

Swiss Re is committed to a compensation framework that is balanced and performance-oriented and that aligns the interests of employees and shareholders.



# Report from the Compensation Committee



**Jacques de Vaucleroy**  
Chair Compensation Committee

“During the past year, the Compensation Committee continued to monitor the alignment of Swiss Re’s compensation framework with shareholders’ interests and with our long-term business and risk strategy.”

**Dear shareholders,**

As the Chair of Swiss Re’s Compensation Committee, I am pleased to share with you Swiss Re’s Compensation Report for the financial year ended 31 December 2018, which has been prepared in accordance with applicable laws, rules and regulations.

Swiss Re’s vision “we make the world more resilient” is supported by our mission – to create smarter solutions for our clients through new perspectives, knowledge and capital. The combination of these strengths makes Swiss Re a partner of choice for our clients. At the same time, Swiss Re wants to be an employer of choice for our employees. Its compensation framework is therefore designed to attract, motivate and retain the qualified talent the Group needs to succeed globally while providing superior returns to our shareholders. During the past year, the Compensation Committee continued to monitor:

- The alignment of Swiss Re’s compensation framework with shareholders’ interests and with our long-term business and risk strategy.
- The effectiveness of the current performance measurement approach (i.e. performance achievements at the business and individual level against the goals set for the year, including behaviour and risk aspects) which determines compensation outcomes.

- The competitiveness of compensation for the Board of Directors, Group Executive Committee (Group EC) and other key executives.
- Legal and regulatory developments, including the continued compliance of the Board of Directors and Group EC compensation with the Ordinance against Excessive Compensation at Public Corporations (the Ordinance).

Furthermore, the Compensation Committee also conducted a self-assessment of its own effectiveness.

On behalf of the Compensation Committee, I would like to acknowledge the strong shareholder support at the Annual General Meeting (AGM) 2018. Swiss Re's shareholders again approved the proposed aggregate compensation of the members of the Board of Directors and the Group EC. Additionally, all proposals for re-election and election to the Compensation Committee were approved and the 2017 Compensation Report again received a positive outcome in the consultative vote.

Through discussions with key investors and proxy advisors, Swiss Re continued to identify potential enhancements to its compensation disclosure. As a result, the 2018 Compensation Report contains additional information, particularly in the area of variable compensation.

#### **Group business performance 2018**

Key considerations for Swiss Re's annual compensation decisions continue to cover a combination of US GAAP and Economic Value Management (EVM) based business results, qualitative factors and Swiss Re's pay-for-performance approach. Compensation decisions were made considering Swiss Re's performance for the reporting year, in which the Group's US GAAP and economic performance was negatively impacted by higher-than-expected natural catastrophe events and man-made losses.

- The US GAAP and economic results of Property & Casualty Reinsurance reflect large insurance claims in the aftermath of a string of natural catastrophe events.
- Life & Health Reinsurance met its US GAAP return on equity (ROE) target and delivered a strong EVM new business profit, partially offset by a negative EVM investment result.

- The Corporate Solutions US GAAP and economic results were heavily impacted by large natural catastrophe events and man-made losses, resulting in a loss for the year.
- Life Capital generated significant gross cash for the Group. The economic result was impacted by investment underperformance, partially offset by a strong underwriting profit.

#### **Group Annual Performance**

##### **Incentive 2018**

In years with relatively benign natural catastrophe experience, variable compensation payouts were positive but not excessive. Conversely, in adverse environments, the negative impact shall be substantive but also proportionate, given the need to carefully manage key talent retention risk and the Group's willingness to underwrite risk. Swiss Re's US GAAP performance was below target, but higher than last year, and would have been even better without the impact of the new US GAAP accounting guidance on equity investments. This backdrop, in conjunction with the qualitative performance assessment, led the Compensation Committee and the Board of Directors to grant variable compensation payouts that are below target levels but higher than last year.

#### **Compensation framework**

Swiss Re's compensation framework is designed to promote long-term sustainable performance for the Group and its shareholders through a mix of fixed and variable compensation components. It comprises fixed components such as base salary, pension and other benefits, as well as a combination of variable short- and long-term incentives as outlined later in this Compensation Report. The Compensation Committee continues to review and monitor the compensation framework of Swiss Re considering business strategy, targets, risk awareness and corporate values. External factors with respect to regulatory requirements and legal developments, the international context in which we operate and relevant market data are also taken into account.

There were no material changes to our compensation framework in 2018.

#### **AGM 2019**

The Compensation Committee remains committed to recommending compensation policies and programmes to the Board of Directors that support our business strategy and align the interests of our employees with those of our shareholders. We are therefore keen to maintain regular interactions with shareholders and other key stakeholders.

Consistent with last year and in line with our Articles of Association, shareholders will again be asked to approve the following amounts:

- Maximum aggregate amount of compensation for the members of the Board of Directors for the term of office from the AGM 2019 to the AGM 2020.
- Maximum aggregate amount of fixed compensation and variable long-term compensation for the members of the Group EC for the financial year 2020.
- Aggregate amount of variable short-term compensation for the members of the Group EC for the financial year 2018.

Separately from this and as in the past, shareholders will also be asked to support this Compensation Report in a consultative vote. The Compensation Committee is satisfied that this Compensation Report complies with applicable laws, rules and regulations and provides a comprehensive view of the compensation framework at Swiss Re and the 2018 compensation decisions.

Zurich, 14 March 2019



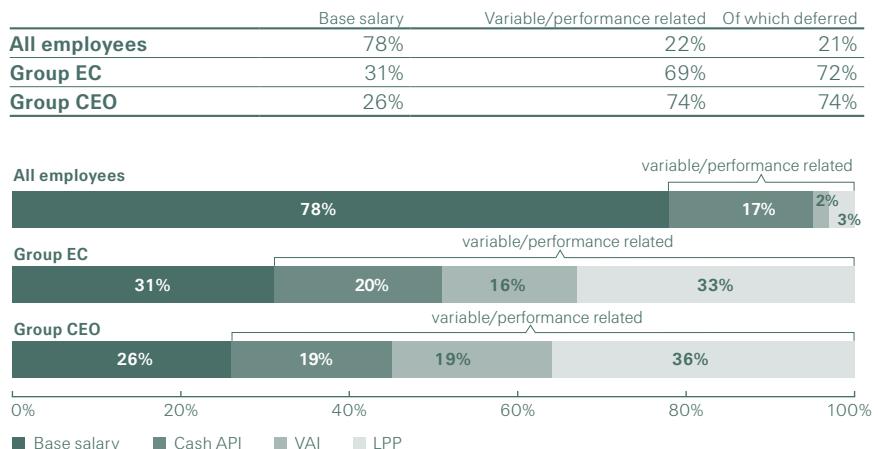
**Jacques de Vaucleroy**

Chair Compensation Committee

# Compensation highlights in 2018

## Pay for performance

The Compensation Committee ensures that Group EC compensation is linked to the business performance of Swiss Re by delivering a substantial portion of compensation in the form of variable and performance-related incentives.



The Compensation Committee monitors how compensation is aligned with specific business metrics, including US GAAP net income and EVM profit.

USD millions (unless otherwise stated)	2016	2017	Change	2018	Change
US GAAP net income	3 558	331	-91%	421	27%
EVM profit	1 399	-9	-	-693	-
Regular dividend payments (CHF) <sup>1</sup>	4.85	5.00	3%	5.60	12%
Financial strength rating (Standard & Poor's)	AA-	AA-		AA-	
Total equity	35 716	34 294	-4%	28 727	-16%
Regular staff worldwide	14 053	14 485		14 943	
Aggregate compensation for all employees (CHF millions) <sup>2</sup>	2 265	2 165	-4%	2 208	2%
Group EC members <sup>3</sup>	14	14		14	
Aggregate Group EC compensation (CHF thousands) <sup>2,3</sup>	51 430	43 159	-16%	44 253	3%

<sup>1</sup>Dividend payments are made in April of the following year. For 2018, an ordinary dividend of CHF 5.60 is proposed to the AGM 2019.

<sup>2</sup>Disclosure includes all awards for a reporting year, ie the 2018 aggregated compensation values include the fair value of the Leadership Performance Plan (LPP) granted in April 2018. The Annual Performance Incentive (API) for 2018 for members of the Group EC is subject to approval by the shareholders at the AGM 2019.

<sup>3</sup>Including Group CEO.

## ATTRIBUTION OF GROUP INCOME TO KEY STAKEHOLDERS

USD millions (unless otherwise stated)	2016	%	2017	%	2018	%
Income before tax and variable compensation	4 773	100%	814	100%	863	100%
Variable compensation	466	10%	351	43%	373	43%
Income tax expense	749	16%	132	16%	69	8%
US GAAP net income attributable to shareholders	3 558		331		421	
of which paid out as dividend <sup>1</sup>	1 559	33%	1 592	196%	1 692	196%
of which share buy-back	1 006	21%	1 032	127%	1 022 <sup>2</sup>	118%
of which added to retained earnings within shareholders' equity	993	20%	-2 293		-2 293	

<sup>1</sup>FY 2018 is estimated based on average year-to-date CHF/USD FX rates as of February 2019. The dividend is subject to AGM approval and the amount depends on the final number of dividend eligible shares and FX rates upon dividend payout.

<sup>2</sup>Includes shares bought back between 7 May 2018 and 15 February 2019 as part of the buy-back programme authorised at the AGM 2018. The total amount represents an estimate translated at the 2018 average CHF/USD FX rate.

# Compensation framework

## Compensation Policy

Building on the overarching compensation principles included in Swiss Re's Articles of Association, the compensation framework is captured within the Swiss Re Group Compensation Policy (the Compensation Policy). The Compensation Policy governs the compensation structure and processes across all functions and locations at Swiss Re and is reviewed regularly.

The Compensation Committee has also approved an authority matrix that defines the limits to which each level of management can authorise compensation payments. The Group CEO or the Compensation Committee, as applicable, approves all compensation that exceeds the preset limits. The Group CEO is not involved in decision-making concerning his own compensation.

The Human Resources function conducts a regular self-assessment of Swiss Re's compliance with the Compensation Policy. The Compensation Committee reviews this self-assessment and identifies potential areas for improvement. The Compensation Committee receives reports on compensation decisions as appropriate, including a comprehensive review of the effectiveness of the annual compensation review cycle.

Swiss Re is required to assess the Compensation Policy against the requirements of Group regulator FINMA. As part of this process, the Board's Finance and Risk Committee is required to review risks related to the Compensation Policy. A comprehensive risk analysis of the Compensation Policy is therefore conducted on an annual basis.

