

ALLIANZ SE

System for the Remuneration of the Board of Management

Excerpt from the invitation to the Annual General Meeting
of Allianz SE on May 5, 2021

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SYSTEM FOR THE REMUNERATION OF THE BOARD OF MANAGEMENT OF ALLIANZ SE

KEY PRINCIPLES

Remuneration is designed to be appropriate compared to peers, given Allianz Group's range of business activities, operating environment, and business results achieved. The aim is to ensure and promote sustainable and value-oriented management of the Company that is in line with the corporate strategy. The key principles of Board of Management remuneration are as follows:

- **Support of the Group's strategy:**

The design of variable remuneration and in particular of performance targets reflects the business strategy and sustainable long-term development of Allianz Group.

- **Alignment of pay and performance:**

The performance-based variable component of the board members' remuneration forms a significant portion of the overall remuneration, corresponding to 70% of the target remuneration.

- **Sustainability of performance and alignment with shareholder interests:**

A major part of the variable remuneration reflects longer-term performance, with deferred payout (64%), and is linked to the absolute and relative performance of the Allianz share.

DETERMINATION OF THE REMUNERATION SYSTEM

The Management Board's remuneration is decided upon by the entire Supervisory Board, based on proposals prepared by the Supervisory Board's Personnel Committee. If required, the Supervisory Board may seek outside advice from independent external consultants. The Personnel Committee and the Supervisory Board consult with the Chairperson of the Management Board in assessing the performance and remuneration of Management Board members. The Chairperson of the Management Board is generally not involved in the discussion about his own remuneration. The Supervisory Board designs the remuneration system for the Management Board members in accordance with the requirements of the German Stock Corporation Act (AktG) in its currently valid version as well as with regulatory requirements and the recommendations of the German Corporate Governance Code, while ensuring clarity and comprehensibility. Feedback from investors is also considered.



The remuneration system for the Management Board thus adopted by the Supervisory Board and submitted to the 2021 Annual General Meeting for approval applies to all current and future service contracts of Management Board members. The Supervisory Board regularly reviews the remuneration system for the Board of Management. In accordance with the requirements of § 120a (1) AktG, the Supervisory Board will present the remuneration system for the Management Board members to the Annual General Meeting in the event of any material changes, but at least every four years.

In exceptional circumstances and in accordance with the statutory provisions (§ 87a (2) AktG), the Supervisory Board may temporarily deviate from the remuneration system described below, if this is necessary in the interests of the long-term well-being of the Company. The assessment may take into account both macroeconomic and company-related exceptional circumstances, such as impairment of the long-term viability and profitability of the Company. Any deviation requires a prior proposal by the Personnel Committee. The components of the remuneration system from which deviations may be made in exceptional cases include in particular the base salary, the annual bonus and the long-term incentive (LTI), including their relationship to each other, their respective assessment bases where applicable, the target setting and target achievement assessment principles, and the determination of any payout and payment dates. The duration of the deviation shall be determined by the Supervisory Board at its due discretion, but should not exceed a period of four years. In a crisis situation, for example, this provision is intended to allow the appointment of a new board member, for instance with crisis management expertise, with a remuneration structure that temporarily deviates from the remuneration system.

DETERMINATION AND ADEQUACY OF THE MANAGEMENT BOARD REMUNERATION

Based on the remuneration system, the Supervisory Board determines the target total remuneration and regularly reviews the appropriateness of the remuneration. This is based on both a horizontal comparison (i.e., with peer companies) and a vertical comparison (in relation to Allianz employees). Again, the Supervisory Board's Personnel Committee develops respective recommendations, if necessary with the assistance of external consultants. The structure, weighting and level of each remuneration component shall be adequate and appropriate.

HORIZONTAL APPROPRIATENESS

The Supervisory Board regularly benchmarks the Board of Management's remuneration against other DAX companies and selected international competitors, taking into account the situation of the Allianz Group as well as its longer-term performance, relative size, complexity, and global reach.

VERTICAL APPROPRIATENESS

This comparison is based on the target remuneration of a Management Board member and the average target remuneration of employees as well as members of the upper management of Allianz Group in Germany.

