




Z Zurich Foundation

Annual Report 2010



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Message from Martin Senn



“We are determined to demonstrate the return on the Foundation’s investments in terms of real improvements in people’s lives.”

Dear friends of the Z Zurich Foundation,

We are proud to present to you the Z Zurich Foundation’s 2010 annual report.

The Foundation’s mission is to help individuals and communities understand and manage risk, leveraging Zurich’s core strengths as an insurer. We are achieving this mission by working in long-term partnerships with select non-profit organizations like Practical Action, the Rainforest Alliance, and the International Federation of Red Cross and Red Crescent Societies. These partners are well established in the threatened ecosystems and fragile communities where we seek most urgently to make a difference. By putting the skills and resources of the Foundation and the Zurich Group behind these partners, we are helping thousands of people to understand and manage the risks posed by issues such as climate change, resource scarcity, shifting demographic patterns and the complex relationship between access to financial services and poverty.

Our partners have networks and know-how that allow us to achieve far more than we ever could on our own. They also allow Zurich’s employees to get involved in the Foundation’s activities directly. Zurich employees can learn from their experiences, offering their own skills and expertise in exchange. Such interaction opens a path to organizational learning and innovation for both partners, and forms an exceptional component of Zurich’s value proposition as an employer.

This report highlights the lasting impact that the Z Zurich Foundation has achieved by taking this approach. We are determined to demonstrate the return on the Foundation’s investments in terms of real improvements in people’s lives. The achievement of long-term business success, sustainable economic growth, political stability and environmental sustainability is vital and concerns us all.

We are committed to trust, accountability and transparency. We believe this report is an important step in our continuous efforts to further improve our engagement with our employees and to enter into an open dialogue with our stakeholders.

We hope you find these success stories as exciting as we do. I welcome your thoughts and observations to z.foundation@zurich.com.

Yours sincerely,

A handwritten signature in blue ink that reads "Martin Senn". The signature is fluid and cursive.

Martin Senn

Chairman of the Board of Trustees, Z Zurich Foundation
Chief Executive Officer, Zurich Financial Services Ltd

Our mission

The Foundation's mission is to equip people with the knowledge and resources to better manage change and risk in their lives and in the world around them. To realize that mission, we focus on:

Alleviating poverty and the consequences of catastrophes (see page 4)

- Increase access to insurance by marginalized and vulnerable segments of the population
- Provide immediate relief to communities devastated by natural catastrophes, pandemics or war, and contribute to long-term efforts to rebuild them
- Support economic and social development and governance improvements in developing countries

Reducing the impact of emerging social and environmental risks (see page 14)

- Empower people to understand and mitigate the risks stemming from emerging social and environmental challenges, such as climate change, and support research and education on the means to reduce them

Insurance-relevant research and education (see page 20)

- Promotion of insurance literacy, risk awareness, risk reduction and risk management

The Foundation chose these focus areas because they address issues of global concern, and because they are consistent with Zurich's core activities and long-term business interests.

The Foundation's work, combined with the many local programs and activities undertaken across the Zurich Group, represents Zurich's shared commitment to community investment, one important component of Zurich's overall corporate responsibility strategy (see page 29).

Our approach

The Foundation makes monetary and in-kind contributions to non-profit organizations with well-defined projects aligned to one or more of the three focus areas.

Projects are chosen based on their potential to create sustainable benefit to society. We select long-term projects and partnerships with organizations that demonstrate stability, good governance, and the ability to produce measurable results. We are particularly interested in supporting projects where the Foundation can draw on the financial, managerial and technical expertise of Zurich Group employees to make in-kind contributions to its partners. Impact objectives and measures are agreed on at the outset of any program or project and jointly evaluated on a regular basis. Progress is a condition of continued funding.

This long-term approach to tackling global challenges combines Zurich's global experience and risk management capabilities with the non-profit organization's local knowledge and expertise.

We focus on a limited number of long-term partnerships that we actively select ourselves, and therefore do not accept unsolicited requests for funding.



Skills-based volunteering

An integral part of the Z Zurich Foundation's partnership model is to work together in areas of common interest to Zurich and the non-profit partner, and to actively engage Zurich's employees in these partnerships through skills-based volunteering and expertise exchange.

Skills-based volunteering means providing access to the employees of the Zurich Group worldwide and finding ways of harnessing their expertise to add value beyond the financial contribution provided by the Foundation. Rather than supporting projects on the ground, Zurich employees add value within the partners' organizations by using their business skills to help them manage their own operations more effectively. Experience shows that improving the effectiveness and efficiency of a partner translates into greater impact for their activities. Volunteering demonstrates Zurich's deeper commitment to its partners, which in turn encourages an open and honest relationship.

Skills-based volunteering also provides many benefits to the volunteer, such as job enrichment and opportunities for learning and development. In addition, it increases the attractiveness of Zurich to current and prospective employees and enhances the company's reputation for putting its expertise to work for the benefit of the community.

Alleviating poverty and the impact of catastrophes



The link to our business

Zurich is constantly strengthening its capacity to respond to disasters and investing in disaster risk reduction. In its businesses and through the Foundation, Zurich is making our communities stronger and more resilient, leading to stronger markets and new business opportunities.

While insurance by itself does not directly reduce the risk of damage or loss, insurance can help people get back on their feet after a disaster. Poverty, however, excludes many from such standard risk transfer mechanisms. Here microinsurance holds great potential. Zurich is actively working on creating sustainable business propositions that meet the needs of these disadvantaged populations; this work is complemented by the work of the Foundation.

Practical Action

Zurich Foundation partner since 2008



Practical Action is a UK-based international development charity which specializes in working alongside communities to find simple, practical solutions to fight the poverty they face and transform their lives for the better. Practical Action has a unique approach to development – they do not start with technology, but with people. The tools may be simple or sophisticated, but to provide long-term, appropriate and practical answers, they must be firmly in the hands of local people: people who shape technology and control it for themselves.

Practical Action works in partnerships at all levels, sharing knowledge and experience to build the capabilities of the poor and equip them with the skills and technologies to help themselves. It seeks further to empower women and men to change in their favor the institutions, policy processes, legal standards and development decisions that affect their lives, building from the local to the national and international levels.

Beyond the communities that initially benefit from Practical Action's work, Practical Action builds on successful pilot projects and proven technologies by encouraging communities, governments, other development agencies and universities to implement some of the practical initiatives introduced through their projects, leveraging the lessons learned so that more people can benefit.

Key areas of common interest:

- Disaster risk reduction and preparedness
- Sustainable economic development

The Foundation's cooperation with Practical Action

The Foundation's partnership with Practical Action focuses on two programs: one in Peru and another in Bangladesh.

Sustainable Forests in Peru/ Cloud Forests in the Andean Region

More than 3.5 million people live in one of the world's richest ecosystems: the cloud forests of the Amazon headwaters in Bolivia and Peru. More than 70 percent of these inhabitants are poor migrants from the highlands who arrived in these forests in search of a better future. Faced with the immediate need to provide for their families, they are sacrificing their long-term prospects through logging practices that are rapidly depleting natural resources, degrading land quality and threatening biodiversity. As a result of the poor quality of the land, livelihoods of poor families across these woodland areas are barely sustainable.

