

Sustainability and ESG – Your toolkit to respond to changing customer needs

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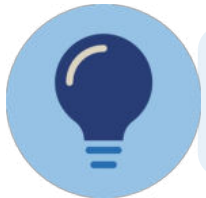
Zurich Group Germany @ TRC Global Network Forum
30th-31st of May, 2023



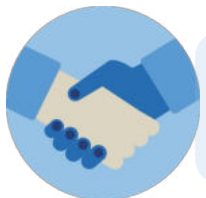
Three questions to start with...



1) What do we see?



2) Why does it matter?



3) How can we help?



1)What do we see? A wave of change...

What we see is...

...a wave of change and evolving customer needs

Risk Managers are increasingly sophisticated and involved in sustainability strategies and are asking for support in fulfilling **Environmental, Social & Governance responsibilities.**



Global Risks are increasingly inter-connected and more **complex** and organizations are looking for solutions that go beyond **insurance cover.**

“ With climate change risks already impacting business with increasing frequency and severity, adaptation and mitigation are key



Property Cat and Inflation - The numbers tell the story

Source: Insured losses from natural catastrophes break through USD 100 billion threshold again in 2022 | Swiss Re

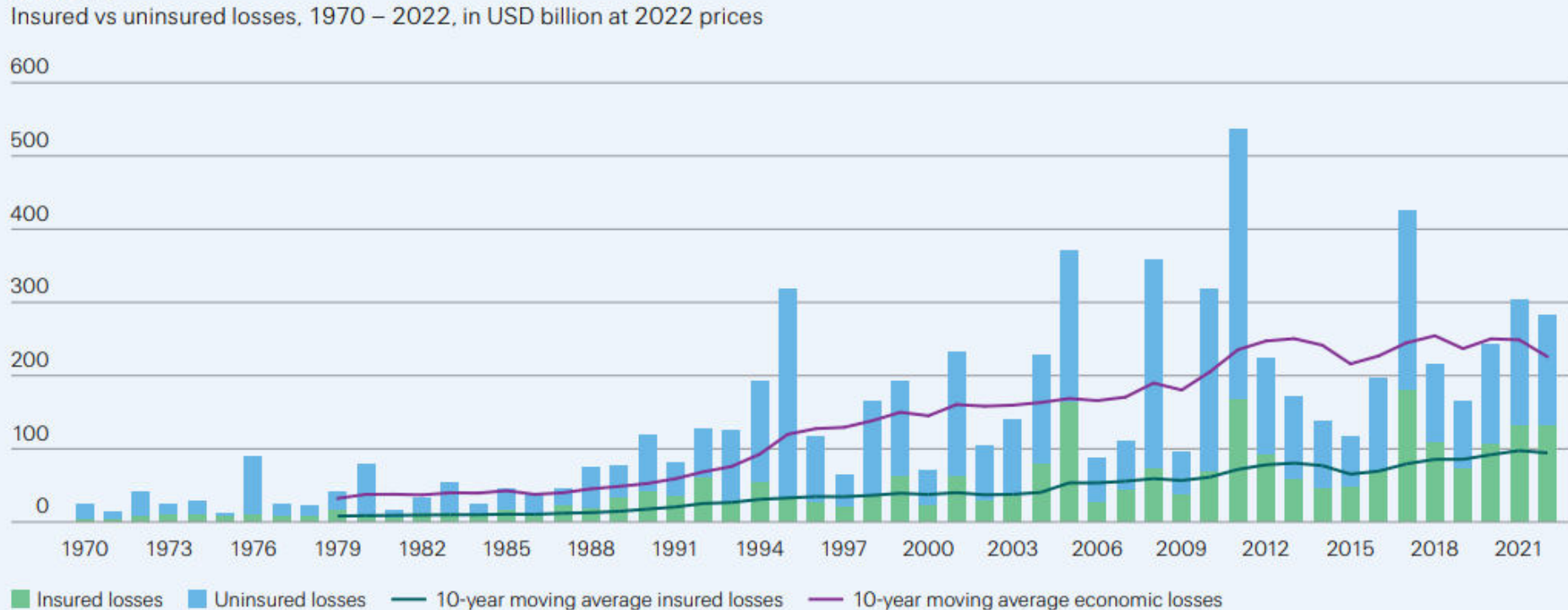
- Natural disasters resulted in global economic losses of USD 275 billion in 2022, of which USD 125 billion were covered by insurance
- Economic growth and accumulation of property assets in exposed areas were main loss drivers, aggravated by exceptional inflation pressure

Key figures for natural catastrophes in 2022

USD 275 billion
Nat cat economic losses

USD 150 billion
Nat cat protection gap

5% - 7%
Long-term average annual growth trend in insured losses from natural catastrophes



Economic losses = insured + uninsured losses. Source: Swiss Re Institute
Source: Swiss Re Institute



2) Why does it matter? A shift of customer needs...

