment, ensuring the elderly are not marginalized, safe housing, and the need for protection against recurring natural disasters, to name but a few.

Every country has its own culture, each community its specific needs. Local approaches are a necessary means to ensure our contributions deliver real value on the ground. Many of Zurich's subsidiaries have thus started to implement local community programs, lending their resources, time and skills to enhance the wellbeing and sustainable development of the communities of which they are part.

The Foundation offers necessary resources through its local grants program to encourage and support the local Zurich subsidiaries in their efforts.

Non-profit organizations' resources are stretched as never before. If non-profits want to go beyond maintaining current services and increase their capacity to meet the growing challenges in their communities, they require skills and expertise that their organizations often lack. Research suggests that only 3 percent of non-profit organizations have access to the types of services they need. We recognize that, as part of the private sector, we can have greater impact by offering our own 'best resource' – our professional expertise. The Foundation thus seeks in particular to support projects in which Zurich employees can contribute time and skills, while benefiting their own development.

We focused in 2014 on further promoting the Foundation's local grants program and started to work with Zurich subsidiaries to develop meaningful programs suited to local communities' needs and cultures. The results of these efforts will start to become visible in 2015.

Below Zurich employees in Taiwan teach children about bicycle and road safety.





St. Bernard Project – Zurich North America

Recent disasters in the U.S. such as Superstorm Sandy have highlighted the shortcomings of post-disaster recovery in the U.S., and shown that more can be done to ensure that citizens, communities and small and medium-sized businesses understand and reduce the risks these events pose to them. The St. Bernard Project's Disaster Resilience and Recovery Lab (DRRL) is a promising approach that could offer significant benefits. DRRL aims to ensure that people and communities affected by disasters can recover in a prompt, efficient and predictable way. Its approach includes sharing and replicating methods and solutions that are most effective.

- The DRRL will work with homeowners and small and medium-sized businesses to help them identify and mitigate their risks before a disaster strikes. The ultimate aim is to build resilience within a community, thus reducing the need after a disaster for recovery and assistance.
- The DRRL will also work with communities in the wake of a disaster to implement the St. Bernard Project's well-documented, standardized model for post-disaster recovery that has proven to be effective in the past.

The Foundation's financial support to the St. Bernard Project over the period of collaboration will be combined with skills provided by Zurich North America focusing on building the St. Bernard Project's capacity to carry out its work, while making the most of insurance professionals' expertise to benefit communities. The tools used, experience gained and lessons learned from the global flood resilience program will support this work.

2014 achievements

- Building the St. Bernard Project's capacity to support communities: Three staff positions critical to the DRRL were created and filled, funded by the Foundation's grant. As the St. Bernard Project is expanding its operations, Zurich North America has supported them in optimizing their hiring process and is reviewing the processes used to integrate new hires and bring them up to speed. Zurich is also providing technical support to the design of the St. Bernard Project's new headquarters, which should be an example of affordable, high-quality and resilient design and construction.
- Identifying initial target communities: Together with members of Zurich's predictive analytics team, a framework was designed for evaluating communities at risk and in need, leading to an initial list of over 3,000 communities. Using a

new methodology, communities were prioritized according to certain selection criteria (e.g., hazard risk, disaster readiness, risk-mitigation receptiveness). This identified 19 communities. The goal is to narrow down the list to 10 to 15 target communities that we will initially focus on in the resilience program.

- Developing programs to enhance communities' understanding of risks: Zurich's risk engineering specialists are working with Zurich's learning and development teams to design learning solutions that will increase 'pre-disaster' awareness.
- Building strategic relationships with people who play key roles in public policy and among NGOs to share and promote best practices: With support from Zurich's internal consulting and public affairs teams, work has started to identify these key individuals. At the same time, information is being developed to explain the work, its purpose and goals.
- Employee involvement overall: 256 Zurich employees contributed 3,759 business hours in support of the St. Bernard Project.

For more information please visit:
www.stbernardproject.org

“We strive to build resilience within a community, be it through encouraging building in ways to reduce risks, or by helping to keep communities intact.”

1 We are working with the St. Bernard Project to help rebuild communities hit by disaster. We want to ‘build back better’ to promote a long-term approach to risk reduction.

2 In Sweden the Foundation supports a program run by Zurich Nordic and Mentor that helps young people by providing them with a positive role model. Mentor also provides job workshops and parenting classes, and benefits from Zurich’s management expertise.