ADJUSTMENT OF REMUNERATION

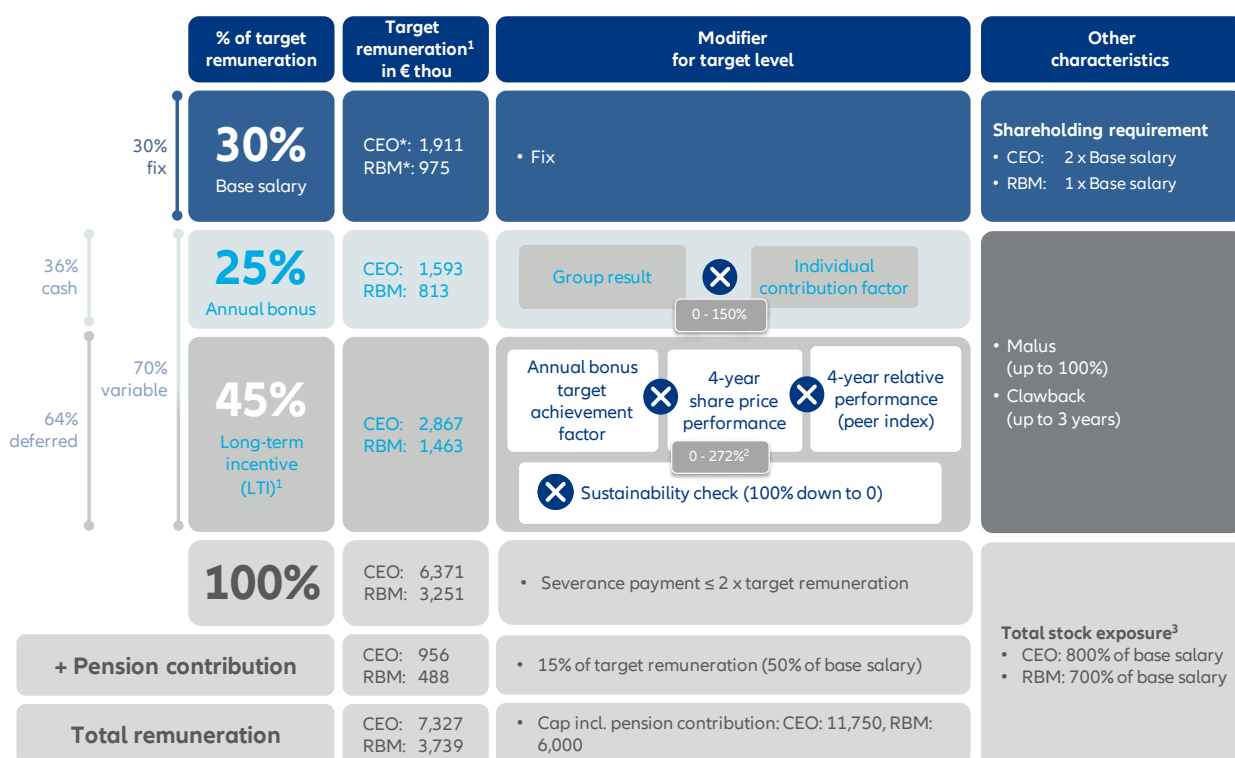
The Supervisory Board may also adjust the target remuneration of the Management Board members insofar as this is appropriate to ensure that the remuneration of the Chairperson of the Board of Management or a regular member of the Board of Management is appropriate with regard to their duties and performance. In doing so, it shall take into account the comparison of board remuneration horizontally and vertically. The aim of this rule is to adjust board remuneration moderately on the basis of horizontal and vertical compensation trends and thus avoid major remuneration increases. It does not constitute an automatic adjustment, but requires a justified decision by the



Supervisory Board in each case. Such a moderate adjustment of the target remuneration does not in itself represent a significant change to the remuneration system.

The Supervisory Board is also entitled to take appropriate account of extraordinary unforeseeable developments when determining the amount of the variable remuneration. This rule takes up a recommendation of the German Corporate Governance Code and allows to adjust the remuneration in rare unforeseeable exceptional cases. Conceivable cases of application include, for example, significant changes in accounting rules or in the tax or regulatory framework, as well as catastrophic events not yet known at the time of target setting. The application of this rule may also lead to a reduction in the variable remuneration.