To reflect best practices, the Compensation Policy prohibits the use of any personal hedging strategies or remuneration and liability-related insurance that could undermine the risk alignment effects and economic exposure embedded in compensation arrangements.

## Guiding principles

Swiss Re's compensation framework is designed to attract, motivate and retain the qualified talent the Group needs to succeed globally and to create a tangible link between performance and pay.

The aim is to provide total compensation that is competitive in local labour markets and to ensure that our employees focus on delivering outstanding results while supporting appropriate and controlled risk-taking. A balanced compensation package is complemented by competitive pension plans and benefits.

This approach adds to the success of the business by:

- Supporting a culture of high performance with a focus on risk-adjusted financial results.
- Ensuring alignment of compensation to business results, individual contribution and recognising what was achieved and how it was achieved.
- Supporting Swiss Re's commitment to attract, motivate and retain key talent.
- Aligning the interests of employees with those of Swiss Re's shareholders.
- Fostering compliance and supporting appropriate and controlled risk-taking.

In addition, Swiss Re seeks to ensure that total compensation is well balanced in terms of fixed versus variable compensation and in terms of short-term versus long-term incentives. This is to encourage sustainable long-term performance and appropriate risk-taking in line with the business and risk strategy.

Swiss Re has several incentive programmes that reflect the long-term nature of the business: both the Value Alignment Incentive (VAI), as the deferred part of the Annual Performance Incentive (API), and the Leadership Performance Plan (LPP) aim to reward sustainable long-term performance rather than short-term results. These programmes support closer alignment of the interests of shareholders and employees.

## OVERVIEW OF KEY COMPENSATION AND BENEFITS COMPONENTS FOR GROUP EC MEMBERS AND OTHER EMPLOYEES

	Fixed compensation		Variable compensation			Participation plans	
	Base salary	Benefits	(short-term) Cash API	VAI (deferred API)	(long-term) LPP	(long-term) GSPP	ISP***
<b>Eligibility</b>	All employees	All employees	All employees	Employees with an API at or above USD 100 000	Group EC members and other key employees	All employees	All employees
<b>Purpose</b>	Attract and retain	Risk protection, market competitiveness, connection to Swiss Re values	Pay for performance	Pay for sustained performance	Alignment with future performance and shareholders	Alignment to shareholders	Alignment to shareholders
<b>Plan duration</b>				3 years	5 years for Group EC members and other key executives* and 3 years for remaining participants	3 years	1 year
<b>Drivers</b>	Role and experience	Market practice	Business and individual performance	Business performance	Business performance		
<b>Settlement</b>	Cash (immediate)	Pension, insurances, cash	Cash and/or shares (under the ISP**)	Cash (deferred)	Shares	Shares	Shares
<b>Performance KPIs</b>			Business and individual performance	Measurement of the economic impact of profit/loss from previous years' business	ROE Relative TSR		
<b>Performance period</b>			1 year	3 years	3 years		
<b>Payout range</b>			0 to 2 × TAPI (on total API)**	50% to 150% of deferred API	RSUs: 0% to 100% PSUs: 0% to 200%		
<b>Share price impact</b>	No	No	No	No	Yes	Yes	Yes
<b>Forfeiture rules</b>	No	In certain plans	Yes	Yes	Yes	Yes (on match)	No
<b>Clawback rules</b>	No		Yes	Yes	Yes	No	No

\* Certain members of Business Unit Executive Committees (BU ECs) and all Group Managing Directors (GMDs).

\*\* For Group EC members the API payout range is additionally capped at 3 × annual base salary.

\*\*\* Has been discontinued from 2019.

**Swiss Re aims for total compensation that is competitive in the market. Swiss Re also seeks to ensure that total compensation is well balanced in terms of fixed versus variable compensation and in terms of short-term versus long-term incentives.**

### Base salary

Base salary is the fixed compensation paid to employees for carrying out their role and is established based on the following factors:

- Scope and responsibilities of the role, and qualifications required to perform the role.
- Market value of the role in the location in which Swiss Re competes for talent.
- Skills and expertise of the individual in the role.

### Benefits

Swiss Re aims to provide a competitive package of employee benefits. Benefits are designed and implemented under a global framework, while appropriately reflecting differing local employment market conditions.

The key objectives of Swiss Re's benefits packages are to:

- Provide a degree of security for employees as it relates to pension, health matters, disability and death.
- Be competitive in the markets where Swiss Re competes for talent.
- Connect with Swiss Re values and enhance engagement.

Additionally, forfeiture provisions apply in certain plans.

## Annual Performance Incentive

### Purpose

The API is a performance-based, variable component of compensation. Combined with the base salary, it provides competitive total cash compensation when both business and individual performance targets are achieved.

### Structure

Swiss Re operates a Target API (TAPI) system along with a performance management framework that provides equal weighting to results-oriented and behaviour-related performance criteria for all employees. API is awarded for both objectives achieved and the demonstration of desired behaviours.

A TAPI is set based on multiple factors, but primarily on the role being performed and market benchmarks. Similar to the determination of the base salary, the employee's total compensation and overall pay mix are taken into account when setting the TAPI. The possible payout for the API ranges from 0 to  $2 \times$  TAPI.

For Group EC members an additional cap applies which is  $3 \times$  annual base salary.

In 2018, for the members of the Group EC including the Group CEO, the total of the aggregate TAPIs amounted to CHF 15.52 million. This is a slight decrease from the prior year, which is due to the number of Group EC members being reduced from 13 to 12 in 2018. For the Group CEO, the TAPI was CHF 2.5 million for the same year. The Group CEO's TAPI has increased by 11% (from CHF 2.25 million) to account for his greater experience in the role.

### Funding

Swiss Re uses a three-step process to assess business performance to help determine the overall Group API pool. The process comprises a financial, a qualitative and an overall assessment. The financial assessment covers four equally weighted performance factors: ROE, net operating margin, EVM profit (% of economic net worth/ENW) and ENW growth measured for both the Group and each Business Unit individually. Also, multi-year comparisons and an assessment of the quality of earnings are considered. The qualitative assessment is based on the achievement of key objectives that aim to reinforce the success of Swiss Re's strategy. For each Business Unit/Group Function, an

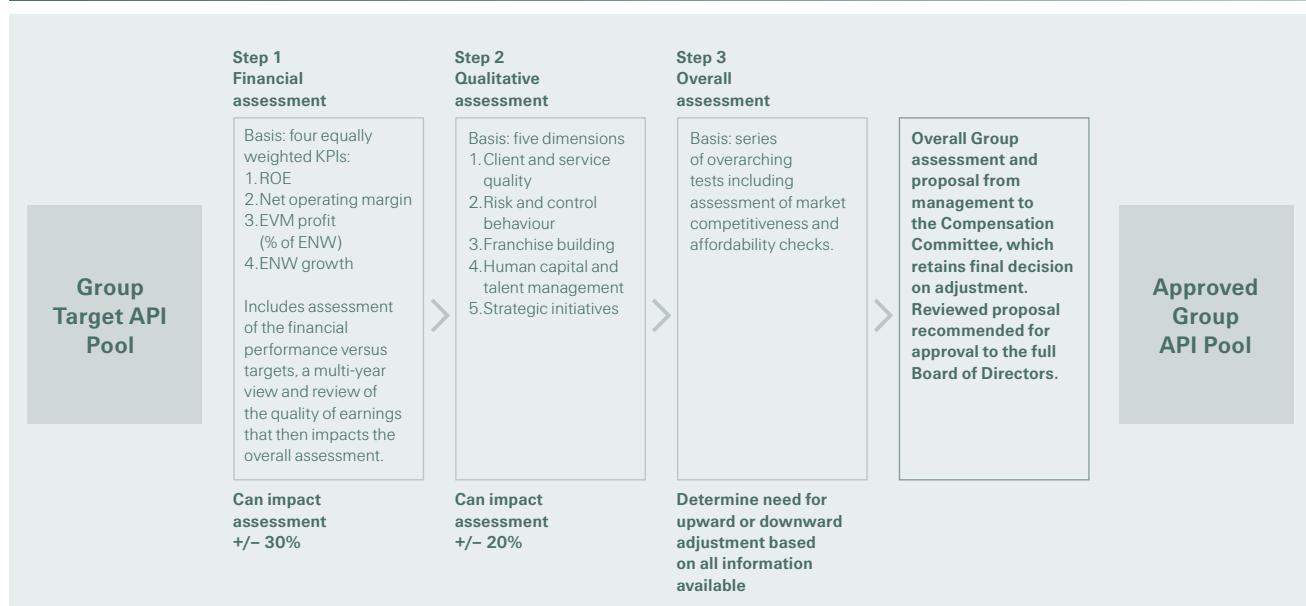
assessment is made considering five defined dimensions: client and service quality, risk and control behaviour, franchise building, human capital and talent management and strategic initiatives. The preliminary Group API pool is then reviewed considering a number of different perspectives including pay for performance linkage, reasonableness in the market context and proportionality of value sharing among employees and shareholders. The chart below gives more detail on the criteria used to determine the size of the pool.

### Allocation

The approved Group API pool is further allocated to the Senior Leadership pool and to pools of different Business Units/Group Functions. This allocation is agreed by the Group CEO based on the assessment of financial and qualitative performance factors for the respective business area.

The individual API is determined considering the TAPI, business and individual performance. Individual performance is assessed against the individual's established goals and Swiss Re's behaviour expectations and corporate values.

## GROUP API POOL FUNDING PROCESS



### Settlement

API is generally settled in cash. When the total API level for an employee exceeds a predefined amount, the award is split into two components: an immediate cash incentive payment (cash API) and a deferred API (VAI).

Forfeiture of unsettled awards and clawback provisions for settled awards apply in a range of events, enabling Swiss Re to seek repayment where appropriate. Examples of such events are acts which can be considered as malfeasance, fraud or misconduct.

### Value Alignment Incentive

#### Purpose

The VAI is a mandatory deferral of a portion of the API and introduces a time component to this performance-based, variable compensation. This supports the Group's business model by aligning a portion of variable compensation with sustainable long-term results. The aim is to ensure that the ultimate value of the deferred variable compensation through VAI is affected by the longer-term performance of the relevant Business Unit and the Group.

#### Plan duration

The VAI supports a longer-term perspective by linking awards to performance over a three-year period.

#### Performance measurement

Starting with the 2015 award, the performance measurement calculation has been simplified to increase transparency. This was achieved by

using fewer performance factors (at the Business Unit and Group level) and, where possible, published EVM information, ie EVM profit – previous years' business.

