

## Responsible / Impact Investing

	Questions	Answers
1.	Why does Zurich want to be a responsible investor?	<ul style="list-style-type: none"> <li>• For Zurich, Responsible Investment is about “doing well &amp; doing good”. It is about managing Zurich’s investment portfolio in a way that generates superior risk-adjusted returns for our customers and shareholders, while also creating value for our other stakeholders – our employees and our communities.</li> <li>• With over USD 200 billion in assets under management, Zurich’s investment strategy and decisions can have a major impact on society and the environment.. As a result, Investment Management has a clear strategy for responsible investment.</li> <li>• Zurich is committed to managing its assets as a responsible investor. Being a signatory of the un-backed Principles of Responsible Investment will support us in achieving this goal. Working together with the investment community, we believe that a positive long term impact on society and the environment can be achieved.</li> <li>• Sustainable value creation is one of Zurich’s six basic values (‘Zurich Basics’):               <ol style="list-style-type: none"> <li>1. “We create and sustain value for our customers, our shareholders, our people and society.”</li> <li>2. “We maintain a high standard of corporate responsibility by proactively addressing environmental, social and governance issues.”</li> <li>3. “We focus on long-term success over short-term gains.”</li> </ol> </li> </ul>
2.	What is Responsible Investment?	<ul style="list-style-type: none"> <li>• Responsible Investment can mean different things to different people.</li> <li>• For Zurich, Responsible Investment is about “doing well &amp; doing good”. It is about managing Zurich’s investment portfolio in a way that generates superior risk-adjusted returns for our customers and shareholders, while also creating value for our other stakeholders – our employees and our communities.</li> </ul>

		<ul style="list-style-type: none"> <li>• For Zurich, Responsible Investment is not about philanthropy.</li> </ul>
3.	What does “doing good” mean? / What is non-financial value?	<ul style="list-style-type: none"> <li>• “Doing good” means having a positive impact on society and the environment, and promoting governance practices consistent with high standards of integrity.</li> <li>• Non-financial value is created by having a positive impact on society and the environment, and promoting governance practices consistent with high standards of integrity.</li> <li>• This positive impact can be achieved directly, through so-called ‘impact investments’ or indirectly, through the integration of ESG factors and collaboration within the investment industry</li> </ul>
4.	What is your Responsible Investment strategy?	<ul style="list-style-type: none"> <li>• Responsible Investment at Zurich consists of three elements that are integrated with the overall investment approach. The three elements are:</li> <li>• Integration of relevant Environmental, Social and Governance (ESG) factors into the investment process – across asset classes, and alongside traditional financial metrics and state-of-the-art risk management practices</li> <li>• Impact investments</li> <li>• Advancing together: our collaboration and thought leadership activities</li> </ul>
5.	What is ESG integration? Why do you do this?	<ul style="list-style-type: none"> <li>• Non-financial factors such as environmental, social or governance factors can directly and indirectly impact the profitability and risk of a business over the long-term. Furthermore, the handling of ESG-related issues by company management can serve as a signal for the quality of management and the sustainability of a business model. Consequently, we believe that ESG factors can influence the risk-adjusted return of an investment and should form part of a sound investment process.</li> <li>• ESG integration is about systematically integrating relevant non-financial factors into the investment process – across asset classes, and alongside traditional financial metrics and state-of-the-art risk management practices</li> <li>• ESG factors impact the bottom line: Integrating ESG factors into the investment process will support us to deliver better risk-adjusted returns in the long run. (IM’s Mission)</li> <li>• Successful ESG integration is based on four core requirements: <ol style="list-style-type: none"> <li>1. <b>Training:</b> The investment implications of ESG factors are complex, and often</li> </ol> </li> </ul>

		<p>portfolio managers lack sufficient understanding of these factors.</p> <p>2. <b>Information:</b> Access to relevant data analysis and research is necessary for well informed decision making</p> <p>3. <b>Process Integration:</b> True ESG integration has to happen across the whole investment decision-making process</p> <p>4. <b>Active Ownership:</b> Proxy Voting and engagement</p>
6.	What are relevant ESG factors and what weight do they receive?	<ul style="list-style-type: none"> <li>• Zurich's assets are managed to a large degree by external asset managers. These asset managers are the experts in security analysis and selection and best placed to identify all relevant factors. Zurich's role is to ensure that, as part of their overall processes, ESG factors are integrated.</li> <li>• ESG factors form one set of relevant information next to traditional financial information and other qualitative or quantitative assessments made by an analyst. The weight of ESG factors in decision making will depend on the overall investment approach of the asset manager and will vary by industry sector.</li> </ul>
7.	What asset classes are in scope for ESG integration	<ul style="list-style-type: none"> <li>• At this stage, Zurich focuses on those asset classes for which there is academic evidence that ESG factors impact risk and return. These asset classes are: listed and private equity, corporate bonds and loans, municipal debt, real estate</li> <li>• Zurich's exposure to sovereign bonds is primarily driven by its ALM process. At this stage, sovereign bonds are not in scope.</li> <li>• Hedge Fund strategies do not, generally speaking, lend themselves to the integration of ESG factors. However, there is a very solid process in place to evaluate governance at the fund manager level.</li> </ul>
8.	What about passive mandates?	<ul style="list-style-type: none"> <li>• At the moment, ESG integration does not lend itself for passive mandates as Zurich will not define dedicated ESG mandates with ESG-based benchmarks.</li> </ul>
9.	Does Zurich define dedicated ESG mandates?	<ul style="list-style-type: none"> <li>• No. At Zurich, Corporate Responsibility is an integral part of how we do business. Being a responsible company is fundamental to our long-term sustainability.</li> <li>• It is about how we generate profits in a way that creates sustainable value for our shareholders, customers, employees, and the communities in which we operate.</li> <li>• As such, responsible investment cannot be limited to specific mandates, but</li> </ul>

