

United Nations Global Compact: living up to our commitment



Martin Senn,
Chief Executive Officer (CEO),
Zurich Insurance Group

At Zurich, corporate responsibility is an integral part of how we do business. We view being a responsible company as fundamental to our long-term sustainability. As such, we are committed to creating sustainable value for our shareholders, our customers, our employees and the communities in which we live and work.

The foundation of our commitment to corporate responsibility is Zurich Basics, which sets out our core values and our code of conduct. It is the backbone of what we do and sets the framework for how we deliver on our business goals. Our basic values of integrity, customer centricity, sustainable value creation, excellence and teamwork guide our actions, and we expect all our employees to live up to them in both letter and spirit.

To ensure that we deliver on our commitments and continue to enhance our contribution to society, our Board and management approved a holistic corporate responsibility strategy as part of our overall Group strategy. In it, we focus on our core competencies so that we can apply our insurance and risk management expertise to enhance our contribution to society.

Responsible investment and disaster resilience are two major focus areas for us. We believe that through the responsible management of our USD 206 billion¹ portfolio of Group investments, we can achieve a positive impact on society and the environment, and promote governance practices consistent with high standards of integrity. That is why we recently signed the United Nations-backed "Principles for Responsible Investment" (PRI).

We also aim to apply our risk management expertise to help society become more resilient to natural disasters. One way in which we do that is by investing in the sustainable development of the communities in which we live and work. Zurich has invested an additional USD 100 million into the Z Zurich Foundation, which will greatly increase our impact in building safer communities.

Our continued commitment to the United Nations Global Compact's principles on human and labor rights, the environment and anti-corruption is expressed in this report. We are committed to further embrace, support and enact these principles within our sphere of influence and regularly communicate on our progress.



Martin Senn, Group CEO

Our Group

Zurich Insurance Group (Zurich) is a leading multi-line insurance provider with a global network of subsidiaries and offices in Europe, North America, Latin America, Asia-Pacific and the Middle East as well as other markets.

Our mission is to help our customers understand and protect themselves from risk. With about 60,000 employees serving customers in more than 170 countries, our ambition is to become the best global insurer as measured by our customers, shareholders and employees.

Operating through three core business segments – General Insurance, Global Life, and Farmers – we offer a wide range of general insurance and life insurance products and services for individuals, small businesses, mid-sized and large companies as well as multinational corporations.

The Group is headquartered in Zurich, Switzerland, where it was founded in 1872. Further information about Zurich is available at www.zurich.com.

¹ As of March 31, 2012

Human Rights

PRINCIPLE 1

Businesses should support and respect the protection of internationally proclaimed human rights

PRINCIPLE 2

Businesses should make sure that they are not complicit in human right abuses

Our commitment

We respect international human rights and seek to protect them within our sphere of influence while ensuring that we are not complicit in human rights abuses. Our commitment to human rights is articulated in Zurich Basics, our code of conduct.

Determining the boundaries of corporate responsibility and a company's spheres of influence with regard to human rights is complex and is a subject of ongoing research and debate. We recognize three primary spheres of influence with regard to human rights:

Emerging markets

Emerging markets, such as China and Russia, present opportunities for us to expand our business but, regardless of where we operate, we will not compromise on our integrity and the standards of business conduct set out in Zurich Basics, our code of conduct. Through the provision of insurance, we aim to create social and economic value, contribute to sustainable economic development and promote the exchange of skills and knowledge.

Suppliers

We aspire to work with suppliers that share our values, and we expect high standards of business conduct from those who represent us or do business with us.

Corporate customers

It is our mission to help our customers understand and protect themselves from risk. We aim to work with our corporate customers to respect the protection of human rights and avoid complicity in human rights abuses.

Actions and outcomes

Zurich's role in emerging markets

Insurance has the potential to create enormous social and economic value in emerging economies. Insurance empowers economic activity by allowing businesses to allocate their resources more efficiently. Insurers are also long-term investors, acting as a stabilizing influence in the financial markets of emerging economies. In 2011, Zurich enlarged its presence in the following growing economies, with the aim of fostering mutually beneficial, long-term relations: Argentina, Brazil, Chile, Indonesia, Malaysia, Mexico and Uruguay.

To facilitate better access to insurance in emerging economies, Zurich is taking up a stronger role in communicating the positive economic and social role of insurance. Recently, Zurich published "[The Role of Insurance in Latin America](#)", highlighting how insurance can contribute to sustainable development by fostering trade and investment, enhancing disaster resilience, and protecting and supporting the growing middle class.