REMUNERATION STRUCTURE



* CEO = Chief Executive Officer, RBM = regular Board member

1_For simplicity reasons, the LTI percentage as well as the LTI target amount are based on target allocation values.

2_The overall remuneration cap of € 11,750 thou | € 6,000 thou including pension contributions limits the effective payout of the LTI to a maximum of 272%.

3_Shareholding requirement plus LTI at full run-rate.

REMUNERATION COMPONENTS AND TARGET SETTING PROCESS

BASE SALARY

The base salary, which is not performance-related, is paid in twelve equal monthly installments.

PERQUISITES

Perquisites mainly consist of contributions to accident and liability insurances, tax consultant fees (if in the interest of Allianz) and the provision of a company car. Perquisites are not linked to performance. Each member of the Board of Management is responsible for paying the income tax due on these perquisites. The Supervisory Board regularly reviews the level of perquisites; a contractual annual cap applies. If an appointment to the Board of Management requires a change of residence, relocation expenses are reimbursed to an appropriate extent.

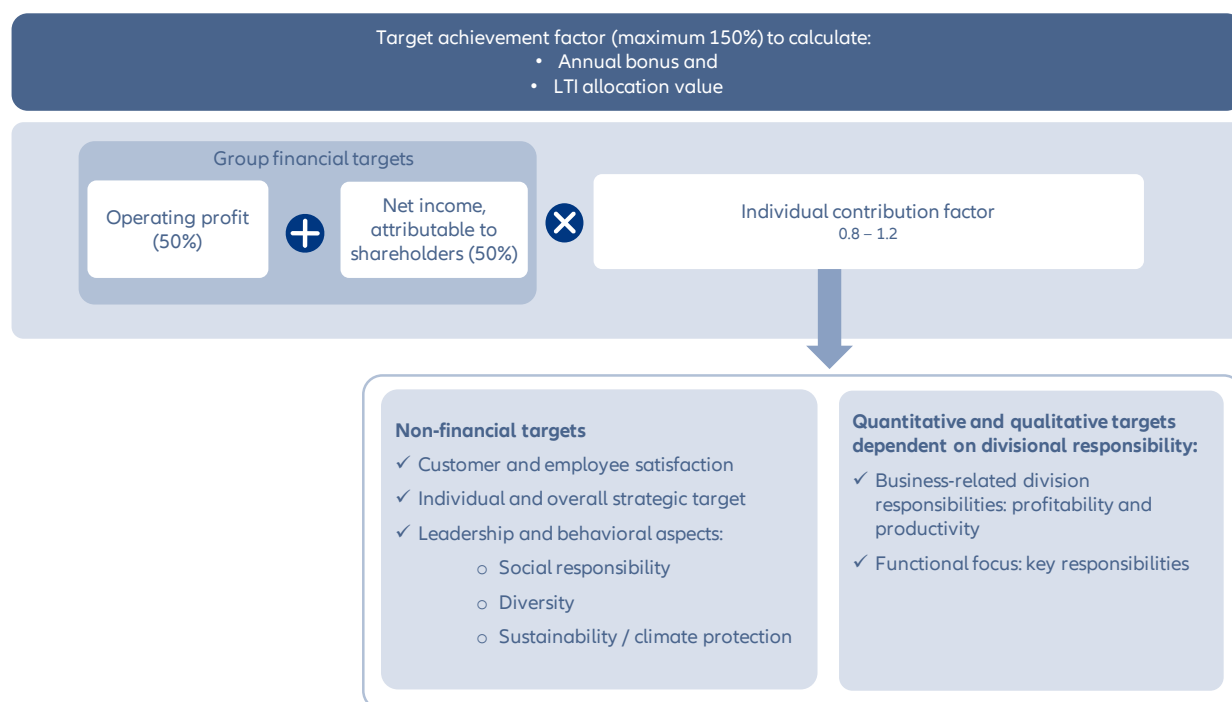


VARIABLE REMUNERATION

Variable remuneration aims for balance between short-term performance, longer-term success and sustained value creation; the payout of two-thirds of this remuneration component is deferred. It is designed to balance risk and opportunity while promoting the sustainable implementation of Allianz Group's strategy. The Supervisory Board ensures that the targets underlying the variable remuneration are challenging, sustainable and ambitious.

