

INTERNAL CONTROL FRAMEWORK

ICF Benefits

- Enhanced understanding and awareness of risks and controls for a given business or financial process
- Clarification of process and control activity ownership
- More timely identification and remediation of control activity issues
- Process and control documentation that can be leveraged by Group and External Audit in the planning and execution of their audits
- Provide a consistent view of risks and associated controls

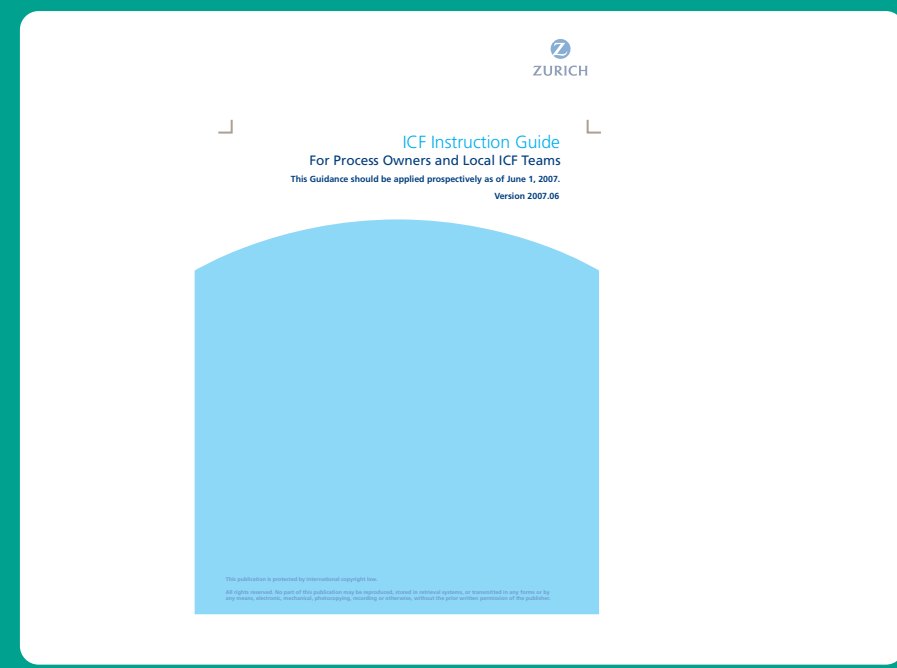
ICF stands for Internal Control Framework. A key objective of the ICF Initiative is the consistent evaluation of the effectiveness of internal controls over financial reporting for significant locations throughout our Company.

ICF Goals

- Implement and embed a consistent framework to document and evaluate the effectiveness of internal controls in the organization as part of The Zurich Way of Controls
- Improve reliability and transparency of financial reporting
- Reinforce Process Owner and business management responsibility for internal controls
- Address the requirements of the changing legislative and regulatory environment
- Provide a basis to improve efficiency and effectiveness of business processes

Methodology

The ICF Methodology is set out in the Instruction Guide, the Compendium and in the Internal Controls Framework



The ICF Instruction Guide can be regarded as reference manual for the initial Documentation & Evaluation phase as well as for ongoing ICF activities

The Compendium guidance contains additional guidance to the Instruction Guide and contains guidance on Local Scoping, Outsourcing, Policies and Procedures as well as the Audit Committee Effectiveness

The Internal Controls Framework identifies over fifty processes that are most applicable to Zurich's business.

These processes and controls are the basis for consistent documentation of Internal Controls across the Zurich Businesses worldwide

The following information is included in the Internal Control Framework

Basic description of the process: Mapping of the financial statement captions from the Group's Annual Report to the process, including the relevant financial statement captions and related financial statement assertions, if any.

Risks: Risks that are relevant to the process and that may affect the achievement of the business objectives, as well as the possible consequences of these risks.

