

Allied World Assurance Co Holdings, AG  
Form PRE 14A  
March 04, 2014  
Table of Contents

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the**  
**Securities Exchange Act of 1934**  
**(Amendment No. \_\_)**

Filed by the Registrant  Filed by a Party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

**Confidential, For Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material Pursuant to §240.14a-12

**Allied World Assurance Company Holdings, AG**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

No fee required.

Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

Fee paid previously with preliminary materials.

## Edgar Filing: Allied World Assurance Co Holdings, AG - Form PRE 14A

.. Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

**Table of Contents**

**ALLIED WORLD ASSURANCE COMPANY HOLDINGS, AG**

**NOTICE OF 2014**

**ANNUAL SHAREHOLDER MEETING**

March [14], 2014

**DATE:** Thursday, May 1, 2014  
**TIME:** 2:00 p.m., local time  
**PLACE:** Corporate headquarters: Lindenstrasse 8, 6340 Baar, Zug, Switzerland  
**ITEMS OF BUSINESS:**

- Ø Amend the Articles of Association to approve the annual election of the directors and other annual elections.
  
- Ø Elect the board of directors.
  
- Ø Elect the Chairman of the board of directors.
  
- Ø Elect the Compensation Committee members.
  
- Ø Elect the independent proxy.
  
- Ø Approve, on an advisory basis, executive compensation.
  
- Ø Approve the 2013 Annual Report and financial statements.
  
- Ø Approve the retention of disposable profits.
  
- Ø Approve the payment of dividends to shareholders.
  
- Ø Approve the cancelling of treasury shares.

## Edgar Filing: Allied World Assurance Co Holdings, AG - Form PRE 14A

- Ø Approve a new share repurchase program.
  
- Ø Approve a 3-for-1 split of the company's common shares.
  
- Ø Amend the Articles of Association relating to authorized share capital for general purposes.
  
- Ø Elect Deloitte & Touche Ltd. as independent auditor and Deloitte AG as statutory auditor.
  
- Ø Elect PricewaterhouseCoopers AG as the special auditor.
  
- Ø Discharge of the board of directors and executive officers from liabilities for their actions during the year ended December 31, 2013.
  
- Ø Transact any further business that lawfully may be brought before the meeting.

**Table of Contents**

<b>RECORD DATE:</b>	Only shareholders of record holding common shares, as shown on our transfer books, as of the close of business on March 5, 2014 are entitled to vote at the Annual Shareholder Meeting.
<b>MATERIALS</b>	This document contains our Notice of 2014 Annual Shareholder Meeting and Proxy Statement. Our 2013 Annual Report accompanies this Proxy Statement but is not a part of our proxy solicitation materials.
<b>TO REVIEW:</b>	
<b>PROXY VOTING:</b>	It is important that your shares be represented and voted at the Annual Shareholder Meeting. Please promptly sign, date and return the enclosed proxy card in the return envelope furnished for that purpose whether or not you plan to attend the meeting. If you later desire to revoke your proxy for any reason, you may do so in the manner described in the attached proxy statement.

By Order of the Board of Directors,

Wayne H. Datz  
Corporate Secretary

**Table of Contents**

**TABLE OF CONTENTS**

	<b>Page</b>
<u>Proxy Statement Summary</u>	1
<u>General Meeting Information</u>	7
<b>Proposal 1:</b> <u>Amend the Articles of Association to Approve the Annual Election of the Directors and Other Annual Elections</u>	14
<b>Proposal 2:</b> <u>Elect the Board of Directors</u>	14
<b>Proposal 3:</b> <u>Elect the Chairman of the Board of Directors</u>	24
<b>Proposal 4:</b> <u>Elect the Compensation Committee Members</u>	25
<b>Proposal 5:</b> <u>Elect the Independent Proxy</u>	26
<b>Proposal 6:</b> <u>Advisory Vote on Executive Compensation</u>	26
<b>Proposal 7:</b> <u>Approve the 2013 Annual Report and Financial Statements</u>	27
<b>Proposal 8:</b> <u>Approve the Retention of Disposable Profits</u>	28
<b>Proposal 9:</b> <u>Approve the Payment of Dividends to Shareholders</u>	28
<b>Proposal 10:</b> <u>Approve the Cancelling of Treasury Shares</u>	30
<b>Proposal 11:</b> <u>Approve a New Share Repurchase Program</u>	31
<b>Proposal 12:</b> <u>Approve a 3-for-1 Split of the Common Shares</u>	32
<b>Proposal 13:</b> <u>Amend the Articles of Association Relating to Authorized Share Capital for General Purposes</u>	34
<b>Proposal 14:</b> <u>Elect Deloitte &amp; Touche Ltd. as Independent Auditor and Deloitte AG as Statutory Auditor</u>	35
<b>Proposal 15:</b> <u>Elect PricewaterhouseCoopers AG as Special Auditor</u>	36
<b>Proposal 16:</b> <u>Discharge of the Board of Directors and Executive Officers from Liabilities</u>	36

**Table of Contents**

	<b>Page</b>
<u>Certain Relationships and Related Transactions</u>	36
<u>Principal Shareholders</u>	37
<u>Executive Officers</u>	39
<u>Executive Compensation</u>	42
<u>Shareholder Communication</u>	75
<u>Shareholder Proposals for 2015 Annual Shareholder Meeting</u>	76
<u>Other Matters</u>	76
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	76
<u>Notice of Internet Availability of Proxy Materials</u>	76
<u>Appendix A Text of Amendments to the Articles of Association</u>	A-1



**Table of Contents****PROXY STATEMENT SUMMARY****Allied World 2013 Highlights**

Prudent expansion in niche business areas aimed at capitalizing on our specialty insurance and reinsurance industry expertise has been at the core of our performance. We've carefully targeted select markets where we can have a meaningful impact. We've built a reputation in the industry by being progressive, adapting to changing environments and capitalizing on opportunities for growth.

In 2013, we generated net income of \$417.9 million, which increased diluted book value to \$102.58 per share, a 10.8% increase for the year. We had a combined ratio of 86.2% and underwriting performance benefitted from profitable growth across our well-diversified, specialty book of business combined with an improving premium rate environment. Favorable reserve releases of \$180.3 million, total return on the company's investment portfolio of \$217.0 million and successful management of expenses also combined to contribute to our success. During 2013, our share price increased 43%.

**Financial Performance**

The following table contains key financial data for each of the last three fiscal years, including data as of each year end.

<b>Operating Results</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
	(\$ in millions, except share, per share and percentage data)		
Total Assets	\$ 11,946	\$ 12,030	\$ 11,112
Total Debt and Other Liabilities	\$ 8,426	\$ 8,704	\$ 7,973
Total Shareholders' Equity	\$ 3,520	\$ 3,326	\$ 3,149
Diluted Book Value per Share	\$ 102.58	\$ 92.59	\$ 80.11
Growth in Diluted Book Value per Share	10.8%	15.6%	7.8%
Gross Premiums Written	\$ 2,739	\$ 2,239	\$ 1,940
Net Income	\$ 418	\$ 493	\$ 275
Operating Income	\$ 364	\$ 203	\$ 184
Total Return on Investments	2.6%	5.5%	2.0%
Net Income Return on Average Shareholders' Equity	12.2%	15.3%	8.9%
Operating Return on Average Shareholders' Equity	10.6%	6.3%	6.0%
Combined Ratio <sup>(1)</sup>	86.2%	94.5%	95.9%
Cash Dividends Paid	\$ 47	\$ 68	\$ 29
Weighted Average Common Shares Outstanding- Diluted	34,955,278	37,069,885	39,667,905
Number of Common Shares Outstanding	33,417,882	34,797,781	37,742,341

Edgar Filing: Allied World Assurance Co Holdings, AG - Form PRE 14A

Repurchase of Common Shares	\$	175	\$	264	\$	87
-----------------------------	----	-----	----	-----	----	----

-1-

**Table of Contents**

(1) A measure of underwriting performance. The combined ratio represents the total cost per \$100 of earned premium. A combined ratio below 100% demonstrates underwriting profit while a combined ratio above 100% demonstrates underwriting loss.

Detailed information of our financial and operational performance is contained in our Annual Report on Form 10-K that is included in our 2013 Annual Report accompanying this Proxy Statement. See our Annual Report on Form 10-K for a reconciliation of the non-GAAP financial measures included in the table above.

**Company's Performance Relative**

**to Its Peer Group as of December 31, 2013**

**(In quartiles. 1=first quartile, the highest level; 4=fourth quartile, the lowest level)**

Performance Metric	2013	2011-2013	2009-2013
	(one year) Rank	(three year) Rank	(five year) Rank
Diluted Book Value Per Share Growth (adjusted for dividends)	1	1	1
Annualized Net Income Return on Average Equity (adjusted for other comprehensive income)	1	1	1
Combined Ratio	2	1	1
Total Shareholder Return	2	1	1

**Shareholder Voting Recommendations**

Our Board of Directors unanimously makes the following recommendations:

Proposal	Vote Recommendation	See Page Number for More Information
<b>Proposal 1</b> Amend the Articles of Association to Approve the Annual Election of the Directors and Other Annual Elections	<b>FOR</b>	p. 14
<b>Proposal 2</b> Elect the Board of Directors	<b>FOR EACH NOMINEE</b>	p. 14
<b>Proposal 3</b> Elect the Chairman of the Board of Directors	<b>FOR</b>	p. 24
<b>Proposal 4</b> Elect the Compensation Committee Members	<b>FOR</b>	p. 25
<b>Proposal 5</b> Elect the Independent Proxy	<b>FOR</b>	p. 26
<b>Proposal 6</b> Advisory Vote on Executive Compensation	<b>FOR</b>	p. 26
<b>Proposal 7</b> Approve the 2013 Annual Report and Financial Statements	<b>FOR</b>	p. 27
<b>Proposal 8</b> Approve the Retention of Disposable Profits	<b>FOR</b>	p. 28
<b>Proposal 9</b> Approve the Payment of Dividends to Shareholders	<b>FOR</b>	p. 28
<b>Proposal 10</b> Approve the Cancelling of Treasury Shares	<b>FOR</b>	p. 30



**Table of Contents**

<b>Proposal 11</b>	Approve a New Share Repurchase Program	<b>FOR</b>	p. 31
<b>Proposal 12</b>	Approve a 3-for-1 Split of Common Shares	<b>FOR</b>	p. 32
<b>Proposal 13</b>	Amend the Articles of Association Relating to Authorized Share Capital for General Purposes	<b>FOR</b>	p. 34
<b>Proposal 14</b>	Elect Deloitte & Touche Ltd. as Independent Auditor and Deloitte AG as Statutory Auditor	<b>FOR</b>	p. 35
<b>Proposal 15</b>	Elect PricewaterhouseCoopers AG as Special Auditor	<b>FOR</b>	p. 36
<b>Proposal 16</b>	Discharge of the Board of Directors and Executive Officers from Liabilities	<b>FOR</b>	p. 36

**Table of Contents****Corporate Governance Highlights**

The company is committed to strong corporate governance, which promotes the long-term interests of shareholders, strengthens the accountability of the board of directors (the Board) and management and helps build public trust in the company. Highlights include the following:

<b>Board and Other Governance Information</b>	<b>2014</b>
Size of Board	8
Average Age of Directors	61.8
Percentage of Independent Directors	88%
Diverse Board (Gender, Experience and Skills)	Yes
Majority Voting for Directors	Yes
Annual Election of All Directors*	Yes
Annual Election of Chairman of the Board*	Yes
Annual Election of Compensation Committee Members*	Yes
Use of Independent Proxy to Represent Shareholders*	Yes
No Director Holds More than 3 other Public Company Board Seats	Yes
Lead Independent Director	Yes
Separate Chairman & CEO	No
CEO Holds No Other Public Company Board Seat	Yes
Independent Directors Meet Without Management	Yes
Annual Board and Committees Self-Evaluations	Yes
Annual Equity Grant to Non-Employee Directors	Yes
Board Orientation/Education Program	Yes
Number of Board Meetings Held in 2013	5
Code of Business Conduct and Ethics for Directors and Executives	Yes
Stock Ownership Policy for Directors and Senior Management	Yes
Disclosure Committee for Financial Reporting	Yes

Edgar Filing: Allied World Assurance Co Holdings, AG - Form PRE 14A

Annual Advisory Approval of Executive Compensation	Yes
--	-----

Shareholder Ability to Call Special Meetings	Yes
--	-----

Policy Prohibiting Insider Pledging or Hedging of Company Common Shares	Yes
---	-----

\* Related proposals are up for shareholder approval at this Annual Shareholder Meeting.

**Table of Contents**

**Our Director Nominees**

You are being asked to vote on the election of the following eight directors to the Board. Beginning with this Annual Shareholder Meeting, all directors will be elected annually by a majority of the votes cast. Detailed information about each director's background and key attributes, experience and skills can be found beginning on page 15 of this Proxy Statement.

Name	Director		Primary	Principal	Independent	Committees					
	Age	Since	Occupation	Skills		AC	CC	ERC	Exec	IC	N&CG
<b>Barbara T. Alexander</b>	65	2009	Independent Consultant	Corporate Finance, Investment, Strategic Planning	Yes	C					
<b>Scott Carmilani</b>	49	2003	President, CEO and Chairman <i>Allied World Assurance Company Holdings, AG</i>	Insurance and Reinsurance Industry Leadership	No					C	
<b>James F. Duffy</b>	70	2006	Former Chairman and CEO <i>The St. Paul Reinsurance Group</i>	Insurance and Reinsurance Industry Leadership	Yes						
<b>Bart Friedman</b>	69	2006	Partner <i>Cahill Gordon Reindel LLP</i>	Investment, Corporate Governance	Lead Independent Director					C	C
<b>Scott Hunter</b>	62	2006	Independent Consultant	Insurance and Reinsurance, Corporate Finance and Accounting	Yes	C					
<b>Patrick de Saint-Aignan</b>	65	2008	Former Advisory Director <i>Morgan Stanley</i>	Corporate Finance, Risk Management, Investment	Yes					C	
<b>Eric S. Schwartz</b>	51	2013	CEO and Founder <i>76 West Holdings</i>	Corporate Finance, Investment	Yes						C
<b>Samuel J. Weinhoff</b>	63	2006	Independent Consultant	Corporate Finance, Insurance and Reinsurance, Strategic Planning	Yes					C	

**C** Chair  
**AC** Audit Committee  
**CC** Compensation Committee  
**ERC** Enterprise Risk Committee  
**Exec** Executive Committee  
**IC** Investment Committee  
**N&CG** Nominating & Corporate Governance Committee





**Table of Contents**

**Executive Compensation Philosophy and Goals**

The Compensation Committee believes that an effective executive compensation program is one that is designed to:

- Ø Reward strong company and individual performance,
- Ø Align the interests of the executive officers with the company's shareholders, and
- Ø Balance the objectives of pay-for-performance and retention.

The Compensation Committee's objectives for the company's compensation programs include:

- Ø Driving and rewarding employee performance that supports the company's business objectives and financial success;
- Ø Attracting and retaining talented and highly-skilled employees;
- Ø Aligning the interests of the named executive officers with the company's shareholders by:
  - having a **substantial portion of compensation** in **long-term, performance-based equity awards**, a large portion of which is **at risk** with vesting dependent on **the company achieving certain performance targets over time**, particularly at the senior officer level where such persons can more directly affect the company's financial success;
  - regularly evaluating the company's compensation programs to help ensure that they do not encourage excessive risk taking;
  - tying incentive opportunity to a **blend of metrics** that focus on key company objectives, correlate with the creation of shareholder value and encourage prudent risk taking; and
- Ø Remaining competitive with other insurance and reinsurance companies, particularly other insurance and reinsurance companies with which the company competes for talent.

**Table of Contents**

**PROXY STATEMENT**

**GENERAL MEETING INFORMATION**

**Q: Why am I receiving these materials?**

A: You are receiving these materials because you are a shareholder of Allied World Assurance Company Holdings, AG as of the Record Date (as defined below). The Board is soliciting the enclosed proxy to be voted at the 2014 Annual General Meeting of the company's shareholders to be held at 2:00 p.m., local time, on Thursday, May 1, 2014 at the company's corporate headquarters, Lindenstrasse 8, 6340 Baar, Zug, Switzerland (the Annual Shareholder Meeting). This Proxy Statement summarizes the information you need to know to vote at the Annual Shareholder Meeting.

When the enclosed proxy card is properly executed and returned, the company's registered voting shares (the common shares) it represents will be voted, subject to any direction to the contrary, at the Annual Shareholder Meeting **FOR** the matters specified in the Notice of Annual Shareholder Meeting attached hereto and described more fully herein.

This Proxy Statement, the attached Notice of Annual Shareholder Meeting and the enclosed proxy card are being first mailed to shareholders on or about March [14], 2014. A copy of the company's Annual Report to Shareholders for the fiscal year ended December 31, 2013 accompanies this Proxy Statement. The Annual Report contains the company's audited consolidated financial statements and its audited Swiss statutory financial statements prepared in accordance with Swiss law for the year ended December 31, 2013 as well as additional disclosures required under Swiss law.

Although the Annual Report and this Proxy Statement are being mailed together, the Annual Report is not part of this Proxy Statement.

Except as the context otherwise requires, references in this Proxy Statement to we, us, our and the company refer to Allied World Assurance Company Holdings, AG and its direct and indirect subsidiaries on a consolidated basis. Also, in this Proxy Statement, \$ and USD refer to U.S. dollars, CHF refers to Swiss francs and local time means the time in Switzerland.

**Q: Who is entitled to vote?**

A: The Board has set March 5, 2014, as the record date for the Annual Shareholder Meeting (the Record Date). Holders of our common shares as of the close of business on the Record Date will be entitled to vote at the Annual Shareholder Meeting. As of March 5, 2014, there were outstanding [ ] common shares.

Beneficial owners of our common shares and shareholders registered in our share register with common shares at the close of business on the Record Date are entitled to vote at the Annual Shareholder Meeting. Shareholders not registered in our share register as of the Record Date will not be entitled to attend, vote or grant proxies to vote at the Annual Shareholder Meeting. No shareholder will be entered in our share register as a shareholder with voting rights between the close of business on the Record Date and the opening of business on the day following the Annual

Edgar Filing: Allied World Assurance Co Holdings, AG - Form PRE 14A

Shareholder Meeting. Continental Stock Transfer & Trust Company, as transfer agent, which maintains

-7-

## **Table of Contents**

our share register, will, however, continue to register transfers of our registered shares in the share register in its capacity as transfer agent during this period.

### **Q: What is the difference between holding shares as a shareholder of record and as a beneficial owner?**

A: Most of our shareholders hold their shares through a bank, brokerage firm or other nominee rather than directly in their own name. As summarized below, there are some differences between shares held of record and those owned beneficially.

#### ***Shareholder of Record***

If your common shares are registered directly in your name, as registered shares entitled to voting rights, in our share register operated by our transfer agent, Continental Stock Transfer & Trust Company, you are considered, with respect to those shares, the shareholder of record and these proxy materials are being sent to you directly by us. As the shareholder of record, you have the right to grant your voting proxy directly to the independent proxy (see [How do I appoint and vote via an independent proxy if I am a shareholder of record?](#) below) mentioned in the proxy card, or to grant a written proxy to any person who does not need to be a shareholder or to vote in person at the Annual Shareholder Meeting.

#### ***Beneficial Owner***

If your common shares are held by a bank, brokerage firm or other nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you by your bank, brokerage firm or other nominee who is considered, with respect to those shares, the shareholder of record. As the beneficial owner, you have the right to direct your bank, broker or other nominee on how to vote your common shares and are also invited to attend the Annual Shareholder Meeting. However, since you are not the shareholder of record, you may only vote these common shares in person at the Annual Shareholder Meeting if you follow the instructions described below under the heading [How do I vote?](#) Your bank, brokerage firm or other nominee has enclosed a voting instruction card for you to use in directing your bank, broker or other nominee as to how to vote your common shares, which may contain instructions for voting by telephone or electronically.

### **Q: How many votes are required to transact business at the Annual Shareholder Meeting?**

A: A quorum is required to transact business at the Annual Shareholder Meeting. Without giving effect to the limitation on voting rights described below, the quorum required at the Annual Shareholder Meeting is two or more persons present in person and representing in person or by proxy throughout the meeting more than 50% of the total issued and outstanding common shares registered in our share register.

### **Q: What will I be voting on, what vote is required and how will abstentions and broker non-votes be counted?**

A: The following chart describes the proposals to be considered at the meeting, the vote required to adopt each proposal and the manner in which the votes will be counted:

**Table of Contents**

<b>Proposal</b>	<b>Vote Required</b>	<b>Effect of Abstentions</b>	<b>Effect of Broker Non-Votes</b>
<b>1</b> Amend the Articles of Association to Approve the Annual Election of the Directors and Other Annual Elections	2/3 of votes cast	Vote against	Vote not counted
<b>2</b> Elect the Board of Directors	Majority of votes cast	Vote not counted	Vote not counted
<b>3</b> Elect the Chairman of the Board of Directors	Majority of votes cast	Vote not counted	Vote not counted
<b>4</b> Elect the Compensation Committee Members	Majority of votes cast	Vote not counted	Vote not counted
<b>5</b> Elect the Independent Proxy	Majority of votes cast	Vote not counted	Vote not counted
<b>6</b> Advisory Vote on Executive Compensation	Majority of votes cast	Vote not counted	Vote not counted
<b>7</b> Approve the 2013 Annual Report and Financial Statements	Majority of votes cast	Vote not counted	Brokers have discretion to vote
<b>8</b> Approve the Retention of Disposable Profits	Majority of votes cast	Vote not counted	Brokers have discretion to vote
<b>9</b> Approve the Payment of Dividends to Shareholders	Majority of votes cast	Vote not counted	Brokers have discretion to vote
<b>10</b> Approve the Cancelling of Treasury Shares	Majority of votes cast	Vote not counted	Brokers have discretion to vote
<b>11</b> Approve a New Share Repurchase Program	Majority of votes cast	Vote not counted	Vote not counted
<b>12</b> Approve a 3-for-1 Split of Common Shares	Majority of votes cast	Vote not counted	Vote not counted
<b>13</b> Amend the Articles of Association Relating to Authorized Share Capital for General Purposes	2/3 of votes cast	Vote against	Vote not counted
<b>14</b> Elect Deloitte & Touche Ltd. as Independent Auditor and Deloitte AG as Statutory Auditor	Majority of votes cast	Vote not counted	Brokers have discretion to vote

**Table of Contents**

<b>Proposal</b>	<b>Vote Required</b>	<b>Effect of Abstentions</b>	<b>Effect of Broker Non-Votes</b>
<b>15</b> Elect PricewaterhouseCoopers AG as Special Auditor	Majority of votes cast	Vote not counted	Brokers have discretion to vote
<b>16</b> Discharge of the Board of Directors and Executive Officers from Liabilities	Majority of votes cast	Vote not counted	Vote not counted

- Abstentions and broker non-votes will be counted toward the presence of a quorum at the Annual Shareholder Meeting.
- Broker non-votes are shares held by banks or brokers for which voting instructions have not been received from the beneficial owners or the persons entitled to vote those shares and for which the bank or broker does not have discretionary voting power under rules applicable to broker-dealers. If you own shares through a bank or brokerage firm and you do not instruct your bank or broker how to vote, your bank or broker will nevertheless have discretion to vote your shares on routine matters, such as the election of Deloitte & Touche Ltd., our independent auditors. More importantly, without instructions from you, your bank or broker will not have discretion to vote on non-routine matters, such as the election of directors, the non-binding advisory vote on executive compensation, the payment of the dividend to our shareholders and any shareholder proposals.

**Q: How does the voting take place at the Annual Shareholder Meeting?**

A: A vote will be taken on all matters properly brought before the Annual Shareholder Meeting. Each shareholder present who elects to vote in person and each person holding a valid proxy is entitled to one vote for each common share owned or represented.

**Q: How many votes do I have?**

A: Holders of our common shares are entitled to one vote per share on each matter to be voted upon by the shareholders at the Annual Shareholder Meeting, unless you own Controlled Shares that constituted 10% or more of the issued common shares, in which case your voting rights with respect to those Controlled Shares will be limited, in the aggregate, to a voting power of approximately 10% pursuant to a formula specified in Article 14 of our Articles of Association. Our Articles of Association define Controlled Shares generally to include all shares of the company directly, indirectly or constructively owned or beneficially owned by any person or group of persons.

**Q: How do I vote?**

A: The manner in which your shares may be voted depends on how your shares are held. If you own shares of record, meaning that your common shares are represented by certificates or book entries in your name so that you appear as a shareholder of record in the company share register maintained by its transfer agent, Continental Stock Transfer & Trust Company, a proxy card for voting those shares will be included with this Proxy Statement. You may direct how your shares are to be voted by completing, signing and returning the proxy card in the enclosed envelope. You may also vote your common shares in person at the Annual Shareholder Meeting.

If you own shares through a bank, brokerage firm or other nominee you may instead receive from your bank, brokerage firm or nominee a voting instruction form with this Proxy Statement that you may use to instruct them how your shares are to be voted. As with a proxy card, you may direct how your shares are to be voted by completing, signing and returning the voting instructions form in the envelope provided. Many banks, brokerage firms and other nominees have arranged for internet or telephonic voting of

## **Table of Contents**

shares and provide instructions for using those services on the voting instruction form. If you want to vote your shares in person at the meeting, you must obtain a proxy from your bank, broker or nominee giving you the right to vote your common shares at the Annual Shareholder Meeting.

We have requested that bank, brokerage and other nominees forward solicitation materials to the beneficial owners of common shares and will reimburse the banks, brokers and other nominees for their reasonable out-of-pocket expenses for forwarding the materials.

### **Q: Who will count the vote?**

A: A representative from Baker & McKenzie Zurich, a law firm, will act as the inspector of elections and will be responsible for tabulating the votes cast by proxy (which will have been certified by our independent transfer agent) or in person at the Annual Shareholder Meeting. Under Swiss law, we are responsible for determining whether or not a quorum is present and the final voting results.

### **Q: What does it mean if I receive more than one set of the Proxy Statement and proxy card?**

A: Generally, it means that you hold shares registered in more than one account. You should complete, sign and return each proxy card you receive to ensure that all of your shares are voted.

### **Q: What happens if I sign and return my proxy card but do not indicate how to vote my shares?**

A: If no instructions are provided in an executed proxy card, the common shares represented by the proxy will be voted at the Annual Shareholder Meeting in accordance with the Board's recommendation for each proposal. As to any other business that may properly come before the Annual Shareholder Meeting, you may provide general instructions, as indicated on the proxy card, as to how such other business is to be voted. If you provide no instruction, the common shares represented by the proxy will be voted in accordance with the Board's recommendation as to such business.

### **Q: How do I appoint and vote via an independent proxy if I am a shareholder of record?**

A: If you are a shareholder of record as of the Record Date, under Swiss law you may authorize the independent proxy, Buis Buergi AG, Muehlebachstrasse 8, P.O. Box 672, CH-8024 Zurich, Switzerland, with full rights of substitution, to vote your common shares on your behalf. If you authorize the independent proxy to vote your shares without giving instructions (or without giving clear instructions), your shares will be voted in accordance with the recommendations of the Board with regard to the items listed in the notice of meeting. If new agenda items (other than those in the notice of meeting) or new proposals or motions with respect to those agenda items set forth in the notice of meeting are being put forth before the Annual Shareholder Meeting, you may provide general instructions, as indicated on the proxy card, as to how such other business is to be voted. If you provide no instruction, the common shares represented by the proxy will be voted in accordance with the Board's recommendation as to such business. Proxy cards authorizing the independent proxy to vote your shares must be sent directly to the independent proxy, arriving no later than 6:00 a.m., local time, on May 1, 2014.