TARGET ACHIEVEMENT FACTOR TO DETERMINE THE VARIABLE REMUNERATION

In line with the overarching strategic objective "simplicity wins", the calculation of variable remuneration follows a simple system. The annual bonus and LTI allocation are based on only two Group financial targets for the relevant fiscal year: operating profit and net income attributable to shareholders, each at 50%. The resulting target achievement is adjusted by an individual contribution factor (ICF) in the range of 0.8 to 1.2, which reflects both the results of the business division and the performance of the individual board member. If targets are not met, the variable remuneration can be reduced to zero. If targets are significantly exceeded, the target achievement is limited to 150%.



GROUP FINANCIAL TARGETS

The Group financial targets are based on equally weighted targets for Group operating profit and Group net income attributable to shareholders. Adjustments are only applied to acquisitions and disposals that account for more than 10% of the Group's operating profit or net income attributable to shareholders or have a value-adding effect from a risk management perspective (e.g. portfolio transfers) and were not yet known at the time the plan was prepared. This regulation is intended to prevent meaningful transactions from having a negative impact on the remuneration of the Management Board. Operating profit highlights the underlying performance of ongoing core operations. Net income attributable to shareholders is the profit after tax and non-controlling interests (minorities). Furthermore, the net income forms the basis for the dividend payout and for the return on



equity calculation. Both key performance indicators (KPIs) are important steering parameters for Allianz Group and therefore reflect the level of implementation of the Group's strategy.

The Group's financial target achievement is limited to a maximum of 150% and can drop to zero.

The minimum, target and maximum values for the Group financial targets are set annually by the Supervisory Board. These are documented for the respective fiscal year and published ex-post in the remuneration report.

INDIVIDUAL CONTRIBUTION FACTOR (ICF)

The Group financial target achievement is multiplied by the ICF for each board member. The ICF is based on an assessment by the Supervisory Board, resting upon KPIs reflecting the respective board member's area of responsibility and his or her personal contribution. The ICF takes into account each board member's individual contribution to the implementation of the business strategy.

Since the performance is determined without a specified weighting, the ICF covers a narrow range of 0.8 to 1.2. The concept of a non-specified weighting allows the Supervisory Board to react appropriately to changes in priorities during the year.

- **Business division targets:**

For board members with business-related division responsibilities, the contribution to the financial performance considers various indicators of profitability (e.g., operating profit and net income) and productivity (e.g., expense ratio) for the respective business division. For board members with a functional focus, division-specific performance targets are determined based on their key responsibilities and qualitatively assessed.

- **Non-financial targets:**

Non-financial targets take into account customer satisfaction (e.g., Net Promoter Score (NPS¹)), employee engagement (e.g., Allianz Engagement Survey) and leadership quality, including strategic priorities. The assessment of the individual leadership quality also includes a review of behavioral aspects, such as customer orientation, collaborative leadership, entrepreneurship, and trust (e.g., corporate social responsibility, integrity, diversity, and sustainability as measured by the greenhouse gas reduction of Allianz companies and by the development of a roadmap to reduce CO₂ emissions in the context of capital allocation).

VARIABLE REMUNERATION COMPONENTS

The performance-related variable remuneration consists of an annual bonus and a long-term remuneration (Long-Term Incentive – LTI).