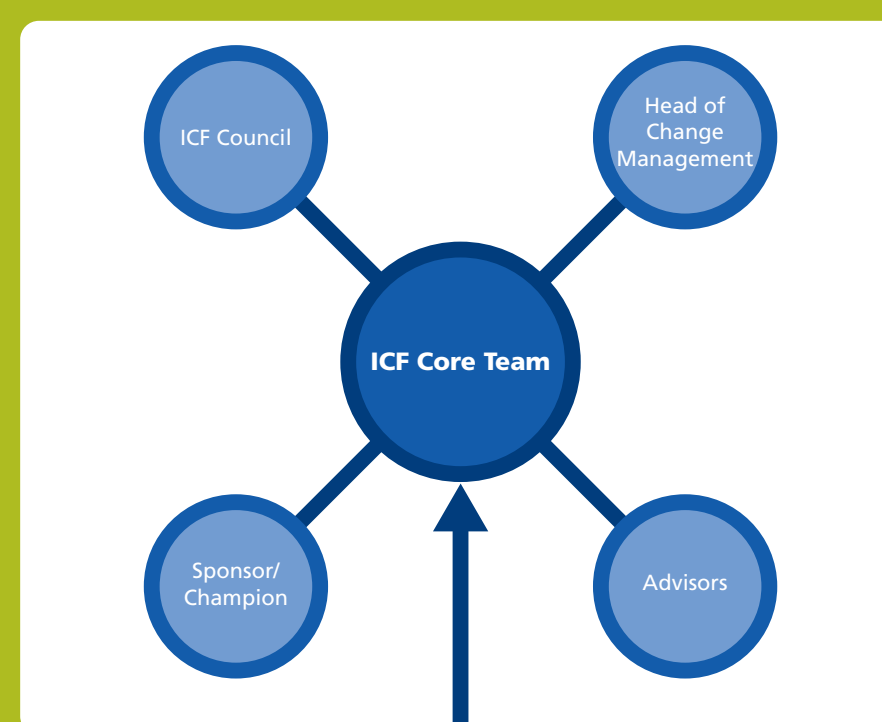
Control Objectives: The main focus of the ICF Initiative is on financial reporting objectives and the related control activities. A control objective can belong to, to one or more of the following three categories: Financial reporting objectives, Operational objectives, Compliance objectives

Control Activities: Control activities that should mitigate the related risks. Control activities are linked to control objectives as well as classified into control categories (Financial, Operational, Compliance).

Managerial Review of Control Activities (MRCA): Steps performed by managerial personnel other than the person performing the control activity, who validate the operating effectiveness of the control activity as part of day to day operations.

Definitions of Control Activity classifications: Statistical referencing to the Financial Statement Assertions (PSA), control type and COSO components.

Team



The Global ICF Team belongs to the Change Management Department and is headed by the Head of Internal Controls & Processes. The Team consists of 6 Team members each responsible for a couple of ICF Locations as well as a workstream.

The ICF Core Team can be contacted via email: ICF-team@zurich.com



Local ICF Teams: Roles & Responsibilities

The ICF Regional Coordinator is responsible for:

- Overall coordination of ICF activities in a given region
- Planning, budgeting, management, and monitoring of the initial documentation and evaluation of processes in a given region
- Monitors remediation activities and support ongoing quarterly documentation and evaluation update and sign-off
- Promotes ICF sustainability