Practical Action is helping hundreds of families manage the forests in a sustainable and participatory way. Practical Action demonstrates practical, small-scale projects to share innovative and appropriate skills to improve farmers' productivity and promote new livelihoods and reforestation. The focus is on forestry and coffee production, the two primary sources of livelihood for people in the region.

Under an earlier project supported by the Foundation, Practical Action tested what it called the "Chinchipe Approach," introducing technologies that would enable migrant families to settle permanently and carry out sustainable productive activities that not only supported them but also ensured the conservation of the cloud forests. These activities included beekeeping, reforestation and raising specialty coffee. Participatory management systems, through which the forest is managed sustainably according to plans developed with the participation of communities and local authorities, have also been tested successfully.

To further apply and test the "Chinchipe Approach," a similar project, "Cloud Forests in the Andean region," is now under way. The direct beneficiaries are 940 families – 280 Awajun and 490 migrant families in Peru, and 170 migrant families in Bolivia, or approximately 4,700 people overall. The Foundation's funds are used towards the activities in Peru; another organization supports Practical Action's efforts in Bolivia.

To encourage others to implement some of the practical initiatives introduced through the project, Practical Action is taking measures to ensure that the knowledge, techniques and technologies promoted through the project are rolled out beyond the direct project area. To do so, it has produced and distributed books on participatory forestry and environmental education, organized a national forestry congress, created training courses for senior forestry staff from municipalities and local institutions and introduced a new university course based on the project's innovative local management of forest resources.

Practical Action

continued

The cloud forests will be preserved only if decision makers at local, national and regional levels can be convinced of their long-term value. The project is therefore working closely with authorities active in the target areas to raise their awareness of the difficulties faced by native and migrant communities living in the area. The project will also strengthen community organizations so that the authorities listen to their proposals.

2010 KEY OUTPUT/IMPACT:

- The direct beneficiaries are 770 families – 280 Awajun and 490 migrant families in Peru, or approximately 3,850 people overall. The indirect beneficiaries are the 42,272 families or approximately 210,000 people living in the Peruvian cloud forest ecosystem;
 - Nurseries have been installed in six communities;
 - Environmental education materials aimed at indigenous children have been designed in agreement with the Ministry of Education;
 - The syllabus for the training of promoters has been reviewed and approved by the authorities of higher education;
 - A proposal developed with the national coffee board aimed at adjusting the legal framework to the circumstances of the cloud forest communities, particularly regarding the use of reforested trees, has been included in the new forestry law in Peru, currently under debate in parliament;
 - The “Infobosques” website receives about 2000 hits per month with about 700 subscribers receiving a fortnightly newsletter with updated information;
 - Three project presentations to discuss project implementation and monitoring and intervention strategies were given to the assembly of chiefs of the Awajun communities, the leaders in the villages, as well as the regional government authorities and representatives of NGOs, companies and producer organizations in the region.
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From Vulnerability to Resilience – Household Preparedness in Bangladesh

In response to the needs of poor rural families in Bangladesh, this five-year project (started in April 2009) focuses on enabling thousands of poor households in disaster-prone districts to be better prepared for shocks and hazards such as flooding and land erosion. Even a small shock can destroy livelihoods, so enabling households to prepare can be literally life-saving. The project introduces health services, flood-resistant housing, small-scale technologies, essential education and group savings schemes as part of building resilient communities.

A critical element of the project is the development of village-based disaster risk reduction plans. These plans will provide communities with a better awareness of what to do in times of emergency, with tangible information on issues such as evacuation routes, shelter points, food availability, health services and livestock care. To help ensure that communities take ownership of the plans, the project has mobilized 96 community groups so far. These groups are considered the main working units of the project. Skilled volunteers have been trained to coordinate disaster preparedness, evacuation and post-flood rehabilitation. They have also been trained in poultry vaccination, power-tiller operation, plant treatment and primary human health treatment, giving them the tools to serve their communities in ways that go beyond disaster relief.

In 2010 the assets of 42 beneficiary households – cattle, poultry, trees, vegetable gardens etc. – were saved by raising the plinth above the highest flood level. These families did not need to relocate during this year’s flood, and continued cultivating vegetables and raising livestock uninterrupted. Other flood-affected people were able to take shelter on these higher homestead areas. A total of 120 plinths were raised over the course of the project.

Poor health is another problem in these communities. Pumps provide the main source of water for consumption, and these are often contaminated during the monsoon season. To remedy this problem, the project installed 38 tube wells and raised the bases of another 80 tube wells. The incidence of water-borne diseases could be decreased by as much as 50 percent as a result of safe drinking water provided by the project.

A final component of the project increases the range and security of livelihoods available to poor families, especially during monsoons. Monsoons flood the land, cutting off roads and leaving few means for earning a living, leaving families vulnerable to hunger and illness. Having more resilient livelihoods will enable people to cope better during the initial flooding and to recover faster afterwards. The project therefore provides training in a range of farm and non-farm skills and provides linkages to market and private service providers, helping the beneficiaries generate income. The poorest families are also given assets and other support to ensure they can make full use of the opportunities provided by the project.

2010 KEY OUTPUT/IMPACT:

- Baseline report prepared based on a participatory vulnerability assessment; a follow-up survey showed that now 78 percent of the survey participants (405 people overall) are able to identify their flood-related problems, risks and hazards;
 - Twenty community-based disaster risk reduction plans were developed. To help ensure that communities take ownership of the plans, the project mobilized 96 community groups. Five mock drills were held to test disaster preparedness, with 750 people attending;
 - More than 250 skilled volunteers were trained for disaster coordination and further service provision in non-disaster periods;
 - The project trained 48 households in animal production, 44 households in floating garden/ rice production, 179 households in community fish culture, 308 households in non-farm (agro processing) & off-farm options (food processing, tailoring, block batik etc.), and 6,250 saplings were distributed to 2,000 beneficiary households;
 - The assets – cattle, poultry, trees, vegetable gardens, etc. – of 42 beneficiary households were saved;
 - A survey of 84 beneficiary households showed that 60 percent had increased their livestock production capacity by receiving training on animal production;
 - Thirty-eight tube wells were installed by the end of 2010 and the bases of another 80 tube wells were raised, 2,000 water jars were distributed for collecting pure drinking water, and 25 flood-proof latrines were installed. These measures are estimated to have reduced the incidence of water-borne diseases by as much as 50 percent;
 - Three evacuation/rescue boats and two boat ambulances were built and are now in use. Six community-based organizations have received early warning systems, and 77 of their members have been trained on their use;
 - The project has so far vaccinated a total of 1,858 animals against anthrax, hoof and mouth disease, blackleg and peste des petits ruminants.
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Skills-based volunteering

In 2010 we established a mentoring program with Practical Action where five mentors from Zurich UK met regularly with their mentees from Practical Action. Discussions ranged from management issues and solutions, to general direction and strategy, to reviews of actual ongoing projects. Feedback has been very positive, especially from the mentees, who appreciate the external perspective on their issues as well as the openness of Zurich's managers. The program is being continued in 2011, when we will also evaluate the possibility of building Practical Action's own mentoring capacity as well.