ANNUAL BONUS

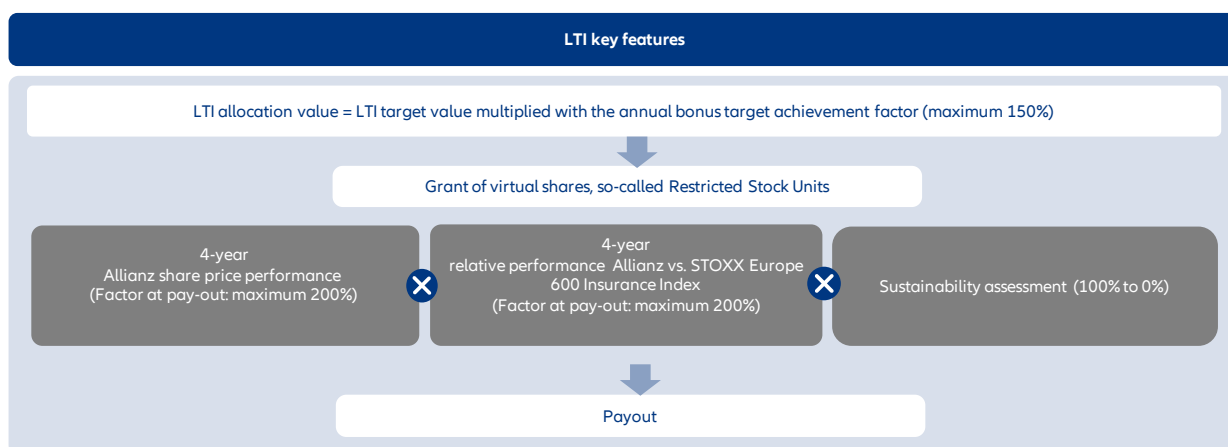
The annual bonus is derived by multiplying the target achievement factor by the target amount for the annual bonus and is paid out in cash after the end of the relevant fiscal year, with payment limited to a maximum of 150% of the target amount.

1) Net Promoter®, NPS®, NPS Prism®, and the NPS-related emoticons are registered trademarks of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld. Net Promoter ScoreSM and Net Promoter SystemSM are service marks of Bain & Company, Inc., Satmetrix Systems, Inc., and Fred Reichheld.



LONG-TERM INCENTIVE (LTI)

The long-term, share-based remuneration component makes up the largest portion of variable remuneration. It promotes alignment with shareholders and reflects the sustainable implementation of the Company's long-term strategy. The LTI is based on the performance in absolute and relative terms (i.e., versus competitors) of the Allianz share. Furthermore, the long-term development of KPIs is reflected in the deferred sustainability assessment following the four-year contractual vesting period.



• Grant and contractual vesting period:

The LTI is granted annually in the form of virtual Allianz shares, so-called restricted stock units (RSUs). The number of RSUs to be granted corresponds to the LTI allocation amount divided by the allocation value of an RSU at grant:

- The LTI allocation amount is derived by multiplying the LTI target amount by the annual bonus target achievement factor, and capped at 150% of the LTI target level.
- The RSU allocation value is based on the ten-day average Xetra closing price of the Allianz share following the annual financial media conference. As RSUs are virtual shares without dividend payments, the relevant share price is reduced by the net present value of the expected future dividend payments during the four-year vesting period.

The LTI grant is followed by a contractual vesting period of four years. After that period, the LTI amount to be paid is determined based on the relative performance of the Allianz share, the relevant share price, and the results of the sustainability assessment.

• Relative performance versus peers:

Besides the absolute share price performance, the LTI payout takes the relative performance of the Allianz share into account. The total shareholder return (TSR) of the Allianz share is benchmarked against the TSR of the STOXX Europe 600 Insurance Index by reflecting the relation of the total performance of the Allianz share ("Allianz TSR") and the total performance of the STOXX Europe 600 Insurance Index ("Index TSR") between the start and end of the four-year contractual vesting period. The payout will be based on the TSR performance factor which is calculated as follows:

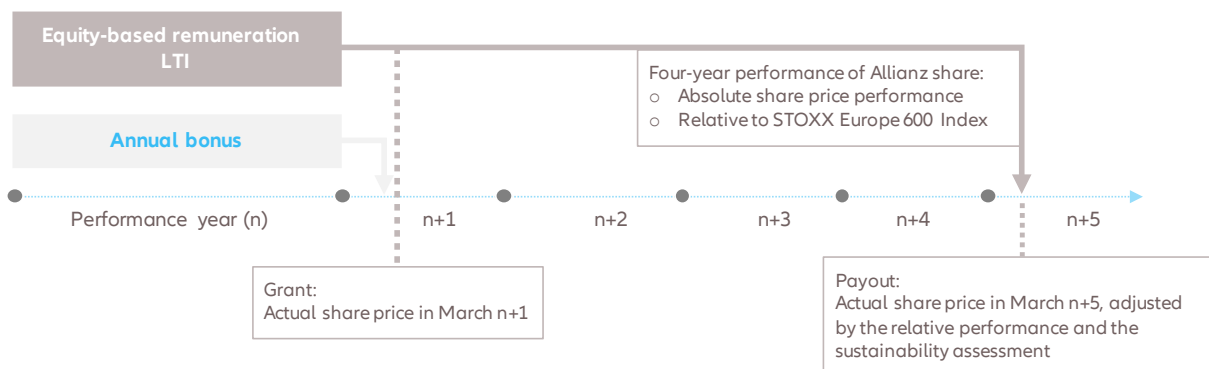
- At the end of the contractual vesting period the difference between the Allianz TSR and the Index TSR is determined in percentage points; the result is multiplied with "2". As the comparison



with competitors and the market is of outstanding importance, the outperformance/under-performance is weighted twofold.

- To determine the factor, 100%-points are added to the result. Example: 1 percentage point outperformance results in a relative performance factor of 102%, 1 percentage point under-performance results in a relative performance factor of 98%.

In order to avoid incentivizing excessive risk taking, the relative TSR performance factor is limited: It can vary between zero (for underperformance of the index by - 50%-points or lower) and 200% (for outperformance of the index by + 50%-points or higher).



• Sustainability assessment:

Prior to the payout of each LTI tranche, the Supervisory Board determines, following a preliminary assessment by the Personnel Committee and the external auditor, whether there are any sustainability-related concerns regarding a full payout. If so, payment of the tranche may be canceled in full or in part.

Subject of the sustainability assessment are:

- Compliance breaches,
- Balance sheet issues such as reserve strength, solvency, indebtedness, and ratings,
- Financial and non-financial KPIs entailed in the individual board members' targets.

The assessment is made applying a comparable basis, i.e., any regulatory changes, changes in accounting regulations, or changes in calculation methods for the KPIs in question are taken into account.

• Allianz share performance, payout and cap:

Following the end of the four-year contractual vesting period, the granted RSUs are settled in cash based on the ten-day average Xetra closing price of the Allianz SE share following the annual financial media conference in the year the respective RSU plan vests, multiplied by the relative TSR performance factor and adjusted by the sustainability assessment, if necessary. The relevant share price is capped at 200% of the grant price. Likewise, the relative TSR performance factor is capped at a maximum of 200%. Taking into account the overall remuneration cap (EUR 6,000 thou for a regular board member and € 11,750 thou for the Chairperson of the Board of Management), the LTI payout in relation to the LTI target – which deviates from the individual LTI component caps – is limited to 272%.



Outstanding RSU holdings are forfeited, should a board member leave at his or her own request or be terminated for cause.

Illustrative Examples

LTI payout: Performance exceeds expectation (scenario 1)

Illustrative example for RBM	%	RSU	EUR thou
Initial grant based on:			
•LTI target			1,463
•LTI allocation value: target achievement factor applied to LTI target	110		1,609
•RSU grant based on share price at grant (EUR 200), reduced by the net present value of estimated future dividends (EUR 40)		10,058	-
LTI payout at vesting based on:			
•RSU x share price at vesting (EUR 250)			
•TSR relative performance factor: 2 x (TSR Allianz: 45 % – TSR Stoxx Europe 600 Insurance: 40 %) + 100 %	110		
Payout			2,766

LTI payout: Performance remains below expectation (scenario 2)

Illustrative example for RBM	%	RSU	EUR thou
Initial grant based on:			
•LTI target			1,463
•LTI allocation value: target achievement factor applied to LTI target	90		1,317
•RSU grant based on share price at grant (€ 200), reduced by the net present value of estimated future dividends (€ 40)		8,229	-
LTI payout at vesting based on:			
•RSU x share price at vesting (€ 190)			1,564
•TSR relative performance factor: 2 x (TSR Allianz: 15 % – TSR Stoxx Europe 600 Insurance: 40 %) + 100 %	50		
Payout			782

MALUS UND CLAWBACK

Variable remuneration components may not be paid, or payment may be restricted, in the case of a significant breach of the Allianz Code of Conduct or regulatory Solvency II policies or standards, including risk limits. In the same way, variable remuneration components already paid may be subject to a clawback for three years after payout.

