
Annual General Meeting of Allianz SE on May 5, 2021

Supervisory Board Report

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Chairman of the Supervisory Board of Allianz SE**



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The report delivered at the Annual General Meeting may differ from this preliminary version, especially to reflect developments occurring in the intervening period. The valid version is the one delivered to the Annual General Meeting.

Dear Shareholders,

I would kindly like to welcome you to our Annual General Meeting and provide you with my report to the shareholders’.

1. Changes to the composition of the Management Board and Supervisory Board of Allianz SE since the previous Annual General Meeting

Since May 2020, there have been two changes to the composition of the Management Board.

On December 31, 2020, Dr. Christof Mascher and Mr. Niran Peiris left the Board of Management and entered into retirement.

Dr. Mascher held various positions during his more than 31 years of service at Allianz. He served on the Board of Management of Allianz SE from 2009, where his outstanding expertise and experience as Chief Operating Officer was highly esteemed. Dr. Mascher has played a key role in shaping the Allianz Group in terms of IT and lead Allianz into the digital age. He has also weather-proofed Allianz in the area of cyber security. It is fair to say that Dr. Mascher was responsible for creating the basis that enabled Allianz employees to switch to home office during the COVID-19 pandemic from one day to the next with almost no difficulties.

Mr. Peiris’ career at Allianz began towards the end of 2000 at Allianz Australia before he joined Allianz SE’s Management Board in 2018. As a proven expert in financial matters and with an in-depth knowledge of broker-markets, Mr. Peiris was highly regarded by the members of both the Management Board and the Supervisory Board. As a member of the Management Board, he was assigned with the difficult task of getting Allianz’ corporate and specialty insurer, AGCS, back on track, a job made distinctly more difficult by the impact of the COVID-19 pandemic on this business segment. Notwithstanding the setbacks, Mr. Peiris has never relented and for this we are very grateful to him.

The Supervisory Board has expressed its sincere thanks to Dr. Mascher and Mr. Peiris for their long-standing loyal and successful efforts on behalf of Allianz. We particularly wish both gentlemen good health for the new phase of their lives.

The Supervisory Board appointed Dr. Barbara Karuth-Zelle and Mr. Christopher Townsend as new members of the Management Board of Allianz SE with effect from January 1, 2021.

Dr. Karuth-Zelle has been with Allianz since early 2000 and most recently was the CEO of our IT service company, Allianz Technology. She has assumed the Management Board responsibilities previously held by Dr. Mascher. The Supervisory Board is pleased with the efficiency of our internal succession process for the Management Board, which allows us to have such skilled and capable senior managers as Dr. Karuth-Zelle.

Mr. Townsend is a newcomer to Allianz, bringing in more than 30 years of experience in the insurance sector. Before joining Allianz he has been the CEO of the American International Group's international operations. As member of the Management Board of Allianz SE, Mr. Townsend takes over Mr. Peiris' responsibilities. With this appointment, we especially aim to strengthen our corporate insurance business and our expertise in the Anglo-Saxon broker-markets.

(Dr. Karuth-Zelle and Mr. Townsend will introduce themselves to the shareholders at the Annual General Meeting.)

I would also like to inform you that the Supervisory Board has renewed the Management Board appointments of Mr. de la Sota and Mr. Terzariol for an additional five-year term. Although Mr. Balbinot has reached the age limit of 62, we have extended his appointment by a further two years due to his special expertise as well as his particular experience in the Asian markets.

The composition of the Supervisory Board has not changed since our last Annual General Meeting in May 2020.

2. Presentation of the Financial Statements

The Annual Financial Statements of Allianz SE and the Consolidated Financial Statements of the Group together with the respective Management Reports were audited by PricewaterhouseCoopers Wirtschaftsprüfungsgesellschaft which confirmed that they have been properly prepared and therefore issued an unqualified auditor's opinion for both Financial Statements.

The Management Board and the auditor presented the Financial Statements in detail both to the Audit Committee and the Supervisory Board. The Supervisory Board has approved the Financial Statements after thorough review. The Annual Financial Statements of Allianz SE have thus been formally adopted.