Why does it matter? A shift of customer needs leads to...

...a wave of change for brokers

Today, **risk placement can be challenging** with increasing rates, decreasing capacity and tightening terms and conditions.



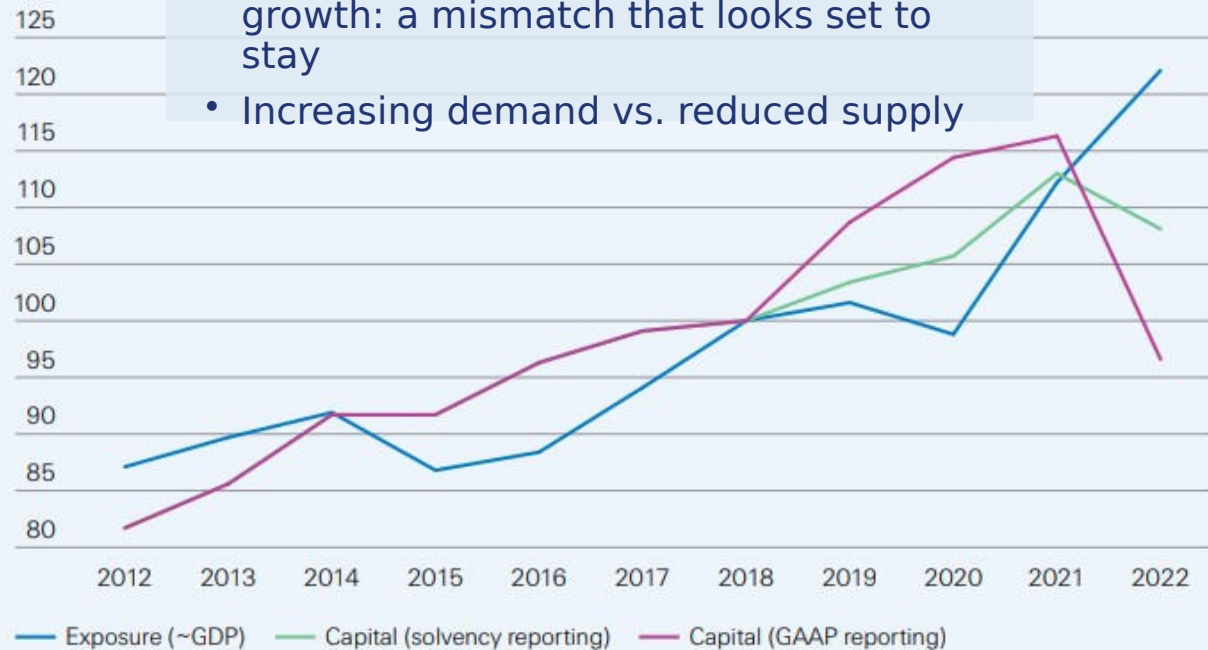
The broker market is **increasingly competitive** and there is **a need to differentiate.**

Short-Term

Main question to address

Will we get the capacity we need?

- Global reinsurance capital vs. exposure growth: a mismatch that looks set to stay
- Increasing demand vs. reduced supply



Source: AM Best, Swiss Re Institute

Mid- to Long-Term

Questions to address

- What do we need to consider when developing a climate change risk management strategy?
- What types of services and advisory beyond insurance can you provide?
- What do we need to consider regarding the Corporate Sustainability Reporting Directive?
- What impact is the environment having on my business?
- How can we prepare for what is coming?
- ...