Additionally, a reduction or cancellation of variable remuneration may occur if the supervisory authority (BaFin) requires this in accordance with its statutory powers.

PENSION CONTRIBUTION AND SIMILAR BENEFITS

To provide competitive and cost-effective retirement and disability benefits, company contributions to the current defined-contribution pension plan “My Allianz Pension” are invested in a fund with a guarantee for the contributions paid, but no further interest guarantee. Each year the Supervisory Board decides whether a budget is provided and, if so, to what extent. The current pension contribution generally represents 15% of the target remuneration of the board members.

Apart from cases of occupational or general disability for medical reasons, the earliest age a pension can be drawn is 62. Should board membership cease before the retirement age is reached, accrued pension rights are maintained if vesting requirements are met.

Members of the Board of Management may have additional pension entitlements under former pension plans based on previous positions in the Allianz Group or due to membership of the Board of Management prior to 2015. Payments of social insurance contributions abroad required by Allianz in individual cases may also give rise to additional pension entitlements.

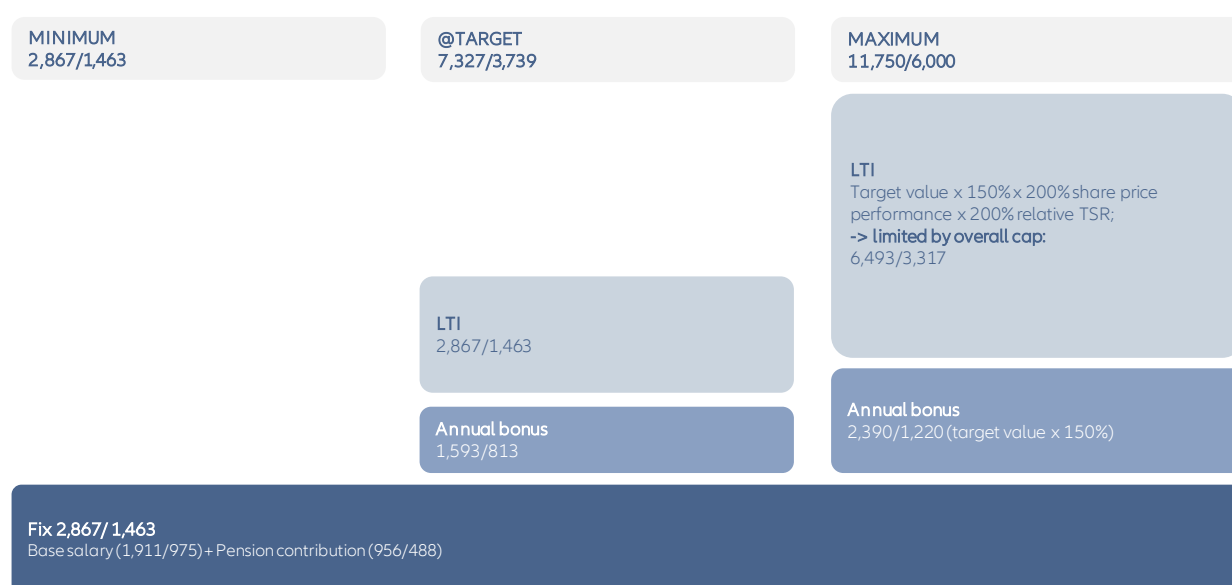


SENSITIVITY OF TOTAL REMUNERATION

The variable remuneration is designed to help achieve the operational targets and to reward sustainable performance. Therefore, payout of almost two thirds of the annual variable remuneration will not occur for a period of four years; such payout is subject to sustainability assessment adjustments. A failure to meet targets may result in a maximum reduction of the variable remuneration to zero.