### **Q: Can I change my vote after I have mailed my signed proxy card or otherwise instructed how my shares are to be voted?**

A: Yes. You may change your vote:



## Edgar Filing: Allied World Assurance Co Holdings, AG - Form PRE 14A

- By providing the Corporate Secretary with written notice of revocation, by voting in person at the Annual Shareholder Meeting or by executing a later-dated proxy card; *provided, however*, that the action is taken in sufficient time to permit the necessary examination and tabulation of the subsequent proxy or revocation before the vote is taken;
- If you have granted your proxy to the independent proxy, by providing Buis Buergi AG with written notice of revocation, by voting in person at the Annual Shareholder Meeting or by

## **Table of Contents**

executing a later-dated independent proxy card. Revocation of, or changes to, proxies issued to the independent proxy must be received by the independent proxy by 6:00 a.m., local time, on May 1, 2014; or

· If you own shares through a bank, brokerage firm or other nominee, by obtaining a proxy from your bank, broker or nominee giving you the right to vote your common shares at the Annual Shareholder Meeting.  
Attendance at the Annual Shareholder Meeting by a shareholder who has executed and delivered a proxy card to us shall not in and of itself constitute a revocation of such proxy. Only your vote at the Annual Shareholder Meeting will revoke your proxy.

### **Q: What else will happen at the Annual Shareholder Meeting?**

A: At the Annual Shareholder Meeting, shareholders will also receive the report of our independent auditors and our financial statements for the year ended December 31, 2013.

### **Q: Who pays the costs of soliciting proxies?**

A: We will bear the cost of the solicitation of proxies. Solicitation will be made by mail, and may be made by our directors, officers and employees, personally or by telephone, facsimile or other electronic means, for which our directors, officers and employees will not receive any additional compensation. Proxy cards and materials also will be distributed to beneficial owners of common shares through banks, brokers, custodians, nominees and other parties, and the company expects to reimburse such parties for their reasonable charges and expenses. MacKenzie Partners, Inc. has been retained to assist us in the solicitation of proxies at a fee not expected to exceed \$15,000, plus out-of-pocket expenses.

### **Q: How may I receive a copy of the Company's Annual Report on Form 10-K?**

A: We will furnish without charge to any shareholder a copy of our Annual Report on Form 10-K for the year ended December 31, 2013, filed with the U.S. Securities and Exchange Commission (SEC). A copy of such report may be obtained upon written request to the Corporate Secretary, attention: Wayne H. Datz, at Allied World Assurance Company Holdings, AG, Lindenstrasse 8, 6340 Baar, Zug, Switzerland, or via e-mail at [secretary@awac.com](mailto:secretary@awac.com). Each such request must include a representation that, as of March 5, 2014, the person making the request was an owner of our common shares. The Annual Report on Form 10-K, and all of the company's filings with the SEC, can be accessed through our website at [www.awac.com](http://www.awac.com) under the SEC Filings link located in the section entitled Investor Relations. As permitted by the SEC's rules, we will not furnish any exhibits to its Annual Report on Form 10-K without charge, but will provide along with such report a list of such exhibits and information about its charges for providing them.

---

**Table of Contents**

**Organizational Matters Required by Swiss Law**

**Admission to the Annual Shareholder Meeting**

Shareholders who are registered in our share register on the Record Date will receive the Proxy Statement and proxy card from Continental Stock Transfer & Trust Company, our transfer agent. Beneficial owners of shares will receive instructions from their bank, brokerage firm or other nominee acting as shareholder of record to indicate how they wish their shares to be voted. Beneficial owners who wish to vote in person at the Annual Shareholder Meeting are requested to obtain a power of attorney from their bank, brokerage firm or other nominee that authorizes them to vote the shares held by them on their behalf. In addition, you must bring to the Annual Shareholder Meeting an account statement or letter from your bank, brokerage firm or other nominee indicating that you are the owner of the common shares. Shareholders of record registered in our share register are entitled to participate in and vote at the Annual Shareholder Meeting. Each share is entitled to one vote. The exercise of voting rights is subject to the voting restrictions set out in the company's Articles of Association, a summary of which is contained in

How many votes do I have? Please see the questions and answers provided under General Meeting Information for further information.

**Granting a Proxy**

If you are a shareholder of record please see How do I vote? and How do I appoint and vote via an independent proxy if I am a shareholder of record? above in the Proxy Statement for more information on appointing an independent proxy.

*Registered shareholders who have appointed the independent proxy as a proxy may not vote in person at the Annual Shareholder Meeting or send a proxy of their choice to the meeting unless they revoke or change their proxies. Revocations to the independent proxy must be received by him by no later than 6:00 a.m., local time, on May 1, 2014.*

As indicated on the proxy card, with regard to the items listed on the agenda and without any explicit instructions to the contrary, the independent proxy will vote according to the recommendations of the Board. If new agenda items (other than those on the agenda) or new proposals or motions regarding agenda items set out in the invitation to the Annual Shareholder Meeting are being put forth before the meeting, the independent proxy will vote in accordance with the position of the Board in the absence of other specific instructions.

*Beneficial owners who have not obtained a power of attorney from their bank, brokerage firm or other nominee are not entitled to participate in or vote at the Annual Shareholder Meeting.*

**Admission office**

The admission office opens on the day of the Annual Shareholder Meeting at 1:30 p.m. local time. Shareholders of record attending the meeting are kindly asked to present their proxy card as proof of admission at the entrance.

**Annual Report of Allied World Assurance Company Holdings, AG**

The company's 2013 Annual Report, which accompanies this Proxy Statement, contains the company's audited consolidated financial statements and its audited statutory financial statements prepared in accordance with Swiss law and can be accessed through the company's website at [www.awac.com](http://www.awac.com) under the Financial Reports link located in the section entitled Investor Relations. Copies of the 2013 Annual Report may be obtained without charge upon written request to the Corporate Secretary, attention: Wayne H. Datz, at Allied World Assurance Company Holdings, AG, Lindenstrasse 8, 6340 Baar, Zug, Switzerland, or via e-mail at [secretary@awac.com](mailto:secretary@awac.com). The 2013 Annual Report may be physically inspected at the company's headquarters at Lindenstrasse 8, 6340 Baar, Zug, Switzerland.

**Table of Contents**

**PROPOSAL 1**

**AMEND THE ARTICLES OF ASSOCIATION TO APPROVE**

**THE ANNUAL ELECTION OF THE DIRECTORS AND OTHER ANNUAL ELECTIONS**

Recent changes in Swiss law (the Swiss Ordinance ) became effective as of January 1, 2014. Under the Swiss Ordinance, we are required to elect annually (i) each director individually, (ii) the Chairman of the Board, (iii) the members of the Compensation Committee and (iv) the independent proxy beginning with this Annual Shareholder Meeting. As set forth in the Swiss Ordinance, representatives of the company are no longer authorized to act as a proxy and an independent proxy must represent our shareholders. In order to comply with the Swiss Ordinance, the company is proposing related amendments to Articles 9, 14 and 17 of the Articles of Association. Additional components of the Swiss Ordinance will need to be implemented beginning with the 2015 Annual Shareholder Meeting.

Our Articles of Association currently provide for a classified board structure with our directors serving staggered terms of three years. Our Articles of Association currently do not provide for the separate election of our Chairman of the Board, the Compensation Committee members or the independent proxy. Accordingly, the company is proposing the following amendments to our Articles of Association: (i) amend Article 9(2) to empower shareholders to elect the Chairman of the Board, the Compensation Committee members and the independent proxy; (ii) amend Article 14(a) and (f) and add subsection (d) to describe the independent proxy's duties and related matters; and (iii) amend Article 17(a) and (b) to eliminate the three-year term and instead provide for annual director elections, with each director being elected individually. Assuming the approval of these amendments to our Articles of Association, shareholders will be requested to approve the election of each director, our Chairman of the Board, the Compensation Committee members and the independent proxy. (Please see Proposals 2 through 5 in this Proxy Statement.)

Pursuant to Swiss law, we are required to submit to you for your approval both the English version and the (authoritative) German version of the proposed amendments to the Articles of Association. The foregoing summary of the proposed changes to the company's current Articles of Association is qualified in its entirety by express reference to the texts of Articles 9, 14 and 17 of the Articles of Association, a copy of which has been marked to indicate changes from the company's current Articles of Association and is attached as *Appendix A* to this Proxy Statement.

If the shareholders do not approve this proposal, the Board may call an extraordinary general meeting of shareholders for reconsideration of the proposal.

**Your Board unanimously recommends a vote FOR the amendments to Articles 9, 14 and 17 of the Articles of Association as described in this proposal and set forth in *Appendix A*.**

**PROPOSAL 2**

**ELECT THE BOARD OF DIRECTORS**

As noted in Proposal 1 above, pursuant to recent changes in Swiss law we are now required to annually elect each member of the Board beginning with this Annual Shareholder Meeting. Assuming Proposal 1 has been approved by shareholders, each member of our Board is being nominated for election at this Annual Shareholder Meeting. Each of the nominees is a current member of the Board and was recommended for appointment to the Board by the Nominating & Corporate Governance Committee to serve until the Annual Shareholder Meeting in 2015.

**Your Board unanimously recommends a vote FOR each of the nominees as listed on the enclosed proxy card.** It is not expected that any of the nominees will become unavailable for election as a director but, if any nominee should become unavailable prior to the meeting, proxies will be voted

**Table of Contents**

in accordance with the general instructions provided on the proxy card with regard to such other person as your Board shall recommend and nominate. In the absence of other specific instructions, proxies will be voted as your Board shall recommend.

The biography of each nominee below contains information regarding the person's service as a director on the Board, his or her business experience, director positions at other companies held currently or at any time during the last five years, and their applicable experiences, qualifications, attributes and skills.

**Nominees for Election**

**Barbara T. Alexander, 65**

**Position, Principal Occupation and Business Experience:**

Ms. Alexander has been an independent consultant since January 2004. Prior to that, she was a Senior Advisor to UBS Warburg LLC and predecessor firms from October 1999 to January 2004, and Managing Director of the North American Construction and Furnishings Group in the Corporate Finance Department of UBS from 1992 to October 1999. From 1987 to 1992, Ms. Alexander was a Managing Director in the Corporate Finance Department of Salomon Brothers Inc. From 1972 to 1987, she held various positions at Salomon Brothers, Smith Barney, Investors Diversified Services, and Wachovia Bank and Trust Company. Ms. Alexander is currently a member of the board of directors of QUALCOMM Incorporated, where she is a member of both the Audit Committee and Compensation Committee; and Choice Hotels International, Inc., where she is a member of the Audit Committee and Chairperson of the Diversity Committee. Ms. Alexander has decided not to stand for re-election to the board of directors of KB Home where she has served as a director since October 2010. Ms. Alexander previously served on the board of directors of Federal Home Loan Mortgage Corporation (Freddie Mac) from November 2004 to March 2010, Centex Corporation from July 1999 to August 2009, Burlington Resources Inc. from January 2004 to March 2006 and Harrah's Entertainment Inc. from February 2002 to April 2007. Ms. Alexander was selected as one of seven Outstanding Directors in Corporate America in 2003 by Board Alert magazine and was one of five Director of the Year honorees in 2008 by the Forum for Corporate Directors. She has also served on the board of directors of HomeAid America, Habitat for Humanity International and Covenant House.

**Key Attributes, Experience and Skills:**

Having been a member of numerous public company boards of directors, Ms. Alexander is familiar with a full range of corporate and board functions. She also has extensive experience in corporate finance, investment and strategic planning matters. The Board believes that, among other qualifications, Ms. Alexander's extensive experience in corporate finance, investment and strategic planning matters give her the skills to serve as a director.

**Director Since:**

August 2009

**Board Committees:**

Audit (Co-Chair),  
Compensation, Enterprise  
Risk and Investment

**Other Current**

**Public Boards:**

QUALCOMM  
Incorporated (NASDAQ:  
QCOM),

KB Home

(NYSE: KBH)

and

Choice Hotels  
International  
(NYSE: CHH)

**Table of Contents**

**Scott A. Carmilani, 49**

**Position, Principal Occupation and Business Experience:**

Mr. Carmilani was elected our President and Chief Executive Officer in January 2004 and was appointed Chairman of the Board in January 2008. Mr. Carmilani was, prior to joining our company as Executive Vice President in February 2002, the President of the Mergers & Acquisition Insurance Division of subsidiaries of American International Group, Inc. ( AIG ) and responsible for the management, marketing and underwriting of transactional insurance products for clients engaged in mergers, acquisitions or divestitures. Mr. Carmilani was previously the Regional Vice-President overseeing the New York general insurance operations of AIG. Before that he was the Divisional President of the Middle Market Division of National Union Fire Insurance Company of Pittsburgh, Pa., which underwrites directors and officers liability, employment practice liability and fidelity insurance for middle-market-sized companies. Prior to joining our company, he held a succession of underwriting and management positions with subsidiaries of AIG since 1987. Mr. Carmilani is currently a member of the board of trustees of the Visiting Nurse Association (VNA) Health Group, Inc. of New Jersey.

**Key Attributes, Experience and Skills:**

The Board believes that, among other qualifications, Mr. Carmilani's extensive expertise and experience in the insurance and reinsurance industry give him the skills to serve as a director.

**James F. Duffy, 70**

**Position, Principal Occupation and Business Experience:**

Mr. Duffy retired in 2002 as Chairman and Chief Executive Officer of The St. Paul Reinsurance Group, where he originally served from 1993 until 2000 as President and Chief Operating Officer of global reinsurance operations. Prior to this, Mr. Duffy served as an executive vice president of The St. Paul Companies from 1984 to 1993, and as President and Chief Operating Officer of St. Paul Surplus Lines Insurance Company from 1980 until 1984. Mr. Duffy had 15 years prior experience in insurance underwriting with Employers Surplus Lines Insurance Company, First State Insurance Company and New England Re.

**Key Attributes, Experience and Skills:**

The Board believes that, among other qualifications, Mr. Duffy's extensive expertise and experience in the insurance and reinsurance industry give him the skills to serve as a director.

<b>Director Since:</b>
September 2003
<b>Board Committees:</b>
Executive (Chair)
<b>Other Current</b>
<b>Public Boards:</b>
None

<b>Key Attributes, Experience and Skills:</b>

<b>Director Since:</b>
July 2006
<b>Board Committees:</b>
Audit, Compensation, Executive and Nominating & Corporate Governance
<b>Other Current</b>
<b>Public Boards:</b>
None

**Table of Contents**

**Bart Friedman, 69**

**Position, Principal Occupation and Business Experience:**

Mr. Friedman was elected Vice Chairman of the Board in July 2006 and was appointed Lead Independent Director of the Board in January 2008. Mr. Friedman has been a partner at Cahill Gordon & Reindel LLP, a New York law firm, since 1980. Mr. Friedman specializes in corporate governance, special committees and director representation. Mr. Friedman worked early in his career at the SEC. Mr. Friedman is currently a member of the board of directors of Sanford Bernstein Mutual Funds, where he is a member of the Audit Committee and chairman of the Nominating and Governance Committee. He is also the chairman of the Public Responsibility and Ethics Committee and co-chair of the Audit Committee of The Brookings Institution and is a member of the board of directors of the Lincoln Center for the Performing Arts, where he is chairman of the Audit Committee.

**Key Attributes, Experience and Skills:**

The Board believes that, among other qualifications, Mr. Friedman's extensive expertise and experience in corporate governance and investment matters give him the skills to serve as a director.

**Director Since:**

March 2006

**Lead Independent Director**

**Board Committees:**

Compensation, Investment (Co-Chair) and Nominating & Corporate Governance (Chair)

**Other Current**

**Public Boards:**

Sanford Bernstein Mutual Funds

**Scott Hunter, 62**

**Position, Principal Occupation and Business Experience:**

Mr. Hunter has served as an independent consultant to Bermuda's financial services industry since 2002. From 1986 until 2002, Mr. Hunter was a partner at Arthur Andersen Bermuda, whose clients included numerous insurance and reinsurance companies.

**Key Attributes, Experience and Skills:**

The Board believes that, among other qualifications, Mr. Hunter's broad insurance and reinsurance industry experience and expertise specifically with regard to insurance and reinsurance, corporate finance and accounting matters give him the skills to serve as a director.

**Director Since:**

March 2006

**Board Committees:**

Audit (Co-Chair), Compensation, Enterprise Risk, Investment and Nominating & Corporate Governance

**Other Current**

**Public Boards:**

None





**Table of Contents****Patrick de Saint-Aignan, 65****Position, Principal Occupation and Business Experience:**

Mr. de Saint-Aignan held multiple positions at Morgan Stanley internationally from 1974 to 2007, where he was a Managing Director and, most recently, an Advisory Director. He held responsibilities in corporate finance and capital markets and headed successively Morgan Stanley's global fixed income derivatives and debt capital markets activities, its office in Paris, France, and the firm-wide risk management function. He was also a Founder, Director and Chairman of the International Swaps and Derivatives Association (1985-1992), Censeur on the Supervisory Board of IXIS Corporate and Investment Bank (2005-2007); a member of the board of directors of Bank of China Limited (2006-2008), where he was Chairman of the Audit Committee and a member of the Risk Policy Committee and the Personnel and Remuneration Committee; and a member of the board of directors and non-executive Chairman of the European Kyoto Fund (2010 - 2011). Mr. de Saint-Aignan is currently a member of the board of directors of State Street Corporation, where he is a member of its Risk and Capital Committee and its Examining and Audit Committee.

**Key Attributes, Experience and Skills:**

The Board believes that, among other qualifications, Mr. de Saint-Aignan's broad experience and expertise in corporate finance, risk management and investment matters as well as his international business background give him the skills to serve as a director.

**Eric S. Schwartz, 51****Position, Principal Occupation and Business Experience:**

Mr. Schwartz is the founder and has been Chief Executive Officer of 76 West Holdings, a private investment company, since June 2008. In support of the activities of 76 West, he has served as Chairman of Jefferson National Financial Corp., an insurance company focused on the variable annuity market, since January 2012; as Chairman of Gold Bullion International LLC, a precious metals dealer, since January 2012; as a director of Indostar Capital Finance, a finance company based in India, since April 2011; and as a director of Binary Event Network, an electronic prediction marketplace, since May 2011. He also served as Chairman-elect of Nikko Asset Management from June 2008 until its sale in June 2009; and as a director of Prosper Marketplace, an internet-based consumer lending company, from March 2012 until January 2013. Mr. Schwartz is a former Co-CEO of Goldman Sachs Asset Management. He joined The Goldman Sachs Group, Inc. (Goldman Sachs) in 1984 and served in various leadership positions at the firm during his tenure at Goldman Sachs. In 1994, he became a partner in the Equity Capital Markets unit of Goldman Sachs Investment Banking Division and later served as Co-Head of its Global Equities and Investment Management Divisions. He joined Goldman Sachs Management Committee in 2001 and was named Co-Head of its Partnership Committee in 2005. In June 2007, he retired from Goldman Sachs. He serves as a director of the Food Bank for New York City and as a director of Securing America's Future Energy.

**Director Since:**

August 2008

**Board Committees:**

Audit, Compensation, Investment, Enterprise Risk (Chair) and Investment

**Other Current****Public Boards:**

State Street Corporation

(NYSE: STT)

**Director Since:**

October 2013

**Board Committees:**

Compensation and Investment (Co-Chair)

**Other Current****Public Boards:**

None

Key Attributes, Experience and Skills:

The Board believes that, among other qualifications, Mr. Schwartz's broad experience and expertise in corporate finance and investment matters as well as his international business background give him the skills to serve as a director.



**Table of Contents****Samuel J. Weinhoff, 63****Position, Principal Occupation and Business Experience:**

Mr. Weinhoff has served as a consultant to the insurance industry since 2000. Prior to this, Mr. Weinhoff was head of the Financial Institutions Group for Schroder & Co. from 1997 until 2000. He was also a Managing Director at Lehman Brothers, where he worked from 1985 to 1997. Mr. Weinhoff had ten years prior experience at the Home Insurance Company and the Reliance Insurance Company in a variety of positions, including excess casualty reinsurance treaty underwriter, investment department analyst, and head of corporate planning and reporting. Mr. Weinhoff is currently a member of the board of directors of Infinity Property and Casualty Corporation where he is a member of the Executive Committee and the Nominating and Governance Committee and Chairman of the Audit Committee. Mr. Weinhoff served on the board of directors of Inter-Atlantic Financial, Inc. from July 2007 to October 2009.

**Key Attributes, Experience and Skills:**

The Board believes that, among other qualifications, Mr. Weinhoff's extensive insurance and reinsurance industry experience as well as expertise in corporate finance and strategic planning matters give him the skills to serve as a director.

**Director Since:**

July 2006

**Board Committees:**

Audit, Compensation (Chair), Enterprise Risk, Executive and Investment

**Other Current****Public Boards:**

Infinity Property and Casualty Corporation

(NASDAQ: IPCC)

**Board and Committee Membership<sup>(1)</sup>**

Name	Audit	Compensation	Enterprise Risk	Executive	Investment	Nominating
Barbara T. Alexander*	C					
Scott A. Carmilani				C		
James F. Duffy*						
Bart Friedman**					C	C
Scott Hunter*	C					
Patrick de Saint-Aignan*			C			
Eric S. Schwartz*					C	
Samuel J. Weinhoff*		C				
<i>Number of 2013 Meetings</i>	5	4	4	0	4	4
· Member	C Chair	* Independent Director	** Lead Independent Director			

(1) All committees, except the Executive Committee, are comprised of independent directors only.

**Director Independence**

The Board has determined that Ms. Alexander and Messrs. Duffy, Friedman, Hunter, de Saint-Aignan, Schwartz and Weinhoff are independent directors under the listing standards of the New York Stock Exchange (the "NYSE"). In addition, although Ms. Alexander serves on the audit committee of more than three publicly-traded companies, the Board has affirmatively determined that such simultaneous service does not impair her ability to serve on our Audit Committee. Ms. Alexander will not be seeking re-election to the board of directors of KB Home, therefore she will serve on only three audit committees after April 3, 2014. We require that a majority of our directors meet the criteria for independence under applicable law and the rules of the NYSE. The Board has adopted a policy to assist it and the Nominating & Corporate Governance Committee in their determination as to whether a nominee or director qualifies as independent. This policy contains categorical standards for

## Edgar Filing: Allied World Assurance Co Holdings, AG - Form PRE 14A

determining independence and includes the independence standards required by the SEC and the NYSE, as well as standards published by institutional investor groups and other corporate governance experts. In making its determination of independence, the Board applied these standards for director independence and determined that no material relationship existed between the company and these directors. A copy of

## **Table of Contents**

the Board Policy on Director Independence was attached as an appendix to our Proxy Statement filed with the SEC on March 16, 2012.

### **Meetings and Committees of the Board**

During the year ended December 31, 2013, there were five meetings of our Board (including regularly scheduled and special meetings), five meetings of the Audit Committee, four meetings of the Compensation Committee, four meetings of the Enterprise Risk Committee, no meeting of the Executive Committee, four meetings of the Investment Committee and four meetings of the Nominating & Corporate Governance Committee. Each of our directors attended at least 75% of the aggregate number of Board meetings and committee meetings of which he or she was a member during the period he or she served on the Board. Our non-management directors meet separately from the other directors in an executive session at least quarterly. Mr. Friedman, our Vice Chairman of the Board and Lead Independent Director, served as the presiding director of the executive sessions of our non-management and independent directors held in 2013. The Lead Independent Director also has the authority to call meetings of the independent directors or full Board.

### **Board Leadership Structure**

The Board has chosen a leadership structure that combines the role of the Chief Executive Officer and the Chairman of the Board while also having a Lead Independent Director. The Lead Independent Director assumes many of the responsibilities typically held by a non-executive chairman of the board and a list of his responsibilities is provided in the chart below. The company's rationale for combining the Chief Executive Officer and Chairman of the Board positions relates principally to the Board's belief that at this stage of our development and continued global expansion, the company and its shareholders will be best served if the Chairman is in close proximity to the senior management team on a regular and continual basis.

### **Lead Independent Director**

The Lead Independent Director is elected solely by and from the independent directors. Responsibilities include:

- organizing and presiding over all meetings of the Board at which the Chairman of the Board is not present, including all executive sessions of the non-management and independent directors;
- serving as the liaison between the Chairman of the Board and the non-management directors;
- overseeing the information sent to the Board by management;
- approving meeting agendas and schedules for the Board to assure that there is sufficient time for discussion of all agenda items;
- facilitating communication between the Board and management;

- being available to communicate with and respond to certain inquiries of the company's shareholders; and
- performing such other duties as requested by the Board.

Our Board has also approved Corporate Governance Guidelines, a Code of Business Conduct and Ethics and a Code of Ethics for Chief Executive Officer and Senior Financial Officers. The foregoing information is also available on our website at [www.awac.com](http://www.awac.com) under Investor Relations Corporate Information Governance Documents . Printed copies of these documents as well as the committee charters discussed below are also available by sending a written request to our Corporate Secretary.

## **Table of Contents**

***Audit Committee.*** Pursuant to its charter, the Audit Committee is responsible for overseeing our independent auditors, internal auditors, compliance with legal and regulatory standards and the integrity of our financial reporting. Each member of the Audit Committee has been determined by the Board to be financially literate within the meaning of the NYSE Listing Standards and each has been designated by the Board as an audit committee financial expert, as defined by the applicable rules of the SEC, based on either their extensive prior accounting and auditing experience or having a range of experience in varying executive positions in the insurance or financial services industry.

***Compensation Committee.*** Pursuant to its charter, the Compensation Committee has the authority to establish compensation policies and recommend compensation programs to the Board, including administering all equity and incentive compensation plans of the company. Pursuant to its charter, the Compensation Committee also has the authority to review the competitiveness of the non-management directors' compensation programs and recommend to the Board these compensation programs and all payouts made thereunder. Additional information on the Compensation Committee's consideration of executive compensation, including a discussion of the roles of the company's Chief Executive Officer and the independent compensation consultant in such executive compensation consideration, is included in Executive Compensation Discussion and Analysis.

***Enterprise Risk Committee.*** Pursuant to its charter, the Enterprise Risk Committee oversees management's assessment and mitigation of the company's enterprise risks and reviews and recommends to the Board for approval the company's overall firm-wide risk appetite statement and oversees management's compliance therewith.

***Executive Committee.*** The Executive Committee has the authority to oversee the general business and affairs of the company to the extent permitted by Swiss law.

***Investment Committee.*** Pursuant to its charter, the Investment Committee is responsible for adopting and overseeing compliance with the company's Investment Policy Statement, which contains investment guidelines and other parameters for the investment portfolio. The Investment Committee oversees the company's overall investment strategy and the company's investment risk exposures.

***Nominating & Corporate Governance Committee.*** Pursuant to its charter, the Nominating & Corporate Governance Committee is responsible for identifying individuals believed to be qualified to become directors and to recommend such individuals to the Board and to oversee corporate governance matters and practices.

The Nominating & Corporate Governance Committee will consider nominees recommended by shareholders and will evaluate such nominees on the same basis as all other nominees. Shareholders who wish to submit nominees for director for consideration by the Nominating & Corporate Governance Committee for election at the Annual Shareholder Meeting in 2015 may do so by submitting in writing such nominees names and other information required under SEC rules and our Articles of Association, in compliance with the procedures described under Shareholder Proposals for 2015 Annual Shareholder Meeting in this Proxy Statement.

The criteria adopted by the Board for use in evaluating the suitability of all nominees for director include the following:

- high personal and professional ethics, values and integrity;
- education, skill and experience with insurance, reinsurance or other businesses and organizations that the Board deems relevant and useful, including whether such attributes or background would contribute to the diversity of the Board;
- ability and willingness to serve on any committees of the Board; and

## **Table of Contents**

ability and willingness to commit adequate time to the proper functioning of the Board and its committees.

In addition to considering candidates suggested by shareholders, the Nominating & Corporate Governance Committee considers candidates recommended by current directors, officers and others. The Nominating & Corporate Governance Committee screens all director candidates. The Nominating & Corporate Governance Committee determines whether or not the candidate meets the company's general qualifications and specific qualities for directors and whether or not additional information is appropriate.