3) How can we help? Ride this wave of change with us

**None of us can do it alone and we
can only get this right if **we join
together.****

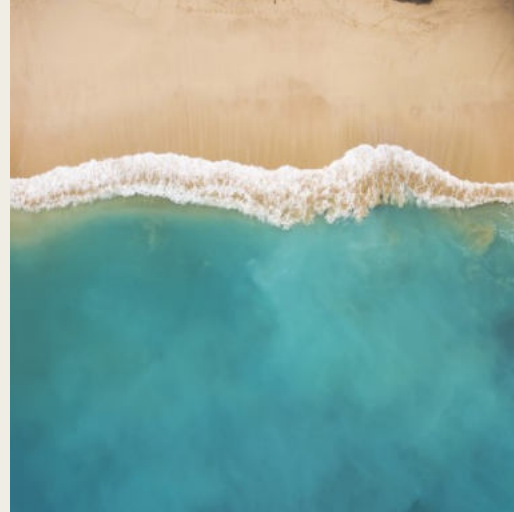
And here's why we're a good match for you & your clients

What can Zurich Resilience Solutions do for you?



01

Delivering core Risk Engineering capabilities and services.



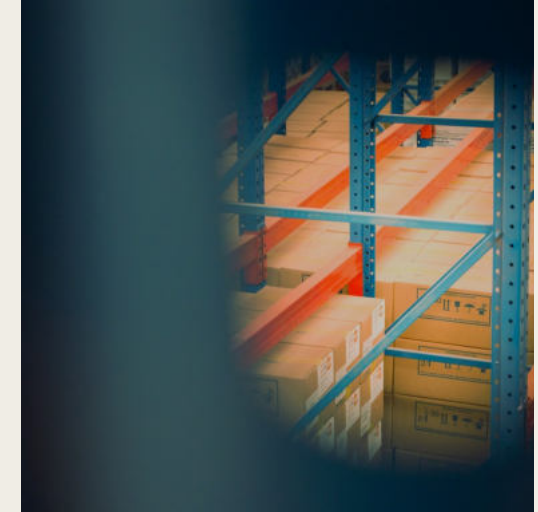
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Leading Sustainability services for Climate Change risks



03

Cyber Security Services



04

Supply Chain Risk Management Services

Climate Risk – Two sides of the same coin

Sustainability initiatives aim to reduce the impact of...