Aligned with local business plans and priorities, Zurich also provides insurance solutions for low income households. For example, in Brazil we work with Banco Palmas to sell insurance through its network of 61 community banks. By designing products collaboratively with members of the community, this association with Banco Palmas has succeeded in creating a profitable business that can make a direct contribution to reducing households' vulnerability to risk.

Another example related to Zurich's products and services is Zurich North America's help in starting NetGuarantee. NetGuarantee is an innovative finance facility through which we provide a form of credit insurance for mosquito net suppliers. This insurance dramatically reduces the time between grant disbursement and delivery of mosquito nets to recipient countries, protecting millions of people in at-risk communities.

Zurich Basics, our code of conduct

Zurich Basics, which sets out our core values and our code of conduct, is the backbone of what we do and sets the framework for how we deliver on our business goals. Zurich Basics is available on [our website](#). All employees are required to take training on Zurich Basics annually and to acknowledge that they have read, understood and

Actions and outcomes *continued*

Highlight

Zurich Ethics Line launched in January 2012 to help employees speak up and report any conduct going against our Zurich Basics

comply with the code. This is part of a Group-wide annual program of online ethics training, which is available in all Zurich spoken languages. Zurich is working to raise awareness of the importance of respect for human rights and in 2011 the annual ethics training included a module on human rights.

Group Compliance and local officers in the Group companies are responsible for monitoring and reporting on the implementation of Zurich Basics.

Speaking up and reporting concerns

Zurich encourages employees to speak up and report conduct which they, in good faith, believe violates laws, regulations, internal policies or Zurich Basics, our code of conduct. Zurich provides employees with multiple help channels, including the Zurich Ethics Line (ZEL), a Group-wide web submission and telephone hotline service launched in January 2012, operated by an external vendor. ZEL provides a facility for employees to report concerns or seek help with business conduct issues (including anonymously where permitted by law). Reported matters are analyzed by a preset triage committee which will assign investigatory responsibilities and oversee the case. Cases of non-compliance with our code of conduct or policies by an employee may constitute grounds for disciplinary action, up to and including termination of employment.

Furthermore, the Group's performance management system allows managers to evaluate whether an employee's behavior has been in line with Zurich Basics, our code of conduct.

Health and safety in the workplace

Health and safety are important elements of being a responsible and sustainable company. At Zurich, we aim to ensure well-being within the working environment. We take precautions to prevent people from becoming ill or being harmed at work. Good health and safety management also makes a significant contribution to our business performance by reducing illness and injury. In January 2012, Zurich launched a Group Health and Safety Policy to provide us with one global health and safety standard, with local adaptations as required by law or regulation. A summary of Zurich's Health and Safety Policy is available on [our website](#).

Our global Group Operations function is working on establishing a process to measure Group-wide health and safety performance using meaningful key performance indicators, which will provide us with clear targets and show us what actions we must take to improve Zurich's performance.

Suppliers

Compared with other sectors such as manufacturing, the risks associated with the environmental, social and governance impact of Zurich's supply chain are low. Nonetheless, Zurich is committed to effectively managing such issues within our supply chain. Our Group Operations function is committed to integrating corporate responsibility in our supply chain management policies and processes.

Throughout the last calendar year, the focus has been on implementing a transformation program with the objective of optimizing the Group's supply chain management. As part of the transformation program, Zurich has outsourced its procurement function to a Business Process Outsourcing (BPO) organization. Zurich and the BPO will be working together to set improved policies, processes and guidelines for managing corporate responsibility issues in the supply chain.

Zurich also works with its corporate customers to help them better understand and manage supply chain risks. This year Zurich has started a dialogue with its customers around corporate responsibility and sustainability risks in the supply chain. More specifically, Zurich plans to collaborate with one of its partners, the Rainforest Alliance, to test whether sustainability certification increases the reliability of the supply chain through improved delivery, better quality, and higher yields.

Customers

Zurich's General Insurance and Global Life segments are implementing processes to systematically identify, assess and mitigate potential environmental, social and governance issues and the related reputation risk inherent in certain business transactions involving large projects and corporate customers.

The Global Life process became effective in July 2012 and leverages existing global decision-making processes around business acceptance and third party due diligence. General Insurance plans to launch its process later this year, which will then be integrated into underwriting policies and processes.

Zurich aims to work with its corporate customers to better manage corporate responsibility risks and promote best practices in the management of environmental, social and governance risks.

Labor**PRINCIPLE 3**

Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining

PRINCIPLE 4

Businesses should uphold the elimination of all forms of forced and compulsory labor

PRINCIPLE 5

Businesses should uphold the effective abolition of child labor

PRINCIPLE 6

Businesses should uphold the elimination of discrimination in respect of employment and occupation

Our commitment

Zurich's ambition is to become the best global insurer as measured by our customers, shareholders and employees. People management is a cornerstone of Zurich's corporate strategy, one which focuses our attention on leveraging and promoting our company's greatest resource: our people.

