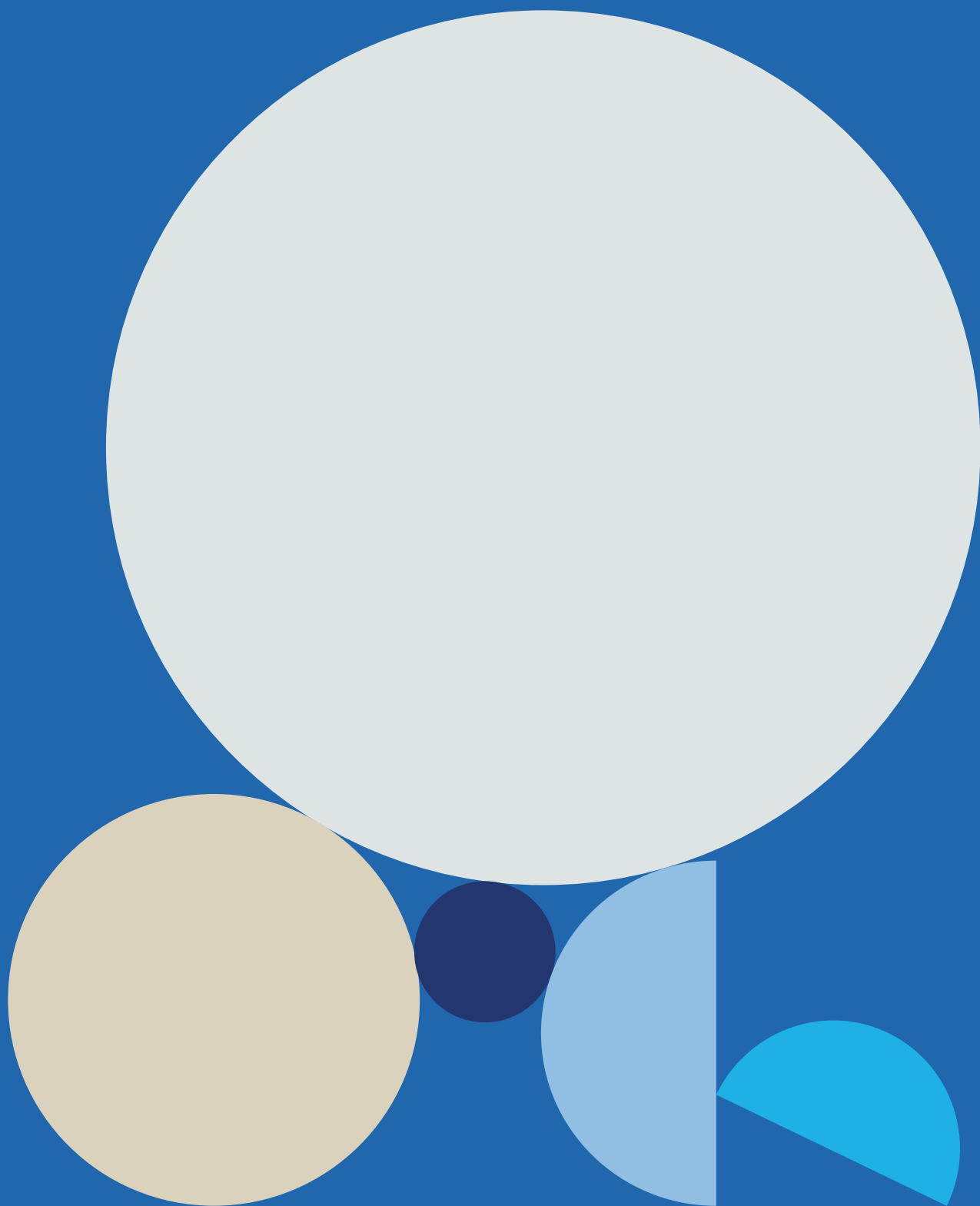


Exercise of Voting Rights

Investment Management Guideline



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1. Introduction

1.1. Source of authority

Voting obligation resulting from Zurich Insurance Group's (Zurich) responsible investment strategy, based on voting rights derived from financial investments.

