

# ALLIANZ SE

# BOARD REMUNERATION SYSTEM

**FACT BOOK for investors**

## **Item 5 of the agenda**

Approval of the remuneration system for the members of the Board of Management of Allianz SE

Allianz Investor Relations, March 2020

### **Disclaimer:**

This is a summary of the remuneration system for the members of the Board of Management of Allianz SE and the proposal to the Annual General Meeting of Allianz SE on May 6, 2020, implementing the Shareholder Rights Directive II (ARUG II). This summary is provided as an information to investors for convenience purposes only. For more comprehensive information please refer to the invitation to the Annual General Meeting 2020 of Allianz SE. Allianz SE reserves the right to make amendments. No warranty is made as to the accuracy of this summary and Allianz SE assumes no liability with respect thereto.

Release 1.1



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## Abbreviations:

- ICF = Individual Contribution Factor
- KPI = Key Performance Indicator
- LTI = Long-Term Incentive
- RBM = Regular Board Member
- RSU = Restricted Stock Unit
- SXIP = STOXX Europe 600 Insurance
- TSR = Total Shareholder Return



# Corporate law requirements

The law on the implementation of the Shareholder Rights Directive II (ARUG II) requires regular resolutions on remuneration.

## ARUG II

- ARUG II is the implementation of the European Shareholder Rights Directive II into German law.
- In Germany, the law is in force **since January 1, 2020**.
- In addition to transactions with related parties, improved identification of shareholders and increased transparency requirements, it regulates the **remuneration of the Board of Management and the Supervisory Board**.
- The law stipulates that the remuneration systems for the Board of Management and the Supervisory Board must be submitted to the Annual General Meeting for resolution **at least every 4 years**, at the Annual General Meeting 2021, at the latest (regardless of when the most recent resolution was passed).
- The resolution on the remuneration report must be passed **annually**, for the first time by the Annual General Meeting 2022, at the latest (for the Remuneration Report for the 2021 financial year).

## German Corporate Governance Code

- The German Corporate Governance Code has also been **fundamentally revised**.
- The new code became effective on March 20, 2020.

## Allianz

- The remuneration system for the Board of Management was last voted on by the **Annual General Meeting 2019** (approval rate of **92.11%**).
- The Supervisory Board of Allianz SE decided to put the remuneration systems for the Board of Management and the Supervisory Board to a vote **in accordance with the new regulations in 2020** already.
- The remuneration system is designed to meet the requirements of ARUG II and the German Corporate Governance Code **in every respect**.



# Further development of the existing remuneration system

The following improvements reflect the feedback given by investors during last year's proxy campaign as well as the requirements of the new version of the German Corporate Governance Code:

- The special severance payment scheme in the event of a **change of control** will be deleted without substitution, also for existing Board of Management contracts.
- In the event of a contractually agreed non-competition clause, provision has been made for a **severance payment** due to early termination of a Management Board member to be set off against a **non-competition compensation** (Karenzenschädigung).
- **Climate protection** has been explicitly integrated into the non-financial targets :
  - Reduction of CO<sub>2</sub> footprint / greenhouse gas emissions
  - Step-by-step plan to achieve net-zero compliant asset allocation until 2050, at the latest
- Apart from that, the remuneration system itself remains **unchanged**.



# Increase of transparency

The Remuneration Report, which was released as part of the Annual Report on March 6, 2020, in many ways shows an increased transparency.

- **Annual Bonus | Group targets: calibration**, i.e. when do KPIs correspond to 100% target achievement (target), when to 0% (floor), when to the maximum (cap), individually reported for each KPI (see page 29).
- **Annual Bonus | Individual Contribution Factor**: Disclosure for each member of the Board of Management and brief explanation which specific developments had a positive or negative impact on the assessment (see page 29).
- **LTI | Illustrative examples** based on scenarios that illustrate the sensitivity of this remuneration component (see page 26).
- **Vertical comparison** of board remuneration with average employee remuneration<sup>1</sup>. In the 2019 financial year, the CEO earned 77 times the average salary of an employee, and the members of the Board of Management 42 times (see page 23).

1) Relevant for this comparison is the total direct compensation of a member of the Management Board and the average direct remuneration of an employee of the Allianz workforce in Germany.



