

## **Corporation Governance Arrangements and Duty to Promote Success of the Company**

The Company is a wholly owned subsidiary entity of Zurich Insurance Group AG and is subject to policies and governance arrangements set by the Group as well as local statutory and regulatory requirements, which take precedence. In accordance with The Companies (Miscellaneous Reporting) Regulations 2018, the Company is now required to disclose which corporate governance code has been applied to the current financial year and is also required to make disclosures in respect of s.172 of the Companies Act 2006 “Duty to promote the success of the company” and stakeholder engagement.

The Board of Directors have a duty to promote the success of the Company under s172 of the Companies Act 2006. During the course of the financial year, the Board has given consideration to this duty when making decisions, including the:

- Likely consequences of any decision in the long term;
- Interests of employees;
- Need to foster the Company’s business relationships with suppliers, customers and others;
- Impact of the Company’s operations on the community and the environment;
- Desirability of the Company maintaining a reputation for high standards of business conduct;

As a wholly owned subsidiary of the Zurich Insurance Group AG the company only has one member and therefore the directors do not need to consider the fairness between members.

### **Long term decisions**

As an Insurance Company the main purpose of the Company is the provision of long-term insurance products. These products are offered to individuals either directly or through their financial advisors via LPP, an online portal that provides a suite of products to customers and the ability to self-serve, and ZCR for corporate customers. Longevity arrangements are offered to trustees of defined benefit pension schemes either directly or brokered through advisors. In addition, the Company has a back book of legacy business and associated policyholders.

The UK business announced the sale of its workplace and savings business, ZCS, in 2017. The decision to sell this line of business was made by the directors following an assessment of its simplified strategy for the future and through consideration of the current profitability of the Company. Following the sale of the ZCS business, which was completed in July 2019 via a Part VII transfer, the Company is now able to focus on its core strategy to grow its protection business, delivering value for its customers, shareholder, people and society in a way consistent with the Zurich brand and to create a sustainable long-term business model.

### **Interests of employees**

The Company does not have any direct employees, but a management charge is made to the Company from the UK employing entity, Zurich Employment Services Limited, in respect of employees who work on behalf of the UK Life business and have a responsibility for the Company. The principal disclosures in respect of these staff, including the approach to employee engagement, appear in the financial statement of Zurich Employment Services Limited, The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX.

## **Stakeholder Relationships and Engagement**

### ***Business relationships with suppliers, customers and others***

The company uses a number of third-party outsourcers including Capita (policy administration), Columbia Threadneedle (investment management) and State Street (investment administration). The Board and the Audit Committee regularly review reports on activities undertaken by these outsourced partners and work with them on resolving any issues that may be identified.

Existing propositions are being enhanced and new propositions are being developed and offered from time to time to customers. All propositions are reviewed regularly, to ensure that they continue to support the delivery of good customer outcomes, and that proposed changes do not cause harm to customers. A comprehensive customer Net Promoter Score (NPS) programme is in place across all major product lines which encompasses both transactional (tNPS) and relationship (rNPS) touchpoints. The NPS programme obtains feedback from customers on their experiences with the Company throughout the customer lifecycle and is actively used to drive improvements in the customer experience. There is an executive management customer committee which oversees the delivery of good customer outcomes and reports to the Board.

The Company has long standing and well-established relationships with key advisor firms. These relationships include National Networks providing support services, Appointed Representative principles and individual advisor firms. These relationships are managed by a segmented relationship strategy with Networks and individual adviser firms, using a combination of face to face, telephone and web-based contacts.

### ***Impact of operations on the community and the environment***

A UK Corporate Affairs team is in place who are responsible for Diversity & Inclusion and Social Media and provide a weekly update on stakeholder engagement across the UK together with details on governmental consultation and inquiries. The Board is made aware of changes to policies and developments in relation to governmental consultations and enquiries that have an impact on the Company and considers these impacts and appropriate actions when making decisions.

The Group announced in July 2019 its commitment to the UN Climate Change targets to using only renewable energy by 2022. The Group has also taken a stance on single use plastics, i.e. to eliminate its use and to reduce internal paper usage by 80%. Zurich is part of a project to help financial institutions align lending and investment portfolios with the Paris Agreement targets. This commitment to climate change is driven down from the top-level board and management through all jurisdictions and this commitment will come through as part of company's long-term strategy. Papers submitted to the Board and/or Committees indicate that, where appropriate, customer interests and conduct outcomes have been considered and what action has been taken.

### **Business conduct**

The Company has an extensive list of stakeholders which include, but are not limited to, the shareholder; suppliers; regulators and policyholders. Oversight of suppliers is the responsibility of the UK Chief Operating Officer who provides a quarterly report to the Board and investment management oversight is the responsibility of the Company's Chief Financial Officer with delegation to the UK Chief Investment Officer. The Audit Committee oversees the wider internal controls framework from a financial and risk perspective which are designed to maintain high quality standards. The Board, in turn, oversees and endorses the activities of the Audit Committee.

The Board and the Risk Committee request regular reports on arrangements put in place for vulnerable customers – identification of vulnerable customers and their needs; monitoring of the outcomes delivered to help vulnerable customers and training delivered to frontline staff and other third parties, with the view of ensuring they have skills and capabilities to support customers with both transient and permanent vulnerabilities.

Further information on the responsibilities of the Directors is included within the Directors' Report.

The Company, as part of the Group, considers climate change and other environmental issues as being at the foundation of the business. The Group aims to be a responsible and sustainable business helping customers and communities with the effects of climate change. Details on the Group position are reported on the global website ([www.zurich.com](http://www.zurich.com)). The UK business has been a member of ClimateWise, an initiative set up to encourage the insurance industry to take collective action on climate change, since 2007. Zurich's position on ClimateWise's six principles is reported on the UK website ([www.zurich.co.uk](http://www.zurich.co.uk)).

The main climate change risks are those arising on the Company's or policyholder's investment portfolios, impacting for example real estate investments, shares and fixed income. The Company views environmental, social and governance ("ESG") factors as a key consideration to be included when assessing individual investments and will continue to work with external asset managers on incorporating these factors into their investment decision making process, as well as to monitor research in this emerging area.

The Group joined the UN Net-Zero Asset Owner Alliance as a founding member. Joining the Alliance commits the Group to reduce the carbon emissions of our investment portfolios to net-zero by 2050, whilst it continues to apply ESG factors to our investments. In doing this, the Group aims to do its share in limiting global warming to 1.5°C compared to pre-industrial times – a pledge that it signed up for in the year.