EVM is Swiss Re's proprietary integrated economic valuation and steering framework, consistently measuring performance across all businesses (please refer to the EVM section on pages 56–67 of this Financial Report). The performance factors of the VAI are calculated based on the three-year average of the published EVM previous years' business profit margin.

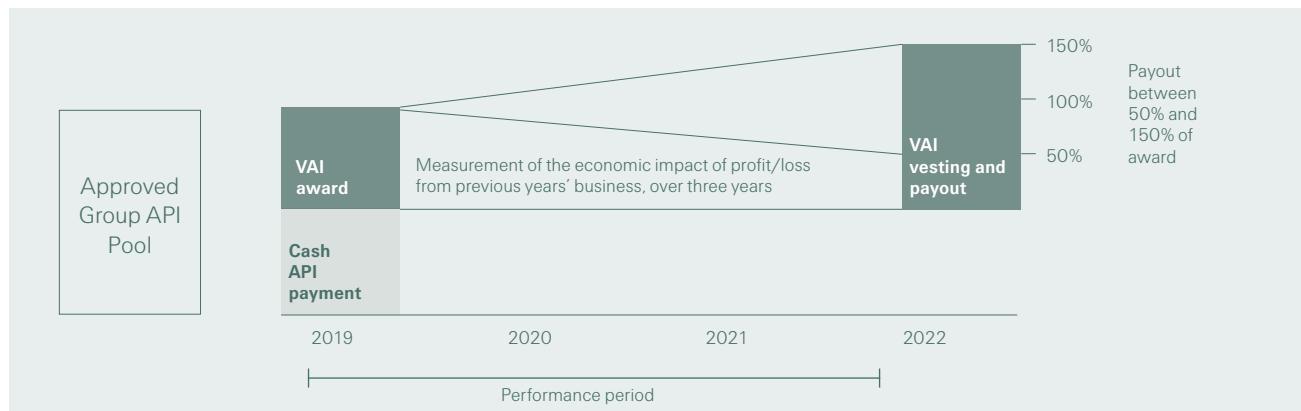
A higher EVM previous years' business profit margin (for all prior underwriting years) results in a higher performance factor. Conversely, a lower EVM previous years' business profit margin results in a lower performance factor. The performance factor is a linear function whereby payout generally ranges from 50% to 150%.

#### Structure

The higher the API granted, the greater the amount of compensation that remains at risk through deferral into the VAI, as shown in the table below.

### PORTION OF API THAT IS DEFERRED

	Deferral into VAI
Group CEO	50% of API
Other Group EC members	45% of API
Other key executives	40% of API
All other employees	50% of the API amount exceeding USD 100 000 with a minimum deferral amount of USD 5 000 at USD 100 000 and up to a maximum of 40% of API



## Leadership Performance Plan

### Purpose

The purpose of the LPP is to provide an incentive for Swiss Re's senior management to create sustainable company performance over the long term. The LPP is a forward-looking instrument awarded to participants to incentivise decision-making that is also in the shareholders' interest.

The design of the LPP aims to:

- Focus participants' energies on earnings, capital efficiency and Swiss Re's position against peers, all of which are critical to sustain shareholder value creation.
- Focus participants on long-term goals.
- Attract and retain individuals of exceptional skill.
- Provide competitive compensation that rewards long-term performance.

### Grant

The amounts disclosed under LPP in the section "Compensation disclosure and shareholdings 2018" reflect the grants made in April 2018. The LPP 2018 will be measured over the period 2018 to 2020 and vests in 2021. Grant levels are determined based on multiple factors including the role being performed and market benchmarks.

The individual grant level for each member of the Group EC is based on a stable CHF amount which in any year cannot exceed  $1.5 \times$  annual base salary for each member of the Group EC, excluding the Group CEO, and  $2 \times$  annual base salary for the Group CEO. In 2018, the total of the LPP grants awarded to members of the Group EC, including the Group CEO, amounted to CHF 13.2 million. The LPP grant awarded to the Group CEO amounted to CHF 2.0 million.

### Plan duration

The vesting and performance measurement period is three years. For LPP awards granted to Group EC members and other key executives, the duration of the LPP is five years, comprising a three-year vesting and performance measurement period and an additional two-year holding requirement.

### Structure

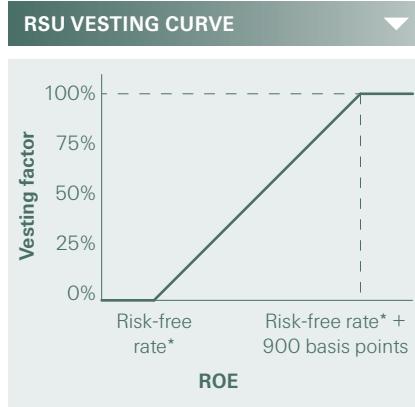
At the grant date, the award amount is split equally into two underlying components: Restricted Share Units (RSUs) and Performance Share Units (PSUs). A fair value methodology executed by a third party determines the number of RSUs and PSUs granted.

## LEADERSHIP PERFORMANCE PLAN



### Restricted Share Units

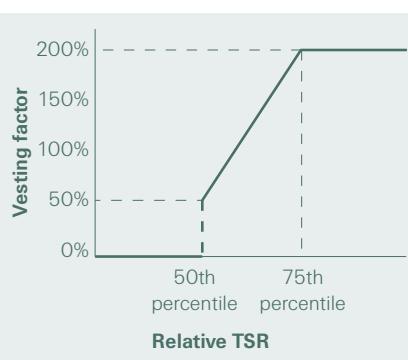
The performance condition for RSUs is ROE with a linear vesting line. Vesting is at 0% for an ROE at the risk-free rate\* and at 100% for an ROE at a predefined premium above the risk-free rate. The premium is set at the beginning of the plan period, and for LPP 2018, this premium has been set at 900 basis points above the risk-free rate. At the end of each year, the performance against the ROE condition is assessed and one third of the RSUs are locked in within a range of 0% to 100%. At the end of the three-year period, the total number of units locked in at each measurement period will vest (capped at 100%\*\*).



### Performance Share Units

The performance condition for PSUs is relative total shareholder return (TSR) measured over three years. The PSUs vest within a range of 0% to 200%. Vesting starts at the 50th percentile of TSR relative to peers with 50% vesting and is capped at 200%\*\* vesting at the 75th percentile relative to peers. In case of a negative TSR over three years, the Compensation Committee retains the discretion to reduce the level of vesting.

**PSU VESTING CURVE**



Swiss Re's three-year TSR performance is assessed relative to the TSR of the predefined peer group for the same period. This peer group consists of companies that are similar in scale, have a global footprint or a similar business mix to Swiss Re. The peer group, which is set at the beginning of the plan period includes Allianz SE, American International Group Inc, Aviva PLC, AXASA, Chubb Limited, Everest Re Group Ltd, Hannover Rueck SE, MetLife Inc, Muenchener Rueckversicherungs-Gesellschaft AG, Prudential PLC, QBE Insurance Group Ltd, Reinsurance Group of America Inc, RenaissanceRe Holdings Ltd, SCOR SE, XL Group Ltd<sup>1</sup> and Zurich Insurance Group Ltd.

\* The annual risk-free rate is determined as the average of 12 monthly rates for ten-year US Treasury bonds of the corresponding performance year.

\*\* Maximum vesting percentage excludes share price fluctuation until vesting.

<sup>1</sup> XL Group Ltd has now been integrated into AXA SA with effect from 12 September 2018.

### **Funding**

The LPP pool granted each year is reviewed in the context of sustainable business performance and affordability, and funded as part of the total variable compensation pool.

### **Settlement**

At the end of the three-year measurement period, both RSUs and PSUs will typically be settled in shares.

Forfeiture and clawback provisions apply in a range of events (the same as outlined in the VAI section) as defined in the LPP plan rules, enabling Swiss Re to seek repayment where appropriate.

Swiss Re also makes it possible for all LPP participants to have shares sold or automatically settled on a net basis as applicable, to cover statutory tax and social security liabilities that may arise at vesting. For LPP performance outcomes over past years, please refer to page 163.

### **Global Share Participation Plan**

Swiss Re offers its employees an opportunity to directly participate in the long-term success of the Group by purchasing shares (for up to a maximum of CHF 7 000 per year of a plan cycle and capped at 10% of base salary), through the Global Share Participation Plan (GSPP). Swiss Re provides a 30% match on the number of shares held by employees at the end of the three-year plan cycle. The match is subject to forfeiture in case of termination of employment before the end of the plan cycle.

The GSPP has the same core design in all locations.

### **Incentive Share Plan**

The Incentive Share Plan (ISP) provides employees with an opportunity to purchase shares with some or all of their immediate cash API. The ISP encourages alignment with shareholder interests. Shares are offered with a 10% discount on the fair value and are subject to a one-year blocking period. Full shareholder rights apply during this blocking period.

At the end of the one-year period, the employee assumes full ownership of the shares. The ISP has been discontinued from 2019, given that there is some overlap with the GSPP.

### **Supplementary information on Group EC members**

#### **Performance assessment**

The Compensation Committee assesses the performance of the Group EC, including the Group CEO, against the same set of quantitative and qualitative objectives. These objectives are agreed at the beginning of the year and are aligned with the Group's strategy.

#### **Compensation approval**

The determination of compensation for the Group EC, including the Group CEO, is ultimately subject to AGM approval, as outlined in the Articles of Association.

#### Benchmarking

The external compensation advisor to the Compensation Committee conducts an annual review of the compensation of the Group EC relative to a group of reference companies in the financial services industry to ensure that market competitiveness is maintained. The reference companies are regularly reviewed by the Compensation Committee to ensure their continued relevance. The core peer group consists of the following globally active primary insurance and reinsurance firms: Allianz SE, American International Group Inc, Aviva PLC, AXA SA, Chubb Limited, Hannover Rueck SE, MetLife Inc, Muenchener Rueckversicherungs-Gesellschaft AG, Prudential PLC, QBE Insurance Group Ltd, Reinsurance Group of America Inc, SCOR SE, XL Group Ltd<sup>1</sup> and Zurich Insurance Group Ltd.

#### Employment conditions

The Group EC, including the Group CEO, have employment contracts with notice periods of 12 months and no severance clauses. Information on “change of control” clauses is covered in the Corporate Governance section on page 137 of this Financial Report.

Group EC members are covered by the Group’s standard defined contribution pension plans.

#### Stock Ownership Guidelines

Swiss Re has stock ownership guidelines which articulate the levels of stock ownership expected of the Group EC, including the Group CEO. The guidelines are designed to increase the alignment of the interests of senior management and shareholders.