The Board and the Nominating & Corporate Governance Committee do not have a specific policy regarding diversity. Instead, in addition to the general qualities that the Board requires of all nominees and directors, such as high personal and professional ethics, values and integrity, the Board and the Nominating & Corporate Governance Committee strive to have a diverse group of directors with differing experiences, qualifications, attributes and skills to further enhance the quality of the Board. As we are an insurance and reinsurance company that (i) sells products that protect other companies and individuals from complex risks, (ii) has a significant investment portfolio and (iii) faces operational risks similar to those at other international companies, the Board and the Nominating & Corporate Governance Committee believe that having a group of directors who have the range of experience and skills to understand and oversee this type of business is critical. The Board and the Nominating & Corporate Governance Committee do not believe that each director must be an expert in every aspect of our business, but instead the Board and committee strive to have well-rounded, collegial directors who contribute to the diversity of ideas and strengthen the Board's capabilities as a whole. Through their professional careers and experiences, the Board and the Nominating & Corporate Governance Committee believe that each director has obtained certain attributes that further the goals discussed above.

## **Risk Oversight**

While the assumption of risk is inherent to our business, we believe we have developed a strong risk management culture throughout our organization that is fostered and maintained by our senior management, with oversight by the Board through its committees. The Board primarily delegates its risk management oversight to three of its committees: the Audit Committee, the Enterprise Risk Committee and the Investment Committee, who regularly report to the Board. The Audit Committee primarily oversees those risks that may directly or indirectly impact the company's financial statements, the Enterprise Risk Committee primarily oversees the company's business and operational risks and the Investment Committee primarily oversees the company's investment portfolio risks. The Enterprise Risk Committee also reviews and recommends for approval by the Board our overall firm-wide risk appetite statement, and oversees management's compliance with this statement. Each committee has broad powers to ensure that it has the resources to satisfy its duties under its charter, including the ability to request reports from any officer or employee of the company and the authority to retain special counsel or other experts and consultants as it deems appropriate.

Each of these committees receives regular reports from senior management who have day-to-day risk management responsibilities, including from our Chief Executive Officer. The Audit Committee receives reports from our Chief Executive Officer, Chief Financial Officer, Chief Actuary, General Counsel, Chief Information Officer, Head of Internal Audit and the company's independent auditors. These reports address various aspects of risk assessment and management relating to the company's financial statements. The Enterprise Risk Committee meets regularly with our Chief Executive Officer, Chief Risk Officer and Chief Actuary as part of its oversight of the company's underwriting, pricing and claims risks. Throughout the year, the Enterprise Risk Committee will also receive reports from other operational areas. To assist it in its oversight of the company's investment risk exposures, the Investment Committee receives reports from our Chief Investment Officer, Chief Financial Officer and external investment managers and advisors.

As open communications and equal access to information can be an important part of the Board's risk oversight, all of the directors receive the information sent to each committee prior to any



**Table of Contents**

committee meeting. Board members are also encouraged to, and often do, attend all committee meetings regardless of whether he or she is a member of such committee.

**Director Compensation**

In 2013, compensation for our non-management directors consisted of the following:

**Fees for Non-Management Directors**

Position	Annual Cash Retainers	Annual Value of RSU Award
Board Member	\$80,000	\$75,000
Lead Independent Director	\$15,000	
Chairs of each Board Committee	\$35,000	
Nominating & Corporate Governance Committee Chair	\$8,000	
Audit Committee Members	\$25,000	

Our non-management directors received \$3,000 for each Board meeting attended and \$2,000 for each committee meeting attended. We also provide to all non-management directors reimbursement of expenses incurred in connection with their service on the Board, including the reimbursement of director educational expenses.

As discussed in footnote 3 to the Stock Awards column of the Non-Management Directors Compensation table below, each non-management director received an annual equity award of restricted stock units (RSUs) of the company worth approximately \$75,000. Each RSU represents the right to receive one newly-issued, fully paid and non-assessable common share of the company at a future date and fully vests on the first anniversary of the date of grant, subject to continued service as a director through such date. The RSUs were awarded to our non-management directors pursuant to the 2012 Omnibus Plan and, other than with respect to vesting terms, were granted on similar terms and conditions as those generally granted to our employees. In 2013, these annual equity awards were granted concurrently with the grant of equity awards to members of our senior management following the preparation and completion of the 2012 year-end financial statements. Consistent with past practice, on February 18, 2014, each of our non-management directors received 740 RSUs under the 2012 Omnibus Plan.

The following table provides information concerning the compensation paid to the company's non-management directors for fiscal year 2013.

**Non-Management Directors Compensation<sup>(1)</sup>**

Name	Fees Earned or Paid in Cash	Stock Awards <sup>(3)</sup>	Total
Barbara T. Alexander	\$ 164,000	\$ 77,466	\$ 241,466
James F. Duffy	\$ 146,000	\$ 77,466	\$ 223,466
Bart Friedman	\$ 168,000	\$ 77,466	\$ 245,466
Scott Hunter	\$ 218,461	\$ 77,466	\$ 295,927
Patrick de Saint-Aignan	\$ 189,000	\$ 77,466	\$ 266,466
Eric S. Schwartz <sup>(2)</sup>	\$ 25,500	\$ 16,671	\$ 42,171
Samuel J. Weinhoff	\$ 189,000	\$ 77,466	\$ 266,466

- (1) In 2013, our non-management directors did not receive any non-equity incentive plan compensation, did not have any pension or deferred compensation plans and did not receive any perquisite or

---

## **Table of Contents**

compensation that would be required to be included in this table. Accordingly, other columns generally required pursuant to SEC rules are not included in the Non-Management Directors Compensation table. In 2013, Mr. Hunter received \$46,461 in additional fees for serving on the boards of directors of two of our European subsidiaries. These fees are included in the table above.

- (2) Mr. Schwartz joined the Board on October 17, 2013.
- (3) As of December 31, 2013, our non-management directors held an aggregate of 5,456 RSUs under the Allied World Assurance Company Holdings, AG 2012 Omnibus Incentive Compensation Plan (the 2012 Omnibus Plan ), with each director (other than Mr. Schwartz) holding 883 RSUs and Mr. Schwartz holding 158 RSUs as he joined the Board in October 2013 and received a pro rata grant of RSUs for his service during 2013. In accordance with SEC rules, the amounts shown in the Stock Awards column equal the estimate of aggregate compensation costs to be recognized with respect to RSU awards granted in 2013 determined as of the grant date under Financial Accounting Standards Board Accounting Standards Codification (ASC) Topic 718, Stock Compensation ( FASB ASC Topic 718 ), and excluding the effect of estimated forfeitures. The fair value has been calculated for purposes of the Stock Awards column in the table above by using the closing price of our common shares on the date of grant (\$87.73 per common share for the awards issued on February 19, 2013, and \$105.51 per common share for Mr. Schwartz's award issued on October 17, 2013). In determining the fair value of awards for directors and all of our employees, the Board uses the daily volume-weighted average sales price of our common shares for the 20 consecutive trading days up to and including the second trading day prior to the date of grant (\$84.96 per common share, or a \$75,020 aggregate grant to each director (other than Mr. Schwartz) on February 19, 2013; and \$99.20 per common share, or \$15,625 aggregate grant to Mr. Schwartz on October 17, 2013).

### **Matching Gift Program**

Our non-management directors may participate in the company's matching gift program, which is available to all employees. Under this program, the company will match contributions to eligible non-profit organizations, up to a maximum of \$10,000 per year.

### **Stock Ownership Policy**

In order to promote equity ownership and further align the interests of the Board with our shareholders, the Board adopted a stock ownership policy for all non-management directors. Under this policy, non-management directors are expected to own, within five years after his or her joining the Board, equity interests of the company with a value equal to five times the then-current annual cash retainer for serving on the Board. Non-management directors are expected not to sell any common shares until they are in compliance with this policy. Mr. Carmilani, our President, Chief Executive Officer and Chairman of the Board, is subject to a stock ownership policy for senior employees as described in Executive Compensation Compensation Discussion and Analysis Stock Ownership Policy.

## **PROPOSAL 3**

### **ELECT THE CHAIRMAN OF THE BOARD OF DIRECTORS**

As noted in Proposal 1 Amend the Articles of Association to Approve the Annual Election of the Directors and Other Annual Elections above, the Chairman of the Board must be elected annually by our shareholders. The Nominating & Corporate Governance Committee has recommended electing Scott A. Carmilani to serve as Chairman of the Board until the Annual Shareholder Meeting in 2015. Mr. Carmilani has served as Chairman of the Board since January 2008. As noted in Board Leadership Structure, our rationale for combining the CEO and Chairman of the Board positions relates principally to the Board's belief that at this stage of our development and continued global expansion, we and our shareholders will be best served if the Chairman is in close proximity to the senior management team

## Table of Contents

on a regular and continual basis. Under Mr. Carmilani's leadership as President, CEO and Chairman of the Board, we have achieved considerable growth by expanding our operations in Asia, Europe, Latin America and North America; have successfully responded to changes to the insurance and reinsurance industry as well as macroeconomic change; and have delivered superior value creation over the past several years. For additional information about our financial performance and our performance relative to our peers, please see the Proxy Statement Summary on page 1 of this Proxy Statement.

This agenda item may only be approved if our shareholders voting (in person or by proxy) at the Annual Shareholder Meeting first approve Proposal 1 Amend the Articles of Association to Approve the Annual Election of the Directors and Other Annual Elections and elect Mr. Carmilani as a director in Proposal 2 Elect the Board of Directors. If our shareholders do not approve this proposal, the Board may call an extraordinary general meeting of shareholders for reconsideration of this proposal.

**Your Board unanimously recommends a vote FOR the nominee for Chairman of the Board, Mr. Scott A. Carmilani, as listed on the enclosed proxy card.** It is not expected that the nominee will become unavailable for election as Chairman of the Board but, if Mr. Carmilani should become unavailable prior to the meeting, proxies will be voted in accordance with the general instructions provided on the proxy card with regard to such other person as your Board shall recommend and nominate. In the absence of other specific instructions, proxies will be voted as your Board shall recommend.

## **PROPOSAL 4**

### **ELECT THE COMPENSATION COMMITTEE MEMBERS**

As noted in Proposal 1 Amend the Articles of Association to Approve the Annual Election of the Directors and Other Annual Elections above, the Compensation Committee members must be elected annually by our shareholders. The Nominating & Corporate Governance Committee has recommended electing Ms. Alexander and Messrs. Duffy, Friedman, Hunter, de Saint-Aignan, Schwartz and Weinhoff to serve as members of the Compensation Committee until the Annual Shareholder Meeting in 2015. As noted in Nominees for Election Board and Committee Membership, the Compensation Committee is comprised entirely of independent directors. As noted in Board Leadership Structure, the Compensation Committee has the authority to establish compensation policies and recommend compensation programs to the Board. Each of the members of the Compensation Committee proposed for election currently serves on the committee.

This agenda item may only be approved if our shareholders voting (in person or by proxy) at the Annual Shareholder Meeting first approve Proposal 1 Amend the Articles of Association to Approve the Annual Election of the Directors and Other Annual Elections and elect each of the directors that are members of the Compensation Committee in Proposal 2 Elect the Board of Directors. If a director is not re-elected in Proposal 2, he or she will be ineligible to serve on the Compensation Committee. If our shareholders do not approve this proposal, the Board may call an extraordinary general meeting of shareholders for reconsideration of this proposal.

**Your Board unanimously recommends a vote FOR each of the nominees of the Compensation Committee, Ms. Alexander and Messrs. Duffy, Friedman, Hunter, de Saint-Aignan, Schwartz and Weinhoff, as listed on the enclosed proxy card.** It is not expected that any nominee will become unavailable for election as a member of the Compensation Committee but, if any nominee should become unavailable prior to the meeting, proxies will be voted in accordance with the general instructions provided on the proxy card with regard to such other person as your Board shall recommend and nominate. In the absence of other specific instructions, proxies will be voted as your Board shall recommend.

**Table of Contents**

**PROPOSAL 5**

**ELECT THE INDEPENDENT PROXY**

As noted in Proposal 1 Amend the Articles of Association to Approve the Annual Election of the Directors and Other Annual Elections above, the independent proxy must be elected annually by our shareholders. The Board has recommended electing Buis Buergi AG, a Swiss law firm, to serve as the independent proxy at and until the conclusion of the Annual Shareholder Meeting in 2015. As set forth in the Swiss Ordinance, representatives of the company are no longer authorized to act as a proxy and an independent proxy must represent our shareholders. The Swiss Ordinance also authorized the Board to appoint the independent proxy for this Annual Shareholder Meeting, and the Board appointed Mr. Buergi of Buis Buergi AG to serve as the independent proxy. Mr. Buergi has served as independent proxy at our Annual Shareholder Meetings in 2013 and 2012.

If the shareholders do not approve this proposal, the Board may call an extraordinary general meeting of shareholders for reconsideration of this proposal.

**Your Board unanimously recommends a vote FOR Buis Buergi AG as the independent proxy at and until the conclusion of the 2015 Annual Shareholder Meeting.**

**PROPOSAL 6**

**ADVISORY VOTE ON EXECUTIVE COMPENSATION**

The company is providing its shareholders with the opportunity to cast an advisory vote on executive compensation as described below. The company believes that it is appropriate to seek the views of shareholders on the design and effectiveness of the company's executive compensation program.

The objective of the company's executive compensation program is to attract and retain talented and highly-skilled employees, reward strong company and individual performance, align the interests of the executive officers and the company's shareholders and remain competitive with other insurance and reinsurance companies, particularly those with which the company competes. The company believes that its executive compensation program, which emphasizes long-term, performance-based equity awards, a significant portion of which is at risk with vesting dependent on the company achieving certain performance targets, meets this objective and is strongly aligned with the long-term interests of its shareholders. The Compensation Discussion and Analysis section of this Proxy Statement beginning on page 42 describes the company's executive compensation program and the decisions made by the Compensation Committee in more detail.

The table below reflects the company's performance on a relative basis against its Peer Group of 13 insurance and reinsurance companies (the Peer Group) for the one, three and five-year periods ended December 31, 2013.

**Table of Contents**

**Company's Performance Relative  
to Its Peer Group as of December 31, 2013**

(In quartiles. 1=first quartile, the highest level; 4=fourth quartile, the lowest level)

Performance Metric	2013 (one year) Rank	2011-2013 (three year) Rank	2009-2013 (five year) Rank
Diluted Book Value Per Share Growth (adjusted for dividends)	1	1	1
Annualized Net Income Return on Average Equity (adjusted for other comprehensive income)	1	1	1
Combined Ratio	2	1	1
Total Shareholder Return	2	1	1

**Your Board unanimously recommends the approval of the following resolution:**

RESOLVED, that the compensation paid to the company's named executive officers, as disclosed pursuant to Item 402 of Regulation S-K promulgated by the SEC, including the Compensation Discussion and Analysis section, compensation tables and narrative discussion, be, and hereby is, APPROVED.

As an advisory vote, this proposal is not binding upon the company. However, the Compensation Committee, which is responsible for designing and administering the company's executive compensation programs, values the opinions expressed by shareholders in their vote on this proposal and will continue to consider the outcome of the vote when making future compensation decisions for the named executive officers.

## PROPOSAL 7

### APPROVE THE 2013 ANNUAL REPORT AND FINANCIAL STATEMENTS

The 2013 Annual Report, which accompanies this Proxy Statement, contains our audited consolidated financial statements and its audited statutory financial statements prepared in accordance with Swiss law, for the year ended December 31, 2013, as well as the reports of Deloitte & Touche Ltd. and Deloitte AG, our independent and statutory auditors, respectively. The 2013 Annual Report also contains information on our business activities and our business and financial condition. Pursuant to Swiss law, the 2013 Annual Report, our audited consolidated financial statements and our audited Swiss statutory financial statements must be submitted to shareholders for approval at the Annual Shareholder Meeting. The 2013 Annual Report will be available for physical inspection at our offices at Lindenstrasse 8, 6340 Baar, Zug, Switzerland. Representatives of Deloitte & Touche Ltd. and Deloitte AG will attend the Annual Shareholder Meeting and will have an opportunity to make a statement if they wish. They will also be available to answer questions at the meeting.

If the shareholders do not approve this proposal, the Board may call an extraordinary general meeting of shareholders for reconsideration of this proposal.

**Your Board unanimously recommends a vote FOR the approval of our 2013 Annual Report, including our audited consolidated financial statements and its audited Swiss statutory financial statements prepared in accordance with Swiss law, each for the year ended December 31, 2013.**

**Table of Contents**

**PROPOSAL 8**

**APPROVE THE RETENTION OF DISPOSABLE PROFITS**

As noted in Proposal 7 **Approve the 2013 Annual Report and Financial Statements** above, the 2013 Annual Report that accompanies this Proxy Statement contains the company's audited statutory financial statements prepared in accordance with Swiss law for the year ended December 31, 2013, as well as the report of Deloitte AG, our statutory auditors. For the year ended December 31, 2013, on a standalone basis, we had disposable profits of CHF 328 million (or approximately \$368 million). The Board proposes that the disposable profit on the company's audited statutory financial statements be carried forward as retained earnings for fiscal year 2013. The Board believes that it is in the best interests of the company and its shareholders to retain earnings for future investment in the growth of our business and for other attractive business opportunities. As noted in Proposal 9 **Approve the Payment of Dividends to Shareholders** below, we are proposing that our shareholders receive cash dividends from general legal reserve from capital contributions. Accordingly, we are proposing that no dividend distribution be made at this time to shareholders from 2013 year-end disposable profits.

If the shareholders do not approve this proposal, the Board may call an extraordinary general meeting of shareholders for reconsideration of this proposal.

**Your Board unanimously recommends a vote FOR carrying forward as retained earnings the company's disposable profits on its audited statutory financial statements for the year ended December 31, 2013.**

**PROPOSAL 9**

**APPROVE THE PAYMENT OF DIVIDENDS TO SHAREHOLDERS**

**General Explanation of the Dividend**

This agenda item calls for a distribution to shareholders out of general legal reserve from capital contributions, in an aggregate CHF amount equal to \$2.70 per share (the **Base Annual Dividend**), using the USD/CHF currency exchange ratio as reported by The Wall Street Journal on the fourth New York business day prior to the date of the Annual Shareholder Meeting rounded down to the next cent amount (the **Foreign Exchange Rate**) which can be divided by four, payable in four installments; provided that, each of the CHF installments will be adjusted pursuant to a formula so that the actual CHF amount for each installment will equal \$0.675 per share, subject to an aggregate upward adjustment (the **Dividend Cap**), for the four installments of 50% of the Base Annual Dividend. Application of the formula will mean that the CHF amount of each installment will be determined at the approximate time of distribution, while the U.S. dollar value of the installment will remain \$0.675 per share unless and until the Dividend Cap is reached. A quarterly installment that would otherwise exceed the Dividend Cap will be reduced to equal the CHF amount remaining available under the Dividend Cap, and the U.S. dollar amount distributed will be the then-applicable U.S. dollar equivalent of that CHF amount. If both this Proposal 9 and Proposal 12 **Approve a 3-for-1 Split of Common Shares** are approved by shareholders, the Base Annual Dividend will be adjusted to \$0.90 per share, the Dividend Cap will be adjusted to \$0.45 per share and the aggregate and quarterly dividend amounts noted below will also be adjusted accordingly.

**Agenda Item**

The Board proposes that our shareholders voting (in person or by proxy) at our Annual Shareholder Meeting approve the following dividend in the form of a distribution from the company's general legal reserve from capital contributions account. The blank numbers in the following resolution will be completed based upon the company's actual share capital upon the date of the Annual Shareholder Meeting and applicable exchange rate calculations described below.

**Table of Contents**

1. The aggregate amount of CHF [ *(number of common shares as registered in the Commercial Register on the date of the Annual Shareholder Meeting)*] x [ *(USD 2.70 x the Foreign Exchange Rate)*] ( Aggregate Dividend Amount From Capital Contributions Reserves ) shall be transferred from the company's general legal reserve from capital contributions account to a dividends payable liability account and then be distributed by way of a dividend of CHF [ *(USD 2.70 x the Foreign Exchange Rate)*] per share as follows:
  2. The Aggregate Dividend Amount From Capital Contributions Reserves shall be paid to shareholders in four installments in the amount of CHF [ *(USD 0.675 per share x the Foreign Exchange Rate)*] ( Quarterly Dividend Amount From Capital Contributions Reserves ) in July 2014, in October 2014, in January 2015 and in April 2015.
  3. The Quarterly Dividend Amount From Capital Contributions Reserves equals USD 0.675 ( Quarterly Dollar Amount ) based on a USD/CHF exchange ratio of CHF [ *completed on the date of the Annual Shareholder Meeting*] (rounded down to the next whole cent) per \$1 (*being the Foreign Exchange Rate*). The Quarterly Dividend Amount From Capital Contributions Reserves and the Aggregate Dividend Amount From Capital Contributions Reserves are subject to the following adjustments as a result of USD/CHF currency fluctuations:
    - (i) The Quarterly Dividend Amount From Capital Contributions Reserves is to be adjusted as a result of currency fluctuations such that each quarterly Dividend amount shall equal an amount calculated as follows (rounded down to the next whole cent):  
 Quarterly Dividend Amount From Capital Contributions Reserves = Quarterly Dollar Amount x USD/CHF currency exchange ratio as reported by The Wall Street Journal on June 10, 2014, for the first quarterly dividend payment, on September 9, 2014, for the second quarterly dividend payment, on December 9, 2014, for the third quarterly dividend payment, and on March 10, 2015, for the fourth quarterly dividend payment.
    - (ii) The adjustment of the Aggregate Dividend Amount From Capital Contributions Reserves shall be capped at CHF [ *completed on the date of the Annual Shareholder Meeting*] (corresponding to 50% of the Aggregate Dividend Amount From Capital Contributions Reserves set forth in paragraph 1). The cap is subject to further adjustment for new shares issued pursuant to paragraph 4 below.
  4. The Aggregate Dividend Amount From Capital Contributions Reserves pursuant to paragraph 1 (as adjusted pursuant to paragraph 3(i) and 3(ii)) shall be increased (to a maximum of CHF [ *completed on the date of the Annual Shareholder Meeting*] by quarterly dividend payments on shares that are issued (i) in the course of capital increases (in relation to any merger, amalgamation, acquisition or other corporate reorganizations); (ii) from authorized share capital; or (iii) from conditional share capital after the Annual Shareholder Meeting and before the record date of the applicable Quarterly Dividend Amount From Capital Contributions Reserves. Quarterly Dividend Amounts From Capital Contributions Reserves that would otherwise exceed such maximum limit shall be reduced to equal the Swiss franc amount remaining available under such maximum limit, and the U.S. dollar amount distributed will be the then-applicable U.S. dollar equivalent of that Swiss franc amount. In addition, any Quarterly Dividend Amount From Capital Contributions Reserves shall be adjusted to reflect shares repurchased by the company after the Annual Shareholder Meeting and held in treasury on the record date of the applicable Quarterly Dividend Amount From Capital Contributions Reserves.
  5. Any Dividend Cap amount remaining after the payment of the final Quarterly Dividend Amount From Capital Contributions Reserves shall, by operation of this resolution, be immediately reallocated to the general legal reserve from capital contributions account included in the



**Table of Contents**

balance sheet of the company's Swiss statutory financial statements, without any requirement that such reallocation be approved by the Board or at any Annual Shareholder Meeting.

6. The Board is instructed to determine the procedure for the payment of the Quarterly Distribution Amounts From Capital Contributions Reserves.

If the shareholders do not approve this proposal, the Board may call an extraordinary general meeting of shareholders for reconsideration of this proposal.

**Your Board unanimously recommends a vote FOR the payment of the dividend as described above, such payment to be made in four quarterly installments.**

**PROPOSAL 10**

**APPROVE THE CANCELLING OF TREASURY SHARES**

In May 2012, the company's shareholders approved a share repurchase program for the repurchase of up to \$500 million of common shares, with such repurchased shares being designated for cancellation. Under its 2012 share repurchase program, the company has repurchased and holds in treasury 1,793,732 common shares as of February 24, 2014. The company is seeking approval of a capital reduction through a cancellation of 1,793,732 common shares held in treasury. The cancellation of these shares will be made against reserve for treasury shares from capital contributions. The remaining common shares held in treasury by the company that are not cancelled are expected to be used in connection with the company's equity benefit plans or in other qualifying transactions. The cancellation of the treasury shares will have the effect of reducing the current share capital of the company by an aggregate amount of CHF 22,062,903.60.

Under Swiss law, a report from Deloitte AG, an auditor supervised by the Swiss government, will be available at the Annual Shareholder Meeting to confirm that the receivables of the creditors of the company are fully covered after the capital reduction resulting from the cancellation of the 1,793,732 common shares held in treasury. Upon satisfaction of all legal requirements, under Swiss law we will be required to submit an application to the Commercial Register in the Canton of Zug, Switzerland to register the amendments to our Articles of Association to cancel these treasury shares. Without effective registration, we will not be able to proceed with the cancellation of the treasury shares as described in this proposal. We cannot assure you that the Commercial Register in the Canton of Zug will approve the registration.

Pursuant to Swiss law, we are required to submit to you for your approval both the English version and the (authoritative) German version of the proposed amendments to the company's Articles of Association. Upon the approval of this proposal, Article 3 of the Articles of Association will be amended to read as follows:

<b>Artikel 3 Aktienkapital</b>	<b>Article 3 Share Capital</b>
a) Das Aktienkapital der Gesellschaft beträgt CHF 419 946 403.20 und ist eingeteilt in 34 141 984 auf den Namen lautende Aktien im Nennwert von CHF 12.30 je Aktie. Das Aktienkapital ist vollständig liberiert.	The share capital of the Company amounts to CHF 419,946,403.20 and is divided into 34,141,984 registered shares with a par value of CHF 12.30 per share. The share capital is fully paid-in.
b) Auf Beschluss der Generalversammlung können jederzeit Namenaktien in Inhaberaktien und Inhaberaktien in Namenaktien umgewandelt werden.	b) Upon resolution of the General Meeting of Shareholders, registered shares may be converted into bearer shares and bearer shares may be converted into registered shares, at any time.

## **Table of Contents**

If the shareholders do not approve this proposal, the Board may call an extraordinary general meeting of shareholders for reconsideration of this proposal.

**Your Board unanimously recommends that shareholders vote FOR the capital reduction by cancellation of 1,793,732 common shares held in treasury and the corresponding amendment to our Articles of Association.**

## **PROPOSAL 11**

### **APPROVE A NEW SHARE REPURCHASE PROGRAM**

The company is seeking the approval of its shareholders to establish a new share repurchase program for the repurchase of up to \$500 million of the company's common shares. Under the terms of this new share repurchase program, the first one million common shares repurchased will remain in treasury and will be used by us to satisfy share delivery obligations under our equity-based compensation plans. Any additional common shares repurchased will be designated for cancellation and will be cancelled upon shareholder approval at a future annual shareholder meeting and therefore shall not be subject to the statutory provision of Swiss law that prohibits the company from holding in treasury more than 10% of its aggregate common shares. The repurchase of common shares will only be made from reserves from capital contributions. The company currently anticipates that the repurchases of common shares shall take place over a two-year period.

In May 2012, the company established a \$500 million share repurchase program. As of February 28, 2014, there was approximately \$192.0 million in remaining capacity under the 2012 share repurchase program. If approved by shareholders at the Annual Shareholder Meeting, the new share repurchase program will supersede the 2012 share repurchase program and no further repurchases will be made under the 2012 share repurchase program.

The Board is proposing that shareholders approve the new share repurchase program in order to provide the company with maximum capital management flexibility. The Board believes that the future repurchase of shares is advisable to the extent that market conditions, our financial condition and other factors so permit, in order to return excess cash to shareholders. The Board is therefore seeking shareholder approval to provide the company with the flexibility to repurchase common shares at any time after the Annual Shareholder Meeting.

If the share repurchase program is approved by the shareholders, there can be no assurance that any common shares will actually be repurchased in the near term after the Annual Shareholder Meeting, or at all, and the repurchase program may be suspended or discontinued at any time.