# Remuneration structure and target compensation

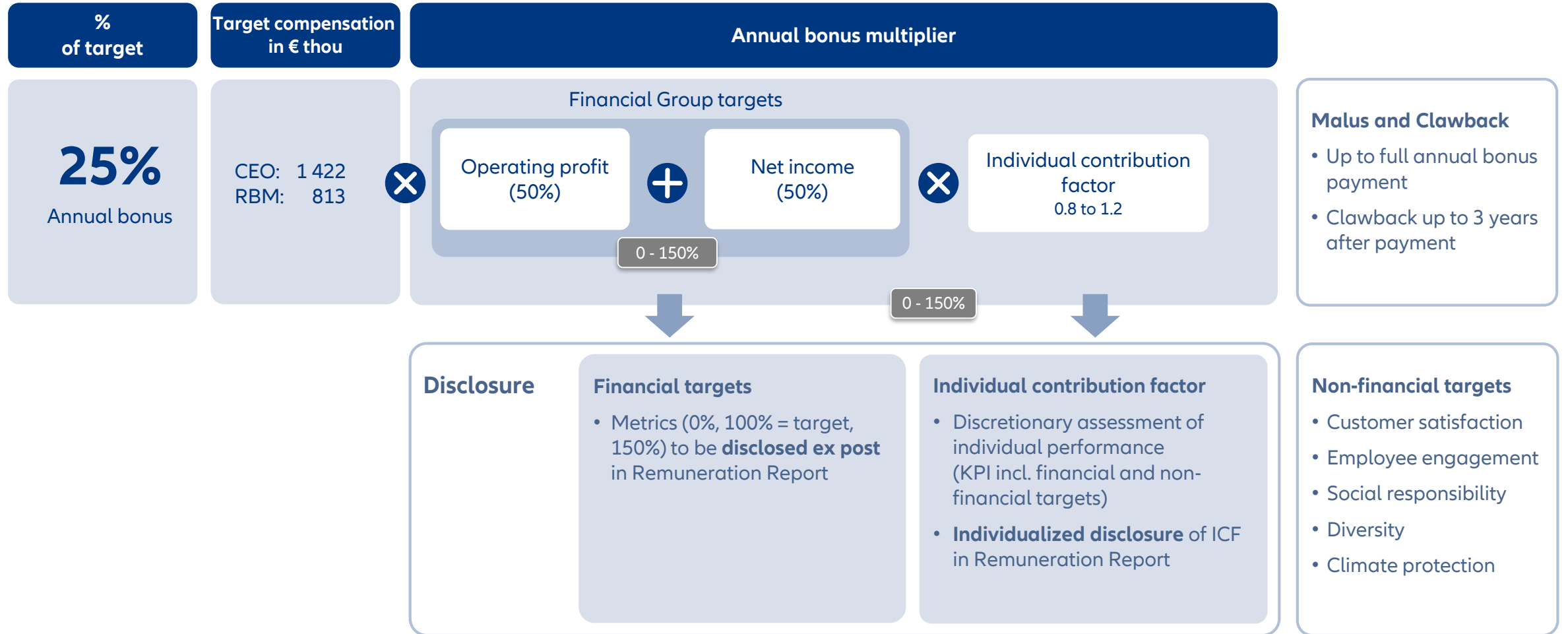
% of target compensation	Target compensation in € thou <sup>1</sup>	Modifier for target level	Other characteristics
<b>30%</b> Base salary	CEO <sup>1</sup> : 1 706 RBM <sup>1</sup> : 975	• Fix	<b>Shareholding requirement</b> • CEO: 2 x Base salary • RBM: 1 x Base salary
<b>25%</b> Annual bonus	CEO <sup>1</sup> : 1 422 RBM <sup>1</sup> : 813	Group result <input checked="" type="checkbox"/> Individual contribution factor 0 - 150%	<ul style="list-style-type: none"> <li>• Malus (up to 100%)</li> <li>• Clawback (up to 3 years)</li> </ul>
<b>45%</b> Long-term incentive (LTI) <sup>2</sup>	CEO <sup>1</sup> : 2 559 RBM <sup>1</sup> : 1 463	4-year share price performance <input checked="" type="checkbox"/> 4-year relative performance (peer index) 0 - 272% <input checked="" type="checkbox"/> Sustainability check (100% down to 0%)	
<b>100%</b>	CEO <sup>1</sup> : 5 687 RBM <sup>1</sup> : 3 251		<b>Severance payment cap:</b> 2 x total target compensation
<b>+ Pension contribution</b>	CEO <sup>1</sup> : 853 RBM <sup>1</sup> : 488	• 15% of total target (50% of base salary)	
<b>Total compensation</b>	CEO <sup>1</sup> : 6 540 RBM <sup>1</sup> : 3 739	• Cap including pension contribution (in € thou): CEO: 10 000, RBM: 6 000	

1) Target compensation set by the Supervisory Board based on the abstract remuneration system

2) For simplicity reasons, the LTI percentage as well as the LTI target amount are based on target allocation values.