		<p>must be reflected in all relevant processes as part of our overall approach to investing</p> <ul style="list-style-type: none"> <li>• See questions 1, 4 and 5.</li> </ul>
10.	Does Zurich have a black-list or any other approach that excludes companies from Zurich's investment universe?	<ul style="list-style-type: none"> <li>• Rather than excluding companies or sectors, Zurich applies an integration approach. We are working with internal and external asset managers to make sure that environmental, social and governance (ESG) issues form an integral part of the investment process across all asset classes.</li> <li>• Zurich's asset managers are free to select securities within specified mandates, and Zurich does not prescribe any exclusion criteria related to ESG or responsible investment considerations.</li> <li>• One exception are producers of banned weapons (cluster ammunition and anti-personal land mines), according to the banned weapons convention of the UN we support by having signed the UN Global Compact. We neither insure those companies, nor do we hold any investments. (see Q 13).</li> </ul>
11.	What is the share of Zurich's investments that are 'responsible'?	<ul style="list-style-type: none"> <li>• We will not designate specific asset classes or individual investments as either 'responsible' or 'irresponsible'.</li> </ul>
12.	Are there any 'irresponsible' investments in Zurich's portfolio? Will you dispose of them?	
13.	Do you invest in bonds and/or shares of arms manufacturers (or a specific company)?	<ul style="list-style-type: none"> <li>• Zurich recognizes the huge human and social costs associated with banned weapons (landmines and cluster bombs). Zurich has an issue brief and a complete black list for producers of banned weapons (cluster ammunition and anti-personal land mines), according to the banned weapons convention of the UN we support by having signed the UN Global Compact. We neither insure those companies, nor do we hold any investments. All other investments in armament/defense companies are subject to the analyst's judgment.</li> </ul>
14.	How can you claim to be a Responsible Investor if you continue to invest in 'irresponsible' companies, don't exclude any investments from	<ul style="list-style-type: none"> <li>• We believe that, based on effective and continuous engagement and collaboration with the investment community as well as the companies in which we invest, an approach based on ESG integration can benefit all our stakeholders and create a positive impact.</li> <li>• Working together towards a market in which all relevant ESG risks are</li> </ul>

	your investment universe, and don't have any specific ESG mandates?	adequately priced, and actively exercising ownership rights in line with fiduciary duty, the investment community can make a difference and lead the corporate sector to effectively manage its impact on the environment and society, while adhering to high standards of governance and integrity.
15.	Who do you engage and collaborate with?	<ul style="list-style-type: none"> <li>• We are in a regular dialogue with our major asset managers and have a direct and open dialogue with our peer companies on the topic of responsible investment</li> <li>• We are a signatory to the PRI and a founding member of the Investment Leaders Group at Cambridge University. Zurich also actively contributes to a number of other initiatives related to Responsible Investment, such as the Green Growth Action Alliance, ClimateWise in the UK, and the WEF 'Mainstreaming Impact Investing' initiative.</li> <li>• As part of the implementation of our strategy for responsible investment we will determine how to best engage with the management of portfolio companies, either directly or through our asset managers.</li> </ul>
16.	How do you exercise your voting rights?	<ul style="list-style-type: none"> <li>• Actively exercising voting rights is an important aspect of responsible investment practices and part of Zurich's responsible investment strategy.</li> <li>• A majority of Zurich's assets is managed by external asset managers. The execution of voting rights is delegated to these asset managers and clear standards are being developed to ensure that the asset managers' proxy voting guidelines are in-line with Zurich's Responsible Investment approach.</li> <li>• At the current stage, all major external asset managers have active proxy voting policies, and votes are executed on a significant portion of equity holdings with Zurich receiving detailed reports on the execution.</li> <li>• Work is currently undergoing to set up the required processes to also actively execute votes on assets managed by in-house teams.</li> </ul>
17.	How will you make sure that external asset managers integrate ESG factors into their investment process?	<ul style="list-style-type: none"> <li>• As part of the manager selection process Zurich seeks to ensure that external asset managers have the necessary know how, resources and systems to manage our assets in accordance with all our requirements. This includes the four core requirements for ESG integration. (see question 5 above)</li> <li>• We are in a regular dialogue with our major asset managers on the topic of</li> </ul>