The Board or the company's management, as applicable, may decide, based upon general market conditions, the company's cash flow, the company's ongoing capital requirements, the price of the shares, regulatory considerations and other factors, that the company should retain cash, reduce debt, make capital investments or otherwise use cash for general corporate purposes, and consequently repurchase fewer common shares or not repurchase any shares. Decisions regarding the amount, if any, and timing of any share repurchases would be made from time to time based upon the factors set forth above.

The Board has designated for cancellation any repurchased common shares in excess of one million shares. The benefit of this procedure is that by obtaining shareholder approval for the future cancellation of these repurchased shares, they no longer fall under the statutory provision of Swiss law that prohibits the company from holding in treasury an aggregate amount of common shares that exceed 10% of the company's share capital. Please note that Proposal 10 Approve the Cancelling of Treasury Shares relates to the cancellation of shares that we hold in treasury and which were repurchased under the 2012 share repurchase program.

**Your Board unanimously recommends a vote FOR the approval of the company's \$500 million share repurchase program.**

**Table of Contents**

**PROPOSAL 12**

**APPROVE A 3-FOR-1 SPLIT OF COMMON SHARES**

The company is proposing to effect a 3-for-1 forward split of our common shares. The trading price of our common shares has experienced significant growth since our initial public offering price of \$34.00 per share in 2006. The closing market price of our common shares on February 28, 2014 was \$99.72 per share, as reported on the NYSE. We have evaluated the effect of such growth on the liquidity and marketability of our common shares and believe the considerable appreciation in our common share price makes our shares less affordable and attractive to some investors. We believe affecting a share split may attract a broader group of potential investors, particularly individuals, which may result in increased liquidity and a broader market for our common shares. The 68,283,968 increase in common shares resulting from the split will have the same rights and privileges as the common shares presently issued and outstanding. The company will apply to list these common shares on the NYSE.

At the Annual Shareholder Meeting, the company's shareholders will be asked to approve amendments to the company's Articles of Association to effect a 3-for-1 forward split of our common shares, which would result in an increase in the number of common shares that the company is authorized to issue as described in the immediately following paragraph and in a reduction of the par value of our common shares from CHF 12.30 per share to CHF 4.10 per share (the Share Split). The Board has deemed it advisable and in the best interests of our shareholders to effect the Share Split and unanimously approved such split on February 18, 2014, subject to shareholder approval.

As of February 24, 2014, there were 35,935,716 common shares issued (of which 2,695,491 common shares were held in treasury by the company) under Article 3(a) of the Articles of Association; up to 1,000,000 common shares available for issuance under Article 4(a) of the Articles of Association in connection with the exercise of conversion and/or option or warrant rights granted in connection with bonds and similar debt instruments; up to 4,200,000 common shares available for issuance under Article 5(a) of the Articles of Association in connection with the exercise of option rights granted under our equity compensation plans; and up to 7,500,728 of authorized share capital available for issuance under Article 6(a) of the Articles of Association at such times and for such general corporate purposes as the Board may deem advisable without further action by the company's shareholders, except as may be required by applicable laws or regulations, including the rules of the NYSE. If the proposed amendments are adopted, and Proposal 10 Approve the Cancelling of Treasury Shares is approved, based on the number of authorized and issued common shares as of February 24, 2014, there would be 102,425,952 common shares issued (of which 2,705,277 common shares would be held in treasury by the company) under Article 3(a) of the Articles of Association; up to 3,000,000 common shares available for issuance under Article 4(a) of the Articles of Association; up to 12,600,000 common shares available for issuance under Article 5(a) of the Articles of Association; and up to 22,502,184 of authorized share capital available for issuance under Article 6(a) of the Articles of Association.

Except for common shares reserved for issuance under our existing equity compensation plans, the Board has no current plans to issue additional common shares and there are no current agreements or commitments for the issuance of additional shares. The Board has not proposed to increase the amount of common shares with the intention of discouraging tender offers or takeover attempts of the company.

If the proposed amendments are adopted, each shareholder of record as of the close of business on the date the proposed amendments are filed and registered with the Commercial Register in the Canton of Zug, Switzerland will become the record owner of three common shares instead of the one common share then owned of record by such shareholder. The company currently anticipates that the record date with the Commercial Register in the Canton of Zug will be May 12, 2014 and the share distribution date will be May 22, 2014. All common shares issued as a result of the proposed Share Split will be issued in book-entry form through the Direct Registration System or through a share certificate.

**Shareholders of record holding certificates representing our common shares should retain**

## **Table of Contents**

**such certificates and should not return them to the company or its transfer agent, as it will not be necessary to submit outstanding shares certificates for exchange.**

The company has been advised by tax counsel that the proposed Share Split would not result in recognition of gain, loss or other taxable income to our shareholders under existing U.S. Federal income tax laws. The cost basis for tax purposes of each new common share and each retained common share would be equal to one-third of the cost basis for tax purposes of the corresponding share immediately preceding the Share Split. In addition, the holding period for the additional common shares issued pursuant to the Share Split would be deemed to be the same as the holding period of the original common shares. **This discussion should not be considered as tax or investment advice, and the tax consequences of the Share Split may not be the same for all holders of our common shares. Shareholders should consult their own tax advisors regarding their individual federal, state, local and foreign tax consequences.**

If shareholders dispose of their common shares subsequent to the Share Split, they may pay higher brokerage commissions on the same relative interest in the company because that interest is represented by a greater number of common shares. Shareholders should consult their respective brokers to ascertain the brokerage commission that would be charged for disposing of the greater number of common shares.

In accordance with our equity compensation plans, it will be necessary to make appropriate adjustments in the number of common shares that remain available for issuance pursuant to our active compensation plans, as well as in the number of common shares and price of common shares subject to outstanding stock options under our equity plans (including those of our plans in run-off). From the effective date of the proposed Share Split, the number of common shares that remain available for issuance pursuant to our active equity compensation plans will be tripled, the number of common shares subject to outstanding awards under our equity compensation plans (including those of our plans in run-off) will be tripled, and the exercise price per common share of stock options granted under such plans will be divided by three.

The Board reserves the right, notwithstanding shareholder approval of the proposed amendment to the Articles of Association, and without further action by the shareholders, to elect not to proceed with the amendments discussed in this proposal if, at any time prior to filing of such amendments, the Board determines that it is no longer in the best interests of the company and shareholders to proceed with the Share Split.

Pursuant to Swiss law, we are required to submit to you for your approval both the English version and the (authoritative) German version of the proposed amendments to the Articles of Association. The foregoing summary of the proposed changes to the company's current Articles of Association is qualified in its entirety by express reference to the text of Articles 3(a), 4(a), 5(a), and 6(a) of the Articles of Association, a copy of which has been marked to indicate changes from the company's current Articles of Association and is attached as *Appendix A* to this Proxy Statement.

For purposes of this proposal, we have assumed that Proposal 10 **Approve the Cancelling of Treasury Shares** will be approved by shareholders and the Commercial Register in the Canton of Zug, Switzerland. If Proposal 10 is not approved, the amendment to our Articles of Association reflected in this proposal will be revised accordingly.

**Your Board unanimously recommends a vote FOR the 3-for-1 split of common shares and the corresponding amendments to our Articles of Association.**

**Table of Contents**

**PROPOSAL 13**

**AMEND THE ARTICLES OF ASSOCIATION RELATING TO**

**AUTHORIZED SHARE CAPITAL FOR GENERAL PURPOSES**

The company's share capital prior to the Annual Shareholder Meeting will be CHF 442,009,306.80, or 35,935,716 common shares (the Current Share Capital). The company's share capital to be registered in the Commercial Register in the Canton of Zug, Switzerland after giving effect to the capital reduction resulting from the cancellation of the Treasury Shares described in Proposal 10 Approve the Cancelling of Treasury Shares and the 3-for-1 split of our common shares described in Proposal 12 Approve a 3-for-1 Split of Common Shares will be CHF 419,946,403.20, or 102,425,952 common shares (the Post-Cancellation Share Capital).

Under Swiss law, shareholders can authorize the board of directors of a company to issue new registered shares at any time within a period of no more than two years and, thereby, increase its share capital by a maximum amount of 50% of its then existing share capital. The Board has elected to request authority to increase our aggregate share capital by a maximum amount of 20% of our existing aggregate share capital. The Board was granted the authority to issue up to 7,500,728 authorized shares (*i.e.*, 20% of our then existing aggregate share capital) on May 3, 2012 at our 2012 Annual Shareholder Meeting. This authority is set forth in Article 6 of our Articles of Association and will expire on May 3, 2014.

The Board believes its authority to issue authorized common shares should be extended for an additional two-year period from the date of the Annual Shareholder Meeting until May 1, 2016. The Board proposes that our shareholders grant the Board the authority to issue up to 20,485,190 common shares until May 1, 2016 and approve a corresponding amendment to Article 6, sub-paragraph a) of our Articles of Association. This maximum number of common shares is less than the number currently authorized in our Articles of Association (which would be 22,502,184 common shares assuming a 3-for-1 stock split) because the number of our common shares outstanding has decreased due to a cancellation of a portion of our treasury shares approved by shareholders at our 2013 Annual Shareholder Meeting and will decrease further after giving effect to the capital reduction resulting from the cancellation of the Treasury Shares described above, assuming that proposal is approved by shareholders and the Commercial Register in the Canton of Zug, Switzerland. The maximum number corresponds to approximately 19.0% of our aggregate Current Share Capital and approximately 20.0% of our aggregate Post-Cancellation Share Capital.

The authorized share capital approved pursuant to this agenda item will be available for issuance at such times and for such purposes as the Board may deem advisable without further action by the company's shareholders, except as may be required by applicable laws or regulations, including the rules of the NYSE. For example, the additional authorized share capital will be available for issuance by the Board in connection with financings, acquisitions of other companies, stock dividends or other corporate purposes. We believe this is an important step to help ensure that the Board can adapt and react quickly to a changing economic climate, business challenges, including increased catastrophes, and opportunities in capital and other relevant markets. The Board did not issue additional shares pursuant to its previous authorization and does not intend to issue any stock except on terms or for reasons which the Board deems to be in the best interests of the company and its shareholders.

Pursuant to Swiss law, we are required to submit to you for your approval both the English version and the (authoritative) German version of the proposed amendments to the company's Articles of Association. Upon the approval of this proposal, Article 6(a) of the Articles of Association will be amended to read as follows:

**Table of Contents**

**Article 6 Genehmigtes Kapital zu allgemeinen Zwecken**

a) Der Verwaltungsrat ist ermächtigt, das Aktienkapital jederzeit bis 1. Mai 2016 im Maximalbetrag von CHF 83 989 279 durch Ausgabe von höchstens 20 485,190 vollständig zu liberierenden Namenaktien mit einem Nennwert von CHF 4.10 je Aktie zu erhöhen.

**Article 6 Authorized Share Capital for General Purposes**

a) The Board of Directors is authorized to increase the share capital from time to time and at any time until May 1, 2016 by an amount not exceeding CHF 83,989,279 through the issue of up to 20,485,190 fully paid up registered shares with a par value of CHF 4.10 each.

For purposes of this proposal, we have assumed that Proposal 10 Approve the Cancelling of Treasury Shares and Proposal 12 Approve a 3-for-1 Split of Common Shares have been approved by shareholders and the Commercial Register in the Canton of Zug, Switzerland. If either of these proposals is not approved, the amendment to our Articles of Association reflected in this proposal will be revised accordingly.

**Your Board unanimously recommends a vote FOR the extension of the Board's authority to issue authorized share capital until May 1, 2016.**

**PROPOSAL 14**

**ELECT DELOITTE & TOUCHE LTD. AS**

**INDEPENDENT AUDITOR AND DELOITTE AG AS STATUTORY AUDITOR**

Pursuant to Swiss law, the appointment of our independent and statutory auditors is subject to approval annually by the company's shareholders. The company's shareholders must elect an independent auditing firm for purposes of SEC reporting. The company's shareholders must also elect an auditing firm that will be responsible for auditing the company's consolidated financial statements and statutory financial statements. At the recommendation of the Audit Committee, your Board unanimously recommends the election of Deloitte & Touche Ltd. as our independent auditor for purposes of SEC reporting and Deloitte AG as our statutory auditor for the fiscal year ending December 31, 2014. Deloitte & Touche Ltd. has served as the company's independent auditor since April 2002 and Deloitte AG has served as the company's auditors since May 2010 in connection with the company redomesticating to Switzerland.

Representatives of Deloitte & Touche Ltd. and Deloitte AG will attend the Annual Shareholder Meeting and will have an opportunity to make a Swiss statutory disclosure statement if they wish. They will also be available to answer questions at the meeting. If approved, Deloitte & Touche Ltd. and Deloitte AG will serve as the company's independent and statutory auditors, respectively, for such compensation as the Audit Committee of your Board shall reasonably determine until the company's next Annual Shareholder Meeting.

**Your Board unanimously recommends a vote FOR the appointment of Deloitte & Touche Ltd. as the company's independent auditor and Deloitte AG as its statutory auditor.**

**Fees to Independent Registered Public Accountants for Fiscal 2013 and 2012**

The following table shows information about fees billed to us by Deloitte & Touche Ltd. and Deloitte AG and their affiliates for services rendered for the fiscal years ended December 31, 2013 and 2012.

	2013	2012
Audit Fees	\$ 3,887,261	\$ 3,904,601
Audit-Related Fees	\$	
Tax Fees	\$	
All Other Fees	\$	

## **Table of Contents**

The Audit Committee has a policy to pre-approve all audit and non-audit services to be provided by the independent auditors and estimates therefor. The Audit Committee pre-approved all audit services and non-audit services and estimates therefor provided to the company by the independent auditors in 2013 and 2012.

### **PROPOSAL 15**

#### **ELECT PRICEWATERHOUSECOOPERS AG AS SPECIAL AUDITOR**

Under Swiss law, special reports by an auditor are required in connection with certain corporate transactions, including certain types of increases in share capital. We have been informed that, because of the auditor independence requirements under U.S. federal securities laws, Deloitte AG cannot act as our special auditing firm with respect to certain types of capital increases.

At the recommendation of the Audit Committee, your Board unanimously recommends the election of PricewaterhouseCoopers AG, an auditor supervised by the Swiss government, as the company's special auditing firm until the next Annual Shareholder Meeting. If the company's shareholders do not approve this proposal, the Board may call an extraordinary general meeting of shareholders for reconsideration of this proposal by shareholders.

**Your Board unanimously recommends a vote FOR the election of PricewaterhouseCoopers AG as the company's special auditors.**

### **PROPOSAL 16**

#### **DISCHARGE OF THE BOARD OF DIRECTORS**

#### **AND EXECUTIVE OFFICERS FROM LIABILITIES**

As is customary for Swiss corporations and in accordance with Article 698, subsection 2, item 5 of the Swiss Code of Obligations, shareholders are requested to discharge from liability all the individuals who served as members of the Board or as executive officers of the company for their activities during the fiscal year ended December 31, 2013 that have been disclosed, or are otherwise known, to the shareholders. The release binds only the company and the shareholders who either voted in favor of the proposal or who subsequently acquired shares with the knowledge of this resolution.

Under Swiss law, the right of shareholders who do not vote in favor of this proposal to bring an action against the directors and/or executive officers with respect to the matters discharged is extinguished within six months after approval of this proposal by the shareholders.

**Your Board unanimously recommends a vote FOR the discharge from liability of all the individuals who served as members of the Board or as executive officers of the company for their activities during the year ended December 31, 2013.**

#### **CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS**

The company has no related-party transactions to report.

#### **Review, Approval or Ratification of Transactions with Related Persons**

Pursuant to our Audit Committee charter, the Audit Committee reviews and approves the related-party transactions we enter into. We do not have formal written standards in connection with the review and approval of related-party transactions as we believe each transaction should be analyzed on its own merits. In making its decision, the Audit Committee reviews, among other things, the relevant agreement, analyzes the specific facts and circumstances and speaks with, or receives a memorandum from, management that outlines the background and terms of the transaction. As insurance and reinsurance companies enter into various transactions in the ordinary course of business, the Audit Committee does not review these types of transactions to the extent they are open-market transactions that happen to involve related parties.

**Table of Contents****PRINCIPAL SHAREHOLDERS**

The table below sets forth information as of February 24, 2014 regarding the beneficial ownership of our common shares by:

- each person known by us to beneficially own more than 5% of our outstanding common shares,
- each of our directors,
- our Chief Executive Officer ( CEO ), our Chief Financial Officer ( CFO ) and our three other most highly compensated officers who were serving as executive officers at the end of our 2013 fiscal year (collectively, our named executive officers or NEOs ), and
- all of our directors and executive officers as a group.

Name and Address of Beneficial Owner	Beneficial Owner of Common Shares(1)	
	Number of Common Shares	Percentage of Common Shares
Artisan Partners Holdings LP(2) 875 East Wisconsin Avenue, Suite 800, Milwaukee, WI 53202	2,058,963	6.2%
FMR LLC(3) 245 Summer Street, Boston, MA 02109	2,923,815	8.8%
The Vanguard Group, Inc.(4) 100 Vanguard Blvd., Malvern, PA 19355	1,777,209	5.3%
Barbara T. Alexander	6,578(5)	*
Scott A. Carmilani	478,724(6)	1.4%
James F. Duffy	11,346	*
Bart Friedman	12,638	*
Scott Hunter	10,453	*
Patrick de Saint-Aignan	7,643	*
Eric S. Schwartz	35,000(7)	*
Samuel J. Weinhoff	11,556	*
Thomas A. Bradley	1,309	*
Wesley D. Dupont	94,356(8)	*
Frank N. D. Orazio	68,996(9)	*
W. Gordon Knight	49,903(10)	*



Edgar Filing: Allied World Assurance Co Holdings, AG - Form PRE 14A

All directors and executive officers as a group (18 persons)	972,514(11)	2.9%
--	-------------	------

\* Less than 1%.

---

**Table of Contents**

- (1) Pursuant to the regulations promulgated by the SEC, our common shares are deemed to be beneficially owned by a person if such person directly or indirectly has or shares the power to vote or dispose of our common shares, whether or not such person has any pecuniary interest in our common shares, or the right to acquire the power to vote or dispose of our common shares within 60 days of February 24, 2014, including any right to acquire through the exercise of any option, warrant or right. As of February 24, 2014, we had 33,240,225 common shares issued and outstanding. All amounts listed represent sole voting and dispositive power unless otherwise indicated.
- (2) Based on information reported on Schedule 13G/A, as filed with the SEC on January 30, 2014 jointly by Artisan Partners Holdings LP ( Artisan Holdings ), Artisan Investment Corporation ( Artisan Corp. ), Artisan Partners Limited Partnership ( Artisan Partners ), Artisan Investments GP LLC ( Artisan Investments ), ZFIC, Inc. ( ZFIC ) and Andrew A. Ziegler and Carlene M. Ziegler, the principal stockholders of ZFIC (who, together with Artisan Holdings, Artisan Corp., Artisan Partners, Artisan Investments and ZFIC are referred to herein as the Artisan Parties ), the Artisan Parties are the beneficial owners of 2,058,963 of our common shares acquired on behalf of discretionary clients of Artisan Holdings and Artisan Partners who have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such securities. To the knowledge of the Artisan Parties, no such client was known to have an economic interest in more than 5% of our common shares. According to this Schedule 13G/A, the Artisan Parties have the following dispositive powers with respect to our common shares: (a) sole voting power: none; (b) shared voting power: 1,989,505; (c) sole dispositive power: none; and (d) shared dispositive power: 2,058,963.
- (3) Based on information reported on Schedule 13G/A, as filed by FMR LLC ( FMR ) and Edward C. Johnson III with the SEC on February 14, 2014, FMR, Mr. Johnson and Fidelity Management & Research Company are the beneficial owners of 2,923,815 of our common shares. Various persons have the right to receive, or the power to direct the receipt of, dividends from, or the proceeds from the sale of, such securities. To the knowledge of FMR and Mr. Johnson, no one person was known to have an economic interest in more than 5% of our common shares. According to this Schedule 13G/A, FMR has sole voting power over 5,765 common shares and sole dispositive power over 2,923,815 of our common shares and has no shared voting power and no shared dispositive power over any of these shares.
- (4) Based on information reported on Schedule 13G/A, as filed by The Vanguard Group, Inc. ( Vanguard ) with the SEC on February 10, 2014, Vanguard has the following powers with respect to the common shares: (a) sole voting power: 21,196; (b) shared voting power: none; (c) sole dispositive power: 1,758,013; and (d) shared dispositive power: 19,196.
- (5) Includes 3,772 common shares held by Ms. Alexander as a co-trustee for the Stiles Family Trust dated November 20, 2007 and 100 common shares held by Ms. Alexander as co-trustee for the Jerre P. Toll Revocable Trust dated November 20, 2013.
- (6) Includes stock options exercisable to purchase 53,603 common shares and 43,000 common shares held by an irrevocable trust for the benefit of Mr. Carmilani s spouse and children.
- (7) Consists of 35,000 common shares held by Eric and Erica Schwartz Family LLC, in which Mr. Schwartz has 100% ownership.
- (8) Includes stock options exercisable to purchase 31,510 common shares.
- (9) Includes stock options exercisable to purchase 4,016 common shares.
- (10) Includes stock options exercisable to purchase 24,442 common shares.
- (11) Includes stock options exercisable to purchase 144,277 common shares.



**Table of Contents****EXECUTIVE OFFICERS**

Our executive officers are elected by and serve at the discretion of your Board. The following table identifies the executive officers of the company, including their respective ages and positions as of the date hereof.

<b>Name</b>	<b>Age</b>	<b>Position</b>
Scott A. Carmilani <sup>(1)</sup>	49	President, Chief Executive Officer and Chairman of the Board
John R. Bender	49	President, Allied World Reinsurance Management Company
Thomas A. Bradley	56	Executive Vice President & Chief Financial Officer
Wesley D. Dupont	45	Executive Vice President & General Counsel
Frank N. D. Orazio	45	President-Bermuda and International Insurance, Allied World Assurance Company, Ltd
John J. Gauthier	52	Executive Vice President & Chief Investment Officer
		President, Allied World Financial Services
Marshall J. Grossack	54	Executive Vice President-Chief Actuary
Louis P. Iglesias	50	President, Allied World North America
Julian James	50	President, Allied World Assurance Company (Europe) Limited
John J. McElroy	49	Chief Operating Officer
Kent W. Ziegler	51	Senior Vice President, Finance and Chief Accounting Officer

(1) Please see Mr. Carmilani's biography under Proposal 2 "Elect the Board of Directors" earlier in this Proxy Statement.

**John R. Bender** has been the President of the Allied World Reinsurance Management Company since February 2012 and oversees our reinsurance platform on a global basis. From August 2009 to February 2012, he served as the President and Chief Operating Officer of Allied World Reinsurance Company, one of our subsidiaries. He joined us in November 2007 as the Chief Operating Officer of Allied World Reinsurance Company. From November 2007 through November 2011, Mr. Bender was responsible for establishing and expanding the company's U.S. reinsurance platform and for overseeing its day-to-day operations. Since December 2011, Mr. Bender has assumed responsibility for providing strategic leadership and executing business strategies for our global reinsurance operations. Prior to joining us, Mr. Bender held several senior management positions at Platinum Underwriters Holdings, Ltd., including Chief Underwriting Officer, Casualty from November 2005 to October 2007 and Senior Vice President, Commercial Liability Products from October 2002 to November 2005. From 1989 to October 2002, he held numerous claims and underwriting positions with St. Paul Reinsurance Management Company.

## Table of Contents

**Thomas A. Bradley** joined the company as Executive Vice President & Chief Financial Officer in September 2012. Prior to joining us, Mr. Bradley had served as the Chief Financial Officer of Dorsey & Whitney LLP, a large international law firm, since August 2011. From April 2009 to April 2011, Mr. Bradley served in various financial positions at the Fair Isaac Corporation, a business services company, including as its Executive Vice President and Chief Financial Officer. From April 2004 to February 2009, Mr. Bradley served in various financial and operational positions at Zurich Financial North America, a financial services company, including as its Executive Vice President and Chief Financial Officer. Prior to that, he held a host of senior financial and operational positions at USF&G Corporation/St. Paul Companies.

**Wesley D. Dupont** has been our Executive Vice President & General Counsel since September 2009 and presently oversees our legal, compliance, claims and human resources functions on a global basis. From December 2005 to September 2009, he served as our Senior Vice President, General Counsel and served as our Corporate Secretary through May 2012. In November 2003, Mr. Dupont began working for American International Company Limited, a subsidiary of AIG, and began providing legal services to us pursuant to a former administrative services contract with American International Company Limited. Through that contract, Mr. Dupont served as our Senior Vice President, General Counsel and Secretary from April 2004 until November 30, 2005. As of December 1, 2005, Mr. Dupont became an employee of our company. Prior to joining American International Company Limited, Mr. Dupont worked as an attorney at Paul, Hastings, Janofsky & Walker LLP, a large international law firm, where he specialized in general corporate and securities law. From April 2000 to July 2002, Mr. Dupont was a Managing Director and the General Counsel for Fano Securities, LLC, a specialized securities brokerage firm. Prior to that, Mr. Dupont worked as an attorney at Kelley Drye & Warren LLP, another large international law firm, where he also specialized in general corporate and securities law.

**Frank N. D. Orazio** has been the President – Bermuda and International Insurance of Allied World Assurance Company, Ltd, one of our subsidiaries, since September 2009 where he is responsible for providing strategic leadership and executing business strategies for the Bermuda, Europe and Asia insurance platforms. Prior to that, he served as the Chief Underwriting Officer of Allied World Assurance Company, Ltd since September 2008. From March 2005 to September 2008, Mr. D. Orazio was the company's Senior Vice President – General Casualty where he was responsible for managing the company's general casualty and healthcare operations in Bermuda, Europe and the United States. Mr. D. Orazio joined the company in June 2003 as Vice President – General Casualty. Prior to joining our company, Mr. D. Orazio worked for the retail insurance market arm of American Re-Insurance from August 1994 to May 2003, where he held a succession of underwriting and management positions. Mr. D. Orazio held various underwriting positions in the excess casualty division of Chubb from June 1990 to July 1994.

**John J. Gauthier**, CFA, has been our Executive Vice President & Chief Investment Officer since May 2011 and oversees the management of the company's investment portfolio. In September 2012, he was also named President of Allied World Financial Services, Inc. and Allied World Financial Services, Ltd, subsidiaries of the company. Since March 2010, he has served as the Executive Vice President and Chief Investment Officer of AWAC Services Company, a subsidiary of the company. From October 2008 through February 2010, he served as Senior Vice President and Chief Investment Officer of AWAC Services Company. Previous to joining our company, Mr. Gauthier was Global Head of Insurance Fixed Income Portfolio Management at Goldman Sachs Asset Management from February 2005 to September 2008. Prior to that position, from 1997 to January 2005 he was Managing Director and Portfolio Manager at Conning Asset Management where he oversaw investment strategy for all property and casualty insurance company clients. Mr. Gauthier also served as Vice President at General Reinsurance/New England Asset Management, as well as a Portfolio Manager at General Reinsurance.

**Marshall J. Grossack** has been our Executive Vice President–Chief Actuary since September 2009. He served as our Senior Vice President and Chief Corporate Actuary from July 2004 to September 2009. From June 2002 until July 2004, Mr. Grossack was a Vice President and Actuary for American International Company Limited, a subsidiary of AIG, and provided services to us pursuant to a

## Table of Contents

former administrative services contract with American International Company Limited. From June 1999 until June 2002, Mr. Grossack worked as the Southwest Region Regional Actuary for subsidiaries of AIG in Dallas, Texas.

**Louis P. Iglesias** has been President, Allied World North America for Allied World Assurance Company (U.S.) Inc. and Allied World National Assurance Company, two of our subsidiaries, since January 31, 2014 and is responsible for providing strategic leadership and executing business strategies for the company's United States and Canada insurance platforms. From April 2012 through January 2014, he was the President, U.S. Property & Casualty for Allied World Assurance Company (U.S.) Inc. and Allied World National Assurance Company. From 1994 to April 2012, Mr. Iglesias served in various senior management positions at AIG, including Chief Executive Officer for Commercial Casualty, President for the Risk Management Group, President for AIG Environmental and President of AIG Construction. Prior to AIG, Mr. Iglesias worked at Travelers and Reliance insurance companies.