3. Report of the Supervisory Board

A total of seven meetings of the Supervisory Board were held during the fiscal year 2020. In addition, the Supervisory Board Committees met on 22 occasions. You will find a detailed account of the work of the Supervisory Board and its Committees in the Annual Report of Allianz Group, on pages 4 and following. Let me highlight certain key areas of our activities:

At all meetings of the Supervisory Board the Management Board reported in detail on the business developments of the individual business segments and regions, particularly outlining the effects of the COVID-19 pandemic on both our staff and customers as well as on the specific business segments. In this connection we regularly examined the adequacy of capitalization and the solvency ratio; we also discussed various stress and risk scenarios with the Management Board. We also convened additional meetings of the Audit Committee and the Supervisory Board to hold in-depth discussions with the Management Board regarding the planned appropriation of net earnings in light of the regulators' guidelines and the withdrawal of the 2020 profit forecast.

Once again, we particularly focused on the handling of strategic issues with the Management Board. Noteworthy topics include the Allianz Customer Model for the continuous advancement of Allianz's business success and the Management Board's risk strategy, which is especially relevant in current times. Meetings of the Supervisory Board and its Committees also devoted particular attention to the issues of cyber security and data protection, both areas being of particular importance to Allianz, especially when it comes to handling sensitive customer data. Another focal point was the life insurance segment in the low-interest environment which has been prevalent for many years now. We also addressed the impact of Brexit, the Management Board's M&A activities and its succession planning. In keeping with previous years, we dealt intensively with the Allianz Group's sustainability concept and we incorporated the climate strategy as an additional contribution factor as we set the individual targets for the Management Board members. In order to ensure an even closer dialogue with the Management Board, the Supervisory Board established a Sustainability Committee in February of this year to closely monitor the implementation and enhancement of the Management Board's sustainability strategy.

I would now like to turn to the remuneration of the Management Board and the Supervisory Board. Detailed information on this topic is set out in the Remuneration Report which starts on page 24 of the Annual Report of Allianz Group. I will also explain the remuneration systems for the Management Board and the Supervisory Board which we are presenting to you for approval under items 5 and 6 of today's agenda. Unfortunately, the format of today's Annual General Meeting does not provide for the usual debate but,

unlike last year, we are not able to postpone this topic to next year. The new provisions of the German Stock Corporation Act (AktG) require us to present the Management Board and Supervisory Board remuneration systems to this year's Annual General Meeting.

The Management Board remuneration system applicable for the fiscal year 2020 was approved at the Annual General Meeting in 2019. It features a simple structure with three remuneration elements: a Base Salary and two variable remuneration components, namely the Annual Bonus and the share-based Long-term Incentive. We feel confirmed in our design of the system due to the award we received from Euroshareholders, the shareholder representative branch of the European investor protection organization, Better Finance, and Germany's association for private investors Deutsche Schutzvereinigung für Wertpapierbesitz, which rated Allianz's system as the most shareholder-friendly management board remuneration system in the DAX 30.

If you may take a look at the Remuneration Report, you will see that we are committed to full transparency in reporting the remuneration of our Management Board members. For example, it sets out the method for calculating the Group's financial targets, and, in terms of the individual contribution factor for the assessment of the Management Board members' annual bonus, you will see that the Supervisory Board has again utilized the scope to the greatest possible extent applicable for this factor, taking into account the performance of each individual Management Board member. The COVID-19 crisis has demonstrated that our remuneration system is achieving its intended effect when we take a look at the bonus granted for the fiscal year 2020. For example, last year's decline in the operating profit and in the net income attributable to shareholders of 9.3% and 14%, respectively, resulted in a Group financial target achievement of only 75.6%, almost 33 percentage points below the previous year's achievement level (108.7%). The financial target achievement was not adjusted by the individual contribution factor either, as can be seen from the target achievement of the Chairman of the Management Board. This figure was still as high as 122.85% in the fiscal year 2019. In the fiscal year 2020, the target achievement fell to 88.43% meaning it was a full 34 percentage points below the previous year's figure.

Dear Shareholders,

Let me now turn to the remuneration system for the members of the Management Board presented for approval today under agenda item 5. You will find a detailed written explanation of the system itself as well as the changes made compared to the previous version in the invitation to this General Meeting.