Zurich Foundation partner since 2008



International Federation
of Red Cross and Red Crescent Societies

Key areas of common interest:

- Preparedness for the increasing number and severity of disasters
- Disaster risk reduction

Founded in 1919 and headquartered in Switzerland, the International Federation of Red Cross and Red Crescent Societies (IFRC) is a global humanitarian organization which coordinates and directs international assistance following natural and man-made disasters in non-conflict situations. As the federation of the world's 186 National Societies of the Red Cross or Red Crescent, it is the world's largest humanitarian organization. This network of National Societies (which cover almost every country in the world) is the IFRC's principal strength.

Each year, the IFRC works with National Societies in responding to catastrophes around the world. It carries out relief operations to assist victims of disasters, and combines this with work to strengthen the capacities of its National Societies. Its work focuses on four core areas: promoting humanitarian values, disaster response, disaster preparedness, and health and community care. Disaster response accounts for the largest portion of the IFRC's work, with assistance to around 30 million people annually.

The Foundation's cooperation with the IFRC

The number, severity and impact of disasters are on the rise because of factors such as climate change, unplanned mass urbanization, rapid population growth and environmental degradation. Disasters kill and injure people, often depriving them of their livelihoods. They damage infrastructure, reduce productivity and generate social tensions. They consume resources that would otherwise be directed towards productive activities, and they can wipe out years of development in minutes. Vulnerable communities are often confined to cycles of disaster and response, and those hardest hit are often the most vulnerable: the elderly, the sick, and the poor.

The Foundation's partnership with the IFRC focuses on two programs: the Disaster Relief Emergency Fund and the Global Alliance for Disaster Risk Reduction.

The Disaster Relief Emergency Fund (DREF)

The DREF provides immediate financial support to National Red Cross and Red Crescent Societies to respond to disasters and health emergencies. The DREF is a pool of non-earmarked funding and is financed through donations to an Annual Appeal. Allocations can be made either as a loan for major response operations, reimbursable to the fund once sufficient non-earmarked funding has been received from donors through an emergency appeal, or as a grant to National Societies to cover the costs of smaller-scale operations for which no appeal is launched, and which are not reimbursed to the DREF. Donor contributions, such as those made by the Foundation, help replenish these grants. In 2010 total contributions to the DREF were CHF 17 million. In 2010, Zurich through its Foundation was one of the two largest corporate donors to the DREF.

As forecasting of extreme and abnormal hydro-meteorological events improves, the Federation is also using the DREF to support National Societies to take advance action to reduce the risks of the forecasted events and to speed up response in the event of disaster. In this way, the Federation uses the DREF not only as a reactive funding mechanism, but also to make sure that National Red Cross and Red Crescent Societies are prepared.

In 2010 DREF made 138 allocations amounting to CHF 22.5 million, about 40 percent more than in 2009. These allocations benefited 11,530,920 people. The majority of funding was allocated to operations in West and Central Africa, followed by Asia-Pacific, Europe and Central Asia, and East Africa. Between the 1970s and 2008, the average number of reported natural disasters increased fourfold. Hydrological and meteorological disasters were the main contributors to the trend. Response to floods accounted for 60 percent of all DREF operations in 2010, and response to damage caused by storms and cyclones 9 percent. Extreme climate-related events are expected to continue and thus sustain demand for disaster response support.

DREF operations in 2010

Type of operation	Number of operations	CHF	
Floods	78	13,594,124	60.31%
Epidemics	17	2,281,631	10.12%
Cyclones, storms	15	2,055,944	9.12%
Civil unrest	7	1,139,845	5.06%
Earthquake	5	1,034,369	4.59%
Population movement	3	753,952	3.34%
Extreme temperature	4	719,317	3.19%
Food insecurity	2	480,862	2.13%
Explosions, fire	4	289,356	1.28%
Volcanic eruption	1	143,243	0.64%
Drought	1	23,896	0.11%
Other	1	23,701	0.11%
Tsunami	0	0	0.00%

2010 KEY OUTPUT/IMPACT:

- Foundation giving accounts for 1.5 percent of total contributions to DREF in long-term, non-earmarked funding, making it one of the two largest private donors.

Global Alliance for Disaster Risk Reduction

The Foundation supports the IFRC's Global Alliance for Disaster Risk Reduction (DRR) to make communities stronger and more resilient to disasters. Through the Foundation, Zurich also lends risk management expertise.

The overall objectives of the DRR are to encourage and support community-based programs that identify and tackle disaster risks that contribute to community vulnerabilities; integrate enhanced community-level disaster risk reduction measures as a contribution to building community resilience and as part of comprehensive disaster response management; and to strengthen the capacities of national societies to deliver and sustain scaled-up programs in disaster risk reduction.

In 2010, the IFRC led a number of workshops and conferences to increase community orientation in global and national disaster risk reduction policies and to strengthen national and local institutions for disaster risk reduction, thereby contributing to increased community resilience. Global guidance on advocacy for disaster risk reduction was commissioned to provide National Societies with a clear advocacy and positioning tool and to ensure a consistent and clear internal/external communication approach.

The IFRC has completed a number of cost-benefit analyses of national community-based disaster management programs, particularly in the Philippines (with in-kind support from Zurich) and Sudan. These programs form the basis of an IFRC summary guidance document that will not only provide a technical reference for cost-benefit analysis, but will also help advocate for more systematic DRR programming and funding.

Other case studies such as "Empowering Communities to Prepare for Cyclones" and "Building Capacity in Disaster Risk Management" (both published in 2010) identify a number of lessons to help ensure that community-based disaster risk reduction programming has a sustainable impact, even years after external support has ended.

IFRC

continued

In 2010 the Foundation also supported the World Disasters Report, the IFRC's flagship publication. The 2010 report addresses the risk divide between urban environments in the developing and the developed world. This disparity poses one of the major challenges for humankind in the 21st century. According to the report, 1 billion people live on the peripheries of cities in low- and middle-income countries, barely surviving on USD 1 or less a day. This number is expected to reach 1.4 billion in 2020. Rapid urbanization and population growth bring enormous new challenges, such as increased health hazards and urban violence.

The report provides advice on how this urban risk divide can be reduced. It also cites examples of how urban communities can find their own solutions when given the necessary and appropriate external support.

2010 KEY OUTPUT/IMPACT:

- Publication of "Cost-Benefit Analysis of Community-Based Disaster Risk Reduction – Red Cross Red Crescent Lessons Learned, Recommendations and Guidance," a paper which draws lessons from studies completed in the Philippines and Sudan. It provides a technical reference for cost-benefit analysis and makes the case for more systematic disaster risk reduction programming and funding;
 - Publication of the study "Empowering Communities to Prepare for Cyclones," identifying a number of lessons to help ensure community-based disaster risk reduction programming has a sustainable impact;
 - Publication of the case study "Building Capacity in Disaster Risk Management," show-casing a disaster management program developed by the Red Cross Society of the Democratic People's Republic of Korea to reduce the risk of natural disasters and to help communities protect themselves and overcome the effects of disasters;
 - Pilot testing of a training kit on advocacy for disaster risk reduction; a global guidance on advocacy for disaster risk reduction has been commissioned with the aim of ensuring a consistent and clear internal/external communication approach and to provide National Societies with a clear advocacy and positioning tool;
 - Arup International Development hired to study the IFRC's post-tsunami programming, to identify and document lessons learned in implementing large scale community-based DRR to strengthen community safety and resilience;
 - Participation in and organization of a number of workshops and conferences to share expertise and plans, refine global approaches and enhance cooperation on community-based risk assessment, disaster risk reduction and climate change adaptation;
 - Publication of World Disasters Report 2010.
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Skills-based volunteering

Our most important contributions are the ones that leverage the risk management expertise that Zurich has accumulated over more than 135 years. At the 2010 DREF donor meeting, Zurich was able to provide insights into the trends of natural catastrophe risk from an insurance perspective, a view which is highly relevant to the DREF and one which reinforces the analyses made by the humanitarian and scientific communities.