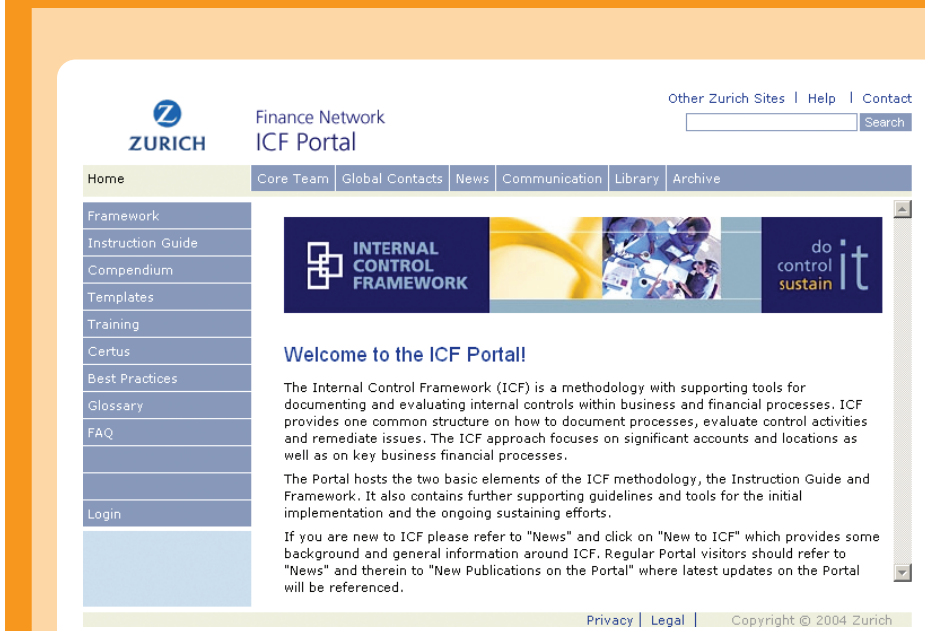
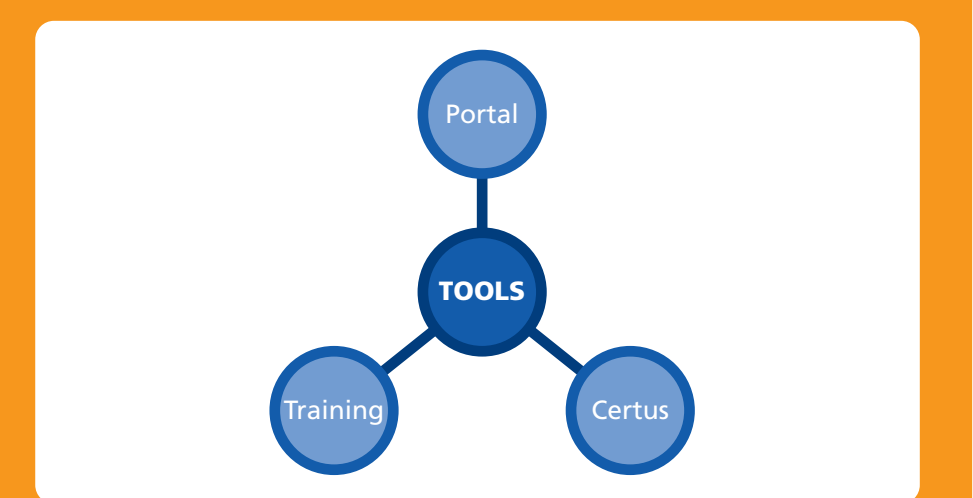
The Regional Certus Coordinator is responsible for:

- Implementation, training and support for Certus End-Users.
- Supports ongoing ICF activities together with the Regional ICF Coordinator

Participants	Roles / Responsibilities	Comments
Process Owner	Ultimately responsible for the documentation, evaluation and monitoring of the control activities that support the business financial process. (This role can also be the Process Owner)	Requires full responsibility for the process and the authority to drive the activities required.
IT Application Owner	Responsible for the Process Owner to document, evaluate and monitor the control activities that support the business financial process. (This role can also be the Process Owner)	Requires competence in evaluating automated control and in understanding their support process. Requires appropriate engagement in the Local ICF Team.
End User Application Owner	Documents and evaluates control activities and monitors the remediation team in End User applications that support the business financial process. (This role can also be the Process Owner)	Requires responsibility for the controls related to the End User application within a given business financial process.
Process Responsible	Responsible for control documentation and monitoring of the control activities that support the business financial process. (This role can also be the Process Owner)	Requires competence in evaluating internal control and in understanding their support process.
Control Activity Performer	Responsible to follow designed control procedures that operationalize control activity on a regular basis. (This role can also be performed by Process Responsible)	Requires competence and experience to perform control activity.
Control Activity Reviewer	Responsible to monitor control activity performance from an operational perspective. (MRCA activities) Must possess an in-depth understanding of the business financial process.	Requires competence and experience to monitor internal control activity performance.
General Control Owner	Responsible for the documentation, evaluation and monitoring of issues in control activities that govern the IT infrastructure that supports the business financial process. (This role can also be performed by Process Responsible)	Requires full responsibility for the process and the authority to drive through the activities required.

