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Allianz Malaysia Group Policy for Remuneration

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A. Introduction

I. Rationale and Scope of Application

1. This *Allianz Malaysia Group Remuneration Policy* ("Policy") sets the framework for the Allianz Malaysia Group's Remuneration system and shall, thus, facilitate the implementation of regulatory requirements.
2. Allianz Malaysia Group refers to the following companies within Malaysia currently, i.e. Allianz Malaysia Berhad ("AMB"), Allianz General Insurance Company (Malaysia) Berhad ("AGIC") and Allianz Life Insurance Malaysia Berhad ("ALIM").

II. Authorization and Updates

1. Human Resources Division is responsible for maintaining and updating the Policy in compliance with regulatory requirements and input from Allianz Group, where appropriate.
2. This Policy and all material changes (i.e. changes beyond editorial updates) need approval by the Board of Directors of Allianz Malaysia Group, and is subject to periodic Board review.
3. This Policy applies as of the date of approval by the Board of Directors, superseding the current version, and is available on the Group Intranet (Allianz A2Z Portal).

III. Definitions

1. Board of Directors

The Board of Directors is generally elected by the shareholders of the Company to oversee and advise on management of the business. The Board of Directors comprises both Executive and Non-Executive Directors.

2. Remuneration Committee (Management Level)

The Management Remuneration Committee is set up to support the Board in actively overseeing the design and operation of the Company's remuneration framework and system. The Country Committee currently assumes this role.

3. Allianz Global and Senior Executives

Allianz Global Executive

Persons whose position is graded according to the Allianz Grading System at Grade 18-22.

Allianz Senior Executives

Persons whose position is graded according to the Allianz Grading System at Grade 16 and 17.

This is currently not applicable to Allianz Malaysia Group and will only apply after the grading exercise is completed

4. Senior Management, Key Responsible Persons (“KRP”) and Material Risk Takers

Senior Management refers to Management Committee approved by the Board to make collective business decisions for the Company.

KRPs or Material Risk Takers refer to persons who are accountable or responsible for the management or oversight of the Company. They refer to:

- (i) Directors;
- (ii) Chief Executive Officer (CEO); and
- (iii) Senior Officers

“Senior Officers” are defined as:

- (i) any person performing a senior management function whose primary or significant responsibility is for the management and performance of significant business activities of the Company, including a person who:
 - a. has the authority over, makes or has substantial influence in making decisions that affect the whole or a substantial part of the Company’s business;
 - b. is principally accountable or responsible, whether solely or jointly with other persons, for implementing and enforcing policies and strategies approved by the Board; or
 - c. is principally accountable or responsible, whether solely or jointly with other persons, for developing and implementing systems, internal controls and processes that identify, measure, monitor or control the Company’s risks.
- (ii) any person who assumes primary or significant responsibility for key control functions, including a person who is principally accountable or responsible, whether solely or jointly with other persons, for monitoring the appropriateness, adequacy and effectiveness of the Company’s internal controls, risk management and compliance systems and processes. This includes the Chief Internal Auditor, Chief Risk Officer/Head of Risk Management, Chief Compliance Officer/Head of Compliance, Chief Financial Officer and the Appointed Actuary. It also includes any person who is mainly accountable or responsible for key functions of the institution under a centralized group function or shared services arrangement.

5. Remuneration

Remuneration is defined as reward for service or employment in the form of Compensation, Allowances and Benefits. For the purpose of this Policy, non-monetary rewards such as career opportunities, training or flexible working arrangements are not deemed Remuneration.

a) Compensation

The monetary reward includes base salary and may include variable short, mid and long term incentives. Any variable incentive may be granted in cash or equity or other instruments.

b) Allowances

Cash payments paid in instalments in addition to base salary, either permanently or temporarily.

c) Benefits

Values delivered to a person under his employment or service contract which are not deemed Compensation. Benefits include death and disability protection, health benefits and other long term perquisites.

B. Allianz Group Principles for Remuneration

This Policy and the remuneration practices are established, implemented and maintained in line with the Company's business and risk management strategy, its risk profile, objectives, risk management practices and the long-term interests and performance. This Policy forms a key component of the governance and incentive structure through which the Board and senior management drive performance, convey acceptable risk taking behaviour and reinforce the Company's corporate and risk culture.

I. Remuneration Governance

Remuneration governance shall be clear, transparent and effective. It includes the oversight of this Policy, the regular review of the remuneration systems, compensation and benefits plans as well as individual compensation packages for KRPs and Material Risk Takers. This oversight is provided by the Board of Directors and Board Remuneration Committee.