One of our risk engineers has provided further technical guidance and support to the IFRC's impact assessment and cost-benefit studies of community-based disaster risk reduction programs. The IFRC feels that our partnership allows them to approach this work with greater technical confidence, leading to a greater legitimacy of those studies, both inside and outside of the Red Cross community.

Employee matching

Zurich Foundation activity since 2010

Recognizing that the Foundation cannot respond to all catastrophes, the Foundation implemented a specific guideline in 2010 to help ensure a consistent and effective approach to charitable giving in relation to disasters, specifically natural catastrophes.

In areas where Zurich has business operations and customers (such as Chile in 2010) the first priority is the protection of Zurich's own employees and assets, responsible claims handling and working with customers to mitigate the impact of the disaster. Charitable giving must be closely aligned with those primary activities.

Certain disasters, however, warrant additional, more immediate financial support complementing the Foundation's proactive, long-term partnership with the IFRC.

The Foundation therefore sets aside an annual budget to be used for matching employee donations following a natural disaster. The Foundation will match any employee donation made to a recognized charitable organization that is working towards relief and reconstruction efforts of a given disaster, up to an agreed maximum. This allows employees to make the donation to whichever charity they feel most comfortable with. The Foundation's matching grant, however, will go to the IFRC. Experience shows that relief organizations sometimes receive more contributions for a specific disaster than they can spend on immediate emergency relief. Donating to the IFRC will help minimize this mismatch by directing funds to an organization that also works on long-term development incorporating prevention and preparedness.

Haiti

A devastating earthquake measuring 7.3 on the Richter scale struck Haiti on January 12, 2010. Zurich employees wanted to help contribute to the immediate relief efforts and long-term reconstruction to help the people of Haiti rebuild their lives following this tragedy.

In response, the Foundation launched its first global employee matching program, to which Zurich employees around the globe responded generously. Just three weeks after the announcement Zurich employees had already donated more than the grant pledged. Contributions came from Zurich team members in 23 countries. With the Foundation match and an additional contribution from the Zurich Group, Zurich donated CHF 750,000 for the victims of the earthquake.

Pakistan

Following heavy monsoon rains at the end of July, Pakistan was faced with floods that, by the end of the year, had claimed close to 2,000 lives and destroyed almost 2 million hectares of agricultural land (approximately 10 percent of the country's total). The floods are estimated to have affected more than 20 million people.

While initial employee interest in a matching program was limited, the Foundation felt that its active interest in catastrophe response gave it a duty to highlight the severity of the situation and to offer a matched giving opportunity. Zurich employees and the Foundation contributed CHF 124,000 to the ongoing relief and reconstruction efforts of the IFRC in Pakistan.

The Foundation will continue to respond to natural disasters on a case-by-case basis following its guidelines and lessons learned.

ILO-MIF

Zurich Foundation partner since 2010



For millions of low-income families, insurance and other financial services are too often unknown, inappropriate or beyond reach.

Launched in 2008 with support from the Bill & Melinda Gates Foundation and housed at the International Labour Organization's Social Finance Program, the Microinsurance Innovation Facility (MIF) was established to support the extension of insurance to millions of low-income people in the developing world. The aim is to reduce vulnerability to risk, thereby helping people overcome poverty. Microinsurance represents a pioneering tool for sustainable development, with tremendous potential for mitigating the risks faced by low-income households. With estimates that less than 5 percent of the world's poor benefit from insurance, these households remain highly vulnerable to a wide range of risks including sickness, loss of livestock and catastrophic climate events.

The Facility aims to learn how to provide better insurance coverage to a larger number of low-income households and enterprises, and to understand how the working poor can benefit from insurance as a risk management tool while still ensuring the viability of the provider. These objectives involve engaging in activities aimed at stimulating the market for microinsurance among low-income people – activities that support the development of insurance products, the emergence of institutional models and partnerships, and the education of potential consumers on the utility and value of insurance.

To achieve its objectives, the Facility:

- provides grants to institutions to devise and test innovative approaches to providing better insurance products to the low-income market in developing countries;
- supports capacity development among providers and encourages the demand for capacity-building;
- supports research on assessing the impact of microinsurance on low-income policyholders, on identifying successful business models and determining good practices within the sector;
- collects and analyzes information, repackages it into various formats and disseminates the most relevant lessons to key stakeholders.

Key areas of common interest:

- Support the use of insurance to tackle poverty
- Improve access to insurance services in both developing and developed countries
- Combine the core skills and sophistication of insurance and risk management with new learning, research and innovation to serve an ever-broader population

The Foundation's cooperation with the Microinsurance Innovation Facility

In late 2010, the Facility launched the last round of innovation grants focused on "scale and efficiency," seeking to promote microinsurance projects that utilize technology and process innovations to increase operational efficiency to reach low-income households. These grants are being provided with Foundation support.

Microinsurance providers need to find sustainable ways to design, market and distribute their policies. A policy that offers value to the customer requires that premiums remain low and benefits for policy holders as high as possible. On the other hand, insurers need to reach large numbers of low-income customers to achieve profitability. Insurance innovation involves taking risks, such as creating new mechanisms for premium collection, testing new ways of verifying claims, using technology to improve efficiency and experimenting with ways to educate consumers. Providers must discover significant efficiencies through simple products, procedures and non-traditional delivery channels and perhaps through front and back office technologies. It is therefore critical to create economies of scale and promote efficiency in order to reduce administrative costs.

Technological advances have heralded new options for microinsurance that address some of these challenges, ranging from handheld devices to manage claims to mobile banking and innovative premium payment methods. The call for applications presenting innovations in "scale and efficiency" seeks ideas to use technology and other innovations to create operational efficiencies and/or allow organizations to serve large numbers of poor households. The focus is not just on technology, but also on process improvements that can help scale up operations efficiently. The entire gamut of operations is within scope, from the client interface at the front end, to the processing of applications, claims and renewals at the back end.

2010 KEY OUTPUT/IMPACT:

- Announcement of the last round of innovation grants, funded by the Foundation, with a closing date for submissions of January 25, 2011. The Facility expects to issue at least five large grants of more than USD 100,000 as well as at least five smaller grants (less than USD 100,000 each).
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Reducing the impact of emerging social and environmental risks



The link to our business

The core competence of an insurer is the identification, measurement and pricing of risk. Sharing that expertise by promoting risk reduction and adaptation among the public at large is good community investment that is also good for business.