Tools

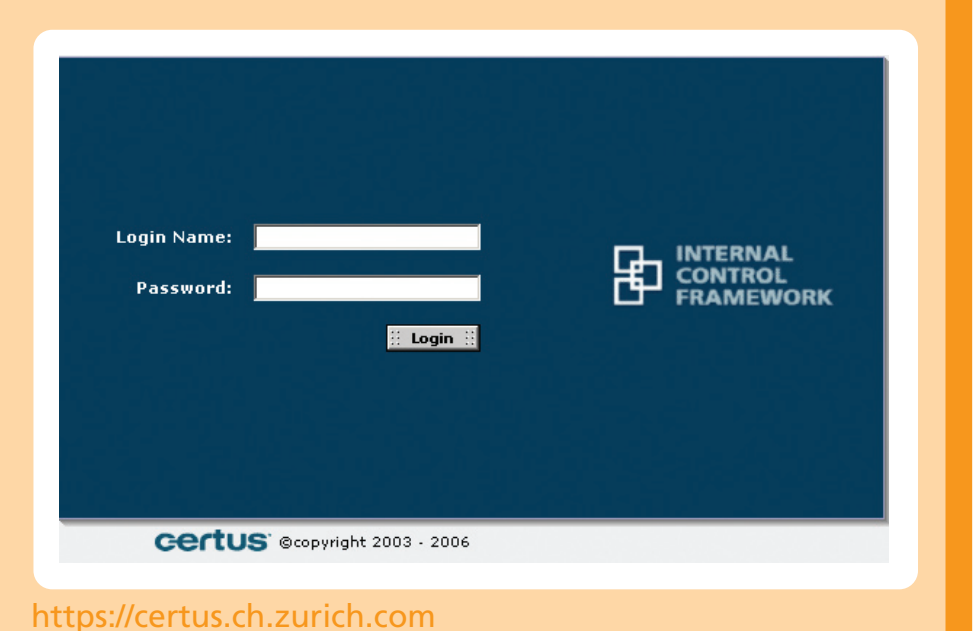
- ICF Portal: Centralize documentation storage
- Certus: Provide a global platform for ongoing ICF activities
- Training: Support the methodology and understanding of the ICF Initiative



ICF Portal Intranet site hosting all ICF material relating to methodology & guidance.

<http://w3.services.zurich.com/general/control/portal.nsf/Portal.html>

Certus Repository for ICF documentation, reporting tool.



<https://certus.ch.zurich.com>

Training Learning material around internal controls and the ICF methodology, reference material.

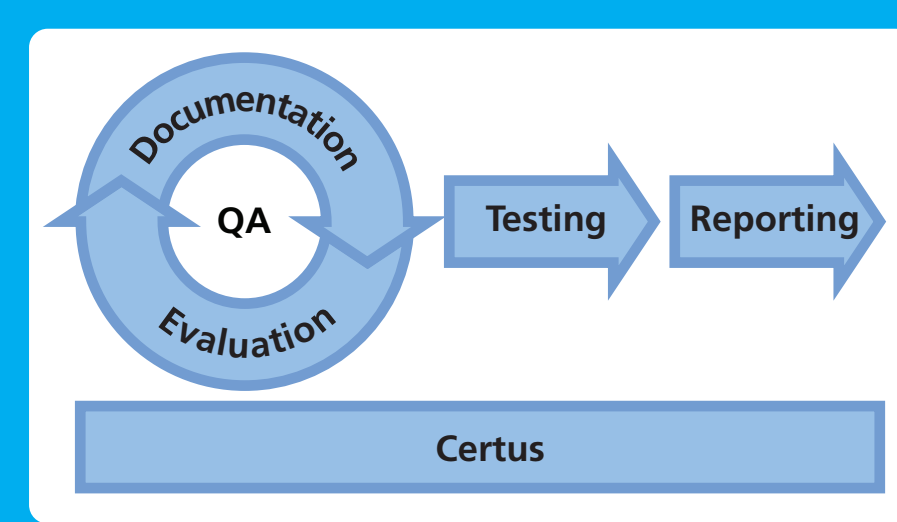


Activities

ICF activities can be separated into:

- Scoping
- Initial Documentation & Evaluation
- Ongoing activities
 - MRCA (Managerial Review of Control Activities)
 - Quarterly Update
 - Sign off
 - Issue Remediation
- Testing
- Reporting

Each of the activities has its own characteristics, which are illustrated as follows.



