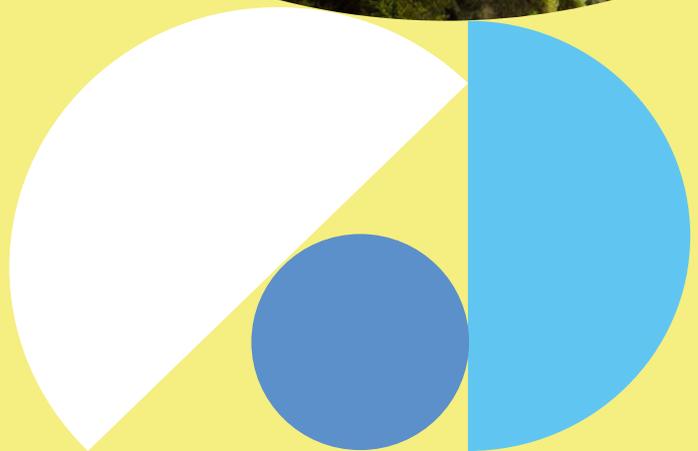


Responsible Investment

with Zurich Life





In recent times the topic of Responsible Investment has garnered a lot of attention both internationally and locally here in Ireland. However Responsible Investment does not have a standard definition - it can mean different things to different people.



For Zurich Insurance Group it is all about 'doing well' and 'doing good'. Central to this idea is the integration of Environmental, Social and Governance (ESG) factors into how investment decisions are made. Zurich Life in Ireland is fully committed to ESG integration and has been adopting key Responsible Investment principles for several years now.

The core of our investment process has remained the same for the many years Zurich Life has been managing money for Irish savers and investors. As an active investment manager we are always trying to refine and enhance our process. The integration of ESG factors into our investment process can help deliver additional insights which in turn can improve our assessment of investment risks and rewards.

Responsible Investment is not about philanthropy nor is it 'ethical investing' which can exclude large areas of the investment universe. It is an economic approach to investing. Our aim is to have both positive financial and non-financial benefits for all stakeholders by applying sound principles and integrating them in a practical way into our process.

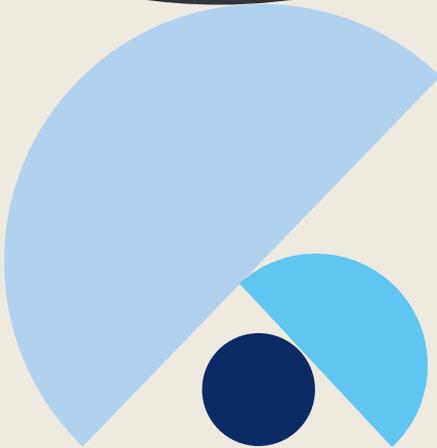
This guide explains more about the approach of Zurich Insurance Group and Zurich Life in Ireland to Responsible Investment. The Group is a signatory to the United Nations Principles for Responsible Investment, PRI, and its actions in this area and in the area of sustainability more generally, have earned it a leading spot on the 2019 Dow Jones Sustainability Index.

The guide also explains what we in Zurich Life mean by ESG integration and active ownership – including our policy on voting in investee companies. And we provide some practical examples of how these have been integrated in our day-to-day work.

We are proud of our Responsible Investment efforts. We have expertise – both locally and at Group level - and we are well positioned to deliver good outcomes for our customers in this area.

I hope you will find this guide helpful and informative. If you would like further information please visit www.zurich.ie/responsibleinvestment or if you have any queries please do not hesitate to get in touch.

David Warren,
Chief Investment Officer
Zurich Life Assurance plc



Our Responsible Investment Principles

At Zurich Insurance Group (the Group) and Zurich Life we aim to create sustainable value for customers, shareholders, our people and broader society. This is core to how we do things, we focus on long-term success over short-term gains.

When investing responsibly, we look to generate a positive impact but not at the expense of returns. We want to do good naturally but we also want to do well in investment terms for our shareholders and customers.

When investing we aim to:

- create sustainable value for all our stakeholders
- focus on long-term success over short-term gains.

The Group's Responsible Investment strategy has three parts under the core objective of doing well and doing good: the integration of Environmental, Social and Governance (ESG) factors into the investment process; impact investing using the Group balance sheet; and finally, advancing together as an investment community to invest responsibly.

1.



ESG Integration

Integration of Environmental, Social and Governance factors

- Investment Process
- Training & Information
- Active Ownership

2.



Impact Investing

Making an impact by funding solutions

- Intentionally
- Measurability
- Profitability

3.