**Julian James** has been the President of Allied World Assurance Company (Europe) Limited, one of our subsidiaries, since March 2013 and is responsible for providing strategic leadership and executing business strategies for the company's European insurance platform. From September 2007 to January 2013, Mr. James served as the Chief Executive Officer at Lockton International. From 1997 to April 2007, Mr. James held senior management positions at Lloyd's, most recently as Director, Worldwide Markets, where he was responsible for all Lloyd's commercial activities outside of the United Kingdom, including the management of its trading licenses as well as oversight of its global branding and communications. Before joining Lloyd's, Mr. James was the Development Director of brokers Sedgwick Energy and Marine Limited and a member of the division's Executive Management Committee. Prior to that, he spent five years working in senior positions with Sedgwick in North America.

**John J. McElroy** was appointed our Chief Operating Officer in March 2012. In this role, he oversees the Company's operations and administration, information technology, ceded reinsurance and project management on a global basis. From May 2008 through February 2012, Mr. McElroy served as President, Professional Lines, of Allied World Assurance Company (U.S.) Inc. and Allied World National Assurance Company and oversaw the underwriting of all directors and officers liability, errors and omissions liability and medical malpractice liability insurance products by the Company's U.S. insurance operations. From June 2004, when he joined us, through April 2008, Mr. McElroy served as our Senior Vice President, Field Operations Officer, during which time he was responsible for expanding our U.S. insurance operations, developing our network of U.S. offices and increasing brand and product visibility. Prior to joining us, Mr. McElroy worked with Gulf Insurance Group for 12 years where he held various underwriting and other senior management positions. He began his career at AIG underwriting directors and officers liability insurance for large commercial risks.

**Kent W. Ziegler** has been our Senior Vice President, Finance and Chief Accounting Officer since February 2013. Prior to joining us, from January 2010 through January 2013, Mr. Ziegler served as the Senior Vice President and Chief Financial Officer of the Retail Real Estate Division of JPMorgan Chase & Co. From 2005 to 2009, Mr. Ziegler served in JPMorgan Chase's Business Banking Division, most recently as the Senior Vice President and Chief Financial Officer. From 1989 to 2004, Mr. Ziegler served in various financial and operational positions at Gulf Insurance Group, including as the Executive Vice President, Chief Financial Officer and Chief Administrative Officer. He began his career in public accounting at Ernst & Young.

**Table of Contents**

**EXECUTIVE COMPENSATION**

**COMPENSATION DISCUSSION AND ANALYSIS**

**Executive Summary**

In accordance with the rules of the NYSE, a majority of the members of the Board are independent and the Compensation Committee is presently comprised of six independent Board members. The Board has adopted a Compensation Committee Charter discussed earlier in this Proxy Statement. The Compensation Committee oversees our compensation programs and makes recommendations to the Board. Pursuant to Swiss law, the Board is required to make all final compensation decisions regarding the NEOs. We have achieved considerable growth since our inception in November 2001 and our compensation programs have been designed to reward executives who contribute to our continuing success.

The Compensation Committee has selected Farient Advisors, LLC ( Farient ) as its independent compensation advisor. At the committee's direction, Farient has conducted an extensive review of our executive compensation strategy and programs to ensure strong alignment between executive compensation, business strategy and long-term shareholder value creation.

**Compensation Philosophy.** The insurance and reinsurance industry is very competitive, cyclical and often volatile, and our success depends in substantial part on our ability to attract and retain successful, high-achieving employees who will remain motivated and committed to the company during all insurance industry cycles. We have a strong pay for performance philosophy. We start with the notion that for our executive compensation program, total compensation should be at the median of our peer group, and we set base salaries with this pay positioning in mind. However, if our performance is high relative to our peer group, we pay actual cash bonuses and grant long-term equity incentive awards in-line with that performance. Accordingly, the Compensation Committee believes that an effective executive compensation program is one that is designed to:

- Ø Reward strong company and individual performance,
- Ø Align the interests of the executive officers with the company's shareholders, and
- Ø Balance the objectives of pay-for-performance and retention.

The Compensation Committee's objectives for the company's compensation programs include:

- Ø Driving and rewarding employee performance that supports the company's business objectives and financial success;
- Ø Attracting and retaining talented and highly-skilled employees;
- Ø Aligning the interests of the NEOs with the company's shareholders by:
  - having a substantial portion of compensation in long-term, performance-based equity awards, a large portion of which is at risk with vesting dependent on the company achieving certain performance targets over time, particularly at the senior officer level where such persons can more directly affect the company's financial success;

- regularly evaluating the company's compensation programs to help ensure that they do not encourage excessive risk taking;



**Table of Contents**

- tying incentive opportunity to a blend of metrics that focus on key company objectives, correlate with the creation of shareholder value and encourage prudent risk taking; and

- Ø Remaining competitive with other insurance and reinsurance companies, particularly other insurance and reinsurance companies with which the company competes for talent.

**Components of Executive Compensation.** The components of our executive compensation program and the terms of each are shown in the table below:

**Components of Executive Compensation**

Element	Type	Terms
Cash	Base Salary	· The fixed element of each NEO's annual cash compensation.
	Annual Cash Bonus	<ul style="list-style-type: none"> <li>· A cash incentive opportunity based upon the achievement of annual goals.</li> <li>· The performance measures used to fund the bonus pool include:                             <ul style="list-style-type: none"> <li>◦ Earnings before interest and taxes plus other comprehensive income ( CIBIT ) (weighted one-third);</li> <li>◦ Return on equity ( ROE ) relative to our Peer Group (as defined below) (weighted one-third); and</li> <li>◦ A corporate scorecard of financial, operational and strategic objectives (weighted one-third).</li> </ul> </li> <li>· Individual performance is used to determine the allocation of the bonus pool. For more information, please see 2013 Cash Compensation How is CIBIT Calculated? and 2013 Cash Compensation How is ROE calculated and defined?</li> </ul>

**Table of Contents**

<b>Equity-Based Incentive Compensation</b>	Performance-Based Equity Awards	<ul style="list-style-type: none"> <li>· An opportunity to earn shares in the company (or an equivalent value in cash) with vesting dependent upon our achieving certain performance targets over a three-year performance period.</li>   <li>· The performance measures used to determine the actual versus target number of shares earned include:                             <ul style="list-style-type: none"> <li>· Book value growth calculated on a compounded annual growth rate ( CAGR ) basis (weighted one-half); and</li>   <li>· ROE relative to our Peer Group (weighted one-half).</li> </ul> </li> </ul> <p>For more information, please see 2013 Equity-Based Compensation How is Book Value Calculated? and 2013 Equity Compensation How is ROE defined?</p>
	Restricted Stock Units (time-vested)	<ul style="list-style-type: none"> <li>· An opportunity to earn shares in the company (or an equivalent value in cash) with vesting dependent upon our NEOs satisfying time-based vesting conditions.</li> </ul>
<b>Retirement</b>	401(k) Plan	<ul style="list-style-type: none"> <li>· RSUs generally vest pro rata over four years.</li> <li>· A qualified savings plan that provides participants with the opportunity to defer a portion of their compensation, up to IRS tax code limitations, and receive a company matching contribution.</li> </ul>
	Supplemental Executive Retirement Plan	<ul style="list-style-type: none"> <li>· A plan that extends the 401(k) plan, on a non-qualified basis, for deferral of compensation in excess of the IRS tax code limitations.</li> </ul>
<b>Other</b>	Perquisites	<ul style="list-style-type: none"> <li>· Certain other benefits provided to executives by the company.</li> </ul>

## **Table of Contents**

The mix of our total direct compensation (comprised of base salary, annual cash bonus and equity-based incentive compensation) for our NEOs at grant value is shown below:

As shown in the charts above, the Compensation Committee manages the pay mix such that a substantial portion of pay is dedicated to at risk compensation, including annual cash bonuses and equity-based incentive compensation. The Compensation Committee believes that this mix of pay best aligns the interests of our executives, including the NEOs, with those of our shareholders over time.

We use ROE for both our short-term cash bonus program and our long-term, equity-based compensation program because:

- The measure correlates closely with shareholder value over both the short- and longer-term;
- The Compensation Committee believes that utilizing the same metric for both the short and long-term compensation programs ensures that short-term management decisions are not influenced by short-term gain at the expense of long-term performance;
- By using the same metric, the Compensation Committee is promoting sustained performance of the company in this area over both the short and longer-term;
- ROE is a widely-used financial metric in the insurance and reinsurance industry in assessing company performance; and
- The Compensation Committee believes that it is important to use both absolute and relative performance measures to help ensure that our compensation program is linked to key internal objectives while also being sensitive to how we perform relative to our Peer Group.

***Our Compensation Practices.*** We continue to implement and maintain what we believe are leading practices in our compensation program and related areas. These practices include the following:

- We prohibit our employees and directors from pledging our securities and hedging and other derivative transactions in our securities (see *Stock Ownership Policy* below).
- We require our executive officers to meet stock ownership requirements, and we prohibit them from selling any shares if doing so would cause them to fall below required levels (see *Stock Ownership Policy* below). We also have stock ownership requirements for our directors, as discussed earlier in this Proxy Statement.

## **Table of Contents**

- We prohibit the repricing or exchange of stock options or similar equity awards without shareholder approval.
- We do not pay dividends or dividend equivalents on unvested equity awards.
- Our annual equity awards provide for four-year vesting and our performance-based equity awards have a three-year performance period, except in limited circumstances involving certain terminations of employment. This time horizon encourages long-term sustained performance and retention of our executives.
- We can recover, or clawback, equity-based compensation paid to executives for fraud, intentional misconduct or actions that contribute materially to any financial restatement (see 2012 Omnibus Plan below).
- The Compensation Committee has engaged an independent compensation consultant and independent legal counsel that have no other ties to the company or its management.

***The Role of Shareholder Say-on-Pay Votes.*** We provide our shareholders with the opportunity to cast an annual advisory vote on executive compensation (the say-on-pay proposal). At our Annual Shareholder Meeting held in May 2013, 98.4% of the votes cast were in favor of the say-on-pay proposal. The Compensation Committee believes this affirms our shareholders' support of our approach to executive compensation, and the committee did not change its approach in 2013. The Compensation Committee will continue to consider the outcome of the company's say-on-pay votes when making future compensation decisions for the NEOs and other senior officers at the company.

## **Compensation Oversight and Process**

The Compensation Committee has established a number of processes to assist it in ensuring that NEO compensation is achieving its objectives. Among those are:

- Assessment of the company's performance on both an absolute and relative basis;
- Assessment of individual performance via interactions with the CEO and other NEOs;
- Engaging an independent compensation consultant and independent counsel that report directly to the committee;
- Assessment of risks associated with the company's compensation program;
- Pay-for-performance analysis;
- Assessment of benefits and perquisites;
- Analyzing the relationship of actual pay to performance; and
- Total compensation review, which includes:

- Benchmarking target pay levels for base salary, annual cash bonuses, long-term incentive compensation and total direct compensation;
  
- Reviewing perquisites and contributions to retirement plans; and
  
- Reviewing the design of the compensation program, including goal-setting and calibrating the level of pay with performance.

In determining the level of compensation for the NEOs, both quantitative and qualitative factors of the company's and each NEO's performance are analyzed. The Compensation Committee primarily uses formulaic factors to assess company performance. However, due to the potential volatility of the insurance and reinsurance industry and thus the company's financial results, the Compensation Committee believes that it is appropriate to also use non-formulaic factors to assess company and individual performance.

**Table of Contents**

**Relationship Between Pay and Performance.** The success of the company's business and resulting value for our shareholders is contingent upon our successfully selecting, pricing and managing insurance and reinsurance risks over the long-term. Our business requires that we assess, select and respond to identified market opportunities in a highly disciplined and cost effective manner. To reinforce this approach, our executive compensation program is designed to align executives' interests closely with shareholder interests by tying executive compensation directly to equity results, as well as to those financial and strategic results that drive shareholder value, including sustainable, profitable growth; high returns; efficient, risk-adjusted capital deployment; and the company's strategic positioning. In this regard, key features of our executive compensation program include:

- A significant portion of target compensation being at risk (88% for the CEO and 78%, on average, for our other NEOs).
- A significant portion of target compensation linked to long-term performance (68% for the CEO and 43%, on average, for other NEOs).
- A balance of measures (mostly formulaic, with some non-formulaic) that encourage short-term actions that will benefit shareholders in the long-run.
- Use of performance measures in our annual cash bonus and equity incentive compensation programs that have been demonstrated analytically to be relevant to creating shareholder value, including CIBIT, growth in book value, ROE, and in our corporate scorecard, combined ratio, which is a measure of our underwriting performance.
- Performance goals set at competitive levels.
- Linking the funding of the annual cash bonus pool to corporate results (with award allocation tied to individual results).

In 2013, the Compensation Committee reviewed an assessment conducted by Farient on the company's pay and performance alignment. Farient determined that the company's performance has generally been in the top quartile compared to our peers, despite challenging market conditions, including excess capacity and increased competition as well as continuing economic turmoil. Farient also determined that our CEO's compensation (calculated using both a grant date equity value and performance-adjusted equity value) was in the top quartile of other Peer Group CEOs. The company's quartile rank in performance is shown in the chart below:

**Company's Performance Relative****to Its Peer Group as of December 31, 2013**

**(In quartiles. 1=first quartile, the highest level; 4=fourth quartile, the lowest level)**

	2013	2011-2013	2009-2013
	(one year)	(three year)	(five year)
<b>Performance Metric</b>	<b>Rank</b>	<b>Rank</b>	<b>Rank</b>
Diluted Book Value Per Share Growth (adjusted for dividends)	1	1	1
Annualized Net Income Return on Average Equity (adjusted for other comprehensive income)	1	1	1
Combined Ratio	2	1	1
Total Shareholder Return	2	1	1

## Edgar Filing: Allied World Assurance Co Holdings, AG - Form PRE 14A

Given our high relative performance, as well as the Compensation Committee's philosophy that pay should be commensurate with performance, the committee determined that our CEO compensation has been positioned appropriately. The Compensation Committee is committed to ensuring that CEO and other NEO compensation are appropriately aligned with performance, and will continue to monitor our pay-for-performance alignment as an input in making pay decisions.

-47-

## **Table of Contents**

***Assessment of Individual Performance.*** All of our NEOs have specific objectives that are established at the beginning of each year. Each NEO's performance (other than our CEO's performance) is reviewed annually by Mr. Carmilani, our CEO, based on his individual skills and qualifications, management responsibilities and initiatives, staff development and the achievement of departmental, geographic and/or established business goals and objectives, depending on the role of the NEO. Each NEO's performance was assessed on both company and individual achievements in light of current market conditions. Mr. Carmilani's performance was reviewed by the Compensation Committee and was also assessed on both the company's achievements and his individual achievements in light of current market conditions in the insurance and reinsurance industry. In 2013, these performance reviews formed the basis on which compensation-related decisions were made for annual cash bonuses and grants of performance-based and time-vested RSU awards, as well as 2014 base salaries and target bonus opportunities.

***Roles of the CEO and the Compensation Committee.*** The Compensation Committee recommends to the Board for approval the company's compensation programs and the total amount available for the base salaries, cash bonuses and equity-based compensation for the NEOs and the other executive officers as a group. The Compensation Committee also determines the company's compensation philosophy and objectives and sets the framework for the NEOs' compensation structure. Within this framework, Mr. Carmilani, our CEO, recommends to the Compensation Committee all aspects of compensation for each NEO, excluding himself. He reviews the recommendations, survey data and other materials provided to him by our Human Resources Department and Farient as well as proxy statements and other publicly available information of our industry peers. He also assesses the company's and each NEO's performance as described above. The conclusions and recommendations resulting from these reviews and consultations, including proposed salary adjustments, annual cash bonus amounts and equity award amounts, are then presented to the Compensation Committee for its review and consideration. The Compensation Committee has discretion to modify any recommendation it receives from Mr. Carmilani, but strongly relies on his recommendations.

***The Board and NEO Interactions.*** The Board has the opportunity to meet with the NEOs regularly during the year. In 2013, the company's NEOs met with and made presentations to the Board regarding their respective business lines or responsibilities. The company believes that the interaction among its NEOs and the Board is important in enabling the Board, including the members of the Compensation Committee, to form its own assessment of each NEO's performance.

***The Roles of Our Independent Advisors.*** The Compensation Committee directed Farient to conduct analyses on key aspects of NEO and other senior officer pay and performance, and to provide recommendations about compensation plan design. Farient reports directly to the Compensation Committee and in 2013 did not provide any non-executive consulting services to the company that would require disclosure under SEC rules. Farient meets with members of senior management to gain a greater understanding of key issues facing the company and to review its cash and equity compensation programs. The Compensation Committee meets separately with Farient to review in detail all compensation-related decisions regarding the CEO as well as the structure of the company's compensation programs. During this review, the Compensation Committee also receives Farient's analyses of the Peer Group, NEO pay and performance for the company and its peers, a compensation risk assessment, analyses of compensation best practices and current compensation trends.

The Compensation Committee has also engaged Simpson Thacher & Bartlett LLP (Simpson Thacher) as its outside legal counsel to provide advice on the company's compensation programs and related public disclosures as well as to provide guidance on matters requested by the committee from time to time.

The Compensation Committee has assessed the independence of Farient and Simpson Thacher pursuant to SEC rules and concluded that no conflict of interest exists that would prevent Farient or Simpson Thacher from serving as an independent advisor to the Compensation Committee.

***Timing of Awards.*** The Compensation Committee believes that compensation decisions regarding employees should be made after year-end results have been determined to better align employee compensation with company performance and shareholder value. This requires that annual cash bonuses, equity awards and base salary adjustments be determined after year-end financials have been prepared and



**Table of Contents**

completed. The Compensation Committee’s policy is to approve compensation decisions at its regularly scheduled meeting during the first quarter of the year.

**Benchmarking.** The Compensation Committee reviews our competitive pay positioning annually based on a report prepared by Farient. Farient compiles data on approximately 25 of our top positions, including our NEOs, using a number of nationally recognized surveys covering the property and casualty insurance and reinsurance industry as well as general industry surveys. In addition, Farient uses proxy data for the CEO and CFO positions from our Peer Group. Farient compiles data on base salaries, target annual bonus opportunities, target equity-based incentive compensation values and total direct compensation, which is the sum of all three components. The Compensation Committee uses this information as one input, among others, such as individual performance and retention requirements, for making compensation decisions regarding salary increases, target bonus opportunities and equity-based incentive compensation awards each year.

**Peer Group.** The Compensation Committee asks Farient to review the company’s Peer Group on an annual basis. For 2013, the company’s Peer Group is comprised of 13 insurance and reinsurance companies, selected primarily because they are similar to the company in terms of property and casualty insurance and reinsurance business mix; percentage of U.S. and non-U.S. business written; focus on specialty insurance; high-quality financial strength; and size, as measured by gross premiums written, total revenue and market capitalization. Farient uses the Peer Group for purposes of assessing total direct compensation for the CEO and CFO positions; program design, including measures and goals; pay practices; equity plan burn-rate and share overhang; business performance; an analysis of pay and performance; and Board compensation.

The 13 Peer Group companies used by the Compensation Committee as inputs for 2013 pay design and pay level decisions are as follows:

**Peer Group**

Arch Capital Group Ltd.	HCC Insurance Holdings, Inc.
Argo Group International Holdings, Ltd.	Markel Corporation
Aspen Insurance Holdings Limited	The Navigators Group, Inc.
Axis Capital Holdings Limited	OneBeacon Insurance Group, Ltd
Endurance Specialty Holdings Ltd.	Pro Assurance Corporation
The Hanover Insurance Group, Inc.	RLI Corp.
	W. R. Berkley Corporation

**Assessment of Risks Associated with Compensation.** The Compensation Committee has evaluated whether our compensation policies and programs encourage excessive risk taking. As part of this evaluation, the Compensation Committee reviewed a detailed compensation risk assessment conducted by Farient. In its assessment, Farient established both quantitative and qualitative criteria for assessing the company’s compensation programs, and evaluated numerous elements of the company’s pay mix, its compensation-related performance measurements, its governance and its processes and procedures that mitigate risk in its compensation programs. In addition to the above assessment, at the Compensation Committee’s request, Farient also conducted a review of the pay programs and risk mitigation policies covering certain executives that have direct responsibility for decisions that impact the company’s risk position. Based on these assessments, Farient concluded and the Compensation Committee concurred that the company’s balanced pay and performance program coupled with its risk mitigation policies effectively prevent excessive risk taking.

**Total Compensation Review.** Each year, the Compensation Committee reviews a summary report or tallysheet prepared by the company for each NEO as well as the other executive officers. The purpose of a tallysheet is to show the aggregate dollar value of each officer’s total annual compensation, including base salary, annual cash bonus, equity-based compensation, perquisites and all other compensation earned over the past two years. The tallysheet also shows amounts payable to each NEO

**Table of Contents**

upon termination of his employment under various severance and change-in-control scenarios. Tallysheets are reviewed by our Compensation Committee for informational purposes.

The table below reflects the process and philosophy by which the Compensation Committee calculated executive compensation in 2013 for our NEOs and is intended to assist shareholders in understanding the elements of total compensation as determined by the Compensation Committee. This information differs from the calculation of total compensation in accordance with the disclosure rules of the SEC, primarily by disclosing the grant date fair value of equity awards granted in 2014 for the prior year 2013 performance. A table further on in this Proxy Statement under the heading **Summary Compensation Table** reflects the SEC methodology. The following discussion describes the relationship between the amounts reported in the table below and those amounts reported in the Summary Compensation Table and related tables. While the table below is presented to explain how the Compensation Committee determines compensation, the table and its accompanying disclosure are not a substitute for the tables and disclosures required by the SEC's rules. The tables and related disclosures required by the SEC's rules begin on page 61.

Named Executive Officer	Base Salary(1)	Cash Bonus Paid in 2014 for 2013 Performance(2)	Time-Vested RSUs Granted in 2014 for 2013 Performance(3)(4)	Performance- Based Awards	2013 Total Compensation(5)
				Granted in 2014 for 2013 Performance(3)(4)	
Scott A. Carmilani	\$ 1,000,000	\$ 1,884,000	\$ 1,449,889	\$ 4,349,972	\$ 8,683,861
Thomas A. Bradley	\$ 500,000	\$ 800,000	\$ 250,058	\$ 749,971	\$ 2,300,029
Wesley D. Dupont	\$ 500,000	\$ 800,000	\$ 250,058	\$ 749,971	\$ 2,300,029
Frank N. D. Orazio	\$ 500,000	\$ 785,000	\$ 200,006	\$ 600,017	\$ 2,085,023
W. Gordon Knight(6)	\$ 580,000	\$ 910,000	\$	\$	\$ 1,490,000

- (1) The base salary amounts set forth in this column represent the 2013 base salary rates for the applicable NEO. Certain base salaries became effective March 2013; therefore, these amounts may differ from the base salary amounts actually paid during calendar year 2013 and as shown in the Summary Compensation Table below.
- (2) The amounts disclosed above in the **Cash Bonus Paid in 2014 for 2013 Performance** column represent cash bonuses earned under our 2014 annual cash bonus program with respect to 2013 performance that were paid in late February 2014. In accordance with SEC disclosure rules, these payments are also set forth in the **Non-Equity Incentive Plan Compensation** column of the Summary Compensation Table below for 2013.
- (3) As to equity compensation, the columns above reflect equity-based awards granted in the year for which they were awarded. Although the Compensation Committee granted time-vested RSUs and performance-based awards in 2014 with respect to the performance of the NEOs during 2013, under SEC rules these awards will be reflected in the Summary Compensation Table in our 2015 Proxy Statement.
- (4) The dollar values disclosed above in the **Time-Vested RSUs Granted in 2014 for 2013 Performance** column and **Performance-Based Awards Granted in 2014 for 2013 Performance** column have been calculated using a fair value as of February 18, 2014 of \$101.32 per common share, the daily volume-weighted average sales price of the common shares for the 20 consecutive trading days up to and including the second trading day prior to such date. The amounts disclosed in the Stock Awards column of the Summary Compensation Table below reflect the full grant date fair value of awards issued in February 2013. In February 2014, Mr. Carmilani received 14,310 RSUs and 42,933 performance-based awards; Mr. Bradley received 2,468 RSUs and 7,402



**Table of Contents**

performance-based awards; Mr. Dupont received 2,468 RSUs and 7,402 performance-based awards; Mr. D Orazio received 1,974 RSUs and 5,922 performance-based awards; and Mr. Knight did not receive any RSUs or performance-based awards. For the RSU awards, the NEOs will receive 50% in common shares and 50% in cash on the applicable vesting date. For the performance-based awards, the NEOs will receive 40% in common shares and 60% in cash on the applicable vesting date. For more information on these equity-based awards, please see 2014 Equity-Based Compensation 2014 Equity Awards .

(5) The amounts disclosed in the table above under the heading 2013 Total Compensation and the amounts reported in the Total column of the Summary Compensation Table below differ for two principal reasons. The first is due to the SEC's disclosure requirements with respect to equity awards, as described above in footnote 3 to this table. The second is that the Total column in the Summary Compensation Table includes other amounts of compensation deemed by the SEC's disclosure rules to have been earned in 2013, including certain other compensation that the Compensation Committee does not consider conceptually as a component of total compensation, as such amounts are viewed by the Compensation Committee as either de minimis or provided to all employees (such as company contributions under the company's 401(k) plan) or a necessary result of certain of our executive officers being located outside the United States and not related to an executive's performance with respect to a given year.

(6) Effective as of January 31, 2014, Mr. Knight retired from his role as President of Allied World Assurance Company (U.S.) Inc. and Allied World National Assurance Company.

**2013 Cash Compensation**

**2013 Base Salaries.** As part of its assessment in late 2012 in preparation for pay actions in early 2013, the Compensation Committee determined that our CEO's annual salary of \$1 million was between the 50th and 75th percentiles of the market and that no change in salary was warranted in 2013. The Compensation Committee also determined that the salary of Mr. Knight should be increased from \$566,000 to \$580,000 to be commensurately positioned between the 50th and 75th percentile. In addition, the Compensation Committee determined that Messrs. Dupont and D Orazio should be positioned the same as one another at one-half of the CEO's salary, and their salaries were adjusted to \$500,000 each. The Compensation Committee made this decision in order to (i) achieve its objective of internal equity; (ii) position average salaries between the 50th and 75th percentiles of the market; and (iii) avoid the need to increase salaries annually, unless dictated by significant competitive or internal considerations.

**2013 Annual Cash Bonus.** The company has established a structured, yet flexible, cash bonus program that has two facets: (1) an overall cash bonus pool that is funded based on the company's financial and qualitative performance and (2) a process by which the overall cash bonus pool is allocated to individuals based on individual target awards and performance. As in prior years, a target bonus percentage was established in February 2013 for each employee, including the NEOs, who were eligible to participate in the plan. The CEO's target bonus as a percentage of salary was based on the Compensation Committee's competitive assessment of the market and was set to be commensurate with the market. The target bonus as a percentage of salary for the other NEOs was set with the view that there should be a reasonable separation between the percentages for the CEO and the other NEOs, and that the target bonus percentages for all other NEOs should be the same given the relative importance and impact of each NEO's role. Target bonus percentages for the NEOs and other senior officers were recommended by the CEO and approved by the Compensation Committee. The CEO's target bonus percentage was determined solely by the Compensation Committee.