The guidelines define target ownership by role and the ownership levels required are:

- Group CEO – 3 × annual base salary.
- Group EC members – 2 × annual base salary.

Members have a five-year timeframe to achieve these targets. In case of non-compliance and because Swiss Re believes that a meaningful stock ownership position is essential for alignment with the interests of shareholders, restrictions on the cash portion of the API and/or the vested VAI amounts will apply. These amounts may also be settled in shares.

All vested shares that are owned directly or indirectly by the relevant Group EC member and related parties will be included in the assessment of whether the guidelines have been met or not.

<sup>1</sup> XL Group Ltd has now been integrated into AXA SA with effect from 12 September 2018.

## **Compensation framework for the Board of Directors**

The objective in compensating members of the Board of Directors is to attract and retain experienced individuals who are highly motivated to perform a critical role in the strategic oversight of Swiss Re and to contribute their individual business experience and expertise. The structure of compensation for members of the Board of Directors must, however, take account of the way their contribution to the success of Swiss Re differs from that of the members of the Group EC.

It is important that the compensation components are structured to achieve a strong alignment with the interests of the shareholders of Swiss Re. In line with best practice, a significant portion (40%) of the compensation for the Board members consists of shares.

The maximum aggregate amount of compensation for the members of the Board of Directors is approved by the AGM in advance of the term of office for which the Board members are elected. The Board members receive no variable or performance-based compensation. The fee level for each Board member, subject to their re-election, is reviewed annually.

### **Compensation structure**

Fees for the members of the Board of Directors are delivered 60% in cash and 40% in shares. The shares have a four-year blocking period.

### **Roles and time commitment**

The requirements for memberships of boards of directors of complex, international, listed financial institutions, in terms of qualifications and skills, are constantly increasing. Swiss Re Ltd's Board of Directors has a special skill set including experience in key sectors such as insurance and reinsurance, finance, accounting, capital markets, risk management and regulatory matters as well as leadership and decision-making experience in large, complex financial institutions. The mandate also demands significant commitment, integrity and intercultural communication competence. The prevalence of these qualifications and skills ensures that Swiss Re Ltd has the relevant expertise required for active involvement and supervision of an international listed company. The fees for the members of the Board of Directors reflect different responsibilities and committee memberships. The individual levels of pay therefore vary.

Certain committees, such as the Audit Committee and the Finance and Risk Committee, meet more frequently or hold longer meetings, and hence have higher workloads. The table on page 123 of the Financial Report provides an overview of the meetings of the Board of Directors and its committees held in 2018.

The Chairman of the Board of Directors devotes himself full-time to his role. In defining the position of Chairman as a full-time role, Swiss Re applies best practice for regulated, complex financial institutions. In particular, he leads the Board of Directors, coordinates the work of the Board of Directors and its committees, convenes the Board and committee meetings, establishes the agendas and presides over Board meetings. The Chairman also leads the Chairman's and Governance Committee, which develops and continually adapts Swiss Re's governance to regulatory and corporate requirements. The Chairman presides over General Meetings of Shareholders and represents the

Swiss Re Group towards its shareholders in industry associations and in the interaction with other stakeholders such as the media, political and regulatory authorities, government officials and the general public. The Chairman keeps regular contact with our Group regulator FINMA.

The Vice Chairman, who is also the Lead Independent Director, acts as a deputy of the Chairman, if the Chairman is prevented from performing his duties or in potential conflict of interest situations. The Board of Directors may assign further tasks to the Vice Chairman.

### **Fee approval**

In line with Swiss law, and as outlined in the Articles of Association, the aggregate compensation for the members of the Board of Directors, for the next term of office, is subject to shareholder approval at the AGM.

### **Subsidiary boards of directors**

The majority of the board members at subsidiary level are Swiss Re executives. They do not receive any additional fee for their services in these roles. The non-executive members of the subsidiary boards receive their fees 100% in cash. When a member of the Board of Directors of Swiss Re Ltd also serves on the board of a subsidiary, the aggregate compensation of the Board of Directors proposed to the AGM for approval also includes any subsidiary board fees.

# Compensation governance

**Authority for decisions related to compensation at the Board and Group EC level are governed by the Articles of Association and the Bylaws of Swiss Re Ltd, including the Charter of the Compensation Committee (Charter). The main responsibilities of the Compensation Committee are summarised in the table on the right.**

## THE ARTICLES OF ASSOCIATION OF SWISS RE LTD INCLUDE RULES ON ▾

- the annual and binding approval by the AGM of the maximum aggregate amounts of compensation of members of the Board of Directors and of the Group EC (Art. 22);
- the supplementary amount for changes in the Group EC (Art. 23), if the maximum aggregate amount of compensation approved by the AGM is not sufficient to also cover compensation of a new Group EC member;
- the compensation principles for both the members of the Board of Directors and of the Group EC covering short-term and long-term elements, performance-related pay, payment in shares, financial instruments or units, compensation in kind or other types of benefits (Art. 24); and
- the agreements with members of the Board of Directors and the Group EC, external mandates and credits and loans (Arts. 25 to 27).

The Articles of Association are available on the Swiss Re website: [www.swissre.com](http://www.swissre.com) – About us – Corporate governance – Corporate regulations – Articles of Association of Swiss Re Ltd.



Get the PDF to your mobile by scanning the QR code with your smartphone camera.

## ROLES AND RESPONSIBILITIES IN RESPECT OF COMPENSATION ▾

Function	Description of roles and responsibilities
Board of Directors	<ul style="list-style-type: none"> <li>■ Establishes and periodically reviews Swiss Re's compensation framework, including guidelines and performance criteria.</li> <li>■ Prepares the proposals to the AGM regarding Board of Directors and Group EC compensation.</li> <li>■ Further details can be found in the Corporate Governance section on pages 110–127 of this Financial Report.</li> </ul>
Compensation Committee	<ul style="list-style-type: none"> <li>■ Consists of at least four independent members of the Board of Directors. Each member of the Compensation Committee is elected individually at the AGM for a term of office until completion of the next AGM.</li> <li>■ Is governed by a Charter approved by the Board of Directors, which defines the purpose, composition and procedural rules of the Compensation Committee, including its responsibilities and authorities for making proposals and decisions related to compensation of the members of the Board of Directors and the Group EC.</li> <li>■ Assesses the individual performance of the members of the Group EC, including the Group CEO, and periodically reviews the effectiveness of the performance management process.</li> <li>■ Is responsible for making recommendations to the Board of Directors and overseeing the design and implementation of compensation principles, policy, framework, plans and disclosure.</li> <li>■ Reviews compensation principles, policies and share-based plans annually to ensure that they remain in line with Swiss Re's objectives and strategy, shareholders' interests and legal and regulatory requirements.</li> <li>■ Further details can be found in the Corporate Governance section on page 121 of this Financial Report.</li> </ul>
Management	<ul style="list-style-type: none"> <li>■ The Group CEO, the Group COO and the Chief Human Resource Officer participate in the Compensation Committee meetings.</li> <li>■ Other members of senior management may attend as deemed appropriate by the Compensation Committee and upon invitation by the Chair of the Compensation Committee.</li> <li>■ No individual may attend any part of a meeting where their own compensation is discussed.</li> </ul>
Secretary	<ul style="list-style-type: none"> <li>■ The Head of Reward serves as the Secretary to the Compensation Committee and attends its meetings (apart from the executive sessions).</li> </ul>
External Advisors	<ul style="list-style-type: none"> <li>■ Mercer provides information about remuneration trends, market benchmarking and advice on executive compensation issues.</li> <li>■ Niederer Kraft Frey Ltd provides legal advice, mainly about specific aspects of compliance and disclosure matters regarding compensation.</li> <li>■ These advisors are retained by the Compensation Committee and provide the Compensation Committee with an external perspective. They may also have other mandates with Swiss Re.</li> </ul>

## COMPENSATION APPROVALS

The table below shows the approval processes for key compensation decisions:

Compensation item	Proposed	Endorsed	Approved
Maximum aggregate amount of compensation for the members of the Board of Directors for the next term of office	Compensation Committee	Chairman of the Board of Directors, Board of Directors	AGM
Maximum aggregate amount of fixed compensation and long-term variable compensation for the members of the Group EC	Group CEO	Chairman of the Board of Directors, Board of Directors, Compensation Committee	AGM
Aggregate amount of variable short-term compensation for the members of the Group EC	Group CEO	Chairman of the Board of Directors, Board of Directors, Compensation Committee	AGM
Compensation for the Chairman of the Board of Directors	Compensation Committee		Board of Directors <sup>1</sup>
Individual compensation for the members of the Board of Directors (excl. Chairman of the Board of Directors)	Compensation Committee	Chairman of the Board of Directors	Board of Directors <sup>1</sup>
Variable short-term compensation pools and long-term incentive pools for the Group and Group EC (excl. Group CEO)	Group CEO	Chairman of the Board of Directors, Compensation Committee	Board of Directors <sup>1</sup>
Compensation for Group CEO	Chairman of the Board of Directors	Compensation Committee	Board of Directors <sup>2</sup>
Variable short-term compensation pools for the Control Functions	Group CEO	Compensation Committee, Chairs of the Audit Committee and the Finance and Risk Committee	Board of Directors
Individual compensation for the Heads of the Control Functions	Group CEO	Compensation Committee, Chairs of the Audit Committee and the Finance and Risk Committee	Board of Directors
Individual compensation for the members of the Group EC (excl. Group CEO)	Group CEO	Chairman of the Board of Directors	Compensation Committee <sup>2,3</sup>

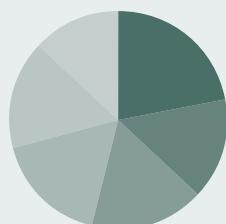
<sup>1</sup> Within the maximum aggregate amount of compensation approved by the AGM.

<sup>2</sup> Within the maximum aggregate amount of compensation approved by the AGM and the additional amount available for changes in the Group EC after the AGM as per the Articles of Association respectively.

<sup>3</sup> Board of Directors is informed.

## COMPENSATION COMMITTEE'S TIME ALLOCATION TO KEY TOPICS IN 2018

- 22% Pay for performance for the Group
- 17% Pay for performance for Group EC members
- 17% Compliance and regulatory
- 16% Executive sessions
- 15% Review of compensation framework
- 13% Other topics



### Compensation Committee activities

The Compensation Committee operates as the Group's global compensation committee and oversees the compensation system applied at all entities of the Swiss Re Group.