Mentor Sweden – Zurich Nordic

Sweden has had to deal with a rapid increase in the number of troubled young people in its communities. Supporting young people through positive relationships with older individuals can help to discourage violence and drug use. There is a great need for adult role models: currently one out of three young Swedes feels they have no adult they can talk to. Not only does this cause problems for individuals and families; ultimately it generates huge costs for the communities and threatens the social fabric.

The Foundation supports a program run by Zurich Nordic in cooperation with the Mentor Foundation in Sweden. The program helps the Mentor Foundation increase its offerings in the following areas: a mentoring program with young adults aimed at preventing destructive behavior (typically involving violence or related to drugs); job-readiness workshops in schools; and courses to strengthen parents’ ability to build good and stable relationships with their children.

Zurich Nordic employees have the opportunity to become involved as trained mentors or support the workshops as volunteers.

2014 achievements

- Mentoring pairs supported: 65, exceeding the target of 48 by 35 percent. Three Zurich volunteers have already been accepted as mentors and further applications are in the pipeline.
- Job readiness workshops: two workshops were hosted, supported by 21 Zurich volunteers.
- Courses for parents: six courses were organized, with a very high participation rate of Zurich employees.
- Capacity building: the CEO of Zurich Nordic was elected as a member of Mentor’s Executive Board. This will allow him to share his management expertise.
- Employee involvement overall: 12 percent of Zurich Nordic’s workforce actively volunteered, while overall 95 percent were involved in participating in seminars. Together, Zurich employees contributed 476 hours on business time to support Mentor’s work.

For more information please visit: www.mentor.se



2

Zurich Global Community Week

We again provided support to communities through our third Global Community Week, involving the entire Zurich Insurance Group. Global Community Week celebrates Zurich's community investment activities around the world. It inspires employees to get involved in their local communities and provides a platform to raise awareness about Zurich's role in society. 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 across Zurich throughout the entire year. The work during this one week offers inspiration to countries considering long-term alliances within their own local communities. Such alliances may also be supported by the Foundation's local grants program.

In 2014, the goal was not to increase the number of projects, but rather to find ways to heighten their impact. This might include, for example, complementing or replacing fundraising with skill-sharing activities.

27 percent of Zurich employees contributed 33,210 business hours across 43 countries. All funds employees raised during Global Community Week were again matched in full by the Z Zurich Foundation.

Watch the video on:
www.zurich.com/cr/gcw

RoadCross and Zurich Climate Prize – Zurich Switzerland

The Foundation continued to support the work of Zurich in Switzerland in cooperation with RoadCross Schweiz. This organization provides driving and road safety awareness training targeted specifically at young adults and new drivers. The Foundation also supported the Zurich Climate Prize, which rewards innovations that help to reduce CO₂ emissions by improving energy/resource efficiency and/or changing people's behavior. It targets three key areas together accounting for over 80 percent of greenhouse gas emissions: commercial buildings and housing; manufacturing and consumer consumption; and transport and mobility. In 2014, first prize in the Climate Prize competition was awarded to the Swiss municipality of Hohentannen in northern Switzerland for its innovative and effective program encouraging local people to use more renewable energy.

For more information please visit:
www.roadcross.ch
www.climateprize.zurich.ch

Global Community Week KPIs

	2014	2013	Change
Contributions cash (in USD millions)	0.84	0.76	11%
of which contributions from Zurich employees	0.28	0.40	(30%)
of which contributions from Zurich and Z Zurich Foundation	0.56	0.36	56%
Total time volunteered from Zurich workforce (business hours)	33,210	28,000	19%
Zurich workforce actively volunteering (% of total headcount)	27%	24%	3.0 pts
Countries involved	43	43	nm

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.

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.

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.