**Table of Contents**

Our NEOs were eligible to receive an annual cash bonus based on a percentage of their annual base salary as follows:

Name	2013 Bonus Target Percentage
Scott A. Carmilani	120%
Thomas A. Bradley	100%
Wesley D. Dupont	100%
Frank N. D. Orazio	100%
W. Gordon Knight	100%

The methodology used to determine the 2013 annual cash bonus pool from which individual bonuses were paid is shown below:

**2013 Annual Cash Bonus Plan**

	CIBIT	CIBIT	CIBIT	Adjusted ROE	ROE	Scorecard	Total Cash Bonus Funding
	CIBIT	CIBIT	Funding Level	Relative to the Peer Group	Funding Level	Funding Level	
	(\$ in Millions)	Goal Range	(% of Target)	(% of Target)	(% of Target)	Corporate Scorecard (% of Target)	
Weight	33.3%			33.3%		33.3%	
Maximum	≥ \$608M	160%	200%	≥ 75th Percentile	200%	150%	
Target	\$380M	100%	100%	50th Percentile	100%	100%	
Threshold	\$266M	70%	50%	30th Percentile	20%	0%	
Below Threshold	< \$266M	N/A	0	< 30th Percentile	0	0	
<b>Actual</b>	<b>\$484.2M</b>	<b>127%</b>	<b>146%</b>	<b>89th Percentile</b>	<b>200%</b>	<b>125%</b>	<b>157%</b>

The maximum funding for each formulaic (*i.e.*, financial) metric was 200%, the maximum funding for the non-formulaic (*i.e.*, corporate scorecard) metric was 150% and the aggregate maximum funding for the 2013 annual cash bonus plan was capped at 182%. The objective of this structure was to provide predictability of award outcomes for participants while also permitting the Compensation Committee to take into consideration non-formulaic objectives.

**Why use CIBIT as a financial metric?**

The Compensation Committee selected CIBIT as one of the financial metrics for the 2013 fiscal year because it believed it was the most comprehensive and relevant measure of our annual results and also correlated closely with shareholder value.

**How is CIBIT calculated?**

CIBIT is calculated by taking the company's net income and adding back interest expense and tax expense.

**What was the level of CIBIT achievement in 2013?**

In 2013, CIBIT was \$484.2 million, derived as follows (based on approximate totals): \$417.9 million of net income, plus \$56.5 million of interest expense, plus \$9.8 million of income tax expense.



---

## **Table of Contents**

minus nil of other comprehensive income equals \$484.2 million of CIBIT. Based on the \$380 million Target reflected in the table above, this portion of the cash bonus pool was 146% funded.

### ***How were the CIBIT goals for 2013 determined?***

The target for the 2013 annual cash bonus pool was substantially based on budgeted CIBIT for the company plus an additional \$50 million, a 15% increase to budgeted CIBIT. The Compensation Committee determined that this target was a fair yet demanding goal, consistent with its philosophy to reward strong company and individual performance, and recognizing that the company continued to face significant challenges in growing its business at a time of heavy competition, excess capacity in the insurance and reinsurance marketplace, and a low fixed-income rate environment. The threshold and maximum goals were selected based on typical ranges used by the Peer Group to ensure that the company's cash bonus program remained competitive.

### ***Why use ROE relative to the Peer Group as a financial metric?***

The Compensation Committee selected ROE relative to the Peer Group because it believes that it is important to have relative performance measures and because it believes this metric strongly correlates with long-term shareholder value. ROE is also a common measure used in the industry and, as a measurement of return, complements well with the CIBIT metric by emphasizing profitable growth.

### ***How is ROE calculated and defined?***

For purposes of the company's annual cash bonus plan, ROE is defined as the one-year average adjusted net income divided by the two-year average shareholders' equity for the period then ending. Please see 2013 Equity-Based Compensation 2013 Equity Awards How is ROE defined? for the definition of Adjusted net income. Based on the company's ROE relative to the Peer Group, which was in the 89th percentile, the Maximum Target reflected in the table above was achieved and this portion of the cash bonus pool was 200% funded.

### ***How were the relative ROE goals for 2013 determined?***

Given the competitive insurance and reinsurance marketplace, the Compensation Committee believed that the target goal would be challenging yet obtainable, and that the goal would neither sacrifice management's discipline in its efforts to grow the business nor promote short-term gain over long-term shareholder returns. The threshold and maximum goals were selected based on typical ranges used by the Peer Group to ensure that the company's cash bonus program remained competitive.

### ***Why is there a non-formulaic (i.e., corporate scorecard) element to the Annual Bonus Pool funding formula?***

The non-formulaic portion of the award is intended to take into account other quantitative and qualitative financial, operational and strategic measures to allow the Compensation Committee to assess the company's performance in ways that may not manifest in near-term financial performance. In 2013, non-formulaic measures included financial metrics, product innovation, international expansion, staff development and internal efficiency.

For 2013, highlights of some of the non-formulaic objectives and related achievements noted in determining this portion of the annual cash bonus pool funding included:

- Achieving a 17.6% increase in gross premiums written and a combined ratio of 86.2%, managing our expense ratio to 30.2% and achieving solid returns on our investment portfolio given the difficult investment environment,

**Table of Contents**

- Successfully launching Allied WorldWide, a proprietary insurance platform that offers products and solutions to insureds with global risk exposures that require multi-national insurance coverages,
- Successfully managing probable maximum losses within prescribed limits based on our economic capital model and established risk tolerances,
- Continuing to expand our insurance and reinsurance product offerings across a wide array of specialty coverages and jurisdictions, and
- Successfully supporting our growth initiatives through the continued development of our informational technology systems and modeling capabilities and the hiring of additional support staff.

Based on these achievements and other considerations, the Compensation Committee funded the non-formulaic component of the annual cash bonus pool at 125%, which resulted in the annual cash bonus pool being funded at 157% of the Target column. Once the Compensation Committee determined the overall cash bonus pool funding level, awards to individual officers then were made based on the CEO's assessments of individual performance. The annual cash bonus earned for 2013 by each of the NEOs as a percentage of his salary and as a percentage of target bonus was as follows:

Name	Bonus as a Percentage of Base Salary	Bonus as a Percentage of Target
Scott A. Carmilani	188%	157%
Thomas A. Bradley	160%	160%
Wesley D. Dupont	160%	160%
Frank N. D. Orazio	157%	157%
W. Gordon Knight	157%	157%

**2013 Equity-Based Compensation**

The Compensation Committee believes that a substantial portion of each NEO's compensation should be in the form of long-term, equity-based awards, the largest portion of which should be at risk awards with vesting dependent on the company achieving certain performance targets. Equity-based grants have generally been awarded as a combination of performance-based equity awards and time-vested RSUs. Each year, the Compensation Committee sets a mix between the various equity-based vehicles to ensure that a substantial portion of the awards to each NEO is comprised of performance-based awards. The value of each NEO's individual awards is based on an assessment of each individual's performance for the prior year, contribution to the business, experience level and external market information.

Equity-based awards serve to better align the interests of the NEOs and our shareholders. Equity-based awards also help to ensure a strong connection between NEO compensation and our financial performance because the value of the award depends on our future performance and share price. Long-term, equity-based awards, meaning awards that vest over a period of years, also serve as a management retention tool. The Compensation Committee utilizes equity-based awards to accomplish its compensation objectives while recognizing its duty to the company's shareholders to limit diluting their holdings in the company. Each year, the Compensation Committee reviews analyses from its compensation consultant on relevant factors of its equity compensation program, including the competitiveness of equity awards by position, overall share usage, burn rates and comparisons to the equity compensation programs of the Peer Group.

**2013 Equity Awards.** In February 2013, the Compensation Committee set the mix among performance-based equity awards and time-vested RSU awards at approximately 75% and 25%, respectively. No stock options were granted to any employees.



**Table of Contents**

The total number of performance-based equity awards available for grant each year is determined by the Board based upon the recommendation of the Compensation Committee. In making its recommendation to the Board, the Compensation Committee may consider the number of available shares remaining under the company's equity plans, the number of employees who will be eligible to receive such awards, market data from competitors with regard to the percentage of outstanding shares made available for annual grants to employees and the need to retain and motivate key employees.

Performance-based equity awards were granted to our NEOs in February 2013 under the 2012 Omnibus Plan of which 40% will be eligible to settle in common shares and 60% will be eligible to settle in cash. Awards issued in 2013 will vest after the fiscal year ending December 31, 2015 in accordance with the terms and performance conditions set forth in the Performance-Based Award Agreement under the 2012 Omnibus Plan and as described in more detail below. These performance-based awards are at risk, meaning should the company fail to perform at the minimum prescribed level, no performance-based awards will vest and no compensation will be paid to the NEOs from these awards. The Compensation Committee believes that performance-based equity awards serve to promote the company's growth and profitability over the long term. By having a three-year vesting period, these awards also encourage sustainable performance and employee retention.

The company granted the following performance-based equity awards to the NEOs in 2013:

Name	Target Awards
Scott A. Carmilani	51,200
Thomas A. Bradley	6,620
Wesley D. Dupont	8,828
Frank N. D. Orazio	7,062
W. Gordon Knight	13,242

The methodology by which these grants will be earned is shown in the table below:

	Adjusted Book Value			Adjusted ROE		
	on a CAGR Basis			Relative to the Peer Group		
	Book Value Growth		Number of Shares Earned	Number of Shares Earned		(% of Target)
	(%)	(% of Target)		Percentile		
Weight		50%			50%	
Maximum	<sup>3</sup> 15%		150%	<sup>3</sup> 75 <sup>th</sup>	150%	
Target	9%		100%	50 <sup>th</sup>	100%	
Threshold	3%		50%	30 <sup>th</sup>	20%	
Below Threshold	< 3%		0	< 30 <sup>th</sup>	0	

**Why use Book Value as a 2013-2015 financial metric?**

Based on consultations with Fariet and senior management, the Compensation Committee decided to continue to utilize growth in book value as one of the financial metrics for the 2013 grant of performance-based equity awards because this metric strongly correlates with long-term shareholder value and the long-term health of the company. Book value growth of the common shares will be measured on a CAGR basis.

**How is Book Value calculated?**

For purposes of the performance-based equity awards, book value is defined as total shareholders' equity adjusted for (1) any special, one-time dividends declared; and (2) any capital

---

**Table of Contents**

events (such as capital contributions or share repurchases). In addition to the two factors above, the Compensation Committee may consider in its discretion any other extraordinary events that may affect the computation.

***Why use ROE relative to the Peer Group as a 2013-2015 financial metric?***

The Compensation Committee also approved using the company's ROE relative to the Peer Group as another financial metric. ROE relative to the Peer Group was included as a component of the financial metric for the 2013 grant of performance-based equity awards as this metric correlates with long-term shareholder value. ROE is also a common measure used in the industry and, as a measurement of return, complements our growth measure, book value growth, by emphasizing profitable growth.

***How is ROE defined?***

For purposes of the performance-based equity awards, ROE is defined as the three-year average adjusted net income divided by the four-year average shareholders' equity for the period then ending. Adjusted net income is defined as net income adjusted for (1) unrealized gains and losses on investments within other comprehensive income; (2) the portion of other-than-temporary impairment losses on investments recognized within other comprehensive income; and (3) any reclassification adjustment for net realized gains and losses on investments included in net income, each net of applicable income tax.

***How were the Adjusted Book Value Growth and Relative ROE target goals for 2013-2015 determined?***

Goals for the 2013-2015 performance-based awards were chosen by the Compensation Committee based on a comprehensive competitive analysis of performance, the company's long-term plans and a competitive review of the calibration of pay to performance.

***2011-2013 Performance-Based Equity Awards.*** The performance period for the performance-based equity awards issued under the company's Third Amended and Restated 2004 Stock Incentive Plan (the "Stock Incentive Plan") in 2011 ended as of December 31, 2013. These awards vested based on: (1) a book value growth on a CAGR basis of 10.04%, which exceeded the 9% target category established by the Compensation Committee at the grant date; and (2) ROE relative to the company's Peer Group in 2011, which also exceeded the target category established by the Compensation Committee at the grant date. These awards vested at 130% of targeted shares, with 151,480 shares earned in the aggregate by recipients.

***2013 Time-Vested RSU Awards.*** A time-vested RSU gives a holder the right to receive a specified number of common shares at no cost (or, in the company's sole discretion, an equivalent cash amount) if the holder remains employed at the company through the applicable vesting date. Because time-vested RSUs do not have a performance component (unlike our performance-based equity awards), they will generally have value in the future. We believe these awards encourage employee retention. We have historically settled RSUs in common shares and/or cash equal to the fair market value of the common shares on the applicable vesting date. Fair market value is defined as the daily volume-weighted average sales price of the common shares for the five consecutive trading days up to and including the applicable vesting date. While the bulk of the company's RSU awards to NEOs have historically been made pursuant to our annual grant program, the Compensation Committee retains the discretion to recommend to our Board additional awards at other times. The company also grants RSUs as part of its equity-based compensation package to its employees, including the NEOs.

**Table of Contents**

The company granted the following RSU awards to the NEOs in 2013:

Name	2013 Time-Vested RSUs
Scott A. Carmilani	17,067
Thomas A. Bradley	2,207
Wesley D. Dupont	2,943
Frank N. D. Orazio	2,354
W. Gordon Knight	4,414

**Sensitivity Analysis of Our Compensation Programs.** The Compensation Committee is interested in ensuring that our incentive plans are appropriately sensitive to performance. If the plans are too sensitive to performance, they could pay too much for small changes in performance. Plans that are too sensitive to performance may also encourage excessive risk taking. If the plans are not sufficiently sensitive to performance, they may not adequately motivate executives. In order to test the pay for performance sensitivity of our incentive plans, the Compensation Committee analyzed the impact of a large catastrophic event and changing interest rates on both the cash bonus program as well as the equity-based compensation program. The analysis showed that the company's financial performance and annual and long-term incentive payouts are affected significantly by both catastrophic events and interest rates, but that the more severe impact is from catastrophic events. We believe this is because the company, given its strategy, is more exposed to catastrophic risk than many of its peers. As a result, in years when such events are minimal, the company is likely to benefit relative to its Peer Group. And conversely, in years when such events are significant, the company is likely to be more negatively affected relative to its Peer Group. Moreover, while the negative and positive impact on the company's financial performance and incentive payouts are likely to even out over the long term, a major catastrophic event is likely to eliminate the annual cash bonus payout entirely in the year in which it occurs, and materially reduce payouts under its performance-based equity awards for all three ongoing performance year cycles.

While the Compensation Committee believes that such an event should have a major negative impact on incentive payouts, it also believes that materially reducing the incentive payouts for three years is particularly severe. For this reason, the Compensation Committee has determined that it is in the best interests of shareholders to lower the relative ROE performance threshold for its performance-based equity awards from the 30th to the 25th percentile for 2014 and for future grants under the 2012 Omnibus Plan. This change will still result in a significant negative impact on the payouts for all ongoing long-term equity compensation performance cycles for a catastrophic event (including the likely elimination of any payment for the cycle ending in the year of the event).

**2014 Cash Compensation**

**2014 Annual Cash Bonus.** For 2014, the structure of the cash bonus pool will not change from 2013, except that the formulaic portion will be determined based on earnings before interest and taxes ( EBIT ) rather than CIBIT. The company will continue to use ROE relative to our Peer Group as a metric for the formulaic portion and each metric will be given a one-third weighting. The change to EBIT from CIBIT was due to the fact that the company did not have any other comprehensive income in 2013 and does not expect to have any in 2014 and beyond. The non-formulaic element will also be given a one-third weighting. The Compensation Committee approved \$249 million, \$355 million and \$568 million as the Threshold, Target and Maximum goals for EBIT and the 30th percentile, the 50th percentile and the 75th percentile or greater as the Threshold, Target and Maximum goals for ROE relative to the Peer Group metric. The payouts on such awards will be 50%, 100% and 200% for the Threshold, Target and Maximum goals for EBIT and 20%, 100% and 200% for the Threshold, Target and Maximum goals for ROE relative to the Peer Group.

Our NEOs will be eligible to receive an annual cash bonus in 2015 for 2014 performance based on a percentage of their annual base salary as follows:

**Table of Contents**

	<b>2014 Bonus Target Percentage</b>
Scott A. Carmilani	120%
Thomas A. Bradley	100%
Wesley D. Dupont	100%
Frank N. D. Orazio	100%

**2014 Peer Group.** The 2014 Peer Group will remain the same as for 2013, except that OneBeacon Insurance Group, Ltd has been removed and XL Group plc has been added.

**2014 Equity-Based Compensation**

**2014 Equity Awards.** In February 2014, the Compensation Committee set the mix among performance-based awards and time-vested RSU awards at approximately 75% and 25%, respectively. No stock options were granted to any employees.

The company granted the following performance-based equity awards to the NEOs in 2014:

<b>Name</b>	<b>Target Awards</b>
Scott A. Carmilani	42,933
Thomas A. Bradley	7,402
Wesley D. Dupont	7,402
Frank N. D. Orazio	5,922

For performance-based equity awards, the Compensation Committee retained book value growth of the common shares measured on a CAGR basis and the company's ROE relative to the Peer Group as the financial metrics for the 2014 performance-based awards, the same methodology approved for the 2013 awards. The Compensation Committee also approved an equal weighting of the book value and the relative ROE metrics. Therefore, 50% of the performance-based, equity awards will be based on book value growth and 50% will be based on relative ROE.

The Compensation Committee approved 3%, 9% and 15% as the Threshold, Target and Maximum goals for the book value growth metric and the 25th percentile, the 50th percentile and the 75th percentile or greater as the Threshold, Target and Maximum goals for ROE relative to the Peer Group metric. The payouts on such awards will be 50%, 100% and 150% for the Threshold, Target and Maximum goals for book value growth and 20%, 100% and 150% for the Threshold, Target and Maximum goals for ROE relative to the Peer Group.

The company granted the following RSU awards to the NEOs in 2014:

<b>Name</b>	<b>2014 Time-Vested RSUs</b>
Scott A. Carmilani	14,310
Thomas A. Bradley	2,468
Wesley D. Dupont	2,468
Frank N. D. Orazio	1,974

**Table of Contents****Stock Ownership Policy**

In order to promote equity ownership and further align the interests of management with our shareholders, senior executives are expected to own a significant amount of equity interests in the company. Under the company's stock ownership policy, all of our employees with titles of senior vice president and above are expected to own within five years after his or her joining us or after a promotion, equity interests in the company, expressed as a multiple of base salary as follows:

<b>Title</b>	<b>Multiple of Base Salary</b>
Chief Executive Officer	5 times
Executive Management of the Company (1)	3 times
Other Presidents, Executive Vice Presidents or Senior Vice Presidents	2 times

(1) For 2013, executive management was comprised of the company's ten most senior officers. For these officers, the multiple of base salary was increased in 2013 to 3 times from 2 times.

Employees are expected not to sell any common shares if they will not be in compliance with this policy. If a covered employee previously achieved compliance under the policy but wishes to sell a certain portion of his or her holdings of common shares at a time when he or she is not in compliance with the policy solely as a result of a significant decrease in the price of common shares, the policy allows the General Counsel of the company to exercise his discretion to allow such sale to occur. All NEOs currently meet or exceed the requirements of the stock ownership policy, except for Mr. Bradley who joined us in September 2012 and who has four years to comply.

Under the company's Policy Regarding Insider Trading for all Directors, Officers and Employees and its Code of Conduct and Business Ethics, employees are prohibited from engaging in speculative or in and out trading in securities of the company. In addition, the company also prohibits pledging of its securities and hedging and derivative transactions in its securities (other than transactions in the company's employee stock options) and trading in or through margin accounts. These transactions are characterized by short sales, buying or selling publicly traded options, swaps, collars or similar derivative transactions.

**Retirement, Health and Welfare Benefits**

The company offers a variety of health and welfare programs to all eligible employees. The NEOs are generally eligible for the same benefit programs on the same basis as the rest of the company's employees. The health and welfare programs are intended to protect employees against catastrophic loss and include medical, pharmacy, dental, vision, life insurance, accidental death and disability, and short- and long-term disability. Senior employees earning over certain salary levels per year contributed to the cost of their medical insurance based upon a sliding scale tied to their salary level. We offer a qualified 401(k) savings and retirement plan for our employees who are U.S. citizens (wherever they may be located) and similar plans for our other employees. All company employees, including the NEOs, are generally eligible for these plans. The company contributes to such employees' accounts as well in the form of a matching contribution and up to a 2% profit sharing contribution.

We have established the Allied World Assurance Company (U.S.) Inc. Second Amended and Restated Supplemental Executive Retirement Plan (the "SERP") for our employees who are U.S. citizens and who reside in the United States. We contribute under the SERP up to 10% of a participant's annual base salary in excess of the then-effective maximum amount of annual compensation that could be taken into account under a qualified plan under the U.S. Internal Revenue Code of 1986 (the "Code"), as established by the Internal Revenue Service from time to time (the "IRS Compensation Limit"), with an annual base salary cap of \$600,000. This means that we will start making contributions under the SERP to a participant only after such participant has earned annual base salary in excess of the IRS

---

## **Table of Contents**

Compensation Limit (\$255,000 in 2013) and will stop making such contributions once a participant has earned \$600,000. Under the SERP, an eligible NEO may voluntarily contribute up to 25% of his or her annual base salary up to a maximum of \$600,000.

There is a five-year cumulative vesting period for all company contributions so that upon completion of five years of service, a participant will be 100% vested in all prior and future contributions made on his or her behalf by the company or its subsidiaries. The company contributions shall also fully vest upon a participant's retiring after attaining the age of 65. Executives may defer receipt of part or all of their cash compensation under the SERP. The program allows U.S. officers to save for retirement in a tax-effective way at minimal cost to the company. The investment alternatives under the SERP are the same choices available to all participants under the 401(k) plan, and the NEOs do not receive preferential treatment on their investments. The SERP is intended to comply with Sections 409A and 457A of the Code. The company believes that contributing to a participant's retirement and having a five-year cumulative vesting for the company's contributions on behalf of a participant attracts senior officers who want to remain with the company for the long term and help it achieve its business objectives.

In 2009, in response to changes in the tax treatment of deferred compensation earned by employees of certain offshore companies including Bermuda-domiciled companies, we precluded future contributions under the SERP by or on behalf of any employees who are subject to Section 457A of the Code. This includes Mr. D Orazio who worked and resided in Bermuda in 2013. In lieu of matching contributions previously provided by the company to him through the SERP, the company has provided comparable benefits to these participants in the form of current cash payments, which are subject to tax.

### **Perquisites**

The Compensation Committee and senior management assess the prevalence and costs of each perquisite provided to the NEOs to ensure that any perquisites remain reasonable and in-line with marketplace practices. The company has eliminated or reduced a number of perquisites in recent years. Many of the benefits and perquisites discussed below are offered only to those NEOs who have relocated to and reside outside of the United States.

***Perquisites for Mr. D Orazio.*** For Mr. D Orazio, our only NEO residing in Bermuda in 2013, perquisites included a housing allowance, one return flight to the United States and a tax gross up for housing allowance and Bermuda payroll tax payments. These perquisites are typical of perquisites provided to the company's other expatriate employees located in Bermuda, are typically provided by the company's competitors in Bermuda for employees in a similar position and are reasonable in scope.

***Perquisites for Mr. Knight.*** For Mr. Knight, one of our NEOs located in the United States, perquisites included a housing allowance, reimbursement for air travel to his home in Atlanta, Georgia and financial and tax planning. As part of Mr. Knight's overall benefits package, the company provided Mr. Knight with access to an apartment in New York City. Because of his position and his role in managing the company's U.S. operations, the company believed it was critical for Mr. Knight to frequently be at the company's office in New York, which is one of the largest insurance markets in the United States and which is where many of the company's other U.S. senior officers are located. The company also reimbursed Mr. Knight for flights to Atlanta, Georgia to return to his home there. As a result of his retirement in January 2014, Mr. Knight will no longer receive these perquisites.

***Financial and Tax Planning.*** Our NEOs receive financial and tax planning. Because many of the company's senior officers are subject to complicated tax issues from working abroad on a full-time or part-time basis, the company provides reimbursement or payment of the cost for financial and tax planning to certain of the senior officers. The company believes this perquisite is necessary for retention purposes and is important for the financial welfare of its employees affected by these tax issues. In 2013, the company reimbursed up to \$10,000 for financial and tax planning for its NEOs. The company believes this perquisite is important for retention purposes and for helping to ensure the long-term financial security of the NEOs.

**Table of Contents**

**Terminated Perquisite Temporary Allowance for Relocating NEOs.** We provided a temporary relocation allowance to our NEOs that were requested to relocate out of Bermuda after we redomiciled to Switzerland in December 2010. This allowance included a monthly payment for a period of two years from the date the NEO relocated from Bermuda, assuming the NEO remained employed by us. For each NEO, the monthly allowance was less than his monthly Bermuda housing allowance would have been over the two-year period, resulting in a net savings for the company. In addition, the temporary relocation allowance was fully taxable to the NEO, whereas the company pays a tax gross up on the housing allowance received by U.S. taxpayers that are working in Bermuda. The company believed this perquisite was important for transition and retention purposes. Messrs. Carmilani and Dupont allowances terminated in April 2013 and October 2013, respectively, and this perquisite is not being provided to the company's other NEOs.

**Summary Compensation Table**

The following table provides information concerning the compensation for services in all capacities earned by the NEOs for fiscal years 2013, 2012 and 2011.

Name and Principal Position	Year	Salary (\$)	Stock Awards (\$)(3)	Option Awards (\$)	Non-Equity Incentive		Total (\$)
					Plan Compensation (\$)(4)	All Other Compensation (\$)(5)	
Scott A. Carmilani(1) <i>President, Chief Executive Officer and Chairman of the Board</i>	2013	\$ 1,000,000	\$ 5,989,064	\$	\$ 1,884,000	\$ 98,278	\$ 8,971,342
	2012	\$ 994,231	\$ 6,050,700	\$	\$ 1,750,000	\$ 288,253	\$ 9,083,184
	2011	\$ 970,000	\$ 5,089,952	\$ 818,587	\$ 606,250	\$ 259,144	\$ 7,743,933
Thomas A. Bradley(2) <i>Executive Vice President and Chief Financial Officer</i>	2013	\$ 500,000	\$ 774,393	\$	\$ 800,000	\$ 42,303	\$ 2,116,696
	2012	\$ 125,000	\$	\$	\$	\$ 394,694	\$ 519,694
Wesley D. Dupont <i>Executive Vice President and General Counsel</i>	2013	\$ 489,423	\$ 1,032,670	\$	\$ 800,000	\$ 108,578	\$ 2,430,671
	2012	\$ 440,192	\$ 938,928	\$	\$ 785,000	\$ 164,474	\$ 2,328,594
	2011	\$ 411,500	\$ 739,350	\$ 118,938	\$ 262,250	\$ 407,355	\$ 1,939,393
Frank N. D. Orazio <i>President, Bermuda and International Insurance, Allied World Assurance Company, Ltd</i>	2013	\$ 490,000	\$ 826,066	\$	\$ 785,000	\$ 368,081	\$ 2,469,147
	2012	\$ 430,000	\$ 834,596	\$	\$ 770,000	\$ 368,946	\$ 2,403,541
W. Gordon Knight(6) <i>Retired President, Allied World Assurance Company (U.S.) Inc. and Allied World National Assurance Company</i>	2013	\$ 577,307	\$ 1,548,961	\$	\$ 910,000	\$ 224,599	\$ 3,260,867
	2012	\$ 562,923	\$ 1,460,525	\$	\$ 990,500	\$ 198,680	\$ 3,212,628
	2011	\$ 550,000	\$ 1,203,136	\$ 193,479	\$ 344,000	\$ 192,017	\$ 2,482,632

(1) Mr. Carmilani receives no additional compensation for serving as our Chairman of the Board.

(2) Mr. Bradley joined us in September 2012.