The Compensation Committee has an annual agenda to ensure that important reviews take place at the appropriate times throughout the year. The Compensation Committee also

commits time to executive sessions and conducts periodic self-assessments to ensure its continued high level of effectiveness. It held six meetings during 2018 and provided an update to the Board of Directors on topics discussed, decisions made and items for approval after each of these meetings. In addition, five items were resolved by circular resolution. A summary of the topics dealt with by the Compensation Committee during the year is shown on page 158.

## HIGH-LEVEL OVERVIEW OF TOPICS DISCUSSED

### Variable compensation for the Group

At Swiss Re, the compensation cycle begins in December and runs through to April of the following year. The Compensation Committee oversees each stage of the process, starting with deciding on the variable compensation pool for the prior performance year, reviewing this decision, and setting targets for the upcoming year.

Outlined below is an overview of the main topics discussed during 2018:

Items relating to the past performance cycle	Meeting
■ Performance assessment process and proposal of the variable compensation pool	January and February
■ Approval of performance factors for deferred compensation awards	February and April
■ Review of the decisions made during the prior compensation cycle	April and June

### Items relating to the upcoming performance cycle

■ Review and recommendation of the LPP pool for the upcoming year	January and February
■ Setting of the performance targets for variable compensation for the upcoming year	February

### Compensation and performance of the Group EC

The review of Group EC compensation follows the same cycle as that for the Group. Again, the Compensation Committee is fully involved through all stages of the process, and all decisions are taken by the Compensation Committee and the Board of Directors.

■ Performance assessment of the prior year	January and February
■ Approval of individual compensation proposals for the Group EC <sup>1</sup>	February
■ Review and confirm reference companies for Group EC compensation benchmarking	April
■ Analysis of Group EC members' compensation relative to external peers	June

### Compensation of the Board of Directors

The compensation of the Board of Directors is reviewed annually, and the Compensation Committee formulates proposals for the approval of the Board of Directors accordingly.<sup>2</sup>

■ Fees of the Board of Directors for the following compensation period	April
■ Review and update of the Entity Board Compensation Guidelines	June
■ Analysis of compensation practices for non-executive directors relative to the market	September

### Compensation principles and plans

■ Review and update of the API plan rules	April
■ Review of the ISP plan rules <sup>3</sup>	April
■ Annual benefits review	June
■ Review and confirm appropriateness of the LPP in the current market context	June, September and December
■ Review and update of the GSPP plan rules	December
■ Review and update of the VAI and LPP plan rules	December

### Compliance and regulatory

The Compensation Committee spends time reviewing materials relating to regulatory or compliance requirements. In addition, the mandate of its advisors is reviewed on an ongoing basis.

■ Review and endorsement of the Compensation Report	December, January and February
■ Compliance and regulatory developments	All meetings
■ Review of the role and mandate of external advisors	September and December

<sup>1</sup> Within the maximum aggregate amount of compensation approved by the AGM and the additional amount available for changes in the Group EC after the AGM as per the Articles of Association respectively.

<sup>2</sup> Within the maximum aggregate amount of compensation approved by the AGM.

<sup>3</sup> The ISP has been discontinued from 2019.

### **The role of the Control Functions in compensation**

The role of Swiss Re's Control Functions (defined as Group Risk Management, Compliance and Group Internal Audit) in compensation matters is well established.

### **Risk and control-related behaviour assessment of Group and business functions**

The focus on risk and control-related behaviours continues. The Control Functions annually perform an independent assessment of risk and control-related behaviours and summarise the outcomes in a consolidated report.

### **Risk and control-related behaviour assessment of Key Risk Takers**

Swiss Re bears risks in the course of its business activities, including market, credit and liquidity, underwriting, operational (including legal and compliance) and reputational risk. Swiss Re's Key Risk Takers are executives in core risk-taking positions who decide on business and people strategies, approve budgets, and can materially influence financial results or expose Swiss Re to significant operational or reputational risks.

In 2018, Swiss Re identified 181 positions that qualify as Key Risk Takers. This group consists of the members of the Group EC, BU EC members, other key executives and roles with core risk-taking authority. The list of Key Risk Takers is reviewed on a regular basis by Group Risk Management and Human Resources.

### **Influence of the behavioural assessment on compensation**

The risk and control-related behaviour assessment of Group and business functions provides additional input for helping determine the Group API pool and its allocation to each business function.

The Control Functions assess the risk and control-related behaviour of each Key Risk Taker and deliver a report to key executives, including the Group Chief Risk Officer and the Chief Human Resource Officer on an annual basis. This assessment serves as an additional factor when considering individual performance and compensation outcomes.

### **Independence of the Control Functions**

In order to ensure the continued independence of Control Functions, their compensation approval processes differ in that key annual compensation decisions for these functions are approved at the Board level.

This includes the approval of the aggregate API pools of the Control Functions, and the approval of the individual compensation for the head of each Control Function by the Board of Directors, including the Chairs of the Audit Committee and the Finance and Risk Committee.

# Performance outcomes 2018

**Key considerations for Swiss Re's annual compensation decisions continue to cover US GAAP and EVM based business results, qualitative factors and Swiss Re's pay for performance approach.**

The outcomes of the financial, qualitative and overall assessment, all part of Swiss Re's three-step funding process (as described on page 149 of this Financial Report), again determined the Group API pool for 2018.

## Financial assessment (Step 1)

### Swiss Re Group and Business Units

In 2018, the Group's US GAAP performance and EVM results were significantly impacted by large natural catastrophe events and man-made losses: years like this, even in sequence, are not unusual in the context of the business market of Reinsurance. The destructive force of these events was reflected in both the Property & Casualty Reinsurance and Corporate Solutions results. The investment result mirrors challenging financial markets, with credit spread widening and equity market volatility, the latter also negatively impacting US GAAP net income as a result of the new US GAAP guidance on equity investments. Life & Health Reinsurance delivered solid US GAAP and strong economic new business results. Life Capital generated significant gross cash for the Group.

### US GAAP financial performance

US GAAP net income of Property & Casualty Reinsurance was adversely affected by large natural catastrophe events and man-made losses, partially offset by favourable prior-year development. The solid performance of Life & Health Reinsurance was mainly driven by large transactions and partially offset by unfavourable mortality experience in the US. Gross premiums written increased compared to 2017, mainly driven by growth across all markets.

Corporate Solutions reported a net loss, reflecting the impact of a combination of large natural catastrophe events and man-made losses. Corporate Solutions is focused on its long-term strategy by continuing to invest in its Primary Lead capabilities and extending its global network coverage. Premiums earned increased compared to 2017, primarily attributable to growth in the Primary Lead business.

Life Capital's result reflects the unfavourable UK investment market performance in 2018. This was partially offset by net realised investment gains and favourable underwriting experience. The strong gross cash generation was driven by the proceeds from MS&AD's investment in ReAssure, the underlying surplus on the ReAssure business as well as the favourable finalisation of the 2017 Solvency II position.

For further details and discussion on the US GAAP financial performance, refer to pages 192–305 of this Financial Report.

### EVM financial performance

The EVM underwriting result of Property & Casualty Reinsurance was mainly driven by previous years' business profit, partially offset by a new business loss due to large natural catastrophe events and man-made losses. The investment loss was primarily due to credit spread widening and mark-to-market losses on equity securities. Life & Health Reinsurance generated a strong new business profit, mainly due to large transactions in Asia and good core business development in the US. Investment activities were impacted by spread widening on credit investments as well as unfavourable interest rate movements on a net long duration position.

Corporate Solutions generated an EVM underwriting loss primarily driven by large natural catastrophe events and man-made losses. A loss on investment activities added to the unfavourable result, driven by the impact of credit spread widening and unfavourable performance from equity investments.

The strong EVM underwriting result of Life Capital was primarily driven by a profit on previous years' business. This was more than offset by a loss on

investment activities due to credit spread widening and underperformance from the implied equity exposure arising from unit-linked business. For further details on the EVM financial performance, refer to the EVM chapter on pages 56–67 of this Financial Report.

## Qualitative assessment (Step 2)

In 2018, Swiss Re again performed well on its qualitative dimension: the Group grew transaction volumes, optimised business retention, strengthened the franchise value and provided client solutions.

Technology played an important role, such as i) in Property & Casualty Reinsurance's partnership with BMW when developing a vehicle-specific insurance rating that primary insurers worldwide can use to calculate car insurance premiums, and ii) in Life & Health Reinsurance's market-leading automated underwriting solution, enabling primary insurance clients to automate the assessment and decision-making process, and providing useful data insights. Corporate Solutions extended its global network and now has servicing capabilities in over 120 countries. Life Capital's open book businesses have grown strongly and the increased MS&AD share demonstrates a strong equity story, creating positive momentum for the potential initial public offering of the UK closed life book business ReAssure.

Swiss Re's clients and service quality is assessed on an annual basis through leading external benchmarks. Clients positively perceive Swiss Re's engagement and client advisory beyond the traditional risk transfer. Thought leadership at major industry events (such as the G20 and World Economic Forum) in the field of mitigating climate risk, building societal resilience and driving digital insurance solutions continues to establish Swiss Re as the go-to provider for solving resilience challenges.

Contributing to sustainability (including social development and financial inclusion) throughout the whole value chain remained key: by supporting clients in sustainable underwriting and by investing responsibly. The ESG (Environment, Social, Governance) approach stood out and the global

industry dialogue across policymakers and peers continued to advance.

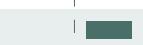
A comprehensive array of innovative solutions was launched, such as the award-winning service helping people back to wellbeing after cancer treatment. New modelling and risk transfer solutions were developed to counter environment-related losses such as from floods and drought. On many occasions, there was close cooperation with Swiss Re's clients, and public and private partners. For example, together Swiss Re i) established the first global mechanism dedicated to supporting famine prevention, response and recovery, ii) designed a new type of insurance to protect the coral reefs and iii) launched the first health coverage for women in Egypt.

Swiss Re's 14 943 talented employees achieved all this. In the global employee engagement survey, staff commended empowerment and autonomy, open and safe dialogue with management, and diversity. The Group's open mind, inclusive of individual differences, was also recognised externally: Swiss Re was rewarded by inclusion in the Bloomberg Gender-Equality index for its focus and transparency on gender-related topics in the workplace.

Reinsurance and risk are intrinsically linked. The continuous assessment by Swiss Re's Assurance functions keeps the Group focused: there is a robust risk governance framework with a clear risk appetite and accountability for managing risk. A strong tone at the top supports an effective culture for risk management activities, such as open discussion and effective challenge within the decision-making process where risk and options are evaluated.