		responsible investment and are very pleased with the progress made by most of them in that area.
18.	When will you start implementing your Responsible Investment strategy and how?	<ul style="list-style-type: none"> <li>• Zurich has appointed a Head of Responsible Investment in 2012, reporting directly to the Group Chief Investment Officer, to oversee effective implementation of the Responsible Investment strategy</li> <li>• Implementation is underway, but not a short-term project. Becoming a truly responsible investor is a journey that will take time to complete.</li> <li>• Zurich became a signatory of the United Nations Principles for Responsible Investment (PRI) in July 2012. This global investor initiative, in partnership with the UNEP Finance Initiative and the UN Global Compact, is designed to provide a framework for better integration of environmental, social and governance factors into the investment practice. Managing Zurich Insurance Group's approximately USD 200 billion portfolio of Own Assets, Zurich's Investment Management is committed to Responsible Investment. Details about Zurich's Responsible Investment strategy can be found in our Responsible Investment Position Statement at <a href="http://www.zurich.com">www.zurich.com</a>.</li> </ul>
19.	What is an Impact Investment?	<ul style="list-style-type: none"> <li>• Increasingly, entrepreneurs, governments, non-government organisations and other players are turning to capital markets to search for – and fund – solutions to many of the pressing social or environmental issues of our time. Impact Investments address these issues by having a targeted, positive impact on society or the environment, but also offer a financial return commensurate with risks.</li> <li>• There are three defining elements to impact investing: <ol style="list-style-type: none"> <li>1. Intentionality: impact investments are made with the explicit objective to generate a certain impact. 'Impact' becomes part of the investment objective; it's not just a side-effect</li> <li>2. Measurability: if impact is part of the objective, then there needs to be some measurement to follow-up on the impact and to determine if the intended impact is indeed being achieved.</li> </ol> <p>We acknowledge that measuring impact is not easy, but with impact investment there should always be an attempt to measure the impact generated.</p> </li> </ul>

		<p>3. Return: impact investments and impact investors cover a wide spectrum of risk-return trade-offs: from venture philanthropists focused on capital preservation, to mission or program-related investors required to accept concessionary return, all the way to market-level returns. Zurich, as a fiduciary investor, is focusing on those opportunities that generate returns fully compensating the investor for market risks.</p> <ul style="list-style-type: none"> <li>• We see opportunities for impact investments defined in that way across asset classes. We really don't think of impact investing as an asset class, but rather as an investment style that allows us to allocate to certain types of assets within a given asset class or risk-return spectrum.</li> </ul>
20.	What impact does Zurich want to achieve?	<ul style="list-style-type: none"> <li>• As a global insurance group with a fast growing footprint in many emerging regions of the world, Zurich is directly exposed to many of these challenges, such as the potential effects of climate change or the intensive use of scarce natural resources. Zurich has a direct interest in sustainable economic growth, and the development of resilient communities. In line with this, we will, over time, build a portfolio of impact investments addressing these challenges, and strive to measure and report on the impact we are generating.</li> </ul>
21.	Can you give some examples of impact investments?	<ul style="list-style-type: none"> <li>• Impact Investments can be found across asset classes. Examples are green bonds in the fixed income space, impact investment funds in Private Equity, and social housing in Real Estate.</li> </ul>
22.	Does Investment Management have two objectives now? Is there a trade-off between return and impact?	<ul style="list-style-type: none"> <li>• Managing Zurich Insurance Group's portfolio of Group investments, Investment Management has one clear mission: to achieve superior risk-adjusted returns relative to liabilities.</li> <li>• We believe that, through selected investment opportunities, this objective can be achieved, while at the same time generating a positive impact for society and the environment.</li> <li>• Zurich will apply the same rigorous due diligence in the analysis of any such investment opportunities, and in the selection and monitoring of asset managers managing such investments, as for the rest of the portfolio.</li> </ul>
23.	Have you already made some impact investments?	<ul style="list-style-type: none"> <li>• Yes, as of 31.12.2014 we have invested 589mn USD in green bonds</li> <li>• We have also made our first commitments (USD 45mn) to private equity impact funds. For example, the second Leapfrog impact investing fund.</li> </ul>

		<ul style="list-style-type: none"> <li>• USD 33mn were invested in social impact bonds</li> <li>• Accordingly, our exposure to impact investments as of 31.12.14 is USD 667mn.</li> <li>• In addition, the real estate portfolio held on our Swiss balance sheet (over 60% of Zurich's real estate portfolio value weighted) is managed towards a goal of reducing CO2 emissions as well as energy intensity per sqm by 20% vs. a 2010 baseline by 2020 and -80% by 2050.</li> <li>• (The above KPIs are published in the annual report and on zurich.com)</li> </ul>
24.	Do you have a target allocation to impact investments?	<ul style="list-style-type: none"> <li>• In July 2014 we have committed to invest up to USD 2bn in green bonds. There are no further targets on additional forms of impact investment.</li> </ul>
25.	What is the PRI?	<ul style="list-style-type: none"> <li>• The United Nations-supported Principles for Responsible Investment Initiative (PRI) is a network of international investors working together to put the six Principles for Responsible Investment into practice. The Principles were devised by the investment community. They reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios and therefore must be given appropriate consideration by investors if they are to fulfill their fiduciary (or equivalent) duty. The Principles provide a voluntary framework by which all investors can incorporate ESG issues into their decision-making and ownership practices and so better align their objectives with those of society at large.</li> <li>• The Principles for Responsible Investment, convened by UNEP FI and the UN Global Compact, was established as a framework to help investors achieve better long-term investment returns and sustainable markets through better analysis of environmental, social and governance issues in the investment process and the exercising of responsible ownership practices. The Principles themselves, a full list of signatories and more information can be found at <a href="http://www.unpri.org">www.unpri.org</a>.</li> </ul>
26.	Why did Zurich decide to become a signatory?	<ul style="list-style-type: none"> <li>• Zurich has formulated a clear strategy for Responsible Investment. Becoming a signatory to the PRI formed part of that process, and was the result of a thorough evaluation process. Zurich believes that the six principles are well aligned with its strategy for Responsible Investment.</li> <li>• Zurich believes that only through effective collaboration within the investment</li> </ul>