With the three remuneration elements Base Salary, Annual Bonus and the share-based Long-term Incentive, the system is largely unchanged compared to the version approved in 2019. However, technical adjustments are being made to take into account, among other aspects, the current requirements presented by the German Stock Corporation Act and the German Corporate Governance Code, and there is a proposal to adjust the target remuneration of the Chairman of the Management Board. I would like to briefly outline these changes again.

Firstly, the statutory rule grants the Supervisory Board the option of temporarily deviating from the remuneration system or individual components thereof under exceptional circumstances if this is necessary in the best interest of Allianz's long-term well-being. The objective of this provision of the law is to enable the Supervisory Board to respond flexibly and quickly to crisis situations.

The Supervisory Board is also entitled to take appropriate account of extraordinary unforeseeable developments when determining the amount of the variable target remuneration. This rule is based on a recommendation contained in the German Corporate Governance Code and allows for adjustments within the remuneration system in rare and unforeseeable exceptional circumstances. Example might be significant changes to accounting rules or to the tax or regulatory framework as well as catastrophic events not yet known at the time the targets are set. I must stress that the application of this rule can also result in a reduction of the variable remuneration that would otherwise be due.

As a matter of clarification, the system contains a rule that the Supervisory Board, after having performed a horizontal and vertical comparison, may make minor adjustments to the target remuneration of Management Board members if this appears appropriate for ensuring that the remuneration remains proportionate to the particular tasks and responsibilities. The aim of this rule is primarily to avoid major remuneration increases in the future. Such types of moderate adjustments must, of course, be justified in detail in the relevant remuneration report which must be approved by the Annual General Meeting each year going forward.

Also, as a matter of clarification it is pointed out that the newly appointed members of the Management Board may be granted exceptional compensation payments when they are appointed to the Management Board of Allianz SE in order to offset remuneration or pension entitlements forfeited with previous employers. Such compensation payments can be a prerequisite for attracting external candidates for the Management Board.

Already in 2020, the Supervisory Board had eliminated the special severance payment rule from the contracts of the Management Board members which applied in the event of a change of control. At the same time, provision had been made that in the case of a contractually agreed no-competition clause any severance payment be offset against a no-competition compensation (Karenzentschädigung) in case the Management Board appointment is terminated prematurely. These adjustments were made in light of the new requirements contained in the current German Corporate Governance Code.

Finally, let me turn to the adjustment of the total target remuneration and the overall remuneration cap of the Chairman of the Management Board. According to the usual practice at Allianz which provides for the increase of the CEO's remuneration to market level only if performance and success prove to be sustainable, an adjustment was actually planned for 2020 subsequent to the contract extension of Mr. Bäte and his convincing work. However, the Supervisory Board postponed the increase to 2021 so that we could include another update of the horizontal comparison based on the remuneration reports of peer companies published in 2020 into our considerations. This additional horizontal comparison resulted in a raising of the annual target remuneration of Mr. Bäte, excluding pension contributions, to EUR 6.371 million. The overall remuneration cap was to be adjusted to EUR 11.75 million. The ratio of the CEO's target remuneration to that of a regular board member has thus been raised to 1.96, up from the previous factor of 1.75. This factor corresponds to the average ratio of regular board members to CEOs in the DAX companies. In addition, we subjected the remuneration of the whole Management Board to a horizontal comparison with DAX companies and international competitors based on remuneration data published in 2020. This showed that Allianz is in the 86th percentile of DAX companies relative to its size. Based on the annual results for the fiscal year 2020, this position has increased to the 87th percentile. The Supervisory Board has set the 75th percentile as the appropriate level of target remuneration in terms of the horizontal comparison. The target remuneration of the regular Management Board members is at precisely this level while the remuneration of the Management Board's Chairman was only at the 55th percentile and therefore not appropriate. You will hopefully forgive me for these somewhat technical explanations but I believe they clearly demonstrate that the Supervisory Board has based its determination of the increase in Mr. Bäte's remuneration on objective and measurable criteria. The entire Supervisory Board, and this explicitly includes the Employee representatives on the Supervisory Board, support this increase.