## Overall assessment (Step 3)

The labour market review concluded that Swiss Re is acting in line with the majority of reinsurance organisations, which have projected an increase in their annual incentive pools, though pool levels are still below target levels. The capital market review highlighted that the proportionality of proposed value sharing in terms of revenue sharing with employees is below peers' historical three-year median levels, giving a higher percentage distribution to shareholders.

GROUP API POOL OUTCOME 2018			▼
	Key performance indicator	Weighting	Achievement versus target
<b>Financial assessment</b> (Step 1)	ROE	25%	
	Net operating margin	25%	
	EVM profit (% of ENW)	25%	
	ENW growth per share	25%	
<b>Qualitative assessment</b> (Step 2)	Client and service quality		
	Risk and control behaviour		
	Franchise building		
	Human capital and talent management		
	Strategic initiatives		
<b>Overall assessment</b> (Step 3)	Overall assessment of Group API Pool from a number of different perspectives, eg labour market, capital market		
<b>Approved Group API Pool</b>			

Performance targets used for the financial assessment are considered to be commercially sensitive to the business, and disclosure of such may provide an unfair advantage to Swiss Re's competitors. However, to further increase transparency on the bonus-setting process, indicative achievements against the targets are disclosed.

#### Annual Performance Incentive

Both the Compensation Committee and the full Board of Directors assessed in depth the 2018 performance of Swiss Re Group. The US GAAP performance was below target, but higher than last year, and would have been even better without the impact of the new US GAAP accounting guidance on equity investments. Combined with the Group's strong qualitative performance, this has resulted in variable compensation payouts that are below target levels but higher than last year. This payout decision is supported by our long-standing practice where we have positive but not excessive variable compensation payouts in years with relatively benign natural catastrophe environments, and conversely, lower but proportionate variable compensation payouts in adverse environments. This allows us to carefully manage key talent retention risk.

#### Value Alignment Incentive

VAI performance is measured for the Group and each underlying business area. The performance factor for each participant is determined based on the business area that the participant worked on 31 December of the year preceding the award (see page 150 for a detailed description of the VAI). The VAI 2015 (awarded 2016) performance factor of 100.0% for the Swiss Re Group is based on the three-year average previous years' business performance for years 2016, 2017 and 2018. The main drivers were previous years' business profits in Property & Casualty Reinsurance offset by previous years' business losses in Life & Health Reinsurance and Corporate Solutions.

VAI plan year	Performance period remaining as of 31 December 2018	Swiss Re Group performance factor
2011 (awarded 2012)	Closed	103.0%
2012 (awarded 2013)	Closed	101.5%
2013 (awarded 2014)	Closed	100.3%
2014 (awarded 2015)	Closed	99.9%
2015 (awarded 2016)	–	100.0%
2016 (awarded 2017)	1 year	to be determined
2017 (awarded 2018)	2 years	to be determined

### **Leadership Performance Plan**

The LPP award is consistently linked to the Group's future achievement of multi-year performance conditions (ROE and relative TSR), keeping the focus on the long-term success of the Group. Swiss Re made LPP grants in 2018 consistent with this rationale. The LPP is generally part of total compensation (see pages 151–153 for a detailed description of the LPP).

The RSU component is measured against an ROE performance condition. At the end of each year, the performance is assessed and one third of the RSUs are locked in within a range of 0% to 100%. At the end of the three-year period, the total number of units locked in vests. For the LPP 2015 and LPP 2016, the average performance factor for the RSUs was 66.7% and 32.3% respectively for the three-year period.

The PSU component is based on relative TSR, measured against a predefined basket of peers, and vests within a range of 0% to 200%. For both the LPP 2015 and LPP 2016, the performance factor for the PSUs was 0% for the three-year period. The table below gives an overview of the RSU and PSU performance achievement for the previous LPP plan years:

LPP plan year	Performance period remaining as of 31 December 2018	RSU average performance factor for the three-year period	PSU performance factor for the three-year period
2012	Closed	99.7%	200.0%
2013	Closed	99.7%	60.0%
2014	Closed	99.7%	81.0%
2015	Closed	66.7%	0.0%
2016	–	32.3%	0.0%
2017	1 year	to be determined	to be determined
2018	2 years	to be determined	to be determined

# Compensation disclosure and shareholdings 2018

## Aggregate compensation of the Swiss Re Group

The aggregate compensation for the performance years 2017 and 2018 for all employees was as follows:

Category	Type of plan	Performance year 2017		Performance year 2018	
		Number of employees <sup>1</sup>	Values (in CHF millions)	Number of employees <sup>1</sup>	Values (in CHF millions)
Fixed compensation	Base salaries	14 485	1 330	14 943	1 351
	Pensions, social security and benefits	14 485	467	14 943	443
Annual Performance Incentive	Cash Annual Performance Incentive <sup>2</sup>	13 277	261	13 877	300
	Value Alignment Incentive <sup>2</sup>	429	27	529	32
Long-term variable compensation	Leadership Performance Plan	377	50	404	50
Other payments	Severance payments <sup>2,3</sup>	320	25	439	28
	Sign-on payments	121	5	94	4
<b>Total</b>		2 165		2 208	

<sup>1</sup> Regular staff.

<sup>2</sup> The number of employees receiving cash API, VAI and severance payments in 2017 has been restated.

<sup>3</sup> Severance payments in the table above include (i) payments under standard severance packages, (ii) other payments that are over and above what is contractually or legally required, and (iii) voluntary supplementary departure payments, but exclude similar legally permitted payments or garden leave which are aligned with local market practice for comparable positions in respect of amount, nature or duration. No severance payments were made to members of the Group EC.

As of 31 December 2018, the Group had 14 943 employees worldwide, compared to 14 485 employees at the end of 2017.

The total compensation of the Group for 2018 amounted to CHF 2 208 million (compared to CHF 2 165 million in 2017), whereof CHF 2 156 million has been or will be paid in cash (compared to CHF 2 112 million in 2017) and CHF 52 million has been granted in share-based awards (compared to CHF 53 million in 2017).

The value of all outstanding deferred compensation (determined for VAI at grant and for LPP using the fair value at grant) for all employees at 31 December 2018 amounted to CHF 270 million (compared to CHF 293 million in 2017) whereof CHF 132 million will be payable in cash (compared to CHF 155 million in 2017) and CHF 138 million in shares (compared to CHF 138 million in 2017).

In 2018 and 2017, a reduction of expenses amounting to CHF 3 million and CHF 5 million respectively, was recognised for compensation in previous financial years.

## Aggregate compensation for Key Risk Takers

The aggregate compensation of the individuals that held a key risk-taking position during the performance years 2017 and 2018 was as follows:

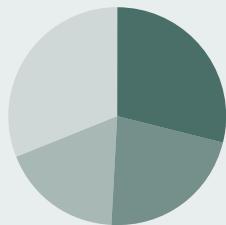
Category	Type of plan	Performance year 2017		Performance year 2018	
		Number of employees	Values (in CHF millions)	Number of employees	Values (in CHF millions)
Fixed compensation	Base salaries	180	67	181	67
	Pensions, social security and benefits	180	29	181	24
Annual Performance Incentive	Cash Annual Performance Incentive	178	36	171	39
	Value Alignment Incentive	164	19	160	21
Long-term variable compensation	Leadership Performance Plan	152	37	164	38
Other payments	Severance payments <sup>1</sup>	1	1	3	0
	Sign-on payments	9	1	9	1
<b>Total</b>		190		190	

<sup>1</sup> Severance payments in the table above include (i) payments under standard severance packages, (ii) other payments that are over and above what is contractually or legally required, and (iii) voluntary supplementary departure payments, but exclude similar legally permitted payments or garden leave which are aligned with local market practice for comparable positions in respect of amount, nature or duration. No severance payments were made to members of the Group EC.

## COMPENSATION MIX FOR GROUP EC

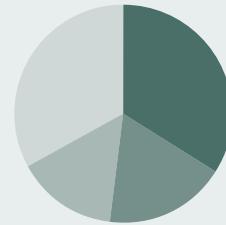
**2018**

- 31% Base salary
- 20% Cash API
- 16% VAI (paid after 3 years)
- 33% LPP (paid after 5 years)



**2017**

- 33% Base salary
- 18% Cash API
- 15% VAI (paid after 3 years)
- 34% LPP (paid after 5 years)



## Compensation decisions for members of governing bodies

The section below is in line with Swiss law and specifically with Arts. 14 to 16 of the Ordinance against Excessive Compensation at Public Corporations (the Ordinance) which requires disclosure of compensation granted to members of the Board of Directors and the Group EC. Compensation to members of the Board of Directors and the highest-paid member of the Group EC is shown separately.

At the AGMs 2017 and 2018, the shareholders approved the maximum aggregate compensation amounts for the Board of Directors and Group EC for the prospective periods. For the reconciliation of these aggregate amounts to what was awarded, please refer to page 170.

### Compensation decisions for the Group EC

The following table covers payments to 14 members of the Group EC for 2018, of whom 11 were active for the full year. The 2017 payments also cover 14 members of the Group EC, of whom 12 were active for the full year.

	14 members 2017	14 members <b>2018</b>
CHF thousands		
Base salaries	12 995	12 265
Allowances <sup>1</sup>	861	1 159
Funding of pension benefits	2 132	1 928
<b>Total fixed compensation</b>	<b>15 988</b>	<b>15 352</b>
Cash Annual Performance Incentive <sup>2</sup>	7 069	7 781
Value Alignment Incentive <sup>2</sup>	5 931	6 559
Leadership Performance Plan <sup>3</sup>	13 450	13 150
Granted in RSU (50%)	6 725	6 575
Granted in PSU (50%)	6 725	6 575
<b>Total variable compensation</b>	<b>26 450</b>	<b>27 490</b>
<b>Total fixed and variable compensation<sup>4</sup></b>	<b>42 438</b>	<b>42 842</b>
Compensation due to members leaving <sup>5</sup>	721	1 411
<b>Total compensation<sup>6</sup></b>	<b>43 159</b>	<b>44 253</b>

<sup>1</sup> Benefits or allowances paid in cash. Consists of housing, schooling, lump sum expenses, relocation expenses/taxes, and child and similar allowances.

<sup>2</sup> For 2018, subject to shareholder approval at the AGM 2019. For 2017, based on shareholders' approval at the AGM 2018 of the aggregate amount of short-term variable compensation.

<sup>3</sup> Disclosure reflects all awards for a reporting year, ie the 2017 value reflects the fair value of LPP awards granted in April 2017 and the 2018 value reflects the fair value of LPP awards granted in April 2018.