1.2. Purpose

Entities of the Zurich Insurance Group (Zurich) hold shares in companies either for strategic business interest reasons (strategic investments) or to generate the maximum economic returns on the investments for the benefit of policyholders and shareholders (financial investments). This guideline applies to the exercise of voting rights resulting from financial investments only.

The purpose of this guideline is to provide guidance on how voting rights are to be exercised in order to ensure consistency in voting behavior and to define responsibilities in the voting decision-making process within Zurich or on behalf of Zurich.

1.3. Scope

The following are not in this guideline's scope:

- Strategic investments
 - Private equity investments, both in the form of funds and co-investments
 - Unit-linked assets that are not managed in the form of discretionary mandates by Group Investment Management's internal asset management teams
 - Assets held in mutual funds, ETFs, or any other investment vehicles in which the voting right remains legally separated from the investor
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1.4. Related documents

Investment limits and principles in formulating investment management guideline are detailed in the Zurich Risk Policy and Group Investment Management's risk policy manuals. General principles in dealing with potential conflicts of interest are described in the Zurich Code of Conduct and the Group Policy on Conflicts of Interest and External Engagements. Detailed proxy voting guideline and relevant related internal processes are referenced in the appendices of this guideline.

2. Definitions

2.1. Strategic Investments

For the purpose of this guideline, strategic investments are defined as investments with a business objective to enhance Zurich's insurance business operations. Exercising voting rights that pertain to strategic investments is out of scope of this guideline.

2.2. Financial Investments in shares

2.2.1. Purpose

Financial investments are investments with the objective of achieving maximum risk-adjusted total return on the portfolio relative to its liabilities. This is achieved through investments in investable assets appropriate for an insurance company. Shares in companies form part of Group Investment Management's investable assets. Private equity investments, both in the form of funds and co-investments, are out of scope for this guideline.

2.2.2. Materiality levels

There are two levels of materiality for financial investments in shares that fall within the scope of this guideline.

2.2.3. Material stake investments

Material stake investments are shareholdings in companies in which Zurich is represented on the company's board of directors or has an observer status on the board of directors. Material stake investments arise when strategic investments become financial investments, for example, when the responsible business operation deems the business reason for acquiring and holding the stake to be no longer applicable. Furthermore, material stakes as financial investments may be acquired by Zurich through mergers and acquisitions.

2.2.4. Ordinary stake investments

Ordinary stake investments are shareholdings in companies in which Zurich is not represented on the company's board of directors, nor has an observer status on the board of directors.

Shareholdings in companies acquired through private equity investments managed by Zurich Alternative Asset Management, while considered as ordinary stake investments, are out of scope of this guideline.

Ordinary stake investments are made in the ordinary course of business.

Ordinary course of business means that investments are made in accordance with investment guidelines that specify limits on individual holdings to ensure sufficient diversification in a portfolio. A significant number of these investments are managed by external asset managers which are governed by investment management agreements between Zurich and the respective asset manager. The remaining part of investments is managed by internal asset managers governed by similar investment guidelines. This guideline is agreed by the relevant investing entity and Group Investment Management's internal asset management organization.

Furthermore, the shares within ordinary stake investments are held in two types of asset pools:

- Unit-linked assets' economic returns accrue exclusively to policyholders. Unit-linked assets are not in scope of this guideline unless in the form of discretionary mandates managed by Zurich's internal asset management teams.
- Group investments' economic returns accrue fully or in part to shareholders.

2.3. Active voting

Exercise of voting rights based on analysis and research of underlying ballot items and corporate practices is considered active voting. The research and analysis may be conducted internally or externally. 'Automatic' instructions to vote with management or abstain from voting are not considered active voting.