(3) The amounts shown in the Stock Awards column equal the estimate of aggregate compensation cost to be recognized with respect to RSU and performance-based awards granted in such year determined as of the grant date under FASB ASC Topic 718 and excluding the effect of estimated forfeitures. The following portion of the value shown in the Stock Awards column in 2013 represents the grant date value of performance-based awards (\$87.73 per common share, the closing price on such date) based upon the probable outcome of such performance criteria: \$4,491,776 for Mr. Carmilani, \$580,773 for Mr. Bradley, \$774,480 for Mr. Dupont, \$619,549 for Mr. D. Orazio and \$1,161,721 for Mr. Knight. The remaining amounts reflected in

**Table of Contents**

the Stock Awards column represent the grant date fair value of RSU awards that are not subject to performance vesting conditions. Assuming the highest level of performance, the grant date fair value of performance-based awards granted in 2013 would equal \$6,737,664 for Mr. Carmilani, \$871,159 for Mr. Bradley, \$1,161,721 for Mr. Dupont, \$929,324 for Mr. D Orazio and \$1,742,581 for Mr. Knight. For additional information on the calculation of compensation expenses, please refer to note 13(b), (c) and (d) of the company's consolidated financial statements contained in the Form 10-K for the year ended December 31, 2013, as filed with the SEC.

- (4) The amounts shown in the Non-Equity Incentive Plan Compensation column represent cash bonuses earned under our 2013, 2012 and 2011 cash bonus plans and were paid in March 2014, 2013 and 2012, respectively. For a description of our annual cash bonus plan, see Compensation Discussion and Analysis 2013 Cash Compensation 2013 Annual Cash Bonus.
- (5) The amounts shown in the All Other Compensation column are attributable to perquisites and other personal benefits or compensation not reported elsewhere in the Summary Compensation Table. The table below shows certain components of the All Other Compensation column.

Name	Year	401(k)/ Company Contributions	SERP/Pension Plan Company Contributions	Perquisites <sup>(b)</sup>	Tax Payments <sup>(c)</sup>	Aggregate All Other Compensation
Scott A. Carmilani	2013	\$ 12,750	\$ 34,500	\$ 51,028	\$	\$ 98,278
Thomas A. Bradley	2013	\$ 12,750	\$ 24,500	\$ 5,053	\$	\$ 42,303
Wesley D. Dupont	2013	\$ 12,750	\$ 23,441	\$ 72,387	\$	\$ 108,578
Frank N. D Orazio	2013	\$ 12,750	\$ 23,500 <sup>(a)</sup>	\$ 163,381	\$ 168,450	\$ 368,081
W. Gordon Knight	2013	\$ 12,750	\$ 32,231	\$ 104,371	\$ 75,247	\$ 224,599

- (a) Mr. D Orazio received cash payments, which were subject to tax, instead of tax-deferred contributions under the SERP. Mr. D Orazio was precluded from receiving company contributions under the SERP because he was subject to Section 457A of the Code. For more information on the SERP, please see Compensation Discussion and Analysis Retirement, Health and Welfare Benefits.
- (b) Perquisites in 2013 for the NEOs include reimbursements for amounts for certain home leave travel expenses, relocation expenses, housing allowances, tax preparation and financial planning. Not all of these perquisites are applicable to all of our NEOs. Mr. Carmilani received a transition allowance of \$25,500 in connection with his relocation to the United States. Mr. Dupont received a transition allowance of \$54,000 in connection with his relocation to the United States. Mr. D Orazio received a housing allowance of \$144,780 and Mr. Knight received a housing allowance of \$80,013. Messrs. Carmilani's and Dupont's transition allowances ended in April 2013 and October 2013, respectively.
- (c) Consists of (i) gross-up payments of \$57,932 to Mr. D Orazio our NEO who resides in Bermuda, and who is a U.S. taxpayer for additional tax obligations incurred in 2013 as a result of the U.S. Tax Increase Prevention and Reconciliation Act of 2005 (the Tax Act) and (ii) payments of \$110,518 to Mr. D Orazio for the Bermuda payroll tax. The Bermuda payroll tax is paid to all Bermuda-based employees and not just to our NEOs. The gross-up payments are estimates based on advice from an independent tax advisor and our current understanding of the Tax Act. Accordingly, the gross-up amounts provided above are subject to revision. Mr. Knight's gross-up payment was for additional tax obligations incurred in 2013 as a result of his housing allowance. For more information on personal benefits and perquisites, please see Compensation Discussion and Analysis Perquisites.



**Table of Contents**

- (6) Effective as of January 31, 2014, Mr. Knight retired from his role as President of Allied World Assurance Company (U.S.) Inc. and Allied World National Assurance Company.

**Grants of Plan-Based Awards**

The following table provides information concerning grants of plan-based awards made to our NEOs in fiscal year 2013.

Name	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards(1)			Estimated Future Payouts Under Equity Incentive Plan Awards(2)			All other Stock Awards: Number of Shares of Stock or Units #(3)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Awards (\$/Sh)	Grant Date Fair Value of Stock and Option Awards
		Threshold (\$)	Target (\$)	Maximum (\$)	Threshold (#)	Target (#)	Maximum (#)				
Scott A. Carmilani	2/19/2013	\$276,000	\$1,200,000		17,920	51,200	76,800				\$4,491,776
	2/19/2013										17,067
Thomas A. Bradley	2/19/2013	\$115,000	\$500,000		2,317	6,620	9,930				\$580,773
	2/19/2013										2,207
Wesley D. Dupont	2/19/2013	\$115,000	\$500,000		3,090	8,828	13,242				\$774,480
	2/19/2013										2,943
Frank N. D. Orazio	2/19/2013	\$115,000	\$500,000		2,472	7,062	10,593				\$619,549
	2/19/2013										2,354
W. Gordon Knight	2/19/2013	\$133,400	\$580,000		4,635	13,242	19,863				\$1,161,721
	2/19/2013										4,414

- (1) The company's 2013 cash bonus plan provided for funding of the pool based on target CIBIT and ROE goals and a non-formulaic portion that is intended to take into account other measures of performance. The NEOs are eligible for annual cash bonuses as a percentage of their base salaries. For more information on the target CIBIT goals and percentages, see Compensation Discussion and Analysis 2013 Cash Compensation 2013 Annual Cash Bonus.

The amounts provided in the Estimated Future Payouts Under Non-Equity Incentive Plan Awards columns above assume that the same percentage of funding of the annual cash bonus pool will be applied to each NEO.

**Threshold.** The amounts provided in the applicable threshold column above assume that the annual cash bonus pool will be funded based on the minimum targets and that each NEO will receive 23% of the target cash bonus that he is eligible to receive. Accordingly, we have reduced by 77% the amount each NEO would be eligible to receive based on his target bonus as a percentage of base salary, as reflected below in the adjusted bonus column below.

**Table of Contents**

Name	Bonus Target as a Percentage of	Adjusted Bonus Target as
	Base Salary	a Percentage of Base Salary
Scott A. Carmilani	120%	23%
Thomas A. Bradley	100%	23%
Wesley D. Dupont	100%	23%
Frank N. D. Orazio	100%	23%
W. Gordon Knight	100%	23%

The amounts provided in the applicable threshold column above indicate the dollar amount calculated by multiplying the adjusted bonus target as a percentage of base salary (as set forth in the table in this footnote) by the NEO's base salary.

**Target.** The amounts provided in the applicable target column above assume that the annual cash bonus pool will be 100% funded and that each NEO will receive the full amount of the cash bonus that he or she is eligible to receive. The dollar amount for each NEO is calculated by multiplying the bonus target as a percentage of base salary (as set forth in the table in this footnote) by the NEO's base salary.

**Maximum.** If we achieve or exceed the maximum threshold, the annual cash bonus plan may be 182% funded as described in greater detail in Compensation Discussion and Analysis Cash Compensation Annual Cash Bonus. However, individual bonuses under the annual cash bonus plan are not capped or subject to any maximums, so long as the aggregate amount of the bonus pool is not exceeded. Accordingly, no information appears in the applicable column above.

- (2) Amounts disclosed in these columns represent a target performance-based award granted under the 2012 Omnibus Plan, 40% of which is eligible to settle in our common shares and 60% of which is eligible to settle in cash. The vesting of these performance-based awards is currently based on book value growth and ROE, as described in greater detail in Compensation Discussion and Analysis 2013 Equity-Based Compensation 2013 Equity Awards.

The vested share amounts disclosed in the applicable columns of the Estimated Future Payouts Under Equity Incentive Plan Awards assumes as follows: for the threshold column, the book value of 3% measured on a CAGR basis and an ROE in the 30th percentile relative to the Peer Group; for the target column, a book value of 9% measured on a CAGR basis and an ROE in the 50th percentile relative to the Peer Group; and for the maximum column, an book value of 15% measured on a CAGR basis and an ROE in the 75th percentile relative to the Peer Group. The performance-based awards had a grant date fair value equal to the closing price of our common shares on February 19, 2013 (\$87.73). In calculating the grant date value, it was assumed that the performance target regarding such awards will be attained.

- (3) Represents each NEO's annual grant of RSUs on February 19, 2013 pursuant to the company's 2012 Omnibus Plan. In accordance with FASB ASC Topic 718, the grant date fair value included in the table reflects the closing price of our common shares on the grant date (\$87.73) multiplied by the number of RSUs granted to the NEO. Of the aggregate amount of such RSUs, 100% will settle in cash equal to the fair market value of our common shares on the applicable vesting date. For more information on these grants, please see Compensation Discussion and Analysis Equity-Based Compensation 2013 Equity Awards 2013 Time-Vested RSU Awards.

**2012 Omnibus Plan**

We maintain the 2012 Omnibus Plan, which was approved by our shareholders on May 3, 2012. Under the 2012 Omnibus Plan, up to 1,500,000 of our common shares may be issued, subject to adjustment as described below. During 2013, we granted 5,456 time-vested RSUs and 65,523 performance-based awards under the 2012 Omnibus Plan that settle in common shares. The 2012 Omnibus Plan provides for the grant of options intended to qualify as incentive stock options (ISOs) under Section 422 of the Code nonqualified stock options (NSOs), stock appreciation rights (SARs),

**Table of Contents**

restricted shares, RSUs, deferred share units, cash incentive awards, performance-based compensation awards and other equity-based and equity-related awards. These awards will generally vest pro rata over four years from the date of grant, except for performance-based awards that will generally vest over a three-year period based on the achievement of certain performance conditions. However, the Compensation Committee may determine the terms and conditions under which certain awards are eligible to vest. Awards may be made to any of our directors, officers, employees (including prospective employees), consultants and other individuals who perform services for us, as determined by the Compensation Committee in its discretion. The Compensation Committee may grant ISOs, NSOs and SARs to purchase common shares (at the price set forth in the award agreement, but in no event less than 100% of the fair market value of the common shares on the date of grant) subject to the terms and conditions as it may determine. For performance-based awards, performance conditions will be selected by the Compensation Committee or the Board prior to the commencement of an applicable performance period from a list of permissible financial metrics. These awards will be intended to qualify as qualified performance-based compensation under Section 162(m) of the Code. While the Board retains the right to terminate the 2012 Omnibus Plan at any time, in any case the 2012 Omnibus Plan will terminate on May 3, 2022.

The shares subject to the 2012 Omnibus Plan are authorized but unissued common shares. If any award is forfeited or is otherwise terminated or canceled without the delivery of common shares, then such shares will again become available under the 2012 Omnibus Plan. Unless otherwise provided in an award agreement or a participant's employment agreement, in the event of our change of control, (i) any options or SARs outstanding as of a termination of a participant's employment by the company without cause or by the participant for good reason (as each term is defined in the 2012 Omnibus Plan), in each case, that occurs within two years following the date the change of control occurs, will automatically vest and become exercisable at the time of such termination; (ii) any performance compensation awards outstanding as of a termination of a participant's employment by the company without cause or by the participant for good reason, in each case, that occurs within two years following the date the change of control occurs, will automatically vest and be paid out at the time of such termination at the same percentage at which the company is expensing such award for financial reporting purposes immediately prior to such termination; and (iii) all other awards outstanding as of a termination of a participant's employment by the company without cause or by the participant for good reason, in each case, that occurs within two years following the date the change of control occurs, will automatically vest and become exercisable and all restrictions and forfeiture provisions related thereto will lapse at the time of such termination.

Pursuant to the 2012 Omnibus Plan, if a participant who is subject to Section 16(a) of the Exchange Act engages in any act of fraud or intentional misconduct that contributes materially to any financial restatement of the company, any portion of an award that previously vested and was paid to such participant will immediately terminate and the participant will be required to repay to the company the difference between any amount paid within the one-year period preceding the financial restatement and the amount that should have been paid with respect to the participant's award based on the financial restatement.

Our Compensation Committee has the authority to adjust the terms of any outstanding awards, the number of common shares covered by each outstanding award and the number of common shares issuable under the 2012 Omnibus Plan as it deems appropriate for any increase or decrease in the number of issued common shares resulting from a stock dividend, stock split, reverse stock split, recapitalization, reorganization, merger, consolidation, combination, exchange or any other event that the Compensation Committee determines affects our capitalization, other than regular cash dividends. In the event of a merger, amalgamation or consolidation, the sale of a majority of the company's securities or the reorganization or liquidation of the company, the Compensation Committee will have the discretion to provide, as an alternative to the adjustment described above, for the accelerated vesting of options prior to such an event or the cancellation of options in exchange for a payment based on the per-share consideration being paid in connection with the event.

**Table of Contents****2008 Employee Share Purchase Plan**

On February 28, 2008, the Board adopted the Amended and Restated 2008 Employee Share Purchase Plan ( ESPP ), which was approved by our shareholders on May 8, 2008. The purposes of the ESPP are to provide our employees with an opportunity to purchase common shares, help such employees to provide for their future security and encourage such employees to remain in the employment of the company and its subsidiaries. The ESPP is designed to qualify as an employee share purchase plan under Section 423 of the Code. A total of 1,000,000 common shares are reserved for issuance under the plan. Of that amount, 883,546 common shares remained available for issuance as of December 31, 2013. The ESPP provides for consecutive six-month offering periods (or other periods of not more than 27 months as determined by the Compensation Committee) under which participating employees can elect to have between 1% and 10% of their base salary withheld and applied to the purchase of common shares at the end of the period. Unless otherwise determined by the Compensation Committee before an offering period, the purchase price will be 85% of the fair market value of the common shares at the end of the offering period. Applicable Code limitations specify, in general, that a participant's right to purchase shares under the plan cannot accumulate at a rate in excess of \$25,000 (based on the value at the beginning of the applicable offering periods) per calendar year.

**Equity Compensation Plan Information**

The following table presents information concerning our equity compensation plans as of December 31, 2013.

<b>Plan Category</b>	<b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights(1)</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights(2)</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in the First Column)</b>
Equity compensation plans approved by Shareholders	1,292,176	\$ 48.22	2,304,428(3)
Equity compensation plans not approved by Shareholders			
<b>Total</b>	<b>1,292,176</b>	<b>\$ 48.22</b>	<b>2,304,428(3)</b>

(1) Represents 976,104 stock options granted under the company's Third Amended and Restated 2001 Employee Stock Option Plan (the Stock Option Plan ), which have a weighted average remaining contractual life of 5.4 years, and 47,899 RSUs and 268,173 performance-based awards granted under the 2012 Omnibus Plan and the Stock Incentive Plan.

(2) The weighted average exercise price reported in the column does not take into account RSUs or performance-based awards.

(3) Includes 1,429,179 common shares available for issuance under the 2012 Omnibus Plan and 875,249 common shares available for purchase under the ESPP.

---

## **Table of Contents**

### **Employment Agreements**

We are a party to employment agreements with each of our NEOs. Other than Mr. Knight (which is discussed below) each employment agreement provides for base salary, discretionary annual cash bonuses and reimbursement for business expenses. Each NEO is subject to a non-interference covenant under his employment agreement during the term of employment or, for Mr. Bradley, the three-year term of his agreement, and ending on the 24-month anniversary following any termination of employment or, for Mr. Bradley, the expiration of his employment agreement. Generally, the non-interference covenant prevents the NEO from soliciting or hiring our employees or other service providers, from inducing any of our customers or other third parties with whom we have a relationship to reduce or cease its business with us or from otherwise interfering with our business relationships. During the term of employment and ending following the Non-Compete Period (as defined below), the NEO is subject to a non-competition covenant. Generally, the non-competition covenant prevents the NEO from engaging in activities that compete with our business in certain jurisdictions. Each employment agreement also contains standard confidentiality and assignment of inventions provisions. In addition, each employment agreement provides that we shall generally indemnify the NEO to the fullest extent permitted, except in certain limited circumstances.

The Non-Compete Period means the period commencing on the date of the employment agreement and (i) in the case of the NEO's termination of employment by us with cause, ending on the date of such termination; (ii) in the case of a NEO's termination of employment by us without cause or by the NEO for good reason, ending on the 24-month anniversary of his termination; and (iii) in the case of a NEO's termination of employment by the NEO without good reason or as a result of a disability, ending on the date of such termination; *provided, however*, in the case of clause (iii) above, we may elect to extend the Non-Compete Period up to an additional 12 months following the date of such termination, during which period we will be required to continue to pay the NEO his base salary and provide coverage under our company's health and insurance plans (or the equivalent of such coverage).

Each employment agreement terminates upon the earliest to occur of (i) the NEO's death, (ii) a termination by reason of a disability, (iii) a termination by us with or without cause and (iv) a termination by the NEO with or without good reason (other than for Mr. Bradley, who has a three-year employment agreement that can be terminated earlier for the reasons set forth in clauses (i) through (iv) above). Each NEO is entitled to cash payments and accelerated vesting of equity awards based on the reason for his termination of employment. If an NEO is terminated by us with cause or if he leaves without good reason, the NEO will only be entitled to reimbursement of prior accrued obligations (*i.e.*, legitimate business expenses). The amounts to which an NEO would be entitled under various other termination scenarios are set forth in the Potential Payments Upon a Termination or Change in Control table further on in this Proxy Statement as well as the footnotes thereto. In addition, upon the occurrence of a change in control, all equity-based awards received by the NEO will fully vest immediately prior to such change in control.

***Employment / Consulting Agreement with Mr. Knight.*** Effective January 31, 2014, Mr. Knight retired from his role as President of Allied World Assurance Company (U.S.) Inc. and Allied World National Assurance Company. Pursuant to an Employment / Consulting Agreement, dated as of January 16, 2014, Mr. Knight agreed to remain with the company in an advisory capacity for a five-year term. Under the new agreement (which supersedes his prior employment agreement), Mr. Knight will receive a payment of \$10,000 per month and be entitled to the continued vesting of all outstanding equity-based awards previously granted to him in accordance with their terms, provided that he remains employed at the company or with one of its subsidiaries. The agreement contains non-compete and non-solicit covenants that are effective throughout the term of the agreement.

**Table of Contents****Outstanding Equity Awards at Fiscal Year-End**

The following table summarizes the number of securities underlying awards for each NEO as of December 31, 2013.

Name	Option Awards				Stock Awards Equity Incentive Plan Awards: Number of Unearned Shares, Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested (\$)(6)			
	Number of Securities Underlying Options Unexercised (#)	Number of Securities Underlying Options Unexercised (#)	Option Exercise Price (\$)(1)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$)(6)	Units, or Other Rights That Have Not Vested (#)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units, or Other Rights That Have Not Vested (\$)(6)
Scott A. Carmilani	20,000		\$ 32.70	01/03/2015	3,250(2)	\$ 366,633	67,853(7)	\$ 7,654,497
	22,402	22,403	\$ 61.51	02/22/2021	5,910(3)	\$ 666,707	51,200(8)	\$ 5,775,872
					16,964(4)	\$ 1,913,709		
					17,067(5)	\$ 1,925,328		
Thomas A. Bradley					2,207(5)	\$ 248,972	6,620(8)	\$ 746,802
Wesley D. Dupont	25,000		\$ 28.32	12/01/2015	875(2)	\$ 98,709	10,529(7)	\$ 1,187,776
	3,255	3,255	\$ 61.51	02/22/2021	860(3)	\$ 97,017	8,828(8)	\$ 995,887
					2,633(4)	\$ 297,029		
					2,943(5)	\$ 332,000		
Frank N. D. Orazio	2,677	2,678	\$ 61.51	02/22/2021	875(2)	\$ 98,709	9,359(7)	\$ 1,055,789
					706(3)	\$ 79,644	7,062(8)	\$ 796,664
					2,340(4)	\$ 263,975		
					2,354(5)	\$ 265,555		
W. Gordon Knight	16,500		\$ 43.27	02/28/2018	2,200(2)	\$ 248,182	16,378(7)	\$ 1,847,602
	5,295	5,295	\$ 61.51	02/22/2021	1,396(3)	\$ 157,483	13,242(8)	\$ 1,493,830
					4,095(4)	\$ 461,957		
					4,414(5)	\$ 497,943		

(1) All of the stock options listed in the table above have fully vested, except for those stock options with an exercise price of \$61.51, which vest pro rata on February 22, 2014 and 2015.

(2) These RSUs vest on February 22, 2014.

(3) These RSUs vest pro-rata on February 22, 2014 and 2015.

(4) These RSUs vest pro-rata on February 22, 2014, 2015 and 2016.

(5) These RSUs vest pro rata on February 19, 2014, 2015, 2016 and 2017.

(6) Assumes a price of \$112.81 per common share, the closing price as of December 31, 2013.

(7)

## Edgar Filing: Allied World Assurance Co Holdings, AG - Form PRE 14A

These performance-based equity awards are not eligible to vest until after December 31, 2014. These awards vest upon the achievement of established performance criteria during an applicable three-year period. The amounts reflected in the table above represent the target performance goals.

- (8) These performance-based equity awards are not eligible to vest until after December 31, 2015. These awards vest upon the achievement of established performance criteria during an applicable three-year period. The amounts reflected in the table above represent the target performance goals. For additional information regarding these performance-based awards, see Compensation Discussion and Analysis 2013 Equity-Based Compensation.

**Table of Contents****Option Exercises and Stock Vested**

The following table summarizes information underlying each exercise of stock options, vesting of RSUs or vesting of performance-based awards for each NEO in 2013.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$)
Scott A. Carmilani	2,333	\$ 144,520(1)	1,250	\$ 110,225(4)
	2,000	\$ 124,578(2)	1,250	\$ 109,625(5)
	2,000	\$ 125,110(3)	4,559	\$ 401,329(6)
			7,301	\$ 637,961(7)
			46,105	\$ 5,201,105(8)
			46,105	\$ 5,155,461(9)
Thomas A. Bradley				
Wesley D. Dupont			500	\$ 44,090(4)
			500	\$ 43,850(5)
			915	\$ 80,547(6)
			1,267	\$ 110,710(7)
			6,695	\$ 755,263(8)
			6,695	\$ 748,635(9)
Frank N. D. Orazio				
			500	\$ 44,090(4)
			500	\$ 43,850(5)
			857	\$ 75,442(6)
			1,150	\$ 100,487(7)
			5,506	\$ 621,132(8)
			5,506	\$ 615,681(9)
W. Gordon Knight				
			625	\$ 55,113(4)
			625	\$ 54,813(5)
			1,942	\$ 170,954(6)
			2,321	\$ 202,809(7)
			10,901	\$ 1,229,742(8)
			10,901	\$ 1,218,950(9)

(1) Calculated as the difference between (i) \$91.47 (the weighted average sale price per share on June 10, 2013, the date of exercise and sale) and (ii) the exercise price of \$29.52, multiplied by the number of stock options exercised.

(2) Calculated as the difference between (i) \$91.81 (the weighted average sale price per share on July 1, 2013, the date of exercise and sale) and (ii) the exercise price of \$29.52, multiplied by the number of stock options exercised.

(3) Calculated as the difference between (i) \$92.08 (the weighted average sale price per share on September 3, 2013, the date of exercise and sale) and (ii) the exercise price of \$29.52, multiplied by the number of stock options exercised

(4)



## Edgar Filing: Allied World Assurance Co Holdings, AG - Form PRE 14A

RSUs that settled in common shares. Assumes a price of \$88.18 per common share, the closing price on February 26, 2013, the RSU vesting date.

- (5) RSUs that settled in cash. Assumes a price of \$87.70 per common share, which is the daily volume-weighted average sales price of a common share for the five consecutive trading days up to and including February 26, 2013, the vesting date.

**Table of Contents**

- (6) RSUs that settled in common shares. Assumes a price of \$88.03 per common share, the closing price on February 22, 2013, the RSU vesting date.
- (7) RSUs that settled in cash. Assumes a price of \$87.38 per common share, which is the daily volume-weighted average sales price of a common share for the five consecutive trading days up to and including February 22, 2013, the vesting date.
- (8) Performance-based awards that settled in common shares. Assumes a price of \$112.81 per common share, the closing price on December 31, 2013, and relates to performance-based awards granted to certain NEOs in 2011. These awards vested at 130% of target.
- (9) Performance-based awards that settled in cash. Assumes a price of \$111.82 per common share, which is the daily volume-weighted average sales price of a common share for the five consecutive trading days up to and including December 31, 2013, and relates to performance-based awards granted to certain NEOs in 2011. These awards vested at 130% of target.

**Non-Qualified Deferred Compensation**

The following table summarizes information regarding each NEO's participation in the SERP in 2013.

Name	Executive Contributions in Last Fiscal Year (\$)(1)	Registrant Contributions in Last Fiscal Year (\$)(2)	Aggregate Earnings in Last Fiscal Year (\$)(3)	Aggregate Withdrawals/Distributions (\$)	Aggregate Balance at Last Fiscal Year-End (\$)
Scott A. Carmilani	\$	\$ 34,499	\$ 132,313	\$	\$ 614,142
Thomas A. Bradley	\$	\$ 24,499	\$ 1,695	\$	\$ 26,194
Wesley D. Dupont	\$	\$ 23,441	\$ 5,490	\$	\$ 114,520
Frank N. D. Orazio	\$	\$	\$ 40,537	\$	\$ 171,385
W. Gordon Knight	\$ 62,192	\$ 32,234	\$ 115,982	\$	\$ 640,785

- (1) Reflects amount of base salary deferred by the NEO under the SERP in 2013.
- (2) Reflects amounts contributed by us on behalf of the NEO. In 2013, Mr. D. Orazio received cash payments, which were subject to tax, instead of tax-deferred contributions under the SERP. In 2013, Mr. D. Orazio was precluded from receiving company contributions under the SERP because he was subject to Section 457A of the Code. All amounts that we contributed on behalf of the NEO under the SERP or cash payments to the NEO in lieu thereof have also been reported in the Summary Compensation Table.
- (3) Represents capital gains and dividends on and earnings from the investments made in one or more mutual funds selected by the NEO, less any losses incurred from one or more selected mutual funds during 2013.

*Investment Alternatives Under the SERP.* Under the SERP, each NEO that is eligible to participate has the option to select a variety of mutual funds that are used to determine the additional amounts to be credited to his account. Each NEO is permitted to change, on a monthly basis, his mutual fund choices in which individual and company contributions are to be invested. These mutual funds are the same as those offered under our 401(k) plan.

*Payouts and Withdrawals.* Subject to earlier payout required pursuant to Section 457A of the Code described above, each NEO may elect to receive at retirement amounts deferred and contributions credited to his account in either a lump sum or in annual installments over a period of up to ten years. For more information regarding the SERP, please see Compensation Discussion and Analysis Retirement, Health and Welfare

Benefits.

**Table of Contents****Potential Payments Upon a Termination or Change in Control**

The table below reflects the amount of compensation and benefits payable to each NEO in the event of (i) a termination by the NEO without good reason (a voluntary termination), (ii) a termination without cause or with good reason (involuntary termination) other than within 12 months of a change in control, (iii) an involuntary termination within 12 months of a change in control, (iv) a termination due to death and (v) a termination due to disability. The amounts shown assume that the applicable triggering event occurred on December 31, 2013, the last business day of the year, and therefore are estimates of the amounts that would be paid to the applicable NEO upon the occurrence of such triggering event, assuming a price of \$112.81 per common share, the closing price as of December 31, 2013.