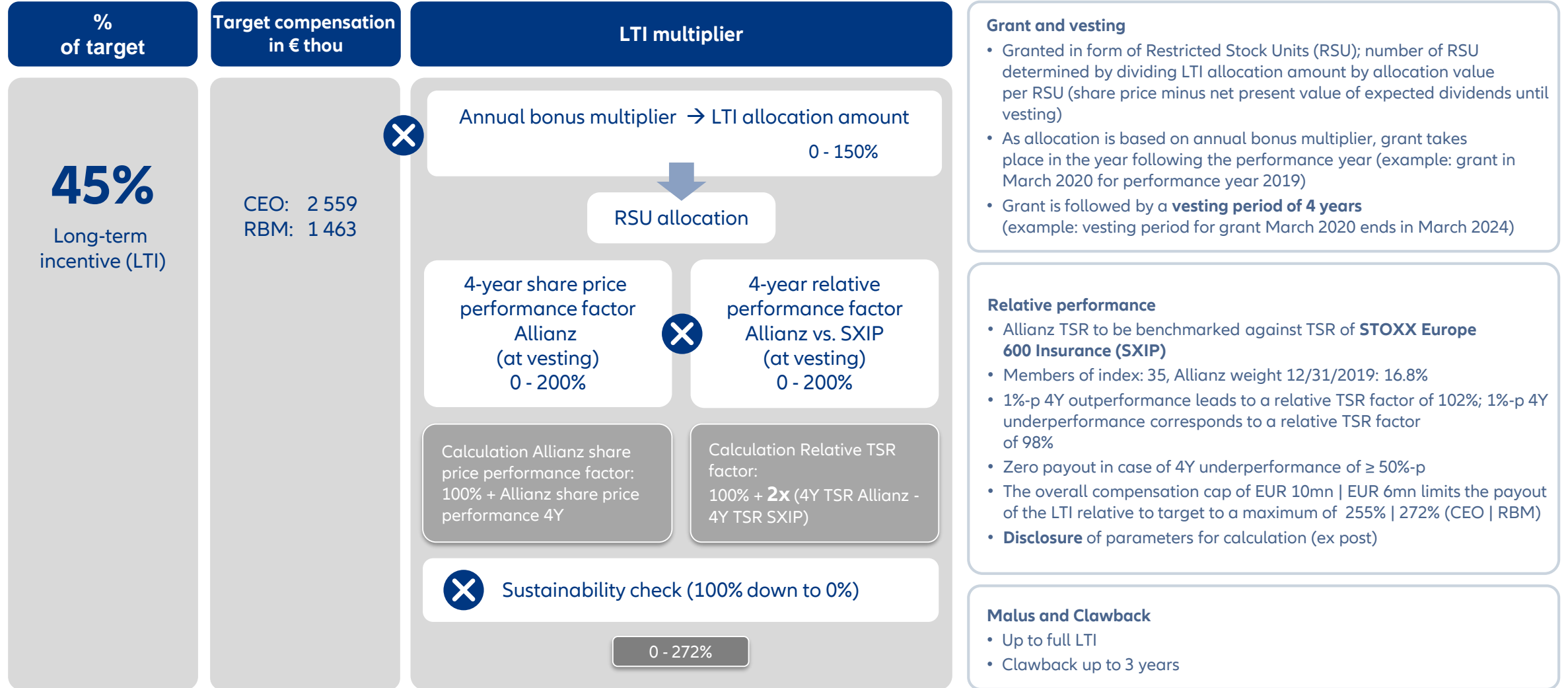


# Annual bonus in detail





# LTI in detail







# Illustrative examples

## LTI payout: Performance exceeds expectation (scenario 1)

Illustrative example for RBM		RSU	€ thou	€ thou
<b>Initial grant based on:</b>				
LTI target			1,463	
LTI allocation value: annual bonus achievement factor applied to LTI target	110%		1,609	
RSU grant based on share price at grant (€ 200) reduced by the net present value of the estimated future dividends (€ 40)		10,058	-	
<b>LTI payout at vesting based on:</b>				
RSU x share price at vesting (€ 250)			2,515	
TSR relative performance factor: 2 x (TSR Allianz: 45% – TSR Stoxx Europe 600 Insurance: 40%) + 100%	110%			
<b>PAYOUT</b>				<b>2,766</b>