3. Requirements

3.1. Voting Guideline Guiding Principles

Zurich believes that exercising voting rights, whenever possible without incurring undue costs, is in its best economic interest and aligned with its desire to safeguard investments, which are made with the aim of achieving sustainable financial success and based on prudent, responsible business behavior, including Zurich's Code of Conduct or equivalent. In companies in which Zurich holds shares, the votes must be exercised in accordance with the principles detailed below:

1. The Group Chief Investment Officer and Group Investment Management (in line with delegation of authority) are solely responsible for exercising voting rights efficiently and in line with Group Investment Management's mandate to generate superior risk-adjusted economic returns on the investments for the benefit of policyholders and shareholders. No consideration shall be given to an investee company's potential business relationships to Zurich outside of Group Investment Management. In light of Zurich's role as both an investor and insurance service provider, the Group Policy on Conflicts of Interests and External Engagements must be duly considered.
2. The safety of the underlying investment and obtaining the maximum total economic return generated by the shares are the primary objectives in determining how votes are exercised. In the process, due attention shall be paid to the assessment of relevant environmental (including climate change), social and governance (ESG) issues.
3. As a long-term investor, Zurich does apply a longer-term focus (defined as over five years), and will vote in order to support the investee companies' strong and sustainable governance, as well as a long-term oriented strategy and its implementation. Long-term creation of shareholder value is preferred over short-term gains.
4. Voting rights for financial investments shall be exercised actively following clearly defined voting guidelines.
5. However, where economic costs of exercising voting rights are not commensurate with expected benefits, voting may be refrained from.
6. Local chief investment officers and, as necessary, local Asset Liability Management Investment Committees (ALMICs) ensure that this guideline is applied consistently with local legal and regulatory constraints, for example, to protect policyholder interests in policyholder funds.

4. Responsibilities

4.1. Voting Procedures

4.1.1. Material stake investments

In a case of material stake investments, exercise of proxy votes is at the sole discretion of the Group Chief Investment Officer. For practical reasons, the Group Chief Investment Officer may decide to delegate the voting rights to one of the members of the Group Investment Management executive team or a local chief investment officer.

4.1.2. Ordinary stake investments

4.1.2.1. Internally-managed assets

Proxy votes for internally-managed assets are exercised in accordance with the guideline contained in the appendix of this guideline. Local portfolio managers have the right to deviate from the Zurich voting guideline, if they have a strong and investment-relevant rationale by following the process outlined in the appendix of this guideline.

4.1.2.2. Externally-managed assets

Zurich delegates the authority to exercise voting rights to the external asset managers and prior to formal delegation Group Investment Management confirms that external asset manager's proxy voting policies and guidelines are aligned with the guiding principles described in section 3.1. If the asset manager's proxy voting policies and guidelines are deemed insufficient, Zurich will, on a case-by-case basis, assess alternative options, including corrective actions as relevant and required. Terms of how that authority may be exercised are detailed in the investment management agreement signed with each asset manager.

5. Reporting

Internal and external asset managers are required to report their voting records to Group Investment Management. Zurich annually publishes aggregate statistics on voting in line with applicable laws and regulations. As a signatory to the Principles for Responsible Investment, Zurich annually discloses information about the implementation of its proxy voting guidelines as well as group level statistics in its sustainability report as well as the Listed Equity (LE) module of its PRI Transparency report, which is available on [Zurich's website](#) as well as the [PRI's website](#). Zurich discloses detailed voting information for the in-house managed equity portfolios on our [website](#).

6. Implementation and adherence monitoring

Proposals for amendments to this guideline must be submitted to Group Investment Management.

Implementation

Date issued: 31.3.2021

Contact for more information: Head of Responsible Investment or Head of Investment Assurance

Adherence monitoring

Adherence to the requirements of this document is subject to and embedded in the ongoing oversight and monitoring process for all internal and external asset managers led by the Group's Responsible Investment team.

7. Appendix I: Zurich Proxy Voting Guidelines

Zurich's voting guidelines are adapted from Glass Lewis' continental European policy, available [here](#).