Advancing together

Collaborating to advance Responsible Investment practice

- Innovation
- Collaboration
- Public Advocacy

Our Actions & Objectives

Zurich Insurance Group was an early signatory of the United Nations Principles for Responsible Investment (PRI) in 2012 and the Group has implemented its Responsible Investment strategy over the last eight years. One of the key requirements of these principles is that the Group incorporates Environmental, Social and Governance factors (ESG) into its investment process. Zurich Life probes these factors when talking to companies and promotes the principles where possible.

As an owner and provider of capital to a company, we become important stakeholders and receive a voice – if not literally a seat – at the table. We strive to actively execute our voting rights – and this means to not just vote with management. We also want to make sure that when we interact with the companies in which we invest (by talking to Investor Relation Officers or senior management; attending conferences and earnings calls) that they are, where appropriate, considering ESG factors in their decision making. Finally, maximising value does not stop once an investment decision is made – continued analysis and engagement is an integral part of our investment process.

ESG Investment – An Overview

What are the considerations that go into ESG investment?

Environmental



- Climate change
- Water
- Pollution
- Sustainability

On the Environment – what are the long-term impacts of issues such as climate change and water scarcity on the company? We might favour a company with a more advanced approach to water conservation as a result.

Social



- Human rights
- Stakeholder relations
- Supply chain

In the Social area – how does the company manage its employees and suppliers for long-term success? Is it exposed to developing regulations, for example sugar taxes for confectionery companies. We may need to adjust our valuations for potential future regulations that constrain profit growth.

Governance



- Director relationships
- Inadequate governance and compliance
- Shareholder dilution

On Governance, we ask if the company is governed fairly and effectively through its board and procedures. We may not invest in the company if the board is not sufficiently independent to look after stakeholder interests. Our preference is for companies with equal voting rights.

ESG Integration – Investment Process



What it is

- Another valuable input to security selection
- An economic approach dependent on valuation

What it isn't

- A guarantee of superior returns
- A prohibition on low ESG-rated stocks

ESG integration can be a valuable input into investment analysis and security selection. It is a means to help highlight risks and to help ensure that the securities are priced accordingly. This represents a sound economic approach to investment. As an active manager Zurich Life has always used a number of metrics to analyse the companies we invest in. The advent of ESG analysis formalises factors that were previously considered in a less structured format, gathers data in a timely and concise way, and allows additional comparison of companies in conjunction with traditional metrics.

ESG analysis is not a guarantee of superior returns, no more than traditional accounting and valuation analysis would be. Our belief at this stage is that changes in ESG ratings are more a driver of stock prices than the rating itself. It is also worth noting that ratings remain subjective in nature and are not yet comparable across different ESG data providers. It can also be difficult to accurately measure the effect of ESG factors on stock price. Therefore, as always, a holistic approach to appraising investments is vital.

We maintain that ESG risks and opportunities are best managed through an ESG integration approach. However, there are certain areas where we believe that selective exclusion criteria are justified. For example, the Group and Zurich Life do not engage in any business with, or directly investing in, a number of companies involved in the production of cluster munitions and anti-personnel landmines.

In 2018, the Group stopped providing insurance or risk management services for new thermal coal mines and for potential new clients that derived more than half their

revenue from mining thermal coal and also from utilities that generate more than half their energy from thermal coal. Such companies were also excluded from the Group's own investment assets. The exceptions are those companies making positive changes to move from coal, and the Group wants to actively encourage this through positive engagement with the companies. Since 2019, we do not invest in companies whose primary activities involve either the extraction or use of thermal coal from our policyholder funds in Ireland.

We do not exclude companies from the investment portfolio just because of a low ESG rating. However, it will be an input into our decision making process, and we will be cognisant of the company making decisions to move in the right direction.

Integrating ESG into the way securities or assets are selected is both an economic and rational approach. Performing ESG integration is an incremental process and is another valuable metric in the active investment decision making process.

ESG Integration – Training & Information



Training

For investment managers and analysts

Zurich Life puts a strong emphasis on training and education throughout the organisation, and training in the field of Responsible Investment is no exception.

All our in-house portfolio managers as well as the in-house analysts in our portfolio management teams must undertake mandatory Responsible Investment training.