		<p>community can the principles have a positive long term impact on society and the environment. (see question 15)</p> <ul style="list-style-type: none"> <li>• The PRI initiative, through various working groups and events, provides access to best-practice in the area of Responsible Investment, and allows Zurich to play an active role.</li> </ul>
27.	Why was this decision taken in 2012 and not earlier?	<ul style="list-style-type: none"> <li>• In 2012, Zurich had finalized the development of a strategy for Responsible Investment. Becoming a signatory to the PRI formed part of that process, and was the result of a thorough evaluation process.</li> </ul>
28.	What does it mean for Zurich?	<ul style="list-style-type: none"> <li>• Being a signatory to the PRI is a strong signal of our commitment to the concept of Responsible Investment as outlined in our position statement.</li> </ul>
29.	A majority of Zurich's assets are managed by external asset managers. How can you guarantee that those assets are managed according to the PRI?	<ul style="list-style-type: none"> <li>• See question 17.</li> <li>• Zurich encourages its external asset managers to become signatories to the PRI, but does not make it a formal requirement.</li> <li>• All of Zurich's major asset managers are signatories to the PRI.</li> </ul>
30.	Will you work together with external asset managers that are not a signatory?	
31.	Did you consult your major shareholders before deciding to sign PRI?	<ul style="list-style-type: none"> <li>• A thorough evaluation had been carried out before making the decisions to become a signatory of the PRI, with the overall strategy for Responsible Investment having been well syndicated within the Group, including the Board of Directors, Group Executive Committee, the Group's Corporate Responsibility Working Group and Investment Management's external Advisory Council</li> </ul>
32.	Do the principles apply to the management of your overall portfolio or just selected assets?	<ul style="list-style-type: none"> <li>• For Zurich, Responsible Investment is about <i>how</i> investments are managed to generate long-term financial and non-financial value.</li> <li>• The concept of Responsible Investments thus applies to our overall portfolio.</li> </ul>
33.	Will the investment result be affected due to the signing of the PRI?	<ul style="list-style-type: none"> <li>• For Zurich, Responsible Investment is about achieving our mission by not only creating long-term, sustainable financial value in line with our fiduciary duty, but at the same time also creating non-financial value for all our stakeholders without sacrificing financial return. We will continue to follow our mission - to achieve superior risk-adjusted returns relative to liabilities.</li> </ul>

34.	What are the practical steps you will take as a result of signing the PRI?	<ul style="list-style-type: none"> <li>• Zurich has formulated a clear strategy for Responsible Investment. Becoming a signatory to the PRI formed part of that process, and was the result of a thorough evaluation process. Zurich believes that the six principles are well aligned with its strategy for Responsible Investment.</li> <li>• Investment Management has appointed a Head of Responsible Investment, reporting directly to the Group Chief Investment Officer, to oversee the implementation of the Responsible Investment strategy.</li> <li>• Working together with both internal and external asset managers, the Head of Responsible Investment will implement the strategy across asset classes and report on progress made.</li> <li>• The principles do not stipulate an absolute target, but signatories are held to make, and report on, progress towards implementing the principles as part of their strategies and operations.</li> <li>• Zurich acknowledges that becoming a truly Responsible Investor will take time, and is not a short-term project.</li> </ul>
35.	By what governance will Zurich oversee compliance with the PRI?	
36.	By when will all of Zurich's investments be in compliance with the PRI?	<ul style="list-style-type: none"> <li>• The PRI do not stipulate any absolute target, nor do the principles set out to define any 'compliant' or 'non-compliant' asset classes or securities.</li> <li>• Signatories are held to make, and report on, progress towards implementing the principles as part of their strategies and operations.</li> </ul>
37.	What is the share of Zurich's investments not compliant with the PRI?	
38.	When you will be ready to disclose your achievements in implementing the PRI? Are you going to do so regularly?	<ul style="list-style-type: none"> <li>• Signatories are required to report annually, the first time after a one year grace period upon joining. Parts of the reporting framework are made public by the UN PRI. Our first report on the UN PRI webpage as well as zurich.com has been published in 2014.</li> </ul>
39.	Are there any commitments taken by Zurich related to its membership in PRI organization? / Do you expect a radical change in your business/investment portfolio as a result of signing the PRI? / Will	<ul style="list-style-type: none"> <li>• Zurich is committed to delivering on the strategy for Responsible Investment and will in a due course report on the progress made. At the same time we acknowledge that becoming a truly responsible investor is a journey – a process that will take time and experience. Therefore we won't be making any abrupt moves in managing our investment portfolio. Over time, we will build a portfolio of impact investments addressing social and environmental challenges, and will strive to measure and report on the impact we are generating.</li> </ul>