II. General Principles

Compensation systems for KRPs and Material Risk Takers and all employees shall be appropriate, transparent and maintained in line with the Company's business and risk management strategy and the long-term interests and performance.

1. Fixed Compensation

Base salary is the fixed remuneration component and rewards the role and responsibilities taking account of market conditions and providing for a stable source of income. The fixed component usually represents a sufficiently high proportion of the total remuneration.

Employees may also receive Benefits and Allowances subject to nature of work and other regulatory requirements or conditions.

2. Variable Compensation

Variable Compensation, if any, shall contribute to and ensure an overall transparent, sustainable and appropriate remuneration system.

a) General Principles of Variable Compensation

Variable Compensation components shall be designed to reward performance but at the same time it shall not provide incentives for risks which might be incompatible with the risk profile of the Company, including risk limits. Therefore, Variable Compensation components may not be paid, or payment may be restricted in the case of a breach of risk limits or a compliance breach, such as the Allianz Code of Conduct or other compliance requirements. Furthermore, Variable Compensation may be deferred or fully or partially cancelled by the competent supervisory authority in case that the applicable solvency capital requirements are not met.

The volume and relative weighting of the variable component shall depend on the level of seniority and the position, i.e. higher percentages of Variable Compensation relative to Fixed Compensation shall typically apply to more senior positions. Variable components typically consist of annual bonus (short term incentive) and mid-/long-term incentives either granted in cash, equity or other instruments.

b) Target Setting Principles for Variable Compensation

Selected key performance indicators from the financial plans form the basis for the financial and operational targets which shall reflect the strategy of the Allianz Malaysia Group, and shall be designed to:

- avoid excessive risk taking,
- avoid conflicts of interest,
- avoid encouraging risk-taking that exceeds the risk tolerance limits of the Company,
- reflect appropriately the material risks and their time horizon

and take into account the overall success of the Company.

III. One time payments

The Company may grant one-time payments such as guaranteed, Sign-on, Buy-out, Retention, severance or ex-gratia bonus only if justified by business or market reasons.

Severance payments must not reward failure. Therefore, unless otherwise required by law or prevailing market practice, severance payments shall take the performance achieved over the whole period of activity into account. No severance payment is to be paid in case of a termination for cause or if the employment has ended upon own initiative of the employee.

IV. Specific Compensation Principles

For Senior Management, KRPs and Material Risk Takers, the remuneration system applies specific compensation principles with regard to performance measurement as well as deferral and downward adjustments of Variable Compensation. The implementation of these principles shall be guided by the principle of proportionality:

a) Principles for Performance Related Variable Compensation

Where variable Compensation is performance related, it is based on a combination of assessment of the performance of the individual and of the business concerned and of the overall result of the Company.

- Individual performance considers relevant quantitative and qualitative aspects which includes behaviors and the quality of people management; results are assessed in an annual performance management process.
- Business performance of individual Companies within Allianz Malaysia Group is measured through specific financial targets and key performance indicators.

Variable Compensation can vary from year to year depending on market development and performance. It considers negative performance in the same way as positive performance. This could result overall in lower year-on-year Variable Compensation.

To safeguard the independence and authority of individuals engaged in control functions, the remuneration of such individuals is based principally on the achievement of control functions objectives, and determined in a manner that is independent from the business lines they oversee.

b) Deferral

A portion of the Variable Compensation shall contain a flexible, deferred component. The deferral period shall be aligned with the nature of the business, its risks, and the activities of the persons in question, and adopt a multi-year framework to reflect the time horizon of risks.

c) Malus

Variable Compensation shall be subject to a downward adjustment to reflect exposure to current and future risks, or in the event of bad performance of the business unit or Company attributable to the individual or if he commits serious legal, regulatory or internal policy breaches.

Target variable compensation consists of the following Variable Compensation components:

(1) Annual bonus

A portion of the Variable Compensation, the annual bonus, rewards the achievement of Allianz Malaysia Group and/or the Company's business results and individual priorities for the respective performance year. The annual bonus is paid in cash following the annual performance assessment. Depending on the performance assessment, the pay-out may be less than or more than 100% of the target bonus.