Furthermore, the total remuneration (consisting of base salary, variable remuneration and pension service costs), which is paid in relation to one financial year, is capped at a maximum amount of EUR 6,000 thou for a regular board member and EUR 11,750 thou for the Chairperson of the Management Board:

Sensitivity of total remuneration Thou EUR CEO/RBM



SHAREHOLDING REQUIREMENTS AND TOTAL SHAREHOLDING EXPOSURE

Members of the Management Board are required to build share ownership within three years, with the minimum level defined as follows:

- **Chairperson of the Management Board:** two times base salary, i.e. EUR 3,822 thou,
- **Regular board member:** one time base salary, i.e. EUR 975 thou.

Holding is required for the entire term of service on the Board of Management. Shares will be acquired through mandatory pay component conversion. In case of a base salary increase, the shareholding obligation increases accordingly. The holding obligation ceases with the end of the mandate.

In combination with the virtual shares (RSUs) accumulated over four years through the LTI plan, the Board of Management has significant economic exposure to the Allianz share: It amounts to



approx. 800% of the base salary of the Management Board's Chairperson and approx. 700% of the base salary of a regular board member:

	€ thou % of base	Target		Stock exposure	
		CEO	RBM	CEO	RBM
Share Ownership requirement: CEO: 2x base; RBM: 1x base		1,911	975	3,822 200%	975 100%
LTI RSU (virtual shares) <ul style="list-style-type: none"> Annual grant of virtual shares Deferred for four years, i.e. four LTI grants are subject to share price performance Similar economic exposure as physical stock No personal hedging 	€ thou % of base	2,867	1,463	11,468 600%	5,852 600%
	€ thou % of base	Total		15,290 800%	6,827 700%

TERMINATION OF SERVICE

Board of Management contracts are limited to a period of five years. For new appointments, a shorter period of up to three years is provided based on the recommendation by the German Corporate Governance Code. Severance payments made to board members in case of early termination are restricted according to the German Corporate Governance Code.

SEVERANCE PAYMENT CAP

Payments for early termination to board members with a remaining term of contract of more than two years are capped at twice the annual remuneration, consisting of last financial year's base salary and 100% of the variable target remuneration. If the remaining term of contract is less than two years, the payment is pro-rated for the remaining term of the contract. Contracts do not contain provisions for any other cases of early termination of Management Board service.

In the event of a contractually agreed non-compete clause, a severance payment is offset against compensation resulting from the non-compete clause in case of premature termination of service.

TRANSITION PAYMENT

Board members appointed before January 1, 2010 are eligible for a transition payment after leaving the Board of Management. The transition payment comprises an amount corresponding to the most recent base salary (paid for a period of six months), plus a one-time payment of 25% of the target variable remuneration at notice date. Where an Allianz pension is due at the same time, such pension is deducted from the monthly transition payments. In the event of a contractually agreed non-compete clause, the remittance of the transitional payment will be offset against the payment resulting from the non-compete clause.



MISCELLANEOUS

COMPENSATION FOR PRIOR COMMITMENTS

Members of the Board of Management appointed for the first time may be granted corresponding payments or benefit commitments in connection with the commencement of their appointment to the Management Board of Allianz SE in order to compensate for compensation or pension entitlements forfeited with previous employers. Payments made on the basis of these commitments are by their nature not considered with regard to the calculation of the overall remuneration cap.

INTERNAL AND EXTERNAL BOARD APPOINTMENTS

When a member of the Board of Management simultaneously holds an appointment at another company within the Allianz Group, the full amount of the respective remuneration is transferred to Allianz SE. In recognition of related benefits to the organization and subject to prior approval by the Supervisory Board, board members are also allowed to accept a limited number of non-executive supervisory roles at appropriate external organizations. In these cases, 50% of the remuneration received is paid to Allianz SE. The respective board member will retain the full remuneration for that position only if the Allianz SE Supervisory Board classifies the appointment as a personal one (*ad personam*). Any remuneration paid by external organizations will be itemized in those organizations' annual reports; its level will be determined by the governing body of the relevant organization.

