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# Allianz Malaysia Group

## Policy for Remuneration

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Documents of records of reviews and approvals by Board of Directors ("Board").

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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 for its employees and shall facilitate the implementation in accordance with regulatory requirements.
2. Allianz Malaysia or Allianz Malaysia Group refers to Allianz Malaysia Berhad ("AMB") and its subsidiaries. The term 'Company' refers to either AMB or any of its subsidiaries.

### II. Authorization and Updates

1. People and Culture function is responsible for maintaining and updating the Policy in compliance with regulatory requirements and input from Allianz SE Group ("Allianz Group"), where appropriate and monitoring its implementation.
2. This Policy shall be reviewed periodically and any revision should be reviewed by the Nomination and Remuneration Committee and recommendation from the Nomination and Remuneration Committee shall be tabled for the Board of Directors of the Company for approval.
3. This Policy superseding the current version and is available on the Allianz Malaysia corporate website and Employee Portal.

### III. Definitions

#### 1. Board of Directors of the Company ("Board")

The Board of Directors comprises both Executive and Non-Executive Directors, and Independent and Non-Independent Directors. The Board uses its best efforts to ensure that the Company is properly managed and constantly improved so as to protect and enhance shareholder value.

#### 2. Nomination and Remuneration Committee ("NRC")

The NRC assists the Board in overseeing the selection, performance evaluation, remuneration and succession plans of the Directors, Chief Executive Officer ("CEO") and other Key Responsible Persons ("KRPs")

#### 3. Allianz Global and Senior Executives

##### Allianz Global Executive

The cluster of top management positions of Allianz Group as approved by the Group Compensation Committee.

#### Allianz Senior Executives

The cluster of top management positions of Allianz Group as approved by the relevant local approval body.

#### Allianz Executives

The cluster of senior experts and management positions of Allianz Group as approved by the relevant local approval body.

#### All Allianz Executive Clusters ("AGE/ASE/AE")

Reference to "all Allianz Executives Clusters" in this Policy includes Allianz Global Executives, Allianz Senior Executives and Allianz Executives.

### 4. **Key Responsible Persons ("KRPs")**

KRPs refer to persons who are accountable or responsible for the management or oversight of the Company. However, this policy is not applicable to Directors. KRPs refer to:

- (i) Chief Executive Officer (CEO); and
- (ii) 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.

### 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 are clustered into the four pillars of Health, Money, Time and Career.

### AZpire / AZpire X Participant

"AZpire" is the Compensation system for all Allianz Executive Clusters in the Insurance business model. An "AZpire X Participant" is a participant who is in the "AZpire" Compensation system and

- holding an Allianz Global Executive position (grade 18 or higher in the Allianz Grading System); or
- holding an Allianz Executive (grade 13-15 in the Allianz Grading System) or an Allianz Senior Executive position (grade 16 or 17 in the Allianz Grading System) as member of the board of management or as an executive member of a board of directors of an Allianz Group company provided the board member has a reporting line to an Allianz Global Executive.

## **B. 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. This oversight is provided by NRC's recommendation of CEOs and other KRPs remuneration, to the Board.

Material changes or new compensation plans or the termination of plans with the potential for individual or aggregate payments exceeding 1mn Euro (or equivalent amount) annually require Group Compensation Committee ("GCC") review and consent. In general, the GCC reviews the key design features of all major Compensation plans.

### **II. General Principles**

Compensation systems for KRPs 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.

To ensure appropriateness of (individual) Remuneration and general pay levels, internal and external benchmarking is performed. As regards appropriateness of pay levels, base salaries, Benefits and variable components are regularly benchmarked against the market position with peers from which Allianz Malaysia Group recruits or to whom Allianz Malaysia Group loses talent.

The Remuneration awards must not threaten the adequacy of the Company's capital base.

It is the policy of Allianz Malaysia Group to strive for equal pay for equal work and work of equal value of all employees regardless of gender, sexuality, ethnic background, family status or any other demographic factors and to foster a culture of inclusion and

meritocracy within the regulatory framework of each market Allianz Malaysia Group operates

## 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

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 payout may be less than or more than 100% of the target bonus.

### (2) Allianz Equity Incentive

All Allianz Global and Allianz 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 SE 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).

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 Board 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.