Zurich is committed to maintaining an environment that is respectful of all employees and free from all forms of discrimination and harassment. Our commitment to labor rights is articulated in Zurich Basics, our code of conduct.

Zurich does not tolerate discrimination or harassment in the workplace. Zurich recognizes the right of its employees to freedom of association and collective bargaining. All employees have the right to freely form and join groups for the promotion and protection of their employment interests. Zurich does not tolerate any form of forced or compulsory labor, or child labor.

The above principles are in accordance with the internationally recognized core employment standards of the International Labour Organization.

Actions and outcomes

Given the nature of Zurich's business, the relevance of the Global Compact's labor principles to its own employees relates primarily to people management and diversity and inclusion.

People management

In 2011, we launched a new, long-term people strategy that aims to ensure we remain a company that people want to work for. Being a preferred employer is inextricably bound with the goal of being the preferred insurer in the marketplace.

We are implementing new processes to articulate and align both individual and organizational goals, so that all employees are engaged in the drive to sustain profitable growth and strive for leadership positions in our markets. We are putting particular emphasis on developing measures for both external and internal comparisons of performance, and we continue to listen closely to our people through our regular, Group-wide employee engagement survey.

Performance measures help us provide guidance and support to all employees and their managers, so that everyone can track their progress along a clear career path and indicate where they could use support. This approach to building a talent pipeline will help us to meet our other goal of filling leadership roles with internal candidates wherever possible. We are working to make sure our approach to talent management and acquisition is globally consistent, with rewards that recognize business results and that attract, retain and motivate talent.

By getting these things right, we aim to ensure that we always have the right people in the right jobs at the right time.

Actions and outcomes *continued*

Highlight

Global Head of Diversity & Inclusion appointed in December 2011

Diversity & Inclusion

In December 2011, Zurich appointed a Global Head of Diversity & Inclusion (D&I) responsible for defining a D&I strategy to enhance diversity, particularly among our top management, and promote an inclusive workforce.

Globally, Zurich will focus on ensuring a diverse talent pipeline through talent attraction, succession planning and individual development; integrating D&I into people and business practices; educating and empowering our people to create an inclusive workplace; and ensuring the commitment and accountability of our top management. This global approach provides direction and alignment whilst enabling flexibility at a country level to develop actions suitable to the local context.

We are also looking beyond the employee population to Board diversity. In 2011, the shareholders elected a woman to succeed a male incumbent as proposed by the Board of Directors. We have two women on our 11-member Board.

Speaking up and reporting concerns

Zurich encourages employees to speak up and report conduct that they, in good faith, believe violates laws, regulations, internal policies or Zurich Basics, our code of conduct. Please refer to page 3 for details.

Corporate customers and suppliers

In working with Zurich's corporate customers and suppliers, we endeavor to promote the labor principles within our sphere of influence. Please refer to page 3 for details on how we aim to manage corporate responsibility risks in business transactions and the supply chain.

Environment

PRINCIPLE 7

Businesses should support a precautionary approach to environmental challenges

PRINCIPLE 8

Businesses should undertake initiatives to promote greater environmental responsibility

PRINCIPLE 9

Businesses should encourage the development and diffusion of environmentally friendly technologies

Our commitment

Zurich recognizes that environmental protection is integral to sustainable value creation for both our company and society. Zurich's policy is to manage environmental risks and opportunities as effectively as possible through the progressive integration of environmental considerations throughout its business, and to minimize its direct and indirect environmental impact through continuous improvement in environmental performance.

Actions and outcomes

Environmental Policy

Zurich's Group's Environmental Policy was first issued in 1998 and revised in 2009. The policy is currently under review and an updated version is due next year. The current policy is available on [our website](#).

Environmental footprint

Zurich remains mindful of its environmental impact and we have committed to reducing our carbon footprint by 10 percent by 2013 compared to 2007. In 2011, we reduced carbon emissions per employee by 9 percent compared to 2007. You can see the results of our efforts in [Zurich's Group-wide carbon footprint report 2011](#).

Our Group Operations function is working towards the implementation of a Group-wide environmental management system, which will build on and integrate existing activities throughout the Group and be included within the function's business plans and targets. Besides reducing our global carbon footprint, the new system will also address other areas of environmental impact in our office buildings, mainly paper use, water consumption and waste generation.

Group Operations has prepared an action plan and created a new position, Head of Sustainability, to integrate and drive environmental management efforts across the Group.