(2) Allianz Equity Incentive

All Allianz Global and Senior Executives receive a proportion of their Actual Total Direct Compensation as a virtual share award in the form of restricted stock units ("RSU"), the Allianz Equity Incentive ("AEI") which is linked to the Allianz share price development. To avoid extreme payouts the share price at vesting shall be limited to a maximum amount equal to 300% of the share price. The AEI award is subject to a four year vesting period from grant date. Once vested, the award is automatically settled at a pre-defined date. Outstanding awards are forfeited should a participant leave at his own request or be terminated for cause.

Under the AEI, a specific population will be granted Performance RSU, a subset of RSU as set out above. Performance RSU are subject to an assessment which takes into account the sustainable performance of the Company during the relevant vesting period of the Performance RSU and determines if the behavior of the respective AEI participant has contributed to significant non-sustainable performance (e.g. by violation of professional duties, excessive risk taking, serious error, significant breach of legal or regulatory requirements or any policy, code of conduct or other internal or external rule or procedure).

Based on the results of such sustainability assessment, the pay-out under Performance RSUs may be reduced (down to zero).

C. Processes

I. Remuneration Commitments

Any Remuneration commitment follows the applicable authorization rules. Furthermore, commitments are subject to the "4-eyes principle" and the "one over one rule", i.e. the line manager and his superior need to approve. No person must be involved in decisions which concern his own Remuneration.

II. Communication

The Allianz Malaysia Group communicates the individual Compensation to its employees annually.

This Policy is available on our Intranet and corporate website.

III. Performance Management

Allianz measures performance in an annual process which includes the key steps of agreed priorities, regular feedback, and a mid-year and year-end performance assessment. Personal priorities or targets are agreed for each evaluated employee and reflects financial and non-financial ambitions. The assessment of individual performance is holistic in nature and considers relativity against peers in order to identify and manage outstanding as well as less than satisfactory individual performance. Company performance is calculated as a separate element of performance (target based Variable Compensation) or reflected in the overall Variable Compensation pool.

- Specific assessment of compliance to regulatory, local and Group requirements by Senior Management, KRPs and Material Risk Takers
 - Allianz expects risk discipline, full dedication to compliance and does not tolerate any breaches of or lack of support for compliance requirements. Any non-compliance will result in either partial or full reduction in remuneration of the Senior Management, KRPs and Material Risk Takers for the given assessment year.
 - Where there is any non-compliance incident, an explanation on the reasons and events leading to the non-compliance as well as mitigating and corrective actions taken, will be required
 - This explanation will be forwarded to the CEO who will determine severity of non-compliance based on the explanation provided. In the event that the non-compliance is concerning the CEO, it will be escalated to the Board.
 - Depending on severity of non-compliance, the CEO will recommend either partial or full reduction in Variable Compensation, to the Board for approval. The quantum of partial reduction may range from 10% to 50% of payout. In addition, any disciplinary action to be taken will be guided by the Disciplinary Policy.

IV. Year-End Process

The Variable Compensation payout for each year is computed based on overall business and individual performance achievement for the year. The total bonus amount and base salary (or fixed compensation) increase are presented to the Board for review and approval.

D. Governance and Roles & Responsibilities

I. Allianz Malaysia Group Level

1. Board of Directors

The Board of Directors is responsible for sound organizational and operational structures and procedures to ensure compliance with this Policy.

2. Remuneration Committee (Management Level)

The responsibilities of the Remuneration Committee are to:

- monitor the legal and fiscal compliance of global and local Compensation plans with relevant local laws, regulations and standard practices;
- review and recommend local Remuneration strategy to the Board for approval;
- monitor adherence to the requirements of the Allianz Group Reward and Performance principles as outlined in this Policy;

This responsibility is currently assumed by the Country Committee.

3. Legal & Compliance function

The responsibilities are:

- Advising on how to adopt this Policy, in particular in case of conflicts with Group requirements;
- Providing for regulatory approvals and notifications if required;
- Providing for a regular or an ad-hoc review

4. Finance & Accounting function

The responsibilities are:

- Implementing the accruals for the Group-wide RSU grants from the date the target value is determined based on the AEI target and to adjust the accruals at the grant date with the actual grant;
- Accruing for the OE wide Compensation plans in accordance with the relevant accounting standards; and
- Updating the accruals monthly.

5. Risk function

The responsibilities are:

- Reviewing the criteria to identify local Risk Taker;
- Providing input to the Remuneration Committee (Management Level) reflecting the alignment of the Company compensation system with the Group or Company risk strategy.

6. Human Resources function

The responsibilities are:

- Ensuring adherence to this Policy;
- Implementing and escalating global Remuneration decisions and information at local level;
- Certifying compliance to the Policy, to the Group, as and when required