Process Name	ICF Process Inventory - In-Scope Processes	No. of Processes	No. of Locations	No. of Sub-locations
Financial Reporting	Yes	1	1	1
Operational Objectives	Yes	1	1	1
Compliance Objectives	Yes	1	1	1
IT Infrastructure	Yes	1	1	1
Human Resources	Yes	1	1	1
Legal & Compliance	Yes	1	1	1
Marketing & Sales	Yes	1	1	1
Customer Service	Yes	1	1	1
Information Systems	Yes	1	1	1
Other Business Processes	Yes	1	1	1

Scoping Every year scoping is carried out at Group level on a quantitative and qualitative basis. This is the basis for the local scoping of in scope reporting units identified by Group scoping.

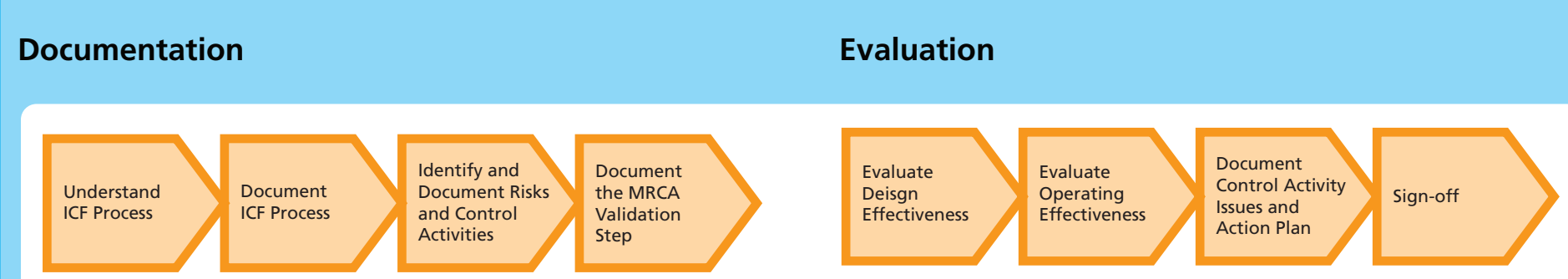
Local scoping includes following parts:

- Quantitative scoping for bucket 1
- Qualitative scoping for all buckets
- Result is the process inventory of the regions approved by local CFO

Documentation and Evaluation On the basis of local scoping – identification of in scope processes – process owners are required to document these processes on the basis of the ICF framework, which includes generic processes.