I therefore can summarize that the Supervisory Board considers the remuneration system presented to you to be balanced and appropriate in terms of an internal and external comparison.

With a view to agenda item 6, I would like to provide you with some explanations regarding the remuneration of the Supervisory Board.

The remuneration of the Supervisory Board remained unchanged last year and is structured as fixed remuneration. As regards the Supervisory Board's Committees, the amount of remuneration depends on the respective Committee. A detailed and individualized breakdown of the remuneration paid in fiscal year 2020 is set out in the Remuneration Report from page 44 of the Annual Report of Allianz Group.

The remuneration of the Supervisory Board was last amended by the Annual General Meeting in 2018 and is to remain largely unchanged. The only new proposal is to also separately remunerate members of the Nomination Committee in the future. We deem this appropriate in light of the increased tasks of the Nomination Committee in selecting suitable candidates. The criteria for selecting nominees for the Supervisory Board have been steadily rising in recent years. Alongside increasing requirements regarding qualifications, the requirements regarding the independence of Supervisory Board members are also increasing continually. The reduction of the regular term of office of the Supervisory Board members, also proposed today, will further increase the frequency of selection. However, given that the workload of the Nomination Committee is still expected to be less than the one of other committees, half of the usual committee remuneration is deemed to be appropriate.

It should also be noted that the Supervisory Board established a new Sustainability Committee in February 2021, as I have already mentioned earlier, and this Committee's remuneration corresponds to the usual committee remuneration. The existing remuneration system for the Supervisory Board shall otherwise remain unchanged.

I would now like to address yet another point that concerns the Supervisory Board and which is occasionally raised by investors. The new German Corporate Governance Code which came into effect in March of last year removed the previous recommendation for a 10% deductible paid by members of the Supervisory Board under the D&O insurance policy. The German Corporate Governance Government Commission justified the change by arguing that a deductible did not represent a suitable means for increasing the sense of responsibility and level of motivation of supervisory board members. The elimination of the deductible is also in line with the express rule of law. Whilst the deductible for D&O insurance policies for the management board is explicitly regulated in § 93 AktG, the applicability of the deductible for the supervisory board was intentionally and explicitly excluded in § 116 AktG.

Against this backdrop, the deductible for the members of the Supervisory Board of Allianz SE was dispensed with when the Allianz D&O policy was renewed in mid-2020. In addition, we have examined the current situation at other DAX companies on this issue and found that the overwhelming majority of companies have already abandoned a deductible or are planning to do so.

Dear Shareholders,

The tasks of the Supervisory Board also include monitoring the standards of good Corporate Governance. Details on Corporate Governance within Allianz Group are laid out in the Statement on Corporate Management which can be found on page 14 onwards of the Annual Report of Allianz Group. I would like to mention that the previously customary Corporate Governance Report has been integrated into the Statement on Corporate Management in line with the revised German Corporate Governance Code. Management Board and Supervisory Board submitted the Declaration of Conformity with the recommendations of the German Corporate Governance Code in December 2020 and have made this Declaration permanently available to the shareholders on the company's website. In summary, it can be concluded that Allianz complies with all recommendations of the Code in its former and current versions and likewise follows all the suggestions.

Ladies and Gentlemen,

Your Allianz performed excellently in the fiscal year 2020 under extremely difficult circumstances. Alongside the rise in customer and employee satisfaction, perfectly fitting acquisitions have been closed and forward-looking aspects such as product design in the life segment and the next phase of digitalization have been systematically advanced. Despite not quite achieving the financial targets originally set for the fiscal year 2020, the financial result is also more than satisfactory in view of the challenging macroeconomic situation. This is reinforced by the fact that a dividend of 9.60 euro can be proposed to you today. Moreover, the Management Board successfully maintained the capital adequacy on a high level.

I would like to take this opportunity to extend my sincere thanks to all employees throughout the Allianz Group for their outstanding and unwavering commitment in these challenging times. The whole Allianz team shows every day that it is a powerful community, even in crisis situations, and that it attends to the many and varied customer concerns in a responsible manner.

Thank you for your attention.