Name	Type of Payment	Voluntary Termination <sup>(1)</sup>	Involuntary Termination <sup>(2)</sup>	Change in Control <sup>(3)</sup>	Death <sup>(4)</sup>	Disability <sup>(5)</sup>
Scott A. Carmilani	Cash Severance:	\$ 1,000,000	\$ 5,500,000	\$ 8,250,000	\$ 1,750,000	\$ 2,750,000
	Continued Benefits:	\$ 22,038	\$ 44,076	\$ 66,114	\$ 1,500,000	\$ 22,038
	Equity Acceleration:	\$	\$ 17,758,800	\$ 19,346,503	\$ 14,570,286	\$ 14,570,286
	<b>TOTAL:</b>	<b>\$ 1,022,038</b>	<b>\$ 23,302,876</b>	<b>\$ 27,662,617</b>	<b>\$ 17,820,286</b>	<b>\$ 17,342,324</b>
Thomas A. Bradley	Cash Severance:	\$ 500,000	\$ 2,000,000	\$ 3,000,000	\$ 500,000	\$ 1,000,000
	Continued Benefits:	\$ 21,759	\$ 43,518	\$ 65,277	\$ 1,000,000	\$ 21,759
	Equity Acceleration:	\$	\$ 866,195	\$ 989,642	\$ 618,212	\$ 618,212
	<b>TOTAL:</b>	<b>\$ 521,759</b>	<b>\$ 2,909,713</b>	<b>\$ 4,054,919</b>	<b>\$ 2,118,212</b>	<b>\$ 1,639,971</b>
Wesley D. Dupont	Cash Severance:	\$ 500,000	\$ 2,570,000	\$ 3,855,000	\$ 785,000	\$ 1,285,000
	Continued Benefits:	\$ 21,251	\$ 42,502	\$ 63,753	\$ 1,000,000	\$ 21,251
	Equity Acceleration:	\$	\$ 2,895,142	\$ 3,158,088	\$ 2,367,396	\$ 2,367,396
	<b>TOTAL:</b>	<b>\$ 521,251</b>	<b>\$ 5,507,644</b>	<b>\$ 7,076,841</b>	<b>\$ 4,152,396</b>	<b>\$ 3,673,647</b>
Frank N. D. Orazio	Cash Severance:	\$ 500,000	\$ 2,540,000	\$ 3,810,000	\$ 770,000	\$ 1,270,000
	Continued Benefits:	\$ 18,862	\$ 37,724	\$ 56,586	\$ 500,000	\$ 18,862
	Equity Acceleration:	\$	\$ 2,464,067	\$ 2,683,049	\$ 2,024,265	\$ 2,024,265
	<b>TOTAL:</b>	<b>\$ 518,862</b>	<b>\$ 5,041,791</b>	<b>\$ 6,549,635</b>	<b>\$ 3,294,265</b>	<b>\$ 3,313,127</b>
W. Gordon Knight	Cash Severance:	\$ 580,000	\$ 3,141,000	\$ 4,711,500	\$ 990,500	\$ 1,570,500
	Continued Benefits:	\$ 22,079	\$ 44,158	\$ 66,237	\$ 1,000,000	\$ 22,079
	Equity Acceleration:	\$	\$ 4,552,113	\$ 4,951,796	\$ 3,749,361	\$ 3,749,361
	<b>TOTAL:</b>	<b>\$ 602,079</b>	<b>\$ 7,737,271</b>	<b>\$ 9,729,533</b>	<b>\$ 5,739,861</b>	<b>\$ 5,341,940</b>

(1) Under the employment agreements with each NEO, in the case of a voluntary termination, such NEO is entitled only to the prior accrued obligations. However, for purposes of precluding the NEO from joining an organization that competes with the company, the company may elect to extend a non-compete period for up to 12 months from the date of such voluntary termination. The amounts included in the voluntary termination column above under Cash Severance represent the NEO's base salary as of December 31, 2013 (the amount to which the NEO would be entitled for the entire non-compete period) and the amounts included under Continued Benefits represent participation in the company's health and insurance plans, based on current health and insurance premiums for the NEO projected over the applicable period, and such amounts assume that the company has elected to extend the non-compete period for the full 12 months. Please see Employment Agreements for more information on the employment agreements.

**Table of Contents**

- (2) Under the employment agreement with the NEO, upon an involuntary termination, such NEO is entitled to: (i) his current base salary and the highest annual cash bonus paid or payable for the two immediately prior fiscal years multiplied by two (for Mr. Bradley, his current base salary plus his target annual bonus for 2013, multiplied by two), (ii) participation in the company's health and insurance plans (or the economic equivalent of such participation) for a period of two years from the date of such termination and (iii) vesting in the number of equity awards held by the NEO that otherwise would have vested during the two-year period from the date of such termination.

The dollar value reflected under the Involuntary Termination column above for Equity Acceleration assumes all equity awards (i) that settle in common shares vested, were exercised and sold as of December 31, 2013 and (ii) that settle in cash vested as of December 31, 2013 and were paid to the NEO based on the fair market value of \$111.82 per common share, which is the daily volume-weighted average sales price of a common share for the five consecutive trading days up to and including December 31, 2013.

- (3) Under the employment agreement with the NEO, upon the occurrence of our change in control, all equity awards held by the NEO shall fully vest immediately prior to such change in control. If within 12 months of a change in control the NEO undergoes an involuntary termination, such NEO is entitled to: (i) his current base salary and the highest annual cash bonus paid or payable for the two immediately prior fiscal years multiplied by three (for Mr. Bradley, his current base salary and his target annual bonus for 2013, multiplied by three) and (ii) participation in the company's health and insurance plans (or the economic equivalent of such participation) for a period of three years from the date of such termination. The dollar value reflected under the Change in Control column above for Equity Acceleration assumes all equity awards (i) that settle in common shares vested, were exercised and sold as of December 31, 2013; and (ii) that settle in cash vested as of December 31, 2013 and were paid to the NEO based on the fair market value of \$111.82 per common share, which is the daily volume-weighted average sales price of a common share for the five consecutive trading days up to and including December 31, 2013.

Under the 2012 Omnibus Plan, if an employee is terminated without cause by the company or by the employee with good reason within two years of a change of control, all outstanding RSU awards will automatically vest and become exercisable upon such termination and all outstanding performance-based awards will automatically vest and be paid out at the same percentage at which the company is expensing such award for financial reporting purposes immediately prior to such termination.

- (4) The amounts included under the Death column above for Cash Severance represent the highest cash bonus paid or payable for the two immediately prior fiscal years to which the NEO would be entitled under his employment agreement (for Mr. Bradley, his target annual bonus for 2013) and which would be received by the NEO's estate or beneficiary. Under the employment agreements, upon the NEO's death, the NEO's estate or beneficiary is also entitled to receive a pro rata annual bonus for that portion of the year that the NEO worked.

Under the employment agreements, as of the date of the NEO's death, his estate or beneficiaries would also be entitled to the number of equity awards held by the NEO that otherwise would have vested during the one-year period following such date. In addition, the 2012 Omnibus Plan, Stock Option Plan provides for the accelerated vesting of all stock options and RSUs, respectively, held by the NEO in the event of his death. Performance-based awards vest on a proportional basis depending on the date of death in relation to the three-year performance period. If the NEO were to die in the first year of the three-year performance period, the NEO would be entitled to 25% of the award; in the second year of the three-year performance period, the NEO would be entitled to 50% of the award; and in the third year of the three-year performance period, the NEO would be entitled to 75% of the award. The dollar value reflected under the Death column above for Equity Acceleration assumes all equity awards (i) that settle in common shares vested, were exercised and sold as of December 31, 2013; and (ii) that settle in cash vested as of December 31, 2013.

**Table of Contents**

and were paid to the NEO based on the fair market value of \$111.82 per common share, which is the daily volume-weighted average sales price of a common share for the five consecutive trading days up to and including December 30, 2013.

In addition, each employee has life insurance paid by the company or our subsidiaries for the employee's benefit (or the benefit of his estate or beneficiaries). Assuming the death of each NEO as of December 31, 2013, the estate or beneficiaries of such NEO would be entitled to the amounts reflected in the Death column above for Continued Benefits for our NEOs.

(5) Under the employment agreement with the NEO, in the case of a termination of employment as a result of the NEO's disability, the NEO is entitled to: (i) his highest annual cash bonus paid or payable for the two immediately prior fiscal years (for Mr. Bradley, his target annual bonus for 2013) and (ii) the number of equity awards held by the NEO that otherwise would have vested during the one-year period following the date of disability. For purposes of precluding the NEO from joining an organization that competes with us, we may elect to extend a non-compete period for up to 12 months from the date the NEO's employment is terminated as a result of a disability. The amounts included in the disability column above under Cash Severance represent the NEO's current base salary and the highest annual cash bonus paid or payable for the two immediately prior fiscal years (for Mr. Bradley, his target annual bonus for 2013) and Continued Benefits represent participation in the company's health and insurance plans (or the economic equivalent of such participation) and assumes that the company has elected to extend the Non-Compete Period for the full 12 months. The company pays on behalf of our employees, including the NEOs, short-term and long-term disability insurance. Under this insurance, if the NEO (other than Mr. D Orazio) is considered disabled, he will be entitled to \$2,500 per week for the first 26 weeks after a disability and thereafter he will be entitled to \$15,000 per month until the age of 65. Mr. D Orazio would be entitled to his full monthly salary for the first 90 days after a disability and thereafter would be entitled to receive 75% of his monthly salary up to a maximum of \$15,000 per month until the age of 65. For our NEOs and other senior officers resident in the United States, the company has purchased a supplemental long-term disability plan that applies to certain absences extended beyond 180 days. In the event of an extended disability, the supplemental policy pays up to 60% of the NEO's monthly salary up to a maximum of \$10,000 per month.

The 2012 Omnibus Plan, Stock Option Plan and Stock Incentive Plan provide for the accelerated vesting of all stock options and RSUs, respectively, held by the NEO in the event of his disability. Performance-based awards vest on a proportional basis depending on the date of disability in relation to the three-year performance period. If the NEO were to be disabled in the first year of the three-year performance period, the NEO would be entitled to 25% of the award; in the second year of the three-year performance period, the NEO would be entitled to 50% of the award; and in the third year of the three-year performance period, the NEO would be entitled to 75% of the award. The dollar value reflected under the Disability column above for Equity Acceleration assumes all equity awards (i) that settle in common shares vested at the applicable levels described above, were exercised and sold as of December 31, 2013; and (ii) that settle in cash vested at the applicable levels described above as of December 31, 2013 and were paid to the NEO based on the fair market value of \$111.82 per common share, which is the daily volume-weighted average sales price of a common share for the five consecutive trading days up to and including December 30, 2013.

Under the employment agreements, if the applicable NEO is terminated for cause, he is entitled only to the prior accrued obligations. Under the employment agreements, the NEO is subject to certain restrictive covenants, including non-compete, non-interference, confidentiality and assignment of inventions provisions. In the case where the NEO is terminated by the company without cause or by the NEO with good reason, should the NEO breach these restrictive covenants, the payments and benefits described above would cease immediately.

## **Table of Contents**

Under the RSU Award Agreement to the 2012 Omnibus Plan, each employee agrees that the company may terminate the NEO's right to any RSU he holds (whether or not vested) upon the occurrence of: (i) any event that constitutes cause, (ii) the NEO's violating the non-solicitation provision set forth in the RSU Award Agreement or (iii) the NEOs interfering with a relationship between the company and one of its clients.

Under the Stock Option Plan, a participant retiring after attaining the age of 65 is entitled to accelerated vesting of all stock options held by him. Under the Stock Incentive Plan, upon a participant attaining the age of 65, the service-based vesting component is waived, and a portion of the RSUs awarded will be settled on an accelerated basis to cover any tax obligations of the participant pursuant to Section 457A of the Code. The remaining portion of the RSUs awarded will vest according to the schedule established on the date of grant. Under the employment agreements, there are no additional compensation provisions for retirement. None of our NEOs was 65 as of December 31, 2013. Accordingly, if any of our NEOs had retired as of such date, he would not have been entitled to the acceleration or continued vesting of equity awards or any additional compensation.

In addition to the payments and benefits described above, upon the NEO's retirement at or after age 65, termination of employment (other than with cause), change in control or death or disability of the NEO, the NEO (or his estate or beneficiaries) would be entitled to the distribution of the vested contributions we made to the SERP on his behalf. The NEO would also be entitled to receive his own contributions to the SERP.

## **Compensation Committee Interlocks and Insider Participation**

None of our directors or executive officers has a relationship with us or any other company that the SEC defines as a compensation committee interlock or insider participation that should be disclosed to shareholders. Our Compensation Committee is comprised solely of independent directors.

## **Compensation Committee Report on Executive Compensation**

*The following report of the Compensation Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other company filing under the Securities Act of 1933, as amended (the Securities Act), or the Securities Exchange Act of 1934, as amended (the Exchange Act), except to the extent the company specifically incorporates this report by reference therein.*

We have reviewed and discussed with management the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K. Based on such review and discussion, we recommended to the Board that the Compensation Discussion and Analysis be included in the Proxy Statement.

Samuel J. Weinhoff (Chair)

Barbara T. Alexander

James F. Duffy

Bart Friedman

Scott Hunter

Patrick de Saint-Aignan

Eric S. Schwartz

## **Audit Committee Report**

*The following report of the Audit Committee does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other company filing under the Securities Act or the Exchange Act, except to the extent the company specifically incorporates this report by reference therein.*

The Audit Committee is comprised of Ms. Barbara T. Alexander (Co-Chair) and Messrs. Scott Hunter (Co-Chair), James F. Duffy, Patrick de Saint-Aignan and Samuel J. Weinhoff, each of whom has been





---

## **Table of Contents**

determined by the Board to be independent under the rules of the NYSE, Section 10A(m)(3) of the Exchange Act and Rule 10A-3 promulgated under the Exchange Act. The Board adopted an Audit Committee Charter, which is available on our website at [www.awac.com](http://www.awac.com) under Investor Relations Corporate Information Governance Documents .

The role of the Audit Committee is to assist the Board in its oversight of the company's financial reporting process. The management of the company is responsible for the preparation, presentation and integrity of the company's financial statements, the company's accounting and financial reporting principles and policies, and its internal controls and procedures. The independent auditors are responsible for auditing the company's financial statements, reviewing the company's quarterly financial statements, annually auditing management's assessment of the effectiveness of internal controls over financial reporting and other procedures. Members of the Audit Committee are entitled to rely without independent verification on the information provided to them and on the representations made by management and the independent auditors. The independent auditors have access to the Audit Committee to discuss any matters they deem appropriate.

As set forth in the Audit Committee Charter, in the performance of its oversight function, the Audit Committee reviews and discusses the company's audited financial statements with management and the independent auditors. The Audit Committee also discusses with the independent auditors the matters required to be discussed by Auditing Standard AU-C Section 260 published by the American Institute of Certified Public Accountants, Communication with Audit Committees, as currently in effect. Finally, the Audit Committee receives the written disclosures and the letter from the independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent auditor's communications with the Audit Committee concerning independence, considers whether the provision of non-audit services by the independent auditors to the company is compatible with maintaining the auditors' independence and discusses with the auditors the auditors' independence.

Based upon the reviews and discussions described in this report, and subject to the limitations on the role and responsibilities of the Audit Committee referred to above and in the Audit Committee Charter, the Audit Committee recommended to the Board that the audited financial statements be included in the company's Annual Report on Form 10-K for the year ended December 31, 2013 that was filed with the SEC.

Barbara T. Alexander (Co-Chair)

Scott Hunter (Co-Chair)

James F. Duffy

Patrick de Saint-Aignan

Samuel J. Weinhoff

## **SHAREHOLDER COMMUNICATION**

Shareholders and other interested parties may communicate directly with the Board by sending a written notice to our General Counsel at our executive offices. The notice may specify whether the communication is directed to the entire Board, to a committee of the Board, to the non-management directors, to the Lead Independent Director or to any other director. Except as provided below, if any written communication is received by us and addressed to the persons listed above (or addressed to our General Counsel with a request to be forwarded to the persons listed above), our General Counsel shall be responsible for promptly forwarding the correspondence to the appropriate persons. Obvious marketing materials or other general solicitations will not be forwarded. Directors will generally respond in writing, or cause the company to respond, to *bona fide* shareholder and other interested party communications that express legitimate concerns or questions about us.

The Board does not have a formal policy regarding the attendance of directors at meetings of shareholders; however, it encourages all directors to attend the Annual Shareholder Meeting. All of the Company's directors attended the Annual Shareholder Meeting in 2013.

---

**Table of Contents**

**SHAREHOLDER PROPOSALS FOR 2015 ANNUAL SHAREHOLDER MEETING**

*Submission of an Additional Item for the 2015 Proxy Statement or for the Agenda for the 2015 Annual Shareholder Meeting*

If you wish to submit a proposal to be considered for inclusion in the proxy materials for the 2015 Annual Shareholder Meeting or propose a nominee for the Board, please send such proposal to the Corporate Secretary, attention: Wayne H. Datz, at Allied World Assurance Company Holdings, AG, Lindenstrasse 8, 6340 Baar, Zug, Switzerland, or via e-mail at [secretary@awac.com](mailto:secretary@awac.com). Under the rules of the SEC, proposals must be received by no later than November [14], 2014 to be eligible for inclusion in the proxy statement and form of proxy for the 2015 Annual Shareholder Meeting.

Under Swiss law, one or more shareholders of record owning registered common shares with an aggregate par value of CHF 1 million or more can request that an item be put on the agenda of a shareholders meeting. However, any such requests received after November [14], 2014 may not be eligible for inclusion in the company's proxy statement and form of proxy for the 2015 Annual Shareholder Meeting. If a shareholder wishes to submit a proposal to the 2015 Annual Shareholder Meeting without including such proposal in the proxy statement for that meeting, that proposal must be made at least 60 days prior to the shareholders meeting and sent to the Corporate Secretary, attention: Wayne H. Datz, at Allied World Assurance Company Holdings, AG, Lindenstrasse 8, 6340 Baar, Zug, Switzerland, or via e-mail at [secretary@awac.com](mailto:secretary@awac.com). In that case, the proxies solicited by the Board will confer discretionary authority on persons named in the accompanying form of proxy to vote on that proposal as they see fit.

**OTHER MATTERS**

Your Board does not know of any matters that may be presented at the Annual Shareholder Meeting other than those specifically set forth in the Notice of Annual Shareholder Meeting attached hereto. If matters other than those set forth in the Notice of Annual Shareholder Meeting come before the meeting, the persons named in the accompanying form of proxy and acting thereunder will vote in their discretion with respect to such matters.

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file reports of ownership of, and transactions in, our equity securities with the SEC. Such directors, executive officers and shareholders are also required to furnish us with copies of all Section 16(a) reports they file. Purchases and sales of our equity securities by such persons are published on our website under the SEC Filings link under Investor Relations.

Based on a review of the copies of such reports, and on written representations from our reporting persons, we believe that all Section 16(a) filing requirements applicable to our directors, executive officers and shareholders were complied with during the fiscal year 2013, except for one late Form 3 filing for Mr. Ziegler.

**NOTICE OF INTERNET AVAILABILITY OF PROXY MATERIALS**

**Important Notice Regarding the Availability of Proxy Materials for the 2014 Annual Shareholder Meeting to be held on Thursday, May 1, 2014. The Proxy Statement and Annual Report are available at <http://www.awac.com/proxy.aspx>.**

For the date, time and location of the Annual Shareholder Meeting, please see General Meeting Information. For information on how to attend and vote in person at the Annual Shareholder Meeting, an identification of the matters to be voted upon at the Annual Shareholder Meeting and the Board's recommendations regarding those matters, please also refer to General Meeting Information.

**Table of Contents**

**Appendix A**

**STATUTEN**

**ARTICLES OF ASSOCIATION**

der

of

**Allied World Assurance Company Holdings, Ltd**

**Allied World Assurance Company Holdings, Ltd**

**Allied World Assurance Company Holdings, AG**

**Allied World Assurance Company Holdings, AG**

**II. Aktienkapital und Aktien**

**II. Share Capital and Shares**

**Artikel 3 Aktienkapital**

**Article 3 Share Capital**

- a) Das Aktienkapital der Gesellschaft beträgt CHF 419 946 403.20 und ist eingeteilt in ~~35 935 716~~ 102 425 952 auf den Namen lautende Aktien im Nennwert von CHF ~~12.30~~ 4.10 je Aktie. Das Aktienkapital ist vollständig liberiert.
- b) Auf Beschluss der Generalversammlung können jederzeit Namenaktien in Inhaberaktien und Inhaberaktien in Namenaktien umgewandelt werden.

- a) The share capital of the Company amounts to CHF 419,946,403.20 and is divided into ~~35,935,716~~ 102,425,952 registered shares with a par value of CHF ~~12.30~~ 4.10 per share. The share capital is fully paid-in.
- b) Upon resolution of the General Meeting of Shareholders, registered shares may be converted into bearer shares and bearer shares may be converted into registered shares, at any time.

**Artikel 4 Bedingtes Aktienkapital für Anleiheobligationen und ähnliche Instrumente der Fremdfinanzierung**

**Article 4 Conditional Share Capital for Bonds and Similar Debt Instruments**

- a) Das Aktienkapital der Gesellschaft wird im Maximalbetrag von CHF 12 300 000 durch Ausgabe von höchstens ~~1 000 000~~ 3 000 000 vollständig zu liberierenden Namenaktien mit einem Nennwert von CHF ~~12.30~~ 4.10 je Aktie erhöht, bei und im Umfang der Ausübung von Wandel- und/oder Optionsrechten, welche im Zusammenhang mit von der Gesellschaft oder ihren Tochtergesellschaften emittierten oder noch zu emittierenden Anleiheobligationen, Notes oder ähnlichen Obligationen oder Schuldverpflichtungen eingeräumt wurden/werden, einschliesslich

- a) The share capital of the Company shall be increased by an amount not exceeding CHF 12,300,000 through the issue of a maximum of ~~1,000,000~~ 3,000,000 registered shares, payable in full, each with a par value of CHF ~~12.30~~ 4.10 through the exercise of conversion and/or option or warrant rights granted in connection with bonds, notes or similar instruments, issued or to be issued by the Company or by subsidiaries of the Company, including convertible debt instruments.

Wandelanleihen.

A-1

**Table of Contents**

- |  |  |
|--|--|
| <p>b) Das Bezugsrecht der Aktionäre ist für diese Aktien ausgeschlossen. Das Vorwegzeichnungsrecht der Aktionäre und, soweit vorhanden, dasjenige der Partizipanten in Bezug auf neue Anleiheobligationen, Notes oder ähnlichen Obligationen oder Schuldverpflichtungen kann durch Beschluss des Verwaltungsrats zu folgenden Zwecken eingeschränkt oder ausgeschlossen werden: Finanzierung und Refinanzierung des Erwerbs von Unternehmen, Unternehmensteilen oder Beteiligungen, von durch die Gesellschaft geplanten neuen Investitionen oder bei der Emission von Options- und Wandelanleihen über internationale Kapitalmärkte sowie im Rahmen von Privatplatzierungen. Der Ausschluss des Vorwegzeichnungsrechts ist ausschliesslich unter folgenden kumulativen Bedingungen zulässig: (1) Die Instrumente müssen zu Marktkonditionen emittiert werden, (2) die Frist, innerhalb welcher die Options- und Wandelrechte ausgeübt werden können, darf ab Zeitpunkt der Emission des betreffenden Instruments bei Optionsrechten 10 Jahre und bei Wandelrechten 20 Jahre nicht überschreiten und (3) der Umwandlungs- oder Ausübungspreis für die neuen Aktien hat mindestens dem Marktpreis zum Zeitpunkt der Emission des betreffenden Instruments zu entsprechen.</p> <p>c) Der Erwerb von Namenaktien durch Ausübung von Wandel- und Optionsrechten sowie sämtliche weiteren Übertragungen von Namenaktien unterliegen den Übertragungsbeschränkungen gemäss Artikel 8 der Statuten.</p> | <p>b) Shareholders pre-emptive rights are excluded with respect to these shares. Shareholders advance subscription rights and, if existing, such rights of participants with regard to new bonds, notes or similar instruments may be restricted or excluded by decision of the Board of Directors in order to finance or re-finance the acquisition of companies, parts of companies or holdings, or new investments planned by the Company, or in order to issue convertible bonds and warrants on the international capital markets or through private placement. If advance subscription rights are excluded, then (1) the instruments are to be placed at market conditions, (2) the exercise period is not to exceed ten years from the date of issue for warrants and twenty years for conversion rights and (3) the conversion or exercise price for the new shares is to be set at least in line with the market conditions prevailing at the date on which the instruments are issued.</p> <p>c) The acquisition of registered shares through the exercise of conversion rights or warrants and any further transfers of registered shares shall be subject to the restrictions specified in Article 8 of the Articles of Association.</p> |
|--|--|

---

**Table of Contents**

**Artikel 5 Bedingtes Aktienkapital für Mitarbeiterbeteiligungen**

- a) Das Aktienkapital der Gesellschaft wird im Maximalbetrag von CHF 51 660 000 durch Ausgabe von höchstens ~~4 200 000~~ 12.600.000 vollständig zu liberierenden Namenaktien mit einem Nennwert von CHF ~~12.30~~ 4.10 je Aktie erhöht bei und im Umfang der Ausübung von Optionen, welche Mitarbeitern der Gesellschaft oder Tochtergesellschaften sowie Beratern, Direktoren oder anderen Personen, welche Dienstleistungen für die Gesellschaft oder ihre Tochtergesellschaften erbringen, eingeräumt wurden/werden.
- b) Bezüglich dieser Aktien ist das Bezugsrecht der Aktionäre ausgeschlossen. Neue Aktien dieser Art können unter dem aktuellen Marktpreis ausgegeben werden. Der Verwaltungsrat bestimmt bei einer solchen Emission die spezifischen Konditionen, inkl. den Preis der Aktien.
- c) Der Erwerb von Namenaktien im Zusammenhang mit Mitarbeiterbeteiligungen sowie sämtliche weiteren Übertragungen von Namenaktien unterliegen den Übertragungsbeschränkungen gemäss Artikel 8 der Statuten.

**Article 5 Conditional Share Capital for Employee Benefit Plans**

- a) The share capital of the Company shall be increased by an amount not exceeding CHF 51,660,000 through the issue from time to time of a maximum of ~~4,200,000~~ 12,600,000 registered shares, payable in full, each with a par value of CHF ~~12.30~~ 4.10, in connection with the exercise of option rights granted to any employee of the Company or a subsidiary, and any consultant, director or other person providing services to the Company or a subsidiary.
- b) Shareholders' pre-emptive rights shall be excluded with regard to the issuance of these shares. These new registered shares may be issued at a price below the current market price. The Board of Directors shall specify the precise conditions of issue including the issue price of the shares.
- c) The acquisition of registered shares in connection with employee participation and any further transfers of registered shares shall be subject to the restrictions specified in Article 8 of the Articles of Association.

A-3

**Table of Contents**

**Artikel 6 Genehmigtes Kapital zu allgemeinen Zwecken**

- a) Der Verwaltungsrat ist ermächtigt, das Aktienkapital jederzeit bis ~~3.1. Mai 2014~~2016 im Maximalbetrag von CHF 92 258 954.40 durch Ausgabe von höchstens ~~7 500 728 22 502~~ 184 vollständig zu liberierenden Namenaktien mit einem Nennwert von CHF ~~4.30~~ 4.10 je Aktie zu erhöhen.
- b) Erhöhungen auf dem Weg der Festübernahme sowie Erhöhungen in Teilbeträgen sind gestattet. Der Ausgabebetrag, die Art der Einlage, der Zeitpunkt der Dividendenberechtigung sowie die Zuweisung nicht ausgeübter Bezugsrechte werden durch den Verwaltungsrat bestimmt.
- c) Der Verwaltungsrat ist ermächtigt, Bezugsrechte der Aktionäre auszuschliessen und diese Dritten zuzuweisen, wenn die neu auszugebenden Aktien zu folgenden Zwecken verwendet werden: (1) Fusionen, Übernahmen von Unternehmen oder Beteiligungen, Finanzierungen und Refinanzierungen solcher Fusionen und Übernahmen sowie anderweitige Investitionsvorhaben (unter Einschluss von Privatplatzierungen), (2) Stärkung der regulatorischen Kapitalbasis der Gesellschaft oder ihrer