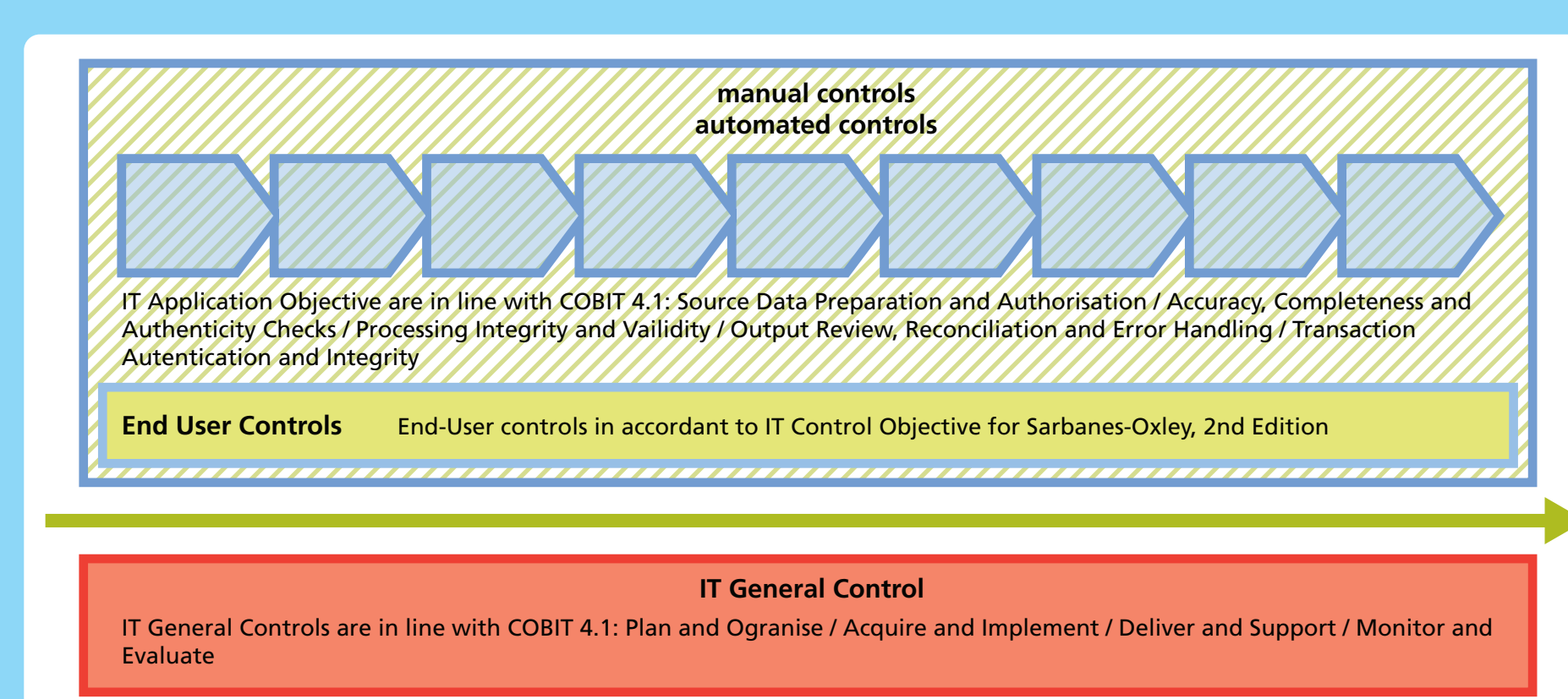
Documentation includes following parts:

- Flowchart, narrative (process description), risks, control objectives, local control activities description, MRCA validation steps



Documenting IT Controls

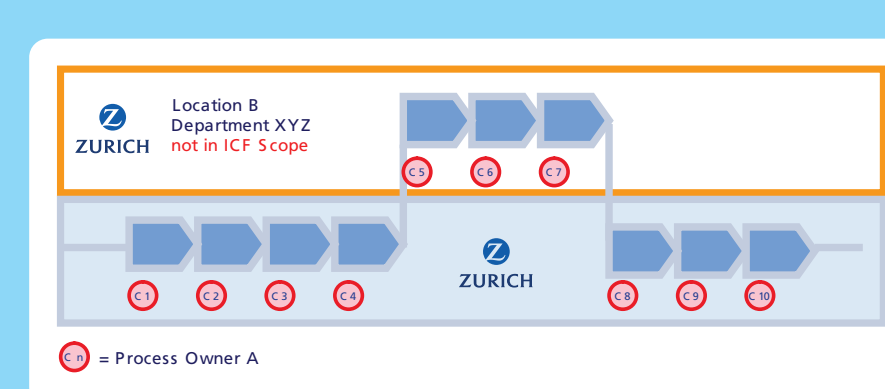
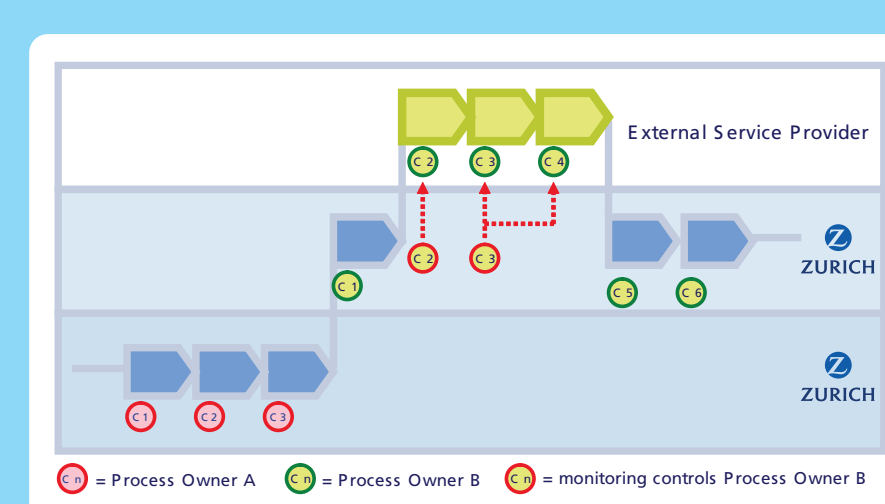
IT Controls Activity Structure