In addition to the aforementioned guidelines, Zurich requires proxy voting to follow the specifications below:

- Local best practices need to be applied only if those local rules are stricter than continental European best practices (Glass Lewis).
- With respect to the election of board members, our on European standards based guidelines need to be applied globally, unless local best practice is stricter.
- We avoid abstentions to indicate our intention to avoid leaving room for interpretation.
- Voting rights need to be exercised on an informed basis. If sufficient information for a well-informed decision is not available, voting 'no' is deemed to be appropriate.
- ESG-related (incl. climate change) shareholder proposals need to be reviewed carefully on a case-by-case basis. The review of such proposals is done in close alignment with our engagement strategy and efforts.
- Glass Lewis guidance will be applied for governance and transparency related cases, whereas shareholder proposals on environmental and social issues will be referred to Zurich's responsible investment team. We base our voting decisions on the following principles:
 - o We evaluate each proposal on its merit, with a focus on long-term value creation.
 - o For recurring shareholder proposals, we design a principle-based evaluation process allowing us to vote consistently across a season.
 - o We believe management is generally best placed to make longer-term strategic decisions and identify material issues. While we tend to vote in favor of guidelines changes that we deem to be material from an investor standpoint, we vote against proposals that promote micro-management.
 - o We may also support a proposal if management is on track to deliver a certain sustainability outcome, but we have reason to believe that voting in favor will signal ongoing investor support for the direction of travel or might even accelerate progress.
- As an asset owner targeting a net-zero portfolio (for own assets) by 2050, we expect investee companies – especially from emission intensive sectors – to play a role in the transition by setting their own science-based targets for a 1.5°C aligned trajectory, and showing credible progress towards this target over time. If we come to the conclusion that our bilateral or collective engagement efforts to that effect have failed, we will consider escalating by voting against the re-election of the chairman of the board as well as other board members, as appropriate, starting in 2023.

8. Appendix II: In-house proxy voting process

For executing proxy votes on in-house held equities, the following process applies:

- Glass Lewis will deliver pre-filled ballots based on Zurich's proxy voting guidelines (see main document) and guidelines (see appendix I).
- Per default, the voting execution will be automated in accordance with the respective deadlines. If no deviations from the pre-filled recommendation are recorded in the system, votes will be executed automatically and in time.
- All Zurich in-house equity portfolio managers (PMs) will receive a Glass Lewis Viewpoint user identification and training for the platform.
- All PMs create and maintain, with the support of Glass Lewis, a watch list/filter covering their full holdings universe on Viewpoint, which will be updated at least annually in advance of the voting season.
- Each PM will set up email alerts in connection to his/her universe, in order to be alerted of upcoming voting deadlines, as well as any topics deemed material by the PM.
- Ballots containing decisions on material investments and sensitive items will be double checked by the responsible PM. The pre-filled recommendations will be confirmed or changed in line with the PMs investment view.
- When overwriting pre-filled voting directions, deviating from the guidelines, PMs need to
 - carefully check the position for overlaps with a second team or PM
 - in case of single PM coverage:
 - leave a comment on what the rationale for the deviation is in Viewpoint, before re-voting
 - in case of double PM coverage:
 - leave a comment on what the rationale for the deviation is, only "instruct" change in first step, and tag other PM in comment section
 - The second PM will be notified and is to confirm by re-voting, or seek discussion with the first PM. Zurich's PMs will strive to vote with one voice, unless the voting decision might have material impact on the investment's value, and the portfolios are positioned with contradicting investment goals.
- Ballot items that are connected to an ongoing engagement campaign, will be managed through separate watch lists and monitored by the Responsible Investment (RI) team (in case of a top-down engagement topic) or the responsible PM (for bottom-up engagement topics). The RI team can amend votes on ESG-related shareholder resolutions in collaboration with the PMs using the same overwriting process as described above.
- Information about engagement with companies that is considered worth sharing is to be recorded in the engagement comment section of the respective company (applies to PMs and RI Team)
- Glass Lewis updates their standard policies on an annual basis. Accordingly, material updates will be monitored, and Zurich's proprietary proxy voting guidance will be adapted if necessary in consultation with all local teams.
- The proxy voting process will be reviewed regularly by the RI team in collaboration with local investments teams – and as necessary – adapted and refined over time.