Today's most pressing challenges are global and require a collaborative effort. We have therefore chosen to partner with organizations working to mitigate environmental and social risks, improve the resilience of communities and raise awareness of these topics.

The Rainforest Alliance

Zurich Foundation partner since 2008



Founded in 1986 and headquartered in the United States, the Rainforest Alliance works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behavior. From multinational corporations to community-based cooperatives, the Alliance helps businesses and consumers bring responsibly produced goods and services to a global marketplace. Their main tool for change is certification and verification – of sustainable forestry, agriculture and now tourism – and developing markets for these products and services so that these businesses succeed and provide a boost to local economies.

The Rainforest Alliance works in some of the most critical ecosystems in the world, with people whose livelihoods depend on the land, such as farmers, forest managers and tourism business operators. It helps them transform the way they grow food, harvest wood and host travelers. This helps them realize greater economic benefits by ensuring that the ecosystems around their operations are protected. The Alliance also ensures that their workers are well-trained and enjoy safe conditions, proper sanitation, health care and housing. Once businesses meet certain environmental and social standards, the Rainforest Alliance links them up to the global marketplace, where demand for sustainable goods and services is on the rise.

Key areas of common interest:

- Climate change
- Reduction of risks through sustainability certification

The Foundation's cooperation with Rainforest Alliance

The cooperation with the Rainforest Alliance focuses on agriculture (food), climate change and impact measurement.

Agriculture (food) component

The leading cause of tropical deforestation is conversion of land for agricultural use. To help manage this, the Foundation is supporting the Alliance's introduction of new sustainability standards for cattle ranching and palm oil plantations, as well as pilot projects that will test these standards in the field and promote certification of good practices.

In 2010 the Alliance launched the standards for Rainforest Alliance Certified™ cattle farms. Designed by scientists, ranchers and other stakeholders in the tropics, these certification standards ensure that beef and milk production is compatible with preservation of biodiversity and worker welfare. The standards cover such issues as land and waste management, quality of infrastructure and the treatment and transport of livestock. Farmers must properly dispose of waste, protect natural waterways and treat their animals humanely. Certification follows an evaluation of 135 criteria, and aims to reduce the carbon footprint of cattle ranches by requiring that trees be conserved on pasture lots, in forest reserves or used as live fences, and that animals be fed an easily digestible diet that reduces methane emissions. Certification offers responsible ranchers a way to distinguish their products while setting an example for sustainable cattle production.

Certification audits of palm oil, sugar and tea plantations around the world are continuing, as is the development of certification standards for new products. To date, more than 1.6 million acres of farmland, representing 93,000 farms in 28 countries, have been Rainforest Alliance Certified™.

The Rainforest Alliance

continued

2010 KEY OUTPUT/IMPACT:

- The Sustainable Agriculture Network – Standard for Sustainable Cattle Production was launched on August 31, 2010, covering sustainable practices for cattle farming in Africa, Asia/Oceania and Latin America within all climatic regions where semi-confinement and free ranging of cattle is possible. Presentations, training materials and interpretation guidelines have been developed to comprise the certification process. Auditor training workshops with emphasis on the Standard were held in Costa Rica, Mexico and Nicaragua, with 36 attendees in total;
 - A climate change add-on module has been developed and tested in 15 field trials in 8 countries;
 - A certification audit of a sugarcane plantation was conducted in El Salvador; diagnostic audits of oil palm plantations have been undertaken in Colombia and Costa Rica;
 - Training workshops and field diagnostics for tea certification were carried out in China (which produces 43 percent of the world's tea) to build local capacity towards certification; two new estates in Indonesia were audited and certified; three other estates underwent a diagnostic audit, which will help them in their preparations to become certified; 18 new tea estates have been audited in North India, and another 17 estates have applied for certification; in Sri Lanka a diagnostic visit and introductory training was conducted for two tea estates and two tea factories;
 - A cost-benefit analysis has been produced for sustainable banana production and a template developed that could be extended to new crops such as cattle and/or palm oil and/or sugar.
-

Climate change

Deforestation ranks second only to fossil fuel use as a source of carbon emissions, and sequestration is one of the most effective ways to offset those emissions. Sequestration can be achieved through sustainable forestry management practices, restoring trees in agricultural systems or degraded forestlands, and protecting high conservation value forests. As forests provide benefits beyond carbon sequestration (e.g., food, habitat, medicine, water storage), the Alliance is working with communities to address the need to prevent further deforestation and to provide sustainable livelihoods for the poor.

The areas with the most forest under threat – the Amazon and Congo basins and the rainforests of Indonesia – are the focal points of the Alliance's efforts. These efforts are supported in partnership with the Foundation.

In 2010 the Rainforest Alliance continued to build on their position as a leading provider of forest carbon validation, verification and methodology assessment services. The Alliance trains local organizations to design and develop forestry and agroforestry carbon sequestration projects. The Alliance's verification services can confirm that carbon projects are conservation-oriented and meet established international standards for carbon sequestration and reduction of greenhouse gas emissions. This enables company and community-run projects to receive carbon credits and offers them an added incentive to manage their land sustainably. In 2010, the Rainforest Alliance validated or verified 14 carbon projects designed to rehabilitate, restore, and/or conserve natural ecosystems in 13 different countries. The projects represent over one million hectares of land brought under improved conservation status, and it is estimated that they will achieve the sequestration or avoided emissions of more than 100 million tons of CO₂ throughout their lifetimes.

With the support of the Foundation the Alliance is developing ways to teach farmers what they can do to mitigate climate change and increase their farms' resilience or adaptation to changing climate. In 2010, roughly 70 agriculture partners have been trained in carbon and climate change techniques relevant to their local situation, region and crop.

2010 KEY OUTPUT/IMPACT:

- Twenty-five carbon-specific auditing guidelines, policies and procedural templates have been created and revised; the five most commonly used auditing and guidance templates have been translated into Spanish to build capacity in Latin America;
 - In Rwanda, 25 tea industry and NGO representatives were given basic training on the intersection between climate change and agriculture; coffee farm visits in Guatemala to pilot auditing procedures for newly developed “Climate Plus” climate-agriculture criteria were conducted; training materials for coffee producers to monitor their emissions and increase carbon storage on farm were created and piloted in El Salvador;
 - Two presentations were given about the climate impacts of certification and the new Climate Plus module to 125 people at the Specialty Coffee Association of America tradeshow;
 - Forty-one auditors have been qualified to participate in Rainforest Alliance carbon validation/verification audits to date;
 - Fifty-eight inquiries were received and responded to; 36 percent of these have already resulted in contracted work;
 - Six new carbon projects were officially validated in Canada, Guatemala, Mozambique, the Philippines, Brazil and Uganda; these represent over 515,000 additional hectares of land and the anticipated sequestration of over 1.7 million tons of CO₂ per year;
 - Six methodology assessments completed – these assessments help make forest carbon projects possible; five more are in progress and another three are in inquiry stages;
 - Raised public awareness through wide-ranging communications efforts on the principles and positive impacts of multiple benefit carbon forestry and agroforestry projects;
 - Engagement with governments in Guatemala, Mexico, Honduras, Ghana and Cameroon is ongoing with regard to capacity-building and legal infrastructure.
-

Impact measurement

The Alliance is committed to measuring the impact of their work through scientific research, particularly in the areas of water, biodiversity, environmental degradation, threatened and endangered species, treatment of workers, community health, competitiveness of community-based operations, and overall costs and benefits of certification or adoption of sustainability practices. Their Evaluation & Research unit, launched in 2006, now collects standardized, quantifiable information, called “global indicators,” from the farms, forests and tourism enterprises where the Alliance works to examine their performance. In 2010 they produced their first report on global indicator data from the forestry program.