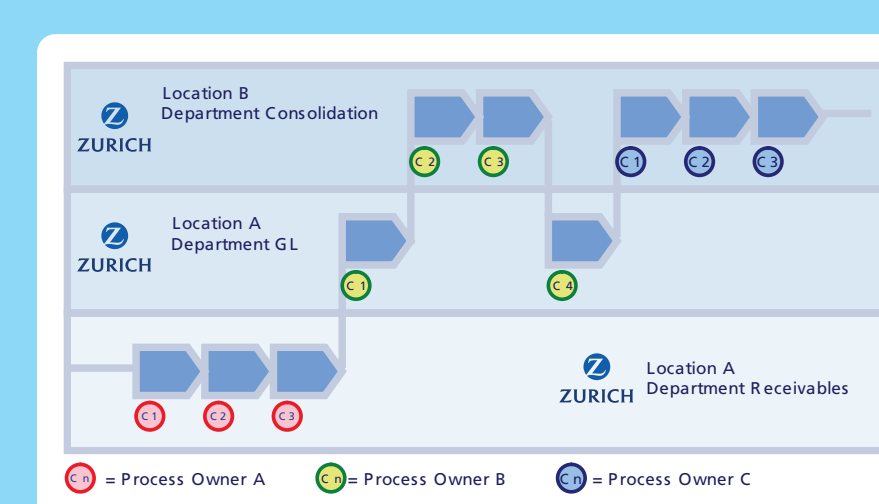
Documenting Outsourcing

Responsibilities Outsourcing

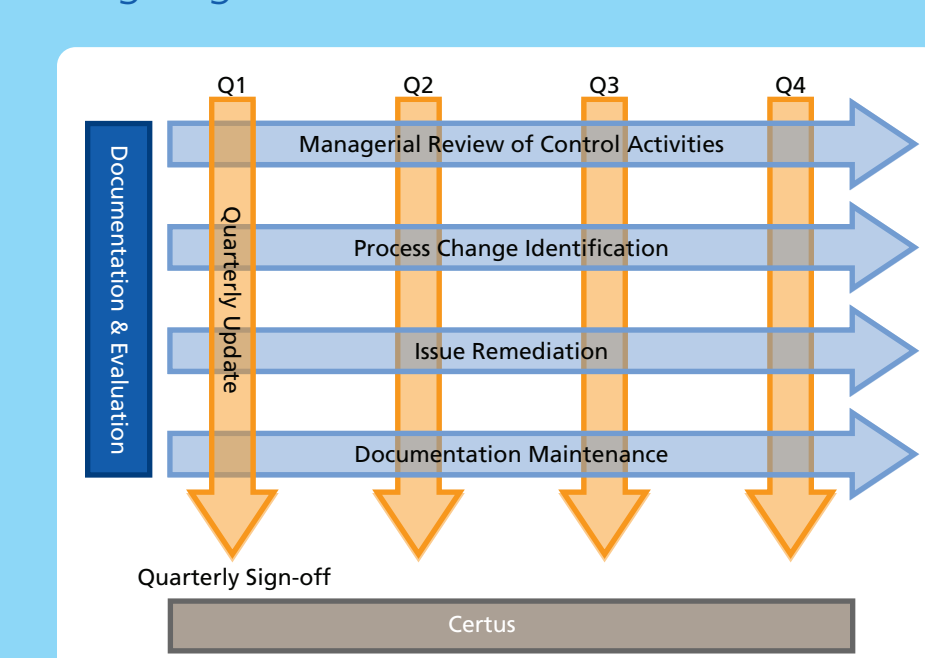
The Process Owner is responsible for the documentation, evaluation, effectiveness and sign off of the control activities in the processes which have been outsourced and outsourcing does not transfer or eliminate such responsibility.