Access to information

MSCI is our ESG data provider

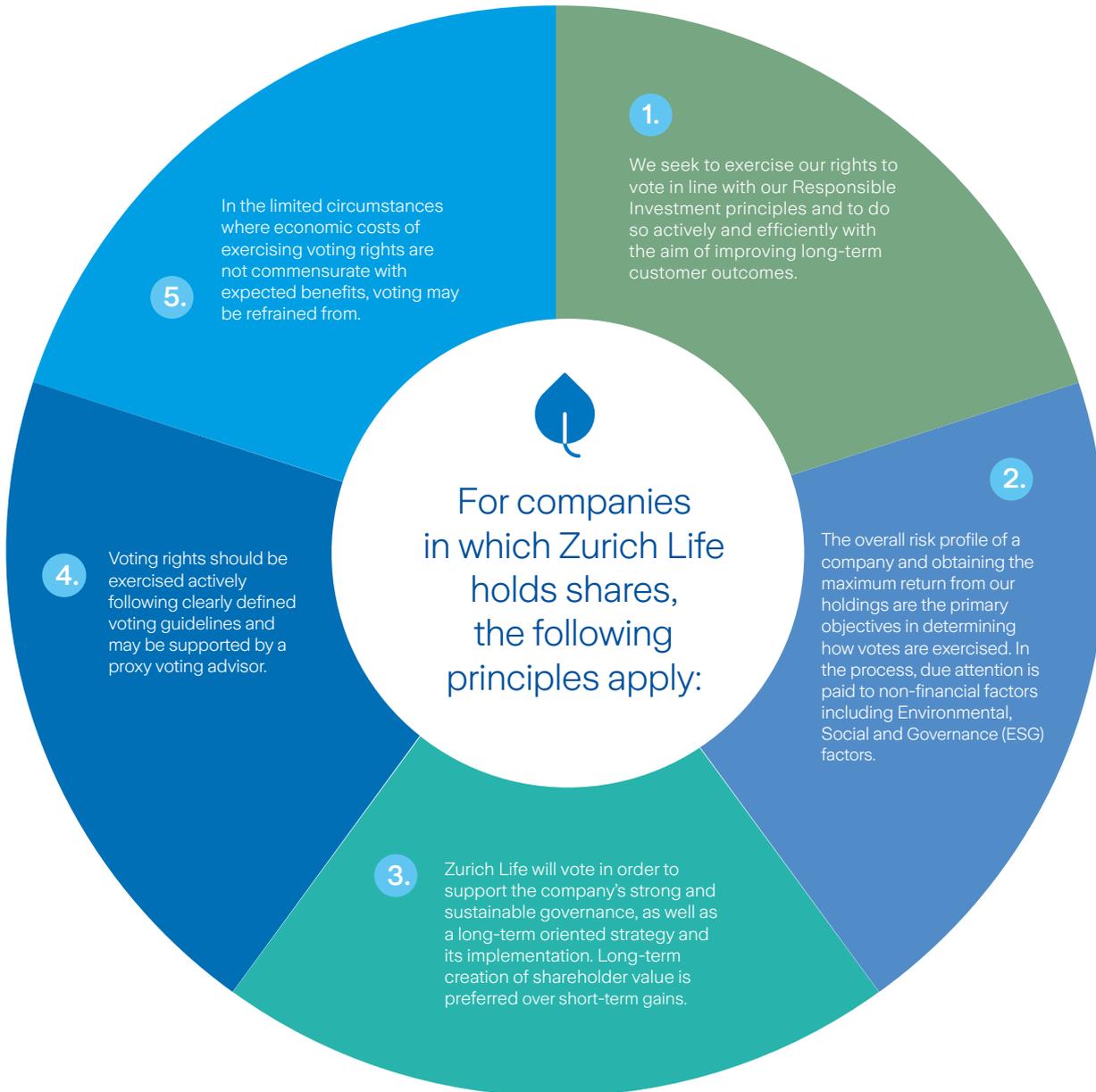
Zurich Life sources ESG data from Morgan Stanley Capital International (MSCI), a third-party specialist data vendor, which we appointed as our ESG data provider in 2013. All of our in-house portfolio managers have access to ESG data on MSCI's 'ESG Manager' online platform.



ESG Integration – Active Ownership

Company Engagement

When Zurich Life engages with companies, we discuss financial and non-financial topics with them including ESG factors. We also vote fully on shareholder resolutions based on a locally approved policy with recommendations from Glass Lewis, our proxy voting advisor, albeit that we are not bound to follow their recommendations. Through the exercise of voting rights and engagement with investee companies investors can maximise investment value while addressing material ESG factors.