	you sell any assets as a result of becoming a signatory to the PRI?	
40.	What is the Alliance about?	<ul style="list-style-type: none"> <li>• The Alliance’s objective is to take practical steps, in partnership with the public sector, to deliver on the green growth agenda and promote sustainable growth.</li> <li>• To that end, the task force focuses on green free trade, fossil fuel subsidy phase-out, new market mechanisms for greenhouse gas reductions, technology innovation and energy efficiency, and on leveraging much greater private investment for green infrastructure financing.</li> </ul>
41.	Why has Zurich joined the Alliance?	<ul style="list-style-type: none"> <li>• As part of Investment Management’s strategy for responsible investment, we are seeking to identify investment opportunities that offer a financial market return commensurate with risk, while at the same time creating a positive impact on society and/or the environment. (See questions 19et. seq.)</li> <li>• Zurich feels that market mechanisms to lever private investments for green and sustainable growth could provide attractive opportunities in the impact investment space.</li> <li>• Zurich wants to make sure that the interests of asset owners, particularly the insurance industry, are well understood and reflected in any solutions proposed to the G20.</li> </ul>
42.	Will Zurich make any investments into the Alliance’s funds to support its commitment to reinforcing the low carbon economy?	<ul style="list-style-type: none"> <li>• Zurich will carefully assess any proposed solutions and apply the same rigorous due diligence in the analysis of any such investment opportunities, and in the selection and monitoring of asset managers managing such investments, as for the rest of the portfolio.</li> </ul>
43.	Personal questions about Manuel Lewin	<ul style="list-style-type: none"> <li>• With Zurich since 2007; member of the market strategy and tactical asset allocation team; then strategic assistant to Group CIO and communications manager for IM.</li> </ul>
44.	Why are you buying green bonds?	<ul style="list-style-type: none"> <li>• Green bonds are a good fit with Zurich’s impact investing strategy, offering an opportunity to achieve intended and measurable positive environmental impact and at a fair return commensurate with risk.</li> <li>• Green bonds are fully aligned with Zurich’s impact target to support sustainable</li> </ul>

		<p>economic development.</p> <ul style="list-style-type: none"> <li>• Considering that almost all green bonds so far (15.02.2015) have been priced in line with traditional bonds of the same issuer, we see no reason why an investment in green bonds, helping to achieve a targeted and measurable positive environmental impact, should not be made.</li> </ul>
45.	Why have you raised your commitment to green bonds?	<ul style="list-style-type: none"> <li>• When Zurich decided <a href="#">on November 18, 2013</a> to invest up to USD 1 billion in green bonds on its US balance sheet, this reflected the predominance of USD-denominated green bonds issued by supranationals at that time. However, since then an increasing number of green bonds have been issued in the European markets, and new kinds of issuers, such as municipalities and corporates, have also appeared. That is why, following this market development, Zurich has committed to double its investment in green bonds up to USD 2 billion, provided that the market continues to develop in a positive fashion and that Zurich's criteria for the use of proceeds as well as impact reporting continue to be met.</li> </ul>
46.	What corporate responsibility issues will you support through investing in green bonds?	<ul style="list-style-type: none"> <li>• Through impact investing, Zurich's objective is to support sustainable (economic) development in the communities in which we operate.</li> <li>• Through green bonds investment, Zurich is supporting businesses and/or projects that help local communities adapt to climate change and/or otherwise become more resilient to the effects of severe weather, such as flood, drought, etc., as well as businesses and/or projects that help reduce CO2 emissions or in other ways help mitigate climate change.</li> </ul>
47.	What are green bonds?	<ul style="list-style-type: none"> <li>• Green bonds are bonds the proceeds from which are used to fund exclusively projects that help mitigate climate change, or help local communities to adapt to the consequences from climate change.</li> <li>• Most green bonds have been issued by supranational institutions, but the green bond market is growing both in size and breadth. The issuer base has now also broadened to agencies, municipals and corporates.</li> <li>• To accompany the development of the green bond market, a group of banks has developed a voluntary set of green bond guidelines, which are now governed by the International Capital Market Association (ICMA)</li> <li>• In parallel, a group of universities led by CICERO in Oslo is working on building</li> </ul>

		an academic network fit to provide second opinions on new green bond issues
48.	What kind of green bonds do you invest in (issuer type/currency)?	<ul style="list-style-type: none"> <li>• Zurich's mandate in the US focusses exclusively on bonds issued by supranational and government institutions in USD</li> <li>• On our European balance sheets, we have added the flexibility to invest in green bonds by supranational, municipal, agency and corporate issuers in three European currencies: EUR, CHF and GBP</li> </ul>
49.	What are Zurich's requirements for a green bond?	<p><b>A transparent process to administer the use of proceeds and ring-fencing of funds must be in place</b></p> <ul style="list-style-type: none"> <li>• The issuer must put in place a clear and transparent framework to allocate the funds raised through a green bond issue to underlying projects. Categories of eligible projects must be clearly defined.</li> <li>• The proceeds from green bonds should be held in a separate account or be otherwise tracked.</li> <li>• So-called 'second opinions' on these processes provided by third parties are welcome and encouraged, but are not an absolute requirement if the issuer publically provides complete and transparent information.</li> <li>• While Zurich may invest in bonds issued by companies whose whole portfolio of activities could be considered green, we will not deem such bonds 'green bonds' in the absence of a clear use-of-proceeds provision and impact reporting.</li> </ul> <p><b>The issuer must be committed to impact reporting</b></p> <ul style="list-style-type: none"> <li>• A complete list of projects receiving funding from green bonds must be made available to investors once proceeds are disbursed. Where confidentiality requirements limit the amount of details that can be made public, generic descriptions are acceptable.</li> <li>• Issuers must be committed to make good-faith efforts over time to report on the</li> </ul>