As of December 2014, the Board of Trustees and the management of the Foundation were comprised of the following members:

	Function	Term of office
Board of Trustees 2014		
Martin Senn, in Zumikon CH	Chair	2014 – 2017
Francis Bouchard, in Kilchberg CH	Member	2012 – 2015
Santiago Gallo, in Buenos Aires RA	Member	2014 – 2017
Alastair Christopher Gillies, in Wheatley Oxon UK	Member	2013 – 2016
Andreas Hildenbrand, in Stans CH	Member	2014 – 2017
Geoff Riddell, in Hong Kong HK	Member	2012 – 2015
Kathleen Savio, in Deer Park U.S.	Member	2014 – 2017
Isabelle Welton, in Zug CH	Member	2014 – 2017
(Charles Browning, in Los Angeles U.S.)	Member	2012 – 07.2014)
(Antonio Cassio, in Sao Paolo BR)	Member	2012 – 08.2014)
(Michael Marchesani, in North Bergen U.S.)	Member	2011 – 11.2014)
(Angel Serna, in Meilen CH)	Member	2011 – 06.2014)
Karin Reiter, in Zurich CH	Manager	

Financial statements¹

Balance sheet as of December 31, 2014 and 2013

	31/12/14 CHF	31/12/13 CHF
Assets		
Investment assets		
Liquid assets	20,985,073	20,522,314
Accounts receivable	386,055	336,312
Investment funds bonds domestic	12,339,652	11,691,722
Investment funds shares domestic	30,929,643	14,609,735
Investment funds money market	18,075,615	21,368,796
Total investment assets	82,716,039	68,528,879
Total deferred charges and prepaid income	0	0
Total assets	82,716,039	68,528,879
Liabilities		
Payables		
Current account Zurich Insurance Company Ltd	0	0
Total payables	0	0
Total deferred charges and prepaid expense	2,599,632	1,793,000
Foundation capital, uncommitted funds		
Foundation capital	66,735,879	55,585,037
Retained earnings – current year profit/loss	13,380,528	11,150,843
Total Foundation capital, uncommitted funds	80,116,407	66,735,879
Total liabilities	82,716,039	68,528,879

¹ All amounts in the Financial statements are shown in CHF, rounded to the nearest CHF 1, meaning that the rounded amounts may not add to the rounded total in all cases.

Income statement 2014 and 2013

	2014 CHF	2013 CHF
Revenue		
Total donation income	0	0
Contribution of Zurich Insurance Company Ltd	0	0
Contribution of Zurich Life Insurance Company Ltd	20,430,505	18,424,600
Interest income	734	3,249
Total net result investment funds shares domestic	2,103,612	571,287
Total net result investment funds bonds domestic	968,157	(267,792)
Total net result investment funds money market	(11,314)	(17,435)
Total revenues	23,491,694	18,713,909
Expenses		
Foundation activity		
Research, science and education	165,000	165,000
Development aid	17,000	185,000
Miscellaneous grants	298,433	487,718
Total donations	480,433	837,718
ETH Foundation Zurich	1,000,000	1,000,000
International Federation of Red Cross and Red Crescent Societies	3,666,667	2,625,000
International Institute for Applied Systems Analysis (IIASA)	358,234	578,236
Impact Insurance Facility (formerly Microinsurance Innovation Facility)	600,000	27,273
Practical Action	1,518,333	1,441,667
Rainforest Alliance	0	250,000
south pole group	777,591	0
Wharton School of the University of Pennsylvania	358,314	577,178
Total global non-profit alliances	8,279,138	6,499,354
Mentor Foundation	180,885	0
RoadCross	150,000	150,000
St. Bernard Project	932,078	0
Total local non-profit alliances	1,262,962	150,000
Administration costs	88,633	75,995
Bank charges and safekeeping charges	999	1,542
Other administration costs	79,762	68,161
Costs for the auditors	6,872	5,292
Costs for the regulators	1,000	1,000
Total expenses	10,111,166	7,563,066
Annual result	13,380,528	11,150,843

Annex

Foundation assets

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 transferred in equal installments by December 31 each year, over a period of four years, for the first time in 2012.

Commitments

Z Zurich Foundation assumed the following commitments to cooperating organizations (pursuant to Memoranda and Letters of Understanding, in alphabetical order):

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)
CHF 3,000,000

Impact Insurance Facility

(formerly Microinsurance Innovation Facility)
Geneva, Switzerland
Three-year term from 2010 to 2013, extension by two years to 2015 at no additional cost to account for changed circumstances
CHF 3,000,000

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

Geneva, Switzerland
Five-year term from 2013 to 2018
Up to CHF 21,000,000

International Institute for Applied Systems Analysis (IIASA)

Laxenburg, Austria
Four-year term from 2013 to 2016
USD 1,600,000

Mentor Foundation

Stockholm, Sweden
Three-year term from 2014 to 2016
SEK 2,700,000

Practical Action Ltd.