The Alliance also works with universities and research institutes to investigate particular aspects of their work. In 2010, a PhD student from the University of Georgia’s Odum School of Ecology has begun her research on the impacts of Rainforest Alliance certification on freshwater bodies near farms. Another study is underway to determine whether certified and non-certified cattle farms show different values of water quality, erosion, worker well-being, cattle health, and other variables.

2010 KEY OUTPUT/IMPACT:

- Wrote report on global indicator data from forestry program;
 - Conducted first phase of data collection for freshwater impacts assessment;
 - Vetted candidate cattle ranches for case studies determining impact of cattle certification; completed study methodology and list of indicators (e.g. water quality, erosion, worker well-being, cattle health, financial variables) to be compared pre- and post-certification;
 - Proposed 21 indicators to monitoring climate program. By adding environmental and socioeconomic indicators to the list of information gathered by the Climate Program during validation/verification visits, the Rainforest Alliance will not only be able to better understand the non-carbon benefits of Reducing Emissions from Deforestation and Forest Degradation (REDD) projects, but will also be able to better describe the combined impacts of the Alliance at the organizational, rather than program, level.
-

Skills-based volunteering

Leading from the base of Zurich's expertise, we sent a team of risk experts to the Alliance to conduct an audit of their organization and operations, from which we created the risk profile and risk management plan that they use today. This exercise included joint training programs in which we built skills relevant for professionals working in both organizations. "NGOs often talk about skills transfer from donors," says Lara Koritzke, Director of Institutional Giving at the Rainforest Alliance, "but in practice this is rare. What we are doing with Zurich is on the cutting edge."

Stiftung Risiko Dialog 
St. Gallen – Zurich
Climate Prize

Zurich Foundation partner since 2008



The Stiftung Risiko Dialog was founded at the University of St. Gallen (Switzerland) in 1989 after environmental and technological disasters such as those suffered at Chernobyl and Schweizerhalle, Switzerland shook public confidence in new technologies and the security of modern society. Today the Stiftung Risiko Dialog has more than 20 years of experience in the observation, analysis and moderation of risk debates, as well as in consultancy in risk communication. It brings together stakeholders from economics, science, politics and public administration, as well as NGOs and various interest groups, to discuss the risks confronting society today.

The Stiftung Risiko Dialog focuses on the social implications surrounding issues such as pollution, nanotechnology and energy security. It initiates and facilitates solution-oriented dialogue with the aim of increasing societal competence in the assessment and handling of risks. It takes as given that public debate at an early stage is essential to finding acceptable solutions to major new risks. Depending on the phase of the risk debate in question, experts and exponents of different interest groups participate in group discussions, stakeholder dialogues or public conferences. In accordance with the topic, the emphasis may be on the exchange of knowledge and experience, developing possible scenarios, or identifying viable methods of mitigation.

Key areas of common interest:

- Improve understanding and raise awareness of climate issues and protection
- Create incentives for Zurich target groups to take greater account of climate-relevant issues in their behaviors

The Foundation's cooperation with Stiftung Risiko Dialog

In cooperation with Stiftung Risiko Dialog, Zurich Switzerland developed the Zurich Risk Management Dialogue, a platform to discuss current and future challenges facing society, especially climate change. In addition to discussing risks, Zurich also wants to make a tangible contribution to spotlighting opportunities. To this end the Zurich Climate Prize has been established with financial support from the Foundation to award innovative and/or replicable projects that actively contribute to the reduction of CO₂ emissions or are able to effect a positive change in behavior. The Prize is co-financed by rebates from the CO₂ steering tax of Zurich Switzerland.

The Zurich Climate Prize was piloted in April 2010, covering the region Zurich Oberland. The first place winner was Kehrlichtverwertung Zuercher Oberland (KEZO) and the Meier Brothers Hinwil, for using the steam generated by KEZO's waste incineration plant for sustainable carbon-neutral vegetable cultivation in the Meier Brothers' greenhouse next door, thereby saving approximately 1 million liters of fuel annually. KEZO was also the winner of the special prize for their innovative system to sort slag and fine waste. This special prize was awarded because this project was considered to have great potential and because its technology can easily be replicated to other waste recycling activities.

In second place, Beat Ernst Architects won for the first Minergie-P certified sports hall in Switzerland.

The next Zurich Climate Prizes are awarded on March 1, 2011, for the region Liechtenstein, on March 29, 2011, for the region East, and on April 28, 2011, for the center region. For the Western part of Switzerland the submission deadline is September 15, 2011.



2010 KEY OUTPUT/IMPACT:

- For the first Zurich Climate Prize, CHF 45,000 prize money was awarded in 2010 (CHF 25,000 to KEZO/Meier brothers, CHF 15,000 for the sport hall, and CHF 5,000 as special prize to KEZO);
- Twelve Dialog events were held to facilitate the active exploration and discussion of aspects of climate change, two of them held with former UK Prime Minister and Zurich special advisor Tony Blair;
- Zurich's first internal climate days were held, focusing on climate change, mobility and sustainability.

Insurance-relevant research and education



The link to our business

To stay competitive we must continually re-evaluate our knowledge of the risks we insure, and build our understanding of emerging ones. This is vital work that we cannot do in isolation. By supporting insurance-relevant research and education, we cultivate the broader ecology of risk investigation and awareness on which our business ultimately depends.

ETH Zurich

Zurich Foundation partner since 2008



Eidgenössische Technische Hochschule Zürich
Swiss Federal Institute of Technology Zurich

Key areas of common interest:

- Development of sound insurance practices
- Research on existing, evolving and emerging risks

The ETH Zurich is a Swiss institution dedicated to higher learning and research. Founded in 1855, it offers an inspiring environment for researchers and a comprehensive education for students. It is one of the leading international universities for technology and the natural sciences, and is regularly named one of the best universities in the world. Twenty-one Nobel laureates have studied, taught or conducted research at the ETH Zurich.

Transferring knowledge is one of the ETH Zurich's primary concerns. Its success is borne out by the 80 new patent applications it files each year and the 195 spin-off companies that were created from the institution's work over the past 14 years. The ETH Zurich orients its research strategy around global challenges such as climate change, world food supply and human health.

The Foundation's cooperation with the ETH Zurich

The Foundation's cooperation with the ETH Zurich focuses on two commitments: the endowment of a new Chair in risk and insurance economics, and the Zurich Dissertation Prize.

