

Doing well and doing good

Why Zurich practices responsible investment

August 2018

Zurich is a leading multi-line insurer that serves its customers in global and local markets. With about 53,000 employees, we provide a wide range of property and casualty and life insurance products and services. We serve individuals, small businesses, and mid-sized and large companies, including multinational corporations, in more than 210 countries and territories.

At its core, insurance has always focused on helping others overcome hardships, conquer new challenges or protect what's important to them. For Zurich, that core purpose has been evident throughout our history. Looking ahead, given the complexity and scale of challenges facing our modern world, this is not enough. We have the expertise, capability and spirit to contribute even more. We can use our role as society's risk experts to encourage more long-term thinking.

With over USD 200 billion in assets under management, Zurich's investment strategy and decisions can have an impact on society and the environment. We recognize the responsibility that comes with being a steward of such a large portfolio of assets. As a result, Zurich has a clear strategy for responsible investment. Insurance investment management is relatively complex. To effectively manage investment risks relative to insurance liabilities, Zurich has a very strong focus on ALM and is required,

often also by the regulator, to hold certain assets.

Zurich holds investments in over 800 different portfolios, on over 200 different balance sheets in over 40 jurisdictions, managed by over 30 different external, as well as internal asset managers. This complexity naturally requires exceptions and limits the ability to apply specific processes and approaches in every single instance. More information on Zurich's overall investment approach can be found in Investment Management: [a creator of value in an insurance company](#).

Responsible investment means different things to different people. For Zurich, responsible investment is all about 'doing well and doing good'. 'Doing good' means that through our investments we can have a positive impact on society and the environment. We think of that positive impact as non-financial value – value that cannot be directly translated in dollars and cents, such as 'tons of greenhouse gas emissions avoided'. This value will benefit Zurich's stakeholder more broadly.

'Doing well' means generating superior risk-adjusted investment returns. It underlines that responsible investment is not about philanthropy. It also acknowledges that being a responsible investor – for instance through integrating ESG or taking long-term

views – can also create financial value, i.e. better investment returns.

As a serious practitioner, Zurich has studied most if not all methods of responsible investing, and has chosen to pursue it primarily in three ways:

- *ESG integration* – when analyzing individual investments and investment managers, in addition to examining their financial performance, we also assess their environmental, social and governance (ESG) performance. These assessments are considered in our decisions to buy or sell assets.
- *Impact investing* – we aim to fund institutions or projects that, while generating a safe, adequate return on our premiums, also generate targeted and measurable positive environmental or social impacts
- *Advancing together* – responsible investing is a story still being written. Together with a broad group of stakeholders, we are helping to write it, both in theory and practice.

Pursuing these three elements allows us both to do well and to do good, to manage our reserves as well as possible, while also delivering benefits to society.

1. ESG integration: Proactively integrating ESG factors into the investment process – across asset classes, and alongside traditional financial metrics and state-of-the-art risk management practices – supports us in ‘doing well’ and in achieving our mission to generate superior risk-adjusted long-term financial returns. Successful ESG integration is based on:

- *Adequate training* to help investment decision makers understand the relevance of ESG factors
- *Access to data*, research and analysis pertaining to ESG issues to inform investment decision making
- Formal *integration* of ESG factors into the security, asset and asset manager selection process
- *Active ownership* practices, such proxy voting and active engagement campaigns

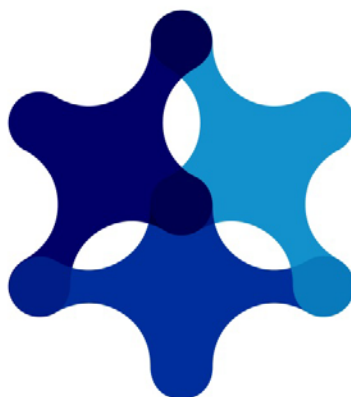
2. Impact investing: Through impact investing, Zurich can help fund solutions to pressing social or environmental issues. Zurich is directly exposed to challenges such as climate change, resource depletion, and more. As an insurer we have a direct interest in sustainable global economic growth and supporting communities in becoming more resilient to environmental and social challenges. Impact investments can help address these issues in a targeted way, and also offer a financial return commensurate with risks. In view of that, we have committed to invest up to USD 5 billion into impact investments. Once fully invested, we hope to help avoid the emission of five million tons of CO₂ per year, and make a positive contribution to the lives of five million people in need.

3. Advancing together: We believe that responsible investment will only truly have an impact if financial market participants advance together to make responsible investment mainstream. Only by acting collectively can we build markets in which ESG risk is priced efficiently, which provide the right incentives to those seeking to raise capital in the market, and in which impact investments provide capital on the scale needed to tackle the pressing social and environmental issues of our time. Supporting collaborative initiatives, working together with other industry participants, and engaging with policy makers and others to drive the advancement of responsible investment practices thus forms an integral part of our approach.

Responsible Investment

ESG integration

- Training
- Information
- Process integration
- Active ownership



Impact investing

- Intentionality
- Measurability
- Profitability

Advancing together

- Innovation
- Collaboration
- Public advocacy

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