<sup>4</sup> Covers payments reflecting the time in the role as Group EC members.

<sup>5</sup> For Group EC members leaving during the reporting period, this only covers legally or contractually required payments for the period when the member was no longer in the role (eg base salary when on garden leave).

<sup>6</sup> Amounts are gross before deduction of employee social security contributions. Additional and not included are company contributions to social security systems paid by Swiss Re in line with applicable laws which amounted to CHF 2 984 097 (restated) in 2017 and CHF 2 109 031 in 2018.

The proposed total API amount for 2018 for the Group EC (including the Group CEO) is CHF 14.3 million, which represents a 10.0% increase when compared to 2017 (CHF 13.0 million). This increase should be seen in the context of a very substantial API decrease of circa 29% in 2017 for the Group EC (again including the Group CEO) compared to the previous year. The Compensation Committee and the Board of Directors carefully considered the performance of the Group EC in 2018 and concluded that, given the overall business environment context for the Swiss Re Group and the significant qualitative achievements, a modest API increase compared to last year is warranted. Nevertheless, this amount overall still remains below target levels.

## Compensation

Compensation disclosure and shareholdings 2018

### Compensation decisions for the highest-paid member of the Group EC

The table below shows the compensation paid to Christian Mumenthaler, Group CEO (in the role since 1 July 2016):

CHF thousands	2017	2018
Base salary	1 400	1 475
Allowances <sup>1</sup>	35	35
Funding of pension benefits	178	178
<b>Total fixed compensation</b>	<b>1 613</b>	<b>1 688</b>
Cash Annual Performance Incentive <sup>2</sup>	810	1 063
Value Alignment Incentive <sup>2</sup>	810	1 063
Leadership Performance Plan <sup>3</sup>	2 000	2 000
Granted in RSU (50%)	1 000	1 000
Granted in PSU (50%)	1 000	1 000
<b>Total variable compensation</b>	<b>3 620</b>	<b>4 126</b>
<b>Total compensation<sup>4</sup></b>	<b>5 233</b>	<b>5 814</b>

<sup>1</sup>Benefits or allowances paid in cash. Includes health care and accident insurance benefits, lump sum expenses, transportation, and child and similar allowances.

<sup>2</sup>For 2018, subject to shareholders approval at the AGM 2019. For 2017, as part of the aggregate amount of short-term variable compensation approved by the shareholders at the AGM 2018.

<sup>3</sup>Disclosure reflects all awards for a reporting year, ie the 2017 value reflects the fair value of the LPP award granted in April 2017 and the 2018 value reflects the fair value of the LPP award granted in April 2018.

<sup>4</sup>Amounts are gross before deduction of employee social security contributions. Additional and not included are company contributions to social security systems paid by Swiss Re in line with applicable laws, which amounted to CHF 300 767 in 2017 and CHF 230 930 in 2018.

The performance of the Group CEO is evaluated against both quantitative targets (as defined in the Group Plan approved by the Board of Directors) and qualitative goals agreed between the Board of Directors and the Group CEO, designed to support long-term business strategy and to drive sustainable performance across the Swiss Re Group. The quantitative results of the Group have been discussed in detail on pages 160 to 161.

The Board was very satisfied with the achievement of the Group CEO on qualitative goals. These include, amongst several others, a constructive relationship with regulators worldwide, strong credit ratings and stable credit spreads, successfully representing the Group to our global client base, developing long-term initiatives to build a strong franchise far into the future (such as the ESG investment strategies, the Swiss Re Institute and employee engagement/diversity) and, in particular, leading the decision-making process in large possible, but discontinued corporate transactions.

Overall, the Board of Directors is very satisfied with how effectively the Group CEO is steering the Group despite very challenging conditions.

### Additional information on compensation decisions

For US GAAP and statutory reporting purposes, VAI and LPP awards are accrued over the period during which they are earned. For the purpose of the disclosure required in this Compensation Report, the value of awards granted is included as compensation in the year of performance for the years 2017 and 2018 respectively.

Each member of the Group EC, including the Group CEO, participates in a defined contribution pension scheme. The funding of pension benefits shown in the previous two tables reflects the actual employer contributions.

### Other payments to members of the Group EC

During 2018, no payments (or waivers of claims) other than those set out in the section "Compensation disclosure and shareholdings in 2018" were made to current members of the Group EC or persons closely related.

## Shares held by members of the Group EC

The following table reflects Swiss Re share ownership by members of the Group EC as of 31 December:

Members of the Group EC	2017	2018
Christian Mumenthaler, Group CEO	68 775	71 733
David Cole, former Group Chief Financial Officer <sup>1</sup>	82 982	n/a
John R. Dacey, Group Chief Financial Officer	23 671	27 124
Guido Fürer, Group Chief Investment Officer	61 077	66 007
Agostino Galvagni, CEO Corporate Solutions	94 591	99 521
Jean-Jacques Henchoz, former CEO Reinsurance EMEA <sup>2</sup>	49 020	n/a
Russell Higginbotham, CEO Reinsurance EMEA	n/a	3 918
Thierry Léger, CEO Life Capital	49 841	53 785
Moses Ojeisekhoba, CEO Reinsurance	36 194	38 998
Jayne Plunkett, CEO Reinsurance Asia	34 288	36 264
Patrick Raaflaub, Group Chief Risk Officer	–	3 944
Edouard Schmid, Group Chief Underwriting Officer	29 161	30 936
J. Eric Smith, CEO Reinsurance Americas	21 400	24 004
Thomas Wellauer, Group Chief Operating Officer	105 390	110 520
<b>Total</b>	<b>656 390</b>	<b>566 754</b>

<sup>1</sup>The number of shares held on 31 March 2018 when David Cole stepped down from the Group EC was 82 982.

<sup>2</sup>The number of shares held on 22 August 2018 when Jean-Jacques Henchoz stepped down from the Group EC was 53 168.

## Leadership Performance Plan units held by members of the Group EC

The following table reflects total unvested LPP units (RSUs and PSUs) held by members of the Group EC as of 31 December:

Members of the Group EC	2017	2018
Christian Mumenthaler, Group CEO	108 779	119 029
David Cole, former Group Chief Financial Officer	57 825	n/a
John R. Dacey, Group Chief Financial Officer	57 825	55 178
Guido Fürer, Group Chief Investment Officer	68 394	68 971
Agostino Galvagni, CEO Corporate Solutions	57 825	55 178
Jean-Jacques Henchoz, former CEO Reinsurance EMEA	46 259	n/a
Russell Higginbotham, CEO Reinsurance EMEA	n/a	26 277
Thierry Léger, CEO Life Capital	54 715	55 178
Moses Ojeisekhoba, CEO Reinsurance	54 715	55 178
Jayne Plunkett, CEO Reinsurance Asia	43 149	44 142
Patrick Raaflaub, Group Chief Risk Officer	54 715	55 178
Edouard Schmid, Group Chief Underwriting Officer	39 678	41 962
J. Eric Smith, CEO Reinsurance Americas	46 259	44 142
Thomas Wellauer, Group Chief Operating Officer	57 825	55 178
<b>Total</b>	<b>747 963</b>	<b>675 591</b>

## Loans to members of the Group EC

As per Article 27 of the Articles of Association, credits and loans to members of the Group EC may be granted at employee conditions applicable for the Swiss Re Group, with a cap on the total amount of such credits and loans outstanding per member.

In general, credit is secured against real estate or pledged shares. The terms and conditions of loans and mortgages are typically the same as those available to all employees of the Swiss Re Group in their particular locations to the extent possible.

Swiss-based variable-rate mortgages have no agreed maturity dates. The basic preferential interest rates equal the corresponding interest rates applied by the Zurich Cantonal Bank minus one percentage point. Where fixed or floating interest rates are preferential, the value of this benefit has been included under “allowances” in the tables covering compensation decisions for Group EC members.

The following table reflects total mortgages and loans for members of the Group EC as of 31 December:

CHF thousands	2017	2018
Total mortgages and loans to members of the Group EC	914	900
Highest mortgage or loan to an individual member of the Group EC:		
Edouard Schmid, Group Chief Underwriting Officer	914	900
Total mortgages and loans not at market conditions to former members of the Group EC	4 300	4 300

## Compensation

### Compensation disclosure and shareholdings 2018

#### Compensation for members of the Board of Directors

The following two tables illustrate (1) the individual compensation for the members of the Board of Directors for the reported financial years 2017 and 2018 and (2) the individual compensation for the members of the Board of Directors paid or payable for the term of office from AGM 2018 to AGM 2019.

#### (1) Individual Board compensation for the reported financial years 2017 and 2018 (figures in CHF thousands)

Members of the Board of Directors	Total 2017	Fees and allowances in cash	Fees in blocked shares	<b>Total 2018</b>
Walter B. Kielholz, Chairman	4 166	2 328	1 547	3 875
Renato Fassbind, Vice Chairman, Chair Audit Committee <sup>1</sup>	825	496	330	826
Raymond K.F. Ch'ien, Member <sup>2</sup>	316	309	130	439
Mary Francis, former Member <sup>3</sup>	375	70	47	117
Karen Gavan, Member <sup>4, 5</sup>	n/a	204	80	284
Rajna Gibson Brandon, former Member <sup>3</sup>	317	66	43	109
C. Robert Henrikson, former Chair Compensation Committee <sup>3</sup>	462	95	63	158
Trevor Manuel, Member	341	211	140	351
Jay Ralph, Member	184	166	110	276
Joerg Reinhardt, Member	184	166	110	276
Carlos E. Represas, former Member <sup>6</sup>	197	0	0	0
Eileen Rominger, Member <sup>4</sup>	n/a	110	74	184
Philip K. Ryan, Chair Finance and Risk Committee <sup>5</sup>	878	654	240	894
Sir Paul Tucker, Member	315	195	130	325
Jacques de Vaucleroy, Chair Compensation Committee <sup>7</sup>	377	470	163	633
Susan L. Wagner, Chair Investment Committee	558	345	230	575
Larry Zimpleman, Member <sup>4</sup>	n/a	110	74	184
<b>Total compensation for the reported financial years<sup>8, 9</sup></b>	<b>9 495</b>	<b>5 995</b>	<b>3 511</b>	<b>9 506</b>

<sup>1</sup> Acting as the Lead Independent Director.

<sup>2</sup> Includes fees for duties on the board of Singapore Group companies.

<sup>3</sup> Term of office expired after the completion of the AGM of 20 April 2018 and did not stand for re-election.