... operations on the environment

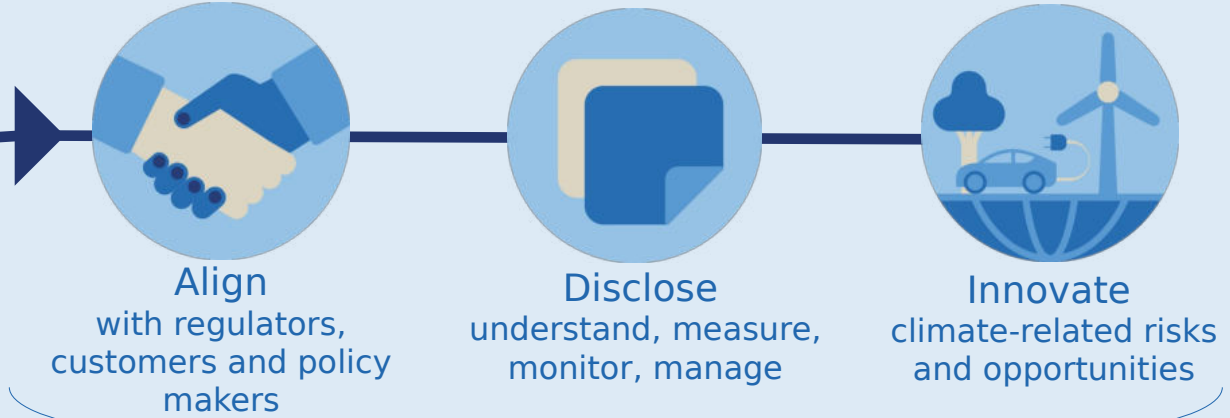


... the environment on operations

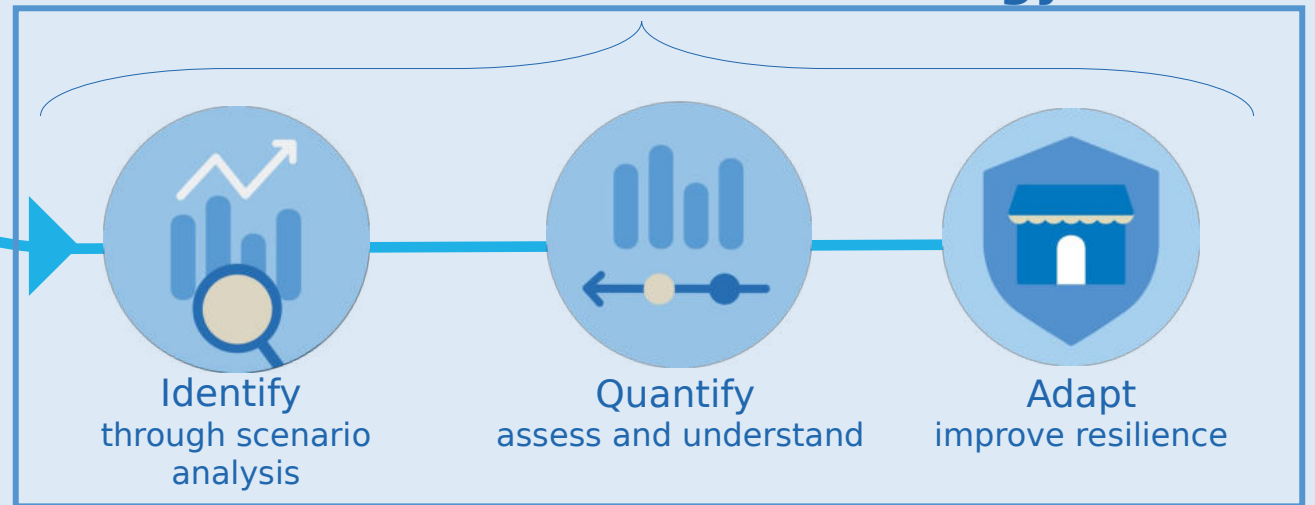


Mitigation

Navigating transition to low-carbon economy



Climate Resilience Strategy



Why businesses must act now



Increasing physical risks

Changing weather patterns pose a significant and growing threat to people, assets, and operations. In 2021, natural catastrophes resulted in economic losses of approximately \$270 billion, against a 10-year average of \$204 billion¹. For organizations to be successful, they must adapt quickly to the changing environment.



Growing stakeholder expectations

Customers, employees, and investors increasingly expect organizations to transition to “clean” business models, which can have a significant influence on company reputation and valuation. But this should also be seen as an opportunity, with the financial benefits of taking climate action expected to be at least 15 times higher than the cost of risk.



Boosting insurability

Relying on historic data to predict future weather patterns is becoming more challenging for the insurance market, partly due to climate change. Yet as the frequency and severity of weather events increases, the need for risk transfer grows. For the market to meet these needs, organizations must demonstrate proactive management of physical and operational climate risk.