		<p>positive environmental impact of the projects. Zurich fully acknowledges the challenges and limitations of impact reporting and it is understood that quantitative performance measures may not always be readily available. Zurich expects issuers to report at least one relevant metric per category of projects funded, even if the metric cannot be established for the complete portfolio of projects.</p> <ul style="list-style-type: none"> <li>• Zurich welcomes independent third-party verification of impact metrics, but does not require it.</li> </ul>
50.	How will you determine which bonds to invest in?	<ul style="list-style-type: none"> <li>• As with other mandates, Zurich is pursuing its strategy to select the best available asset managers to manage its assets.</li> <li>• In the USA, Zurich has selected an external asset manager to manage the green bonds portfolio in accordance with clearly defined guidelines. The manager will be responsible for security selection, buying or selling green bonds for the portfolio.</li> <li>• For the European balance sheets, we have chosen a different approach. Zurich is looking to integrate the newly available green bonds in existing bond portfolios on the balance sheets of Zurich companies in Europe. That will permit a maximum flexibility to reflect the new breadth of the market, and will cover three main European currencies - Euro, British Pound and Swiss Franc. A dedicated in-house green bonds expert was appointed to work with Zurich's internal and external asset managers in Europe in building the respective exposure.</li> </ul>
51.	Describe the project selection process.	<ul style="list-style-type: none"> <li>• Project selection frameworks by the issuer vary slightly depending on the institution. Many green bonds receive independent third-party verification of the underlying project selection framework by e.g. CICERO, Vigeo or DNV.</li> <li>• So-called 'second opinions' on these processes provided by third parties are welcome and encouraged, but are not an absolute requirement if the issuer publically provides complete and transparent information.</li> <li>• However, we stipulate that only bonds are eligible that support the stated impact</li> </ul>

		targets with a proper ring-fencing of proceeds in place. The asset manager may rely on third-party verification such as CICERO, or conduct own due diligence (see question 49)
52.	What investments that these bonds make are considered green?	<ul style="list-style-type: none"> <li>• Examples of projects funded by green bonds are power generation from renewable energy such as solar, wind or geothermal sources, energy efficiency improvements in manufacturing, low-carbon transport, etc.</li> <li>• While many green bonds are focused on issues around climate change, Zurich will also consider investing in green bonds providing finance to otherwise environmentally beneficial projects, such as for instance sustainable water use, waste management, biodiversity, etc.</li> <li>• Some green bond issuers make a list of all projects receiving green bonds funding available on their webpages. Zurich will actively encourage those issuers that do not yet do so to increase transparency in the future.</li> </ul>
53.	To which technologies does this relate and does it include investments in nuclear power that is carbon-neutral but nonetheless risky for the environment in the case of an accident?	<ul style="list-style-type: none"> <li>• Projects receiving green bond funding can relate to technologies such as energy generation from renewable sources, transportation, flood risk mitigation, etc.</li> <li>• Zurich acknowledges that not all activities with environmental benefits are being considered equally 'green' by various stakeholders and that there is not always full consensus on the net environmental benefits, particularly if a full life-cycle view is taken. In general, Zurich believes that incremental environmental benefits are better than the absence of progress, and sees green bonds as a good instrument to engage issuers with less than perfect environmental credentials.</li> <li>• Zurich believes that, over time, impact reporting is the right instrument to assess the relative environmental benefits of underlying activities.</li> <li>• As the green bond markets grows and develops, investors – including Zurich – will learn more about the environmental benefits of different activities. Zurich will carefully evaluate the intended use of proceeds of each green bond and, on a case-by-case basis, will assess the expected environmental benefits of stated project categories based on additional review.</li> </ul>

		<ul style="list-style-type: none"> <li>• Current green bond issuers do not provide green bond funding for nuclear energy generation</li> </ul>
54.	What is the split between supranational and other issuers?	<ul style="list-style-type: none"> <li>• As of November 2014, over 50% of green bond issues have been given out by supranational institutions. In terms of outstanding USD equivalent volume, supranational issuance stands at roughly 40%. Other issuers are municipals, regions and corporations.</li> </ul>
55.	Why should corporates issue green bonds?	<ul style="list-style-type: none"> <li>• Green bonds open up an additional and viable avenue for bringing forward and financing green projects and showing the impact achieved through those projects.</li> </ul>
56.	Do the environmental credentials of the issuer, i.e. the issuers “shade of green” matter?	<ul style="list-style-type: none"> <li>• The ESG profile of the issuer does not directly influence its ability to issue a green bond but will be considered indirectly through integrating ESG factors in the credit analysis, determining the risk/return profile and hence fair price of the green bond</li> <li>• In the course of the issuer analysis we might take environmental sustainability ratings or controversial issue flags into account in order to assess the issuer’s credibility of realizing the proposed green projects and managing them well</li> </ul>
57.	Can the green bond format be used for projects that do not provide additional environmental benefits, i.e. which the issuer would have realized with the help of a traditional non-green bond anyway?	<ul style="list-style-type: none"> <li>• Yes, if the underlying project fulfills the right criteria</li> <li>• Large sums of investments are needed in order to avoid ‘catastrophic’ global warming and to tackle other environmental issues</li> <li>• However, there has been some debate over the need of additional investments – over and above business-as-usual activities – and whether green bonds should only finance activities that would not otherwise be financed.</li> <li>• Zurich believes that transparency is a fundamental prerequisite to establish progress made and encourage ‘additional’ investment. Only by making investments geared towards the preservation of our environment visible is it possible to assess whether financing gaps are being filled. Green bonds are an excellent instrument to achieve this objective. Zurich encourages market</li> </ul>