'Green' products and services

We are helping the transition to a low carbon economy through the provision of tailored insurance solutions. Some of the ways we have achieved that recently include:

- **Electric vehicles:** We introduced electric car insurance in Ireland and Switzerland – a first in both countries. These products, which include a 20 percent premium discount for electric car insurance customers, support the move toward more environmentally friendly transportation. At the end of March 2012, Zurich Germany launched a unique tailored electric vehicle insurance product. It is the first product of its kind in Germany and is the first electric vehicle insurance proposition in the Group that provides specialist cover for commercial electric vehicles and electric motor bikes.
- **Renewable energy:** "Desert Sunlight" construction is one of the largest photovoltaic solar farm projects in North America, and Zurich is providing the builder's risks coverage. It is a 550 megawatt photovoltaic solar farm valued at USD 2.1 billion. When complete, the farm will convert sunlight to electricity, providing enough clean, affordable energy to power approximately 160,000 California homes and displace 300,000 metric tons of greenhouse gas emissions per year - equivalent to taking 60,000 cars off the road.

Actions and outcomes *continued*

Highlight

Zurich signs the UN-backed Principles for Responsible Investment

Responsible Investment

In July 2012, Zurich became a signatory of the United Nations-backed Principles for Responsible Investment (PRI). Zurich is committed to managing its assets as a responsible investor, and being a signatory of the PRI will help us achieve this goal. We believe that by working together with the investment community, we can have a positive long-term impact on society and the environment.

Zurich has developed a strategy for Responsible Investment and appointed a Head of Responsible Investment to oversee implementation of the strategy. Details of Zurich's Responsible Investment strategy can be found in our Responsible Investment Position Statement, which is available on [our website](#).

Corporate customers and suppliers

In working with Zurich's corporate customers and suppliers, we endeavor to promote the environment principles within our sphere of influence. Please refer to page 3 for details on how we aim to manage corporate responsibility risks in business transactions and the supply chain.

Understanding catastrophe risk

Our mission is to help our customers understand and protect themselves from risk. To do that we cultivate expertise over a variety of risks, then share that expertise widely.

Natural catastrophes are a threat to which we can apply our expertise. Our activities range from helping customers assess and mitigate catastrophe risks before they strike, to rebuilding and implementing higher safety and sustainability standards in their aftermath. In 2011, our catastrophe management team established a dedicated function to help corporate customers estimate their exposure to catastrophe risk, assess potential losses, and identify where they have risk accumulations by regions and/or perils. Such reviews encourage catastrophe risk awareness and preparedness, spur improvements to risk management practices and insurance structure (including captive cover), promote business continuity plans, and mitigate losses when catastrophes strike.

Anti-Corruption**PRINCIPLE 10**

Businesses should work against corruption in all its forms, including extortion and bribery

Our commitment

Zurich is committed to fair and responsible business and prohibits all forms of bribery or corruption, and any business conduct that could create the appearance of improper influence. Our commitment to anti-bribery and anti-corruption is articulated in Zurich Basics, our code of conduct.

Actions and outcomes**Anti-Bribery and Corruption framework**

In 2012, Group Compliance reviewed and revised Zurich's existing Anti-Bribery and Corruption (ABC) framework, including the Group's ABC policy and guidance. The ABC policy has been further enhanced to ensure alignment with FCPA (U.S.), UK Bribery Act, Aon & Willis Final Notices and other cases and guidance, and prepares Zurich to meet internal and external expectations, today and in the future. The policy applies to all our employees worldwide.

The revised ABC framework introduces a focused local risk assessment, which targets more exposed functions and provides for the recording of effective local solutions. It continues to mitigate the risk of outgoing payments to third parties, especially to brokers, consultants and other intermediaries, for the purpose of acquiring or maintaining business. It helps the business to identify unusual payments and implement appropriate controls. It also lays out procedures for reviewing and recording gifts, entertainment and other advantages.

Highlight

Zurich strengthens its Anti-Bribery and Corruption framework

The Anti-Bribery and Corruption Group Policy establishes a common framework and shared expectations for enforcement and at the same time empowers local compliance officers. Local compliance professionals make the key decisions and are accountable for adapting and applying the framework to their own business, operational, and regulatory environments. It is a simple and practical local standard that provides Zurich's employees with clear and relevant guidelines in a format and language that they can easily understand. It outlines minimum management information for the ABC framework and expectations for Board reporting.

Speaking up and reporting concerns

Zurich encourages employees to speak up and report conduct that they, in good faith, believe violates laws, regulations, internal policies or Zurich Basics, our code of conduct. Please refer to page 3 for details.

Zurich, 20 July 2012