Exercising our voting rights

Zurich Life believes that exercising voting rights, whenever possible without incurring undue costs, is in the best interests of the money it manages for Zurich Life's customers and it is aligned with the concept of 'doing well and doing good'. Voting is a way to express approval or disapproval of the stance of investee companies on key topics, to influence their behaviour and to encourage them to do the right thing. Actively exercising voting rights is an important aspect of Responsible Investment practices and part of our Responsible Investment strategy. Investors historically focused on topics that were seen as strictly financial. Today, a newer emphasis is being placed on the long-term sustainability of company business models which brings many non-financial topics into view.

It is in the interest of Zurich Life as a shareholder to have a clear voting policy on these matters, to exercise those voting rights actively and to ensure that companies focus on questions of long-term sustainability.



Case Studies from Zurich Life in Ireland

Pat Cunningham

Irish Responsible Investment Champion
and Head of Pacific Equities

High ESG rating

Zurich Life has a long-term holding in a Taiwanese technology company which has had a consistently high ESG rating. We meet and speak with the company regularly and are consistently impressed with its strategy for sustainable value creation. The company's corporate governance is excellent to the benefit of all stakeholders. The company has a strong commitment to being a technological lead, through cutting edge research and development. It also partners well with its customers and its highly qualified and motivated staff has driven long-term success, and exceptional investment returns.

Occasionally, well-funded new entrants to the industry appear as a threat, but the company's track record and innovative mind-set give us confidence to maintain our holdings, and also add to them as opportunities arise.

We invest in a US healthcare company which specialises in the treatment of sleep disorders. As populations age, this is likely to become an increasing area of concern requiring solutions. The company is very well governed with strong employee engagement, protection and advancement practices. It ranks towards the top of its peer group when these ESG factors are considered.

The company has developed and maintained a high quality and innovative product offering driving strong growth in sales and profits over time. Product recalls, which can be a feature in the healthcare equipment industry, have fallen and it conducts regular supplier audits to maintain ethical practices.

Low ESG rating

We currently do not hold a position in what appears to be a 'cheap' Chinese auto parts company because of our expectations in relation to the transition to electronic vehicles from the more traditional fossil fuel based engine.

The Chinese car market and local production has grown strongly over the last decade. However, we are concerned that climate change and pollution will drive increasing promotion and adoption of electrical vehicles over traditional petrol and diesel cars. This company is not well positioned for this transition having not disclosed a strategy to participate in this emerging trend. Profit growth with this backdrop will be challenging at best and it is likely that the existing earnings base is in jeopardy.

We currently hold a position in a US insurance company despite a lower than average ESG rating.

The low rating primarily results from the exposure to extreme climate events and catastrophe losses. However, we believe the company is well managed and able to price the risks of such insurance policies appropriately. This protection will be in even greater demand as the incidence of weather damage increases, with pricing in this area strong with resilient earnings. This may drive solid medium to long-term shareholder returns for this attractively valued investment. The company has engaged in a certain amount of divestment and acquisition activity in recent years which can lead to risks of business disruption. However, it appears these deals have enhanced rather than detracted from the company's ability to generate sustainable value.

Responsible Investment Engagement by Zurich Life



€13.4bn

equity assets that include an ESG consideration



10,200

resolutions we voted on



€2.1bn

corporate bond assets that include an ESG consideration



850

resolutions we voted against management on



8,700

companies covered by MSCI for ESG factors



330

company engagements across our equity regions



Vote for

We encourage the move from fossil fuel energy generation to renewables where we can as part of our support of the Paris Accord on limiting climate change. We do this by supporting management strategies to divest coal, oil and gas assets in favour of investment in renewable and clean technologies. We also support shareholder resolutions on greater disclosure of climate exposures. We invest directly in companies involved in the manufacture of renewable energy equipment which should benefit from the long-term trend towards wind, solar and other carbon free energy solutions.



Vote against

Out most frequent votes against management recommendations are in the area of governance and compensation plans. We will vote against the re-election of directors who we believe, for example, serve on too many boards. We will also vote against what we believe are excessive compensation plans and those which are not demanding enough to achieve.

To give an example, we voted against the re-election of the chief executive of a German building materials company. Our primary issue was the misallocation of capital at the company – one example was a value destroying acquisition in another country when capital returns to shareholders would have been a better use of resources and actually had been a prior management commitment.



Source: Zurich Life, 31 December 2021.

Zurich Insurance Group: Sustainability, Responsible Investment and Impact Investing

As a global insurance company, Zurich Insurance Group (the Group) has a significant role to play in ensuring the sustainability of our society into the future. For example, the Group invests in renewable energy projects around the world such as clean water projects, flood defences and this helps mitigate environmental risks.

The Group tries to help in more deprived areas of the world where capital is scarce or maybe not available at all. For example investing in micro-insurance for low income customers.