		<p>participants to highlight environmental projects through the use of green bonds as a financing instrument and is convinced that a transparent market will make it easier to encourage 'additional' projects and investments.</p> <ul style="list-style-type: none"> <li>• Refinancing is a crucial activity and the green bond framework is applicable to original funding and refinancing activities alike. Beyond transparency of investment volumes, the green bond framework creates transparency on the impact achieved. It is Zurich's hope that, over time, capital can be allocated more efficiently to where impact is generated most effectively.</li> <li>• A large and liquid green bonds market provides a good 'entry point' for mainstream investors, financial intermediaries and issuers to engage on issues of environmental sustainability and climate change. We believe that an improved 'environmental literacy' in the financial sector through low-risk instruments such as green general obligation bonds is a pre-requisite for increasing risk transfer elements such as green revenue or project bonds on the way to more 'additionality'.</li> <li>• Zurich considers green bonds an important awareness rising tool for environmental and climate change finance in both the financial community and the broader public.</li> </ul>
	What was the process for seeking approval of the investment guidelines for the US green bond mandate?	<ul style="list-style-type: none"> <li>• The same governance process as for other asset management mandates was followed</li> </ul>
	What's the average return for a green bond?	<ul style="list-style-type: none"> <li>• Green bonds typically yield a small premium over sovereign issuers in the same currency, compensating for minimally lower liquidity of the asset.</li> <li>• The yield on green bonds is typically comparable with the yield of non-green bonds with similar characteristics issued by the same institution.</li> </ul>
60.	Who is the asset manager for that operation?	<ul style="list-style-type: none"> <li>• Following the rigorous process of selecting external professionals to manage its assets, Zurich has chosen BlackRock to manage the green bond portfolio in the</li> </ul>

		<p>USA, in accordance with guidelines, clearly defined by Zurich.</p> <ul style="list-style-type: none"> <li>• In Europe, a dedicated in-house green bonds expert was appointed to work with Zurich's existing internal and external asset managers across Europe in building the respective exposure.</li> </ul>
61.	Why did you select BlackRock?	<ul style="list-style-type: none"> <li>• A disciplined process was followed to select the asset manager for this mandate, with several asset managers included in the process.</li> </ul>
62.	Why was BlackRock not selected for the 2nd billion?	<ul style="list-style-type: none"> <li>• The green bond market in Europe has recently picked up in pace and volume, showing issuance in several currencies and by different types of issuers.</li> <li>• On the demand side – different than in the USA – balance sheets in Europe are fragmented, owned by a variety of local Zurich companies and managed by a variety of both internal and external asset managers.</li> <li>• Hence, the rather fragmented nature of both supply and demand in Europe impedes the carving out of a single, large size mandate, which is why we have opted to apply a different approach in Europe (see Question 51)</li> </ul>
63.	Who is the in-house green bond expert you appointed?	<ul style="list-style-type: none"> <li>• When designing the approach for investing in green bonds funded by our European balance sheets over the past few months, the role of an in-house expert was developed. This role has now been transferred to Casimir Ferrer. Casimir is Senior Fixed Income Portfolio Manager in the Spanish Investment Management team and has been working for Zurich since 2007. In accordance to our responsible investment philosophy, he will broaden his current role to include his new task. As fixed income expert he will provide the market-facing contact point and link between green bond issuers, lead banks and our internal as well as external asset managers, working in close collaboration with the responsible investment team, regional investment management and chief investment officers.</li> </ul>
64.	Do you plan to invest outside of Europe and US?	<ul style="list-style-type: none"> <li>• We are closely monitoring the growth of the green bond market and might adapt our strategy again at a later stage. We have, for example, also been able to participate in green bonds issued in CAD and AUD.</li> </ul>
65.	How has the exact sum (2 bn) been defined?	<ul style="list-style-type: none"> <li>• Within the context of the overall asset allocation and liquidity of the investing balance sheet, Zurich considers an exposure of up to around USD 2bn prudent and justified in terms of risk/return characteristics.</li> </ul>

66.	How much are you going to invest in the UK (Germany, Switzerland etc.)?	<ul style="list-style-type: none"> <li>• We have intentionally not defined target allocations. Our goal is to grow green bond exposure to support the overall green bond market development and have found that up to 2bn USD exposure is prudent in the context of our balance sheets. However, the decision if and to which extent we participate in a new green bond issue will be subject to the local asset manager of the balance sheet in question, existing portfolio guidelines, issuer category, tenor and price. Accordingly, the possibility to invest is highly dependent on green bond supply, and cannot be rigidly planned.</li> </ul>
67.	Will you invest at once, or in portions? Why is that?	<ul style="list-style-type: none"> <li>• Zurich will fund the BlackRock green bond mandate over time. The time it will take to invest the targeted amount will depend on market supply and pricing.</li> <li>• In addition, the guidelines Zurich has defined for this mandate limit the proportion Zurich can hold in any individual green bond, as well as exposure to bonds of certain issuance size</li> <li>• In Europe, we will integrate the newly available green bonds in existing bond portfolios on the balance sheets of Zurich companies.</li> <li>• Zurich would like to support the development of the green bond market by being an active participant, i.e. regularly participating in new green bond issues by existing or new issuers as they come to market</li> </ul>
68.	By when do you plan to invest the whole 2bn USD?	Green bond exposure is highly dependent on market conditions and supply. Therefore it is not possible to estimate until when the maximum exposure of 2bn USD might be reached.
69.	Do you expect these green bonds to perform better than other bonds?	<ul style="list-style-type: none"> <li>• We expect green bonds to perform in-line with comparable non-green bonds issued by the same institution</li> <li>• Zurich is not looking to incur any give-up in yield by investing in green bonds.</li> </ul>
70.	Have you received any push back from regulators?	No. We buy green bonds, in which the risk of the underlying projects is decoupled from the bonds and will be carried by the issuer and not the bond holder. All issuers in our current investment universe are investment grade and Zurich will strictly control its exposure to green bonds with respect to any limits set by the regulator, as per established process.
71.	What is the target ROI for these bonds?	The objective is for the green bonds portfolio to earn an adequate spread over comparable government or corporate bonds, in-line with other bonds issued by the