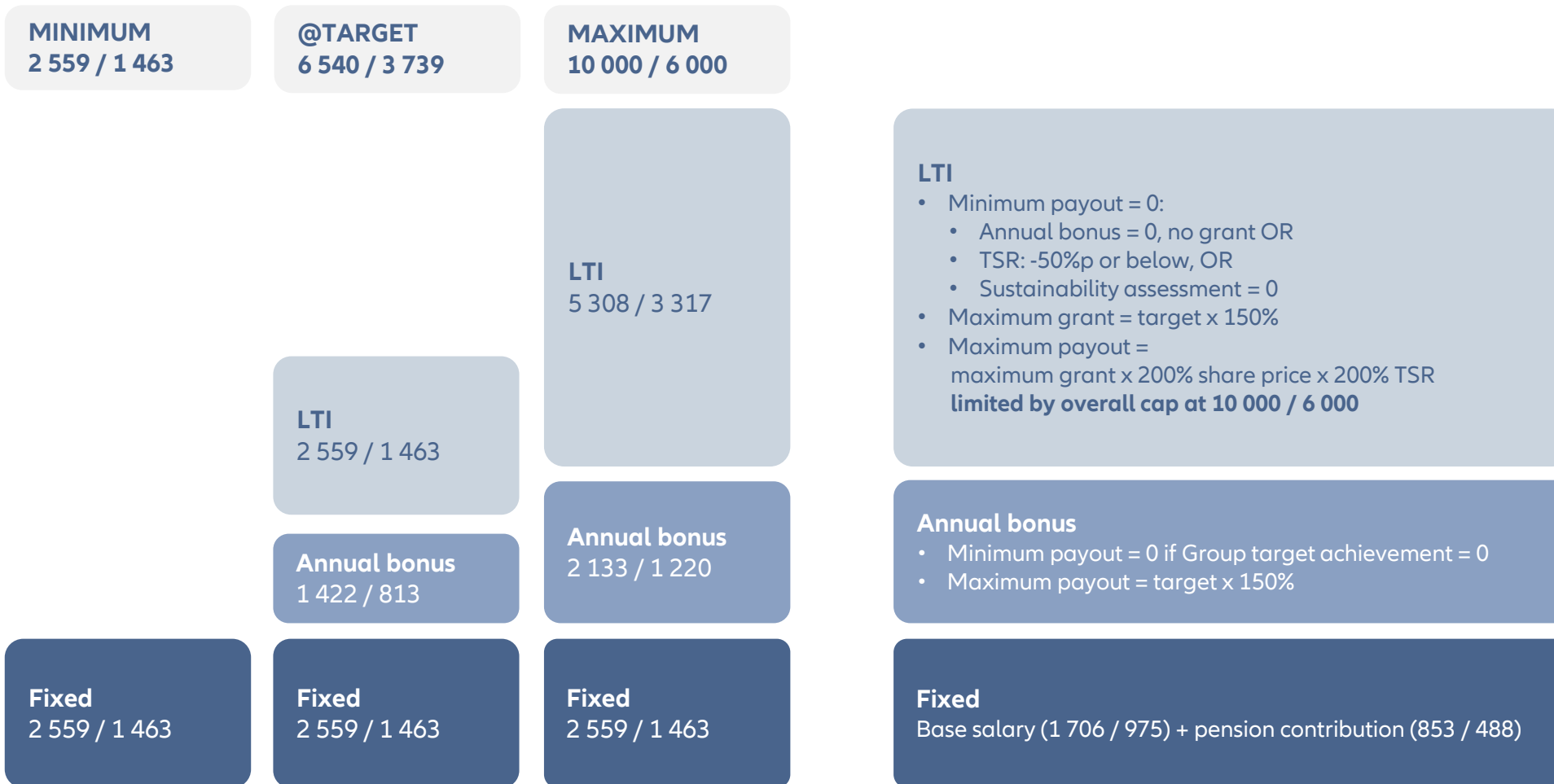
## LTI payout: Performance remains below expectation (scenario 2)

Illustrative example for RBM		RSU	€ thou	€ thou
<b>Initial grant based on:</b>				
LTI target			1,463	
LTI allocation value: annual bonus 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 the estimated future dividends (€ 40)		8,229	-	
<b>LTI payout at vesting based on:</b>				
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%			
<b>PAYOUT</b>				<b>782</b>



# Compensation sensitivity

€ thou CEO/RBM





# Annex | Additional information on allianz.com

## All information on the remuneration system of the Board of Management

Agenda, Item 5:  
Remuneration Report, page 23:  
Board remuneration:

[www.allianz.com/agm](http://www.allianz.com/agm)  
[www.allianz.com/annualreport](http://www.allianz.com/annualreport)  
[www.allianz.com/remuneration](http://www.allianz.com/remuneration)



## More about the Board of Management

Board of Management:

[www.allianz.com/management-board](http://www.allianz.com/management-board)



## Allianz Group at a glance

Allianz Fact Sheet:

[www.allianz.com/fact-sheet](http://www.allianz.com/fact-sheet)





**Thank you for exercising your voting right.**