ETH Zurich Integrative Risk Management Initiative

In July 2010, the Foundation announced that it would endow a new Professorship in risk and insurance economics as part of the ETH Zurich Integrative Risk Management (IRM) Initiative. Up to five Professorships and a new center of competence for integrative risk management will be established as part of the initiative, and together they will seek to establish a world-class nucleus for integrative risk management by assembling and enlarging risk research expertise, and by stimulating collaboration between finance, insurance and industry.

The Professorship endowed by the Foundation is meant to play a leading role in the development of the science of risk-pooling and risk-spreading through reinsurance and capital markets, build synergies between its work and the work of the other professors, and to develop strong interactions with industry and other stakeholders. The Professorship will encompass 15-20 research positions and a full lab.

The emerging discipline of IRM seeks to establish an integrated view of the diverse risks economies, enterprises and individuals face, and to develop ways to assess, compare and understand these risks and their interdependencies. Research output is aimed at improving management of portfolios of risks, finding risk-reducing activities and designing novel collaboration schemes related to risk reduction.

The inaugural professor is expected to be named in late summer 2011.

2010 KEY OUTPUT/IMPACT:

- Professorship in risk and insurance economics endowed; inaugural professor to be announced in late summer 2011.
-

Zurich Dissertation Prize

The Foundation has awarded the Zurich Dissertation Prize every year since 2008. The prize rewards dissertations of outstanding scientific quality with a connection to the topic of risk by students in the Department of Management, Technology and Economics at the ETH Zurich. In 2010, the Prize was awarded to Dr. Oliver Schneider, whose thesis delivers a tool and approach for demonstrating the benefit of supply chain initiatives. His work provides financial and logistical managers with a clear and traceable approach on how to measure and sell the value created by operational supply chain performance improvements.

2010 KEY OUTPUT/IMPACT:

- CHF 15,000 to Dr. Oliver Schneider for his dissertation "Adding Enterprise Value – Mitigating Investment Decision Risks by Assessing the Economic Value of Supply Chain Initiatives."
-

Q&A

with Dr. Oliver Schneider,
2010 Zurich Dissertation
Prize winner



Q: What was the topic of your dissertation?

A: I developed a method for calculating and representing the value of supply chain improvement initiatives. It brings together the perspectives of both the operational supply chain manager and top management, whose members often have a primarily financial background.

Q: How is your research relevant to today's risk environment?

A: In an ever more global and dynamic business environment, many decisions have to be taken under great uncertainty. Supply chains are extended, resulting in higher risks on the capital which is locked up as working capital and on the reliable delivery of goods to customer demands. By establishing a common understanding between supply chain managers, financial managers and top management on the risks and value contributed by a specific supply chain setup, decisions can be taken on a broader basis, mitigating, for instance, investment decision risks.

Q: What does the recognition of the Zurich Foundation mean for you?

A: The Zurich Dissertation Prize means a lot to me. It is a great honor for any researcher to be recognized by the industry, as this is a confirmation of the practical relevance of the chosen research topic, which I was always striving for.

Q: What are you doing now?

A: I am now working for the global technology and market leader of braking systems for trains and commercial vehicles in Munich, Germany. There I am part of the central logistics department, which is responsible for the global logistics strategy and logistics controlling.

Stiftung Road Cross

Zurich Foundation partner since 2008



Key areas of common interest:

- Education of customers, potential customers and wider society on how to reduce risks that Zurich insures

Stiftung Road Cross is a non-profit organization that was founded 20 years ago by a small group of doctors, lawyers and politicians by launching the educational awareness campaign "Speed kills." Today Road Cross is widely recognized as a champion of road safety, road accident prevention and coping with the effects of road accidents.

The Foundation's cooperation with Stiftung Road Cross

The Foundation supports Road Cross with a financial contribution that allows them to reach out to more young adults and new drivers. New drivers are inexperienced by definition, and often overconfident. For this reason Road Cross organizes road traffic education events for young adults in places where they can be easily reached such as schools, sports clubs, youth clubs, and in the companies where they receive vocational training.

The program uses pictures and videos to depict the reality of road accidents and the serious, long-term consequences of reckless driving. Through case studies participants are asked to look for the causes of irresponsible behavior in traffic, and to examine their own behavior. Under the guidance of a moderator the participants work out how accidents can be avoided. External evaluations have shown a change in attitude in the majority of participants 6 months after the event. To enhance the lasting effect of these events, a reminder package is under development that will summarize the most important issues and serve as a guide for safe decisions in difficult situations.

2010 KEY OUTPUT/IMPACT:

- Sixty prevention events were held in 2010, with 95 percent of feedback from teachers and pupils rated good to very good. Over 75 percent of the students agreed that the event made them reflect on the topic. Materials have been translated to French to reach the western part of Switzerland as well.

Governance

The Z Zurich Foundation (formerly the Jubilee Foundation) is a private foundation under Swiss law funded by Zurich Insurance Company Ltd and Zurich Life Insurance Company Ltd. The Foundation was renamed in 2008 as part of a major transformation to align the Foundation with best practice governance and community investment standards. The reforms enable us to make a greater positive impact on society and ensure that our community investments are supportive of Zurich's overall corporate responsibility strategy.

We are committed to transparency and continuous improvement in the effective use of Foundation funds. The Foundation is a member of SwissFoundations, the Association for grant-making foundations in Switzerland and the first organization in Europe to publish generally applicable governance guidelines on modern and professional foundation management, promoting transparency, professionalism, and the effective use of foundation means.

The Foundation is governed by a Board of Trustees, whose members are elected by the Board of Directors of Zurich Insurance Company Ltd for a term of office of three years.

In 2010, the Board of Trustees and the management of the Foundation were comprised of the following members:

Name	Function	Term of office
M. Senn, in Zumikon	Chairman	2008-2011
F. Bouchard, in Thalwil	Member	2009-2011
P. Buomberger, in Baden	Member	2009-2012
M. Hongler, in Zürich	Member	2009-2011
A. Gillies, in Wheatley Oxon UK	Member	2008-2011
R. Kearns, in Zürich	Member	2008-2011
M. Puccio, in Hoffman Estate USA	Member	2008-2011
K. Reiter, in Zürich	Manager	

Clear, comprehensive guidelines are in place that define the responsibilities of the Chairman, the Board of Trustees and the Foundation manager, as well as the necessary signing authority levels.

Financial statements

Balance sheet	in CHF, as of	12/31/10	12/31/09
	Assets		
	Liquid assets	826,537	847,004
	Accounts receivable	119,026	159,308
	Securities	1	1
	Investment funds bonds inland	3,693,452	3,834,106
	Investment funds shares inland	4,468,948	3,228,706
	Investment funds money market	6,732,242	5,752,265
	Total investments assets	15,840,208	13,821,391
	Total deferred charges and prepaid income	3,598,340	3,759,467
	Total assets	19,438,548	17,580,858
	Liabilities		
	Payables		
	Current account Zurich Insurance Company Ltd	0	46,557
	Total payables	0	46,557
	Total deferred charges and prepaid expense	215,333	216,333
	Foundation capital, uncommitted funds		
	Foundation capital	17,317,968	13,618,430
	Retained earnings – current year profit/loss	1,905,247	3,699,538
	Total Foundation capital, uncommitted funds	19,223,215	17,317,968
	Total liabilities	19,438,548	17,580,858

Note: all amounts in the Financial statements are shown in CHF, rounded to the nearest CHF 1 with the consequence that the rounded amounts may not add to the rounded total in all cases.