Rugby, Warwickshire, United Kingdom
Five-year term from 2013 to 2018
Up to CHF 9,000,000

RoadCross Foundation

Zurich, Switzerland
Three-year term from 2011 to 2014
CHF 450,000
Extension by six months to 2015
CHF 75,000

south pole group

Zurich, Switzerland
Two-year term from 2014 to 2016
USD 1,700,000 (approx)
(The exact annual commitment is dependent on the actual number of carbon credits to be delivered.)

St. Bernard Project

Chalmette, Louisiana, U.S.
Three-year term from 2014 to 2016
USD 2,795,610

The Wharton School of the University of Pennsylvania

Philadelphia, U.S.
Four-year term from 2013 to 2016
USD 1,600,000

Zurich Climate Prize

Zurich, Switzerland
Three-year term from 2011 to 2014
CHF 300,000

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 2014 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 fourth installment of the commitment of Zurich Insurance Group Ltd, of which a part was invested in accordance with the investment guideline 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 6,500, public charges for the reporting period 2014 in the amount of CHF 1,000, print costs for the annual report 2014 in the amount of CHF 10,000, and the obligations to IFRC in the amount of CHF 1,500,000, IIASA in the amount of CHF 200,000, Mentor Foundation in the amount of CHF 57,132, Practical Action in the amount of CHF 625,000, and The Wharton School of the University of Pennsylvania in the amount of CHF 200,000 were recorded as accruals for December, 2014.

Income statement

Changes to presentation

To simplify the presentation of the accounts, we now net realized and unrealized gains and losses on investments off against each other. This is mentioned for prior-year comparability reasons only.

Expenses

Research, science and education

This entry encompasses the following contributions:

- Prize money in the context of the Zurich Dissertation Prize which rewards dissertations of outstanding scientific quality related to the topic of risk written by students at the Department of Management, Technology and Economics at the ETH Zurich;
- 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 in these three key areas.

Development aid

This contribution comprises matching employee donations in support of relief efforts in the context of the Ebola epidemic in Africa, in accordance with the Foundation's disaster giving guidelines. The Foundation's contribution was made out to the Disaster Relief Emergency Fund of the International Federation of Red Cross and Red Crescent Societies.

Miscellaneous grants

This entry encompasses in particular matching employee contributions in the context of Zurich's third Global Community Week – a global initiative intended to increase and enhance our community involvement and impact; as well as support to the flood resilience secondment program, which allows us to release the expertise of Zurich employees for the benefit of our alliance members, thus enhancing the impact of the flood resilience program beyond our financial contribution.

The total donations in this category appear lower than in 2013; this is because the grant to the St. Bernard Project, in cooperation with Zurich North America, to aid rebuilding in Staten Island, U.S., after Superstorm Sandy, was converted to a longer-term cooperation in the context of the Foundation's local grants program. It is now included in its own, separate category.

Impact Insurance Facility (formerly Microinsurance Innovation Facility)

The payment schedule to the Impact Insurance Facility has been adapted over the term of the commitment to better meet 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 stated expenses of CHF 27,273 in the income statement 2013. In 2014, the final payment was made within the scope of the collaboration with the Impact Insurance Facility.

Rainforest Alliance

2013 marked the final year of support for the work of the Rainforest Alliance. Following five years of successful collaboration, we amicably ended our cooperation due to a shift in the focus of the Foundation's work.

Administration costs

The administrative costs of the Foundation increased by CHF 12,638 to CHF 88,633 and represent 0.88 percent of total expenses in the amount of CHF 10,111,166, as compared with 0.89 percent the previous year. The increase in costs is mostly due to increased costs related to the implementation of Global Community Week, increased membership fees to SwissFoundations, public charges for the reporting periods 2012 and 2013 that were only invoiced in 2014, and the accruals for the year 2014. As total donations increased at the same time, the increase in administration costs had no negative impact on the percentage of the total. Zurich Insurance Company Ltd currently covers all of the personnel costs involved in the management of the Foundation.

Auditors' report

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, for the year ended December 31, 2014.

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, 13 May 2015

Disclaimer and cautionary statement

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This publication has been produced solely for informational purposes. The analysis contained and opinions expressed herein are based on numerous assumptions.

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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