All processes are in ICF Scope



Ongoing Activities



Issue Remediation

- Identification of issues through MRCA, direct testing from Group Audit, other testing sources
- Responsible process owner to describe issue with key details
- Assess business exposure and potential impact on financial misstatement
- Establish action plans for remediation of issues

Priority	High/Medium/Low
Description	A high/medium/low description of the issue
Remediation	Action Plan, Action Responsible, Target Completion Date
Validation	Documentation Update

- MRCA: Management self testing of local control activities to confirm design and operational effectiveness
- Quarterly update: Identification of process changes and respective documentation update. Includes consideration of remediation status of identified issues
- Sign off: Quarterly sign off by process owner to confirm up-to-date documentation and effective control activities

Provide the context of the issue Give a high level description in one or two sentences

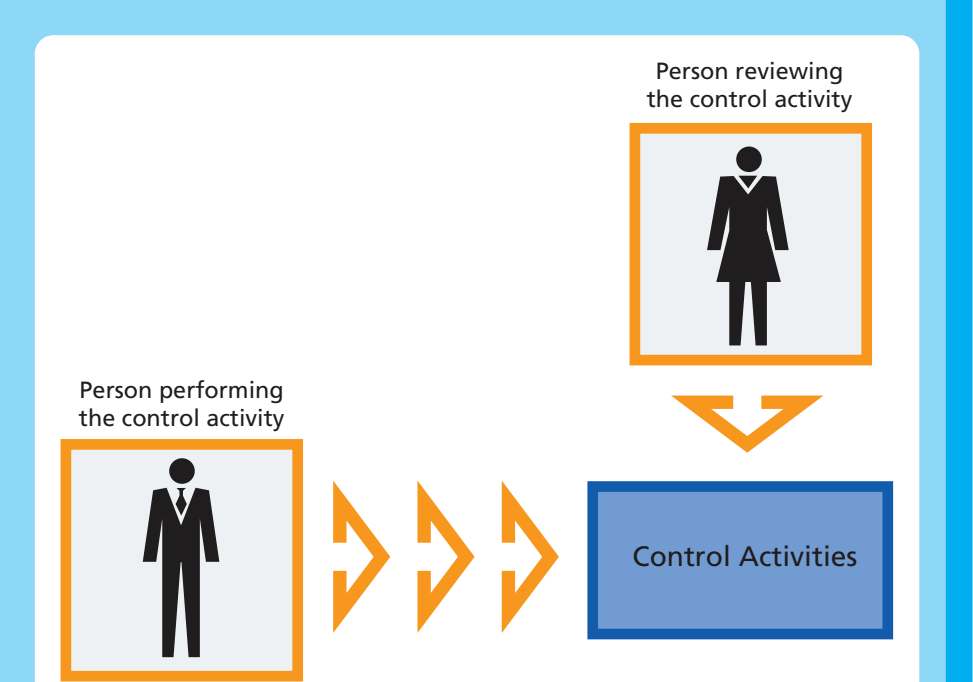
Indicate the exposure for the business Explain the business consequences of not solving the issue

Give the key details Two or three sentences giving the details relevant for the action that needs to be taken

Testing

- Periodic Managerial Review of Control Activities
- Direct testing by Group Audit
- Management self testing (e.g. peer reviews)

Managerial Review of Control Activities



Reporting

The fourth ICF phase has not been activated yet. Instructions will be made available if and when reporting will become a group requirement