Income statement

in CHF for the years ended December 31

	2010	2009
Revenues		
Charitable and social institutions	510	0
Development aid	9,418	0
Total donation income	9,928	0
Contribution of Zurich Insurance Company Ltd	4,835,615	5,260,275
Interest income	2,961	2,879
Realized gains on investment		
Realized gains on investment funds bonds inland	4,267	0
Total realized gains on investment	4,267	0
Unrealized gains on investment		
Unrealized gains on investment funds bonds	16,160	17,131
Unrealized gains on investment funds shares inland	0	186,767
Total unrealized gains on investment	16,160	203,897
Dividend/interest incl. withholding tax	337,114	452,319
Total revenues	5,206,045	5,919,370
Expenses		
Foundation services		
Cultural	5,000	10,000
Research, science and education	15,000	16,500
Development aid	10,000	19,618
Total donations	30,000	46,118
Practical Action	500,000	550,000
Rainforest Alliance	517,214	517,185
Red Cross and Crescent Societies	837,000	708,333
ETH Foundation Zurich	1,000,000	0
Total global non-profit partnerships	2,854,214	1,775,518
RoadCross	150,000	150,000
Stiftung Risiko Dialog	100,000	100,000
Total Swiss non-profit partnerships	250,000	250,000
Administration costs	6,600	-3,095
Unrealized loss on investment		
Unrealized loss on investment funds shares inland	41,300	0
Unrealized loss on investment funds money market inland	118,684	151,291
Total unrealized loss on investment	159,985	151,291
Total expenses	3,300,798	2,219,832
Annual result	1,905,247	3,699,538

Note: all amounts in the Financial statements are shown in CHF, rounded to the nearest CHF 1 with the consequence that the rounded amounts may not add to the rounded total in all cases.

Annex

Z Zurich Foundation is a foundation established by Zurich Insurance Company Ltd and Zurich Life Insurance Company Ltd, in accordance with Swiss law, with registered offices in Zurich.

The statutory purpose of the Foundation is to provide financial support for and promote charitable activities of any kind, particularly in the areas of science and culture, education, recreation and health, environmental protection, assistance to persons in need, the aged, the ill and the disabled.

The Board of Trustees comprises the Chairman and at least two other members who are elected by the Board of Directors of Zurich Insurance Company Ltd.

Board of trustees 2010

Name	Function	Term of office
M. Senn, in Zumikon	Chairman	2008-2011
F. Bouchard, in Thalwil	Member	2009-2011
P. Buomberger, in Baden	Member	2009-2012
M. Hongler, in Zürich	Member	2009-2011
A. Gillies, in Wheatley Oxon UK	Member	2008-2011
R. Kearns, in Zürich	Member	2008-2011
M. Puccio, in Hoffman Estate USA	Member	2008-2011
K. Reiter, in Zürich	Manager	

Foundation assets/commitments

The founding companies endowed total assets of CHF 29,000,000 to the Foundation, with assets of CHF 6,000,000 already endowed in 2008. The remaining amount of CHF 23,000,000 plus market interest will be transferred in equal installments by April 1 each year, over a period of five years, beginning in 2008. The installment due on April 1, 2011, was accrued on income pro rata.

Z Zurich Foundation assumed the following commitments to partners (pursuant to Memoranda of Understanding):

CHF 2,500,000	Practical Action Ltd., Rugby Warwickshire Five year term from 2008 to 2013
CHF 2,500,000	The International Federation of Red Cross and Red Crescent Societies (IFRC), Geneva Five year term from 2009 to 2013
CHF 2,500,000	Rainforest Alliance, Inc., New York Five year term from 2008 to 2013
CHF 450,000	Stiftung RoadCross Schweiz, Zürich Three year term from 2008 to 2011
CHF 300,000	Stiftung Risiko-Dialog, St. Gallen Three year term from 2008 to 2011
CHF 3,000,000	ILO's Microinsurance Innovation Facility, Geneva Three year term from 2010 to 2013
CHF 3,000,000	ETH Zürich Foundation, Zürich Three year term from 2010 to 2013

Deferred charges and prepaid expense

Public charges for the reporting period 2010, audit fees and the obligation to the IFRC in the amount of CHF 208,333.33 were recorded as accruals for December, 2010.

Administration costs

in CHF for the year ended December 31	2010	2009
Administration costs	6,600	-3,095

Since the actual charges in connection with the Foundation reform were lower than the estimated accruals at December 2008, the recorded balance of administration costs shows a negative amount for the period 2009 (revenue).

Accounting and valuation rules

The accounting rules are according to the Swiss Code of Obligations (OR). The following valuation rules apply:

- Securities: balancing in market value at balance sheet date
- Other assets and liabilities: balancing at nominal amount

Risk assessment process

The Z Zurich Foundation is fully integrated in the Group-wide risk assessment process of Zurich Financial Services Ltd. This Group-wide risk process considers the nature and extent of the business activities as well as the specific risks of the Z Zurich Foundation. We refer to the reporting on the risk assessment in the 2010 Consolidated financial statements of Zurich Financial Services Ltd.

Report of the statutory auditors

on the limited statutory examination
to the Board of
Z Zurich Foundation
Zurich

As statutory auditors, we have examined the financial statements of Z Zurich Foundation, which comprise the balance sheet, income statement and annex, for the year ended December 31, 2010.

These financial statements are the responsibility of the Board. Our responsibility is to perform a limited statutory examination on these financial statements. We confirm that we meet the licensing and independence requirements as stipulated by Swiss law.

We conducted our examination in accordance with the Swiss Standard on Limited Statutory Examination. This standard requires that we plan and perform a limited statutory examination to identify material misstatements in the financial statements. A limited statutory examination consists primarily of inquiries of Foundation personnel and analytical procedures as well as detailed tests of Foundation documents as considered appropriate in the circumstances. However, the testing of the operational processes and the internal control system, as well as inquiries and further testing procedures to detect fraud or other legal violations, are not within the scope of this examination.

Based on our limited statutory examination, nothing has come to our attention that causes us to believe that the financial statements do not comply with Swiss law and the Foundation's deed.

PricewaterhouseCoopers AG

Roland Sauter
Audit expert
Auditor in charge

Michael Buehrle
Audit expert

Zurich, April 27, 2011

Corporate responsibility at Zurich

At Zurich, being a responsible, sustainable company is an element of good management and essential to how we do business. In our core business practices, our propositions and services, and in our engagements with the communities in which we live and work, we proactively address social, environmental and governance issues of rightful concern to our stakeholders.

We prioritize these issues based on the potential impact on the business, level of societal concern and our ability to influence them and make a difference. We recognize that our needs are inextricably linked and work hard to contribute to sustainable development and shape a better future for our Group, our people and society.

Zurich Basics states our basic values and the rules of conduct that outline our commitment to meeting the highest ethical, legal and professional standards. Our values of integrity, customer centricity, excellence, teamwork and sustainable value creation guide our actions and foster trust with our stakeholders, helping us to meet or exceed their expectations.

Please visit www.zurich.com/corporateresponsibility for further information.

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