		same institutions.
72.	Is there a way for Zurich to calculate the value of the intended impact, how is it measured?	<ul style="list-style-type: none"> <li>• Most green bond issuers determine quantitative impact targets which are monitored and reported. Some green bond issuers make a list of all projects receiving green bonds funding, including their quantified impact, available on their webpages. Zurich will actively encourage those issuers that do not yet do so to increase transparency in the future.</li> <li>• Zurich will be working on a methodology to report on the impact of its own portfolio of impact investments.</li> </ul>
73.	What is the minimum ROI the group needs in order to not abandon the investment should it not perform as expected?	<ul style="list-style-type: none"> <li>• Zurich has constructed the green bonds mandate in the US so as to be fully economic in-line with Zurich's fiduciary responsibility, and integrates green bond exposure in Europe into existing portfolios. The asset managers and portfolios in question will be evaluated regularly as part of an established performance review process.</li> </ul>
74.	What is the risk Zurich sees for investments in technology that is rather young and the reliability is not yet entirely clear?	<ul style="list-style-type: none"> <li>• Zurich is not exposed to the risk of the underlying project. green bonds are guaranteed by the full faith and credit of the issuing institutions.</li> </ul>
75.	What are the main countries that these green bonds invest in?	<ul style="list-style-type: none"> <li>• The geographic distribution of projects that receive green bond funding depends on the mandate of the issuing institutions. Projects can be found across the world. The green bonds of multilateral development organisations such as the IBRD, IFC, EBRD or AFDB typically support projects in emerging markets. Corporate issuers tend to finance renewable energy assets or energy efficiency projects in their traditional operating markets. So far corporate issuers stem predominantly from Europe.</li> </ul>
76.	Can you name the concrete projects financed from this investment?	<ul style="list-style-type: none"> <li>• <a href="#">Click here for the full list of World Bank Green Bonds projects.</a></li> <li>• <i>Note: This is the full list of World Bank projects. Not all issuers provide that overview yet. It is part of our strategy to encourage them to do so.</i></li> </ul>
77.	How the due diligence / compliance of this projects is evaluated?	<ul style="list-style-type: none"> <li>• At the issuer: see Question 52</li> <li>• At Zurich: The same governance process as for other investments is followed</li> </ul>
78.	Why Zurich is the first brand name institution investing in this	<ul style="list-style-type: none"> <li>• Zurich is aware of a number of other institutional investors holding green bonds.</li> </ul>

	tool?	
79.	Why did you decide to invest into the climate change / CO2 / food security / forest management (World Bank focus areas)?	<ul style="list-style-type: none"> <li>• Zurich recognizes that creating value for all its key stakeholders, including the communities in which Zurich operates, is crucial to Zurich's long-term success.</li> <li>• As a global insurance group with a fast growing footprint in many emerging regions of the world, Zurich is directly exposed to many of these challenges, such as the potential effects of climate change or the intensive use of scarce natural resources.</li> <li>• Zurich has a direct interest in sustainable economic growth, and the development of resilient communities. In line with this, Zurich will, over time, build a portfolio of impact investments addressing these challenges</li> <li>• Through providing clean and sustainable energy, clean and sustainable transport, protection from flood risk, etc. to local communities in many different countries, projects funded by green bonds directly support Zurich's impact targets.</li> </ul>
80.	How does this correspond with overall CR strategy of Zurich?	<ul style="list-style-type: none"> <li>• Zurich recognizes that creating value for all its key stakeholders, including the communities in which Zurich operates, is crucial to Zurich's long-term success.</li> <li>• Impact investments such as green bonds allow Zurich to generate investment returns for the benefit of policyholders and shareholders, as well as impact for the benefits of the communities in which Zurich operates.</li> </ul>
81.	What other responsible investments are you looking into, e.g., sovereign-wealth funds, pension funds, or social-impact bonds?	<ul style="list-style-type: none"> <li>• Zurich is currently evaluating options for other impact investments across asset classes, for instance in private equity. Over 2014 we have branched out from green bonds and committed USD 45mn to impact private equity funds in the areas of clean technology and micro insurance, as well as invested USD 33mn in social impact bonds.</li> <li>• As of 31.12.2014 our overall exposure to impact investments was USD 667mn.</li> <li>• <i>Note: We would not invest in Pension Funds or SWFs – they would be other potential investors in the impact investing space.</i></li> </ul>
82.	How will this commitment/initiative impact any investments or reserves that are currently held by direction of	<ul style="list-style-type: none"> <li>• For US: Zurich will only invest in supranational or government green bonds that are permitted assets under our various regulatory directives. These bonds will also be rated as NAIC Class 1 and so carry the lowest NAIC RBC risk factor of non US Government guaranteed bonds.</li> </ul>

	Zurich's various regulatory directives?	
83.	What will the impact of the commitment/initiative be on Zurich's current investment in U.S. treasuries and/or municipal bonds?	<ul style="list-style-type: none"> <li>The initial funding for this mandate is coming from existing cash. Future funding needs would likely come from cash on hand and perhaps some securities sales.</li> </ul>