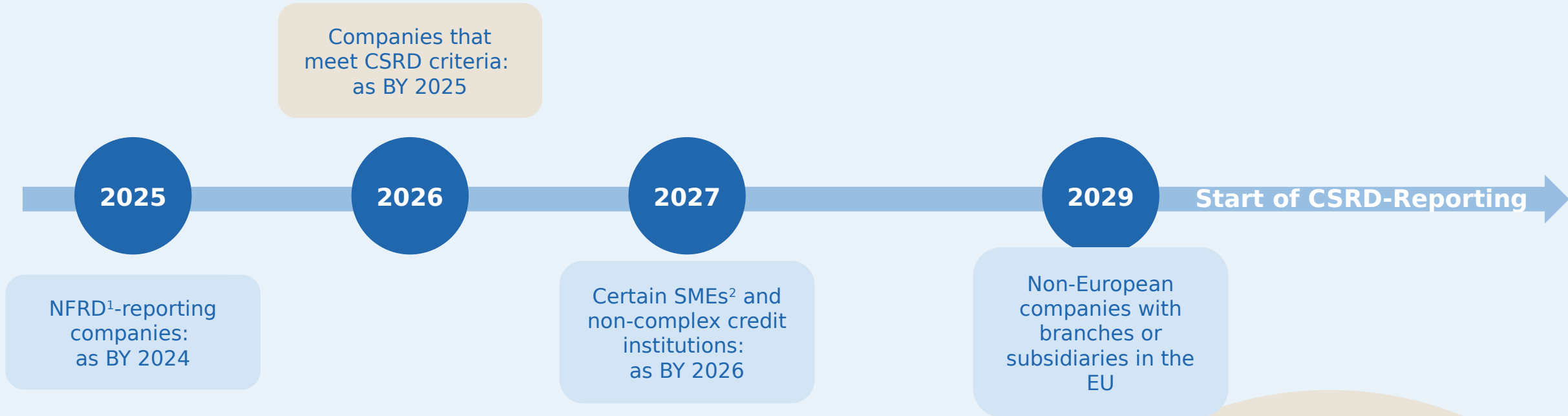
Greater regulatory demands

Regulators are raising the bar on Environmental, Social, and Governance (ESG) disclosure requirements, with businesses increasingly mandated to prepare forward-looking sustainability reports. In the European Union, the number of companies required to comply with the Corporate Sustainability Reporting Directive (CSRD) will rise from approximately 12,000 in 2022, to 50,000 in 2024.



Sustainability to become more important in Mid Market sector




Corporate Sustainability Reporting Directive (CSRD)



- First generally applicable framework for sustainability reporting
- To help consumers, policymakers and investors evaluate a company's non-financial performance
- CSRD aims to make it easier to compare companies on clear criteria

Criteria for large companies and medium-sized businesses

(as of reporting year 2025; two of the three criteria must be met)

-  More than 250 employees
-  More than 40 Mio. € turnover
-  More than 20 Mio. € total assets

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1 NFRD = Non-Financial Reporting Directive
2 SME = Small Medium Enterprises

Sustainability to become more important in Mid Market sector

Solution approaches for medium-sized businesses

Corporate Sustainability Reporting Directive

49.000
affected companies in the EU

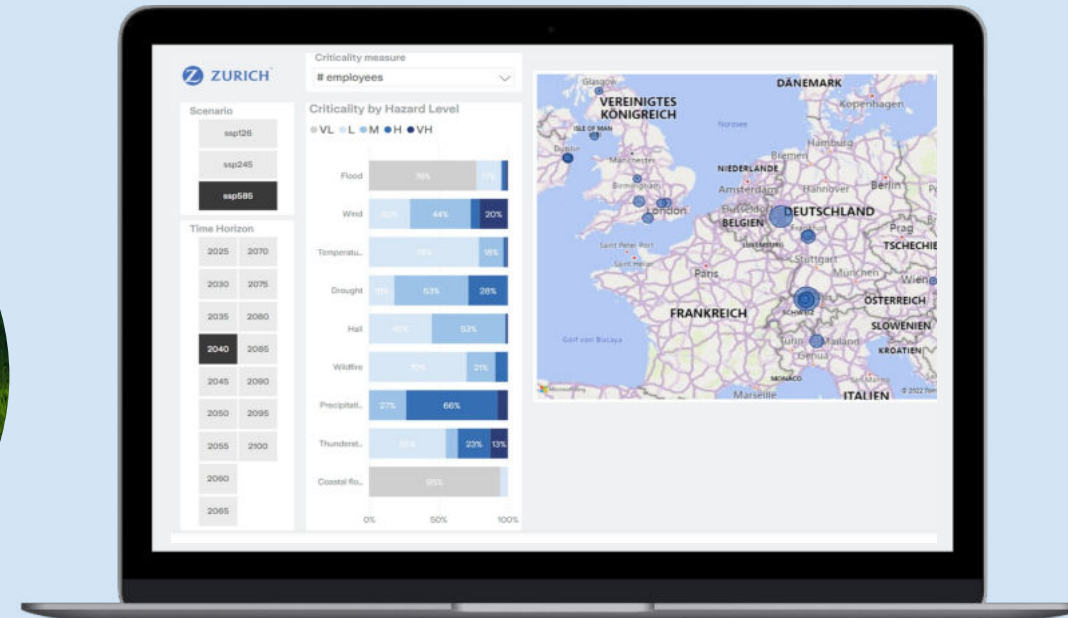
Mandatory
in the annual report (Management Report)