In 2017, the Group increased its commitment to impact investments and introduced impact investing targets. While committing to an overall investment of \$5 billion, innovative impact targets were set, including the goal of avoiding 5 million metric tons of CO₂-equivalent emissions and improving the lives of 5 million people per year.

In November 2020, the Group announced it had exceeded the original financial allocation target for its impact investment portfolio of \$5 billion, and from now on will prioritise the impact this portfolio generates. These investments include green, social and sustainability bonds, as well as commitments to six private equity funds active in areas like financial inclusion and clean technology. For the first time, the Group also included impact infrastructure private debt investments as an asset class.

The Group has joined the UN Net-Zero Asset Owner Alliance as a founding member, as well as the Insurance Development Forum, and other platforms tackling climate change. It publishes updated climate change guidance for businesses to assess and manage their exposures whilst the Zurich Flood Resilience Alliance has committed to scaling up its work in climate action, to help make 2 million people more resilient to flooding. Zurich is now the insurance industry leader of the Dow Jones Sustainability Index for 2020, outperforming 100% of the insurance sector.

The Group was also the first insurer to pledge to 'Business Ambition for 1.5°C' which aims to limit average global temperature increases to 1.5°C above pre-industrial levels by 2030. It is proactively engaging with its clients and investee companies with the aim to assist them in adopting plans to reduce their exposure to thermal coal, oil sands and oil shales. The Group has committed to utilise 100% renewable power in all global operations by the end of 2022.

ESG - integration

100%

Of in-scope assets managed by people who received responsible investment training

100%

Of in-scope assets managed with a clear and structured process for ESG integration in place

100%

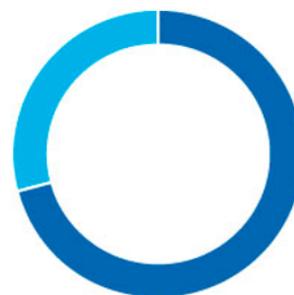
Of in-scope assets managed by people with access to ESG data, analysis and research

98%

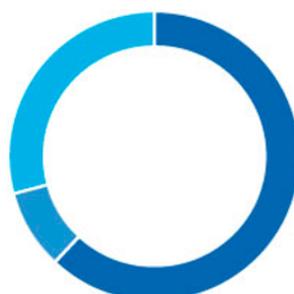
Of in-scope assets managed with a clear and structured process to discuss ESG issues directly with the companies

49% of assets in-scope for ESG integration includes assets in scope for ESG integration and/or proxy voting only.

Our voting activities in 2020



Our voting behavior in 2020





Impact investing

USD 4,677m
Green, social and sustainability bonds

USD 904m
Impact infrastructure private debt

USD 189m
Impact private equity

Total amount of impact investments



● Environmental	77%
● Social	23%



2.9 million tons
Of CO2 equivalent omissions avoided



3.7 million people
Benefited from a positive contribution to their lives and livelihood

Advancing Together

18

Participated actively in 18 membership organizations

48

Spoke about responsible investment at 48 conferences and other industry events

ESG Exclusions

Progress on coal and oil sands/oil shale policy



GWP non-renewed²

USD 33m

Divestments³

USD 497m

● Excluded	36%
● Cleared	22%
● Engagement ongoing	42%

1 Number of companies subject to Zurich's coal, oil sands and oil shale policy since 2017.
2 Non-renewed gross written premiums (GWP).
3 Cumulated divested equity and fixed income already disposed since 2017.

Zurich Insurance Group and Zurich Life: Advancing together

Zurich Insurance Group is working steadily to broaden the scope, power and value of Responsible Investment. Much of this involves in-house work, but clearly, we cannot do this alone. So, the Group has signed the United Nations Principles for Responsible Investment (PRI) and Principles for Sustainable Investment (PSI) and it collaborates with initiatives such as the Global Impact Investing Network (GIIN). The Group is also on the Executive Committee to the Green Bond Principles and Social Bond Principles and it is funding academic research on Responsible Investment through the Investment Leaders Group (ILG) of the University of Cambridge.

Zurich Life in Ireland is also fully committed to the adoption and integration of Responsible Investment into how we manage monies for our customers. We have had a Responsible Investment framework in place for a number of years, and we maintain a key focus in this area. Representatives from Zurich Life sit on a number of strategy groups across the industry, including the Irish Association of Investment Managers.

We are committed to broadening the base of people who understand what Responsible Investment is, its importance and what it can achieve.

For more information on Responsible Investment with Zurich Life please do not hesitate to get in touch or log on to www.zurich.ie/responsibleinvestment

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