

Duty to promote the success of the company in accordance with s172(1) Companies Act 2006

Section 172 of the Companies Act 2006 requires the Board of Directors (the "Board") to promote the success of the Company for the benefit of its members as a whole and in doing so to have regard to the interests of stakeholders including shareholders, customers, employees, suppliers, regulators and the wider society in which the Company operates.

The Company is a wholly owned subsidiary entity of the ZIG Group and is subject to policies and governance arrangements set by the Group as well as UK local statutory and regulatory requirements. The Board derives its collective authority by direct delegation from its shareholder. Its key purpose is to ensure the Company's prosperity by collectively directing the Company's affairs whilst meeting the appropriate interests of its shareholder and relevant stakeholders.

The Board's principal aim is to enhance the Company's long-term value to its shareholder through the sustainable delivery of financial performance targets within a framework of prudent and effective controls.

When making decisions to further the Company's strategic purpose, the Board has 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;
- Company's business relationships with suppliers, customers and others;
- Impact of the Company's operations on the community and the environment;
- Maintaining the Company's reputation for high standards of business conduct.

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

Long term decisions

The Board continually assesses the long term strategy of the Company and its long term value to its shareholder. In doing so it considers the interests of stakeholders as part of its overall long-term business objectives and continues to align the Company's strategic direction with the shareholder's aspirations. For each matter that is considered by the Board, stakeholders who may be impacted are identified and their interests considered as part of the Board's decision-making process.

The Board considered a proposal to pay an interim dividend to its shareholder in late 2020 and as part of its deliberations considered the impact upon stakeholders as well as the statutory capital requirements and whether the Company would be able to meet its liabilities going forward.

Interests of employees

Staff are not employed directly by the Company and accordingly the Company does not incur direct staff or pension costs. The costs of staff working for the Company in 2020 and 2019 have been borne by another group undertaking. The principal disclosures in respect of these staff, including the approach to employee engagement and particularly support provided since the commencement of the COVID-19 pandemic, appear in the financial statement of Zurich Employment Services Limited, The Grange, Bishops Cleeve, Cheltenham, Gloucestershire, GL52 8XX.

However, the following summarises how Zurich UK (Zurich business conducted within the UK) considered employees in its deliberations:

- The Company's employee engagement mechanisms include receiving regular updates on the results of employee surveys to keep fully apprised of employee engagement levels and the quality of leadership across the workforce, as well as a broad range of subjects including collaboration, working conditions, wellbeing, reputation, benefits and rewards, diversity and inclusion and responsible business;
- The Company recognised the challenges faced by employees throughout the COVID-19 pandemic and was committed to supporting employees through its Flex Work scheme and Emergency Leave policy and regularly sought feedback and updates from senior management on morale and wellbeing;
- The Wellbeing hub provides a range of resources and tools to help employees keep active, healthy and safe.

Stakeholder Relationships and Engagement

Business relationships with suppliers, customers and others

The principal activity of the Company is as an investment holding company to companies within the Zurich Group and its source of income is dividends from its subsidiaries.

Business relationship with Community

The Company believes in contributing positively to society in order to have a positive impact on the communities in which it operates.

- The UK Public Affairs Team is in place which aims to make Zurich an influential and prominent voice in all aspects of the public policy process. Its primary focus is the identification and monitoring of key regulatory and legislative developments, and the communication of these to the wider business to determine whether to lead, drive, or support, on any external engagement activity.
- Zurich has membership in, and the Public Affairs Team works closely with, industry bodies such as the Association of British Insurers, Confederation of British Industry, and The City UK to ensure that Zurich is coordinated and effective in influencing the public policy agenda.
- The UK Public Affairs Team provides a weekly internal update on stakeholder engagement across the UK together with details of government consultations and inquiries of relevance to the Company.
- There are a wide range of initiatives and activities that we have been involved with engaging with society. A complete description of these activities can be found on www.zurich.co.uk/en/about-us/corporate-responsibility/workplace/diversity-and-inclusion.

Impact of operations on sustainability

The Head of Public Affairs also holds responsibility for Sustainability, which is at the centre of the Company, as part of the Group's ambition to be known as one of the most responsible and impactful businesses in the world. The Group aims to be a responsible and sustainable business supporting customers and communities and managing its own environmental, social and governance risks.

The ZIG group has designed a sustainability strategy and the UK has developed its own strategy which is structured on the three themes used by the Group which comprise our internal definition of Sustainability – our 1.5 degree future (supporting the transition to a low carbon economy and managing climate risks); work sustainability (preparing for new ways of working and the skills and solutions needed); and confidence in a digital society (inciting customer resilience against cyber-attacks by enabling confidence in our use of their data).

Sustainability is growing in importance for many of Zurich's stakeholders and the organisations we do business with. The passing of the Social Value Act in 2012 has increased this demand and a number of Zurich's customers now require us to provide information about our corporate responsibility and sustainability activity and targets.

We measure our sustainability commitments thoroughly in order to ensure confidence in what we say we do, and these approaches are embedded throughout the organisation. There are a wide range of initiatives and activities that we have been involved with engaging with environmental issues. A complete description of these activities can be found on www.zurich.co.uk/news-and-insight/sustainability.