Evaluation of
Sustainability risks

on the business model

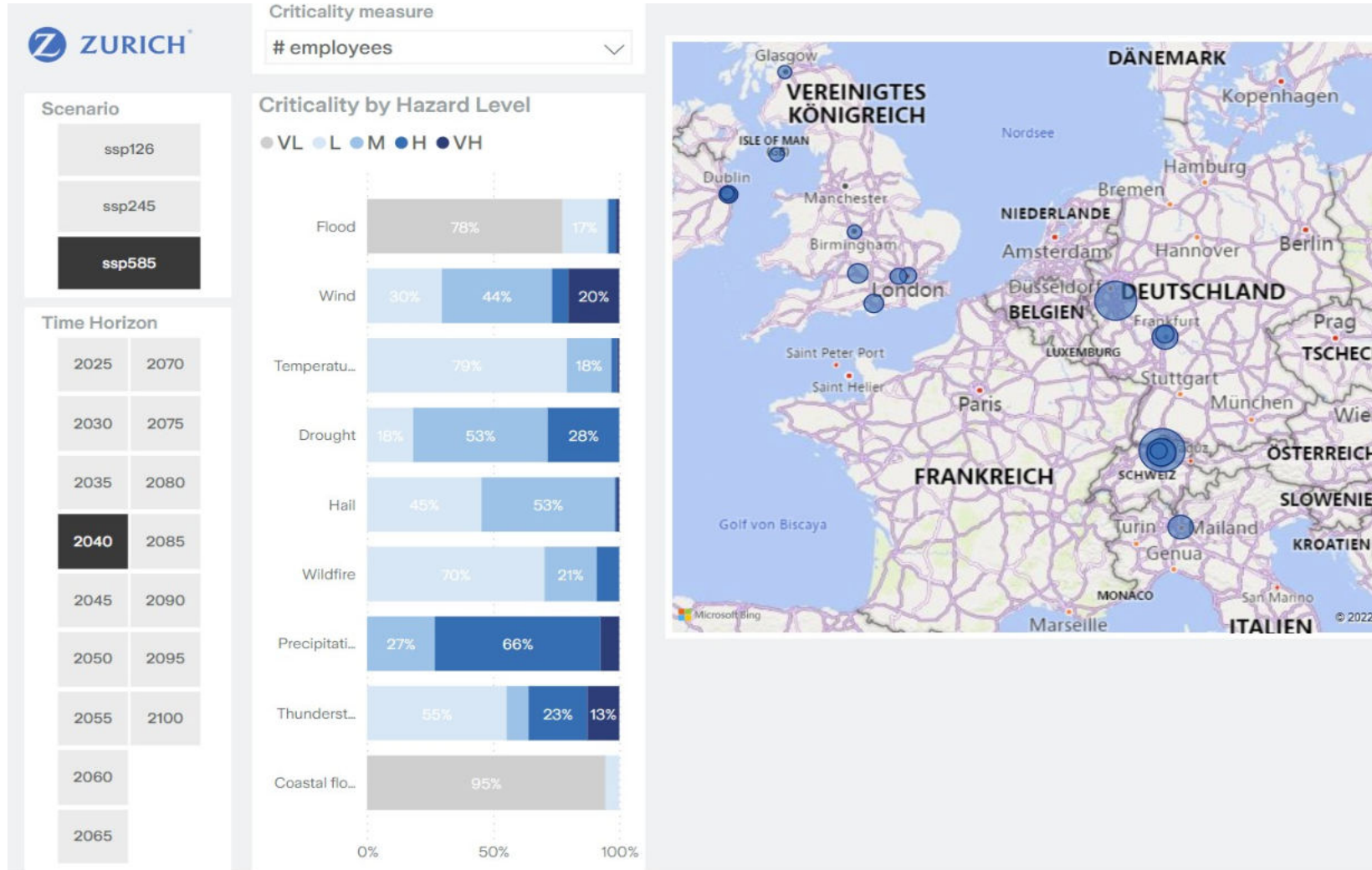


Climate Resilience Services



What do we offer already today?

Our Climate Resilience Service



- **Climate Scenarios:** SSP1-2.6 (<2°C), SSP2-4.5 (~2°C), SSP5-8.5 (>2°C)
- **Time Horizons:** 5yr increments to 2100
- **9 Perils:** Flood, Precipitation, Thunderstorm, Hail, Wind, Heat, Cold, Drought, Wildfire
- **Criticality:** Flexible approach TIV, employees, revenue etc.
- **Ranking:** Flexible approach multi-peril hazard level, TIV, key location, etc.

“

When the world changes, so should the management tools we choose to navigate by



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