<sup>4</sup> Elected to Swiss Re's Board of Directors at the AGM of 20 April 2018.

<sup>5</sup> Includes fees received for duties on the board of US Group companies.

<sup>6</sup> Term of office expired after the completion of the AGM of 21 April 2017 and did not stand for re-election.

<sup>7</sup> Includes fees for duties on the board of Luxembourg Group companies.

<sup>8</sup> Compensation for the members of the Board of Directors includes fixed fees (cash and shares) and minimal allowances. No sign-on or severance payments have been made.

<sup>9</sup> Amounts are gross and include social security contributions of the Board member. Additionally and not included are company contributions to social security systems paid by Swiss Re in line with applicable laws which amounted to CHF 706 811 in 2017 and CHF 414 704 in 2018. For Board members domiciled outside of Switzerland, company social security contributions are refunded, if bilateral social security agreements between Switzerland and the country of domicile apply and provide for such refund.

#### (2) Individual Board compensation for the term of office between AGM 2018 and AGM 2019 (figures in CHF thousands)

The table below provides more detailed information on the compensation paid or payable to each Board member against the maximum aggregate amount of CHF 9 900 000 as approved by the AGM 2018:

Members of the Board of Directors	Base fees	Audit Committee fees	Compensation Committee fees	Finance and Risk Committee fees	Investment Committee fees	Additional fees <sup>1</sup>	<b>Total<sup>2</sup></b>
Walter B. Kielholz, Chairman							3 800
Renato Fassbind, Vice Chairman	225	425	50			125	825
Chair Audit Committee							
Raymond K.F. Ch'ien, Member <sup>3</sup>	225		50		50	112	437
Karen Gavan, Member	225	75				112	412
Trevor Manuel, Member	225	75			50		350
Jay Ralph, Member	225			50			275
Joerg Reinhardt, Member	225		50				275
Eileen Rominger, Member	225				50		275
Philip K. Ryan, Member	225	75		300		294	894
Chair Finance and Risk Committee							
Sir Paul Tucker, Member	225			50	50		325
Jacques de Vaucleroy, Member	225		200		50	227	702
Chair Compensation Committee							
Susan L. Wagner, Member	225			50	300		575
Chair Investment Committee							
Larry Zimpleman, Member	225			50			275
<b>Total compensation for the term of office from AGM 2018 to AGM 2019<sup>4</sup></b>							<b>9 435</b>

<sup>1</sup> Including Vice Chairman or subsidiary fees.

<sup>2</sup> Excluding company contributions to social security systems paid by Swiss Re in line with applicable laws.

<sup>3</sup> Received subsidiary fees for the period from AGM 2017 to AGM 2018 in the equivalent of CHF 34 121, which were not included in the 2017 Compensation Report.

<sup>4</sup> Including an amount of approximately CHF 15 000 for minimal benefits.

## **Shares held by members of the Board of Directors**

The number of shares held by members of the Board of Directors as of 31 December were:

Members of the Board of Directors	2017	2018
Walter B. Kielholz, Chairman	399 987	407 523
Renato Fassbind, Vice Chairman, Chair Audit Committee	23 854	27 593
Raymond K.F. Ch'ien, Member	21 472	22 946
Mary Francis, former Member <sup>1</sup>	6 509	n/a
Karen Gavan, Member <sup>2, 3</sup>	n/a	1 512
Rajna Gibson Brandon, former Member <sup>1</sup>	23 194	n/a
C. Robert Henrikson, former Chair Compensation Committee <sup>1</sup>	13 248	n/a
Trevor Manuel, Member	3 972	5 558
Jay Ralph, Member	868	2 115
Joerg Reinhardt, Member	1 168	14 415
Eileen Rominger, Member <sup>2</sup>	n/a	813
Philip K. Ryan, Chair Finance and Risk Committee	8 892	11 611
Sir Paul Tucker, Member	2 530	4 004
Jacques de Vaucleroy, Chair Compensation Committee	868	2 706
Susan L. Wagner, Chair Investment Committee	8 754	11 360
Larry Zimpleman, Member <sup>2</sup>	n/a	813
<b>Total</b>	<b>515 316</b>	<b>512 969</b>

<sup>1</sup> Term of office expired after the completion of the AGM of 20 April 2018 and did not stand for re-election.

<sup>2</sup> Elected to Swiss Re's Board of Directors at the AGM of 20 April 2018.

<sup>3</sup> Shareholdings for 2018 include 2 500 American Depository Receipts (ADRs), equivalent to 625 shares.

## **Loans to members of the Board of Directors**

No loans were granted to current or former members of the Board in 2018 and no loans were outstanding as of 31 December 2018.

## **Related parties transactions**

Disclosure on compensation decisions in 2018 covers members of the Board of Directors and the Group EC as indicated, and for both includes related parties to the extent applicable. Such related parties cover spouses, partners, children and other dependents or closely linked persons. In 2018, no compensation was paid to any related party.

## **Compensation for former members of governing bodies**

During 2018, payments in the total amount of CHF 0.2 million were made to five former members of the Group EC. This amount is made up of company contributions payable by Swiss Re to governmental social security systems in line with applicable laws, benefits in the context of the outstanding mortgages and loans not at market rates, risk benefits and company commitments for tax-related services.

## Compensation

Compensation disclosure and shareholdings 2018

### RECONCILIATION OF AGM RESOLUTIONS

#### Group EC compensation

Financial year 2018

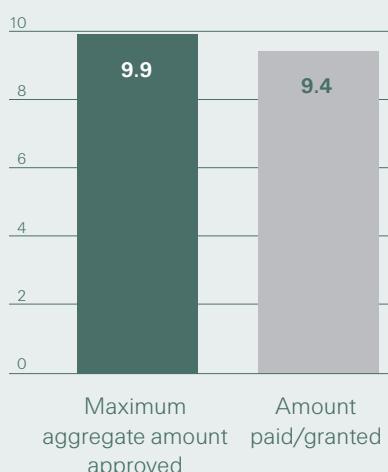
CHF millions



#### Board of Directors

Term of office:  
AGM 2018–AGM 2019

CHF millions



#### Shareholder compensation resolutions and awarded compensation

The following explanations give an overview of the applicable framework of Swiss Re Ltd's Articles of Association based on the Ordinance, the approvals by the shareholders in the AGM 2018 of the respective motions proposed by the Board of Directors and the reconciliation of the shareholders' resolutions with the compensation awarded in the reporting year 2018.

#### Framework of the Articles of Association

In accordance with Article 22 of the Articles of Association, the Shareholders' meeting shall approve annually and with binding effect the proposals of the Board of Directors in relation to:

- The maximum aggregate amount of compensation of the Board of Directors for the next term of office.
- The maximum aggregate amount of fixed compensation and variable long-term compensation of the Group EC for the following financial year.
- The aggregate amount of short-term compensation of the Group EC for the preceding completed financial year.

#### AGM 2018 voting results

At the AGM on 20 April 2018, shareholders approved for the fourth time the maximum aggregate prospective compensation of the members of the Board of Directors (88.2% approval). Shareholders also approved for the Group EC (i) the maximum aggregate prospective fixed compensation and variable long-term compensation and (ii) the aggregate retrospective variable short-term compensation. The outcomes were 87.2% and 88.6% approval respectively. As in previous years, the 2017 Compensation Report was subject to a consultative vote and was approved by 85.9% of the shareholder votes.

#### Reconciliation of AGM 2017 resolutions for Group EC compensation<sup>1</sup>

At the AGM 2017, shareholders approved a prospective maximum aggregate amount of CHF 34.0 million for fixed compensation and variable long-term compensation for the financial year 2018 for the 13 members of the Group EC known at the time of the AGM 2017 to hold such position in 2018.

The amount of fixed compensation and variable long-term compensation effectively granted to the 14 members of the Group EC during the financial year 2018 amounted to CHF 29.9 million and included the adjustment in the compensation of an existing member of the Group EC as a result of his appointment as per 1 April 2018 to Group Chief Financial Officer and contractual payments due to leaving members of the Group EC. It also included compensation and related costs to Russell Higginbotham who was promoted to the Group EC as Regional President and Chief Executive Officer Reinsurance EMEA as from 1 September 2018 (this appointment was not known at the time of the AGM 2017).

#### Reconciliation of AGM 2018 resolution for Board of Director's compensation<sup>1</sup>

At the AGM 2018, the shareholders approved a maximum aggregate amount of compensation of CHF 9.9 million for the 13 members of the Board of Directors for the term of office from the AGM 2018 to the AGM 2019.

As shown on page 168, the compensation paid to the 13 members of the Board of Directors for their term of office from the AGM 2018 to the AGM 2019 was CHF 9.4 million and therefore within the approved amount.

#### AGM 2019 motion for variable short-term compensation for the Group EC for the financial year 2018

At the AGM 2019, the Board of Directors will propose to the shareholders to approve an aggregate amount of variable short-term compensation for the 14 members of the Group EC for the completed financial year 2018 of CHF 14 339 563. This amount has been included in the items "Cash Annual Performance Incentive" and "Value Alignment Incentive" in the table for the Group EC compensation on page 165.

<sup>1</sup> Reconciliations calculated using December 2018 FX rates where applicable.

# Report of the statutory auditor

Report of the statutory auditor  
to the General Meeting of Swiss Re Ltd  
on the Compensation Report 2018

We have audited the accompanying Compensation Report included in this 2018 Financial Report of Swiss Re Ltd (the Company) for the year ended 31 December 2018. The audit was limited to the information according to Articles 14 to 16 of the Ordinance against Excessive Compensation at Public Corporations (the Ordinance) contained in the tables on pages 165 to 170 of the Compensation Report.

## **Board of Directors' responsibility**

The Board of Directors is responsible for the preparation and overall fair presentation of the Compensation Report in accordance with Swiss law and the Ordinance. The Board of Directors is also responsible for designing the compensation framework and defining individual compensation packages.

## **Auditor's responsibility**

Our responsibility is to express an opinion on the accompanying Compensation Report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Compensation Report complies with Swiss law and Articles 14 to 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the Compensation Report with regard to compensation, loans and credits in accordance with Articles 14 to 16 of the Ordinance. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements in the Compensation Report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of compensation, as well as assessing the overall presentation of the Compensation Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Opinion**

In our opinion, the Compensation Report included in the 2018 Financial Report of the Company for the year ended 31 December 2018 complies with Swiss law and Articles 14 to 16 of the Ordinance.

PricewaterhouseCoopers Ltd



Roy Clark  
Audit expert  
Auditor in charge



Frank Tauschke

Zurich, 13 March 2019