### 3. One time payments

The Company may grant one-time payments such as, 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 if the employment has ended upon own initiative of the employee.

### **III. Specific Compensation Principles**

For KRPs and employees, 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 leaders shall undertake their roles and responsibilities, such that, adherence to the Allianz People Attributes are consistently upheld. In addition, accountabilities (i.e. Executive Accountability Regime), compliance with internal and external regulations as well as vigilance in living the Allianz Group's risk culture form an integral part of performance management.
- 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 the Company's 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 of KRPs 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. This malus provision shall ensure that Variable Compensation components may not be paid, or payment may be restricted in particular in the event of a significant breach of:

- (i) A statutory provision, court decision or administrative order to be observed in the context of the employment relationship; or
- (ii) The obligations under the Allianz Executive Accountability Regime (if applicable), the risk limits applicable to the employee, the Allianz Code of Conduct and/or any other Allianz policy or binding instruction in the context of the employment relationship.

d) Compliance Clause

The Variable Compensation system for all Allianz Executive Clusters also takes into account that Allianz Group expects strict discipline with compliance of internal and external requirements and does not tolerate any breaches. This applies in particular to requirements for appropriate business organization (system of governance), including the internal control system and the compliance and risk management systems. A breach of statutory provisions, administrative orders, the Allianz Code of Conduct or other internal guidelines, e.g. Solvency II Policies, rules and standards, including risk limits, may therefore be taken into account when assessing target achievement, as may key findings from the Executive Accountability Regime, Multi Rater Feedback, AES and/or other surveys.

e) Clawback

A compliance breach may lead to a clawback, i.e. the Company may demand the KRP or employee to repay all or part of the variable remuneration paid out.

f) Compliance Cliff

The Variable Compensation system for all Allianz Global Executives and Allianz Senior Executives with an AZpire X Compensation package must include a compliance and operational risks target. The overall target achievement is capped at 100% if the compliance and operational risks target is not met ("Compliance Cliff"). The Group Compensation Committee will decide about applying the cap in individual cases for findings within the scope of responsibility in particular by taking into account overdue medium, high-risk findings from internal audit, risk, compliance, data privacy and external audits and reviews.

**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 the superior need to approve. No person must be involved in decisions which concern their own Remuneration.

**II. Communication**

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

The Policy is available on Allianz Malaysia corporate website and Employee Portal.

**III. Performance Management**

Allianz Malaysia Group 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 Allianz Group requirements by, KRPs

- Allianz Malaysia 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 KRPs 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 of the KRP to the NRC for consideration and the recommendation of the NRC will be presented 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 Process.

#### **IV. Year-End Process**

The Variable Compensation payout for each year is computed based on overall business and individual performance achievement for the year.

Base salary increase is determined by the following factors:

- Individual performance
- Salary position against benchmark
- Mission critical roles and retention risk
- Suggestions from equal pay gap analysis, if any

Equal pay gap analysis is conducted according to timelines recommended by Allianz Group. This involved a regression analysis of total target direct compensation of staff using the Pay Analytics tool or any appropriate tool which may be recommended by Allianz Group. Allianz Malaysia Group is committed to reducing any gender pay gap to 1% and below. Based on the analysis, identified female employees who fulfill the criteria above will be considered for those salary adjustment.

The total bonus amount and base salary increase are presented to the NRC for review and the NRC will recommend to the Board for approval.

#### **D. Governance and Roles & Responsibilities**

##### **I. Allianz Malaysia Group**

### 1. Board

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

### 2. NRC

The responsibilities of the NRC, among others are : -

- recommending a framework of remuneration for Directors, CEOs and KRPs;
- recommending remuneration packages for Directors, CEOs and KRPs;
- reviewing and recommending the annual performance bonus and increment for the staff of Allianz Malaysia Group;

### 3. Compliance function

The responsibilities are:

- Advising on how to adopt this Policy, in particular in case of conflicts with Allianz Group requirements;
- Reviewing local compensation policies in compliance with regulatory requirements; and
- Reviewing regulatory compliance of local compensation plans.

### 4. Finance & Accounting function

The responsibilities are:

- Implementing the accruals for the Group-wise 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; and
- Providing input on the alignment of the Company compensation system with the Allianz Group or Company risk strategy.

### 6. People and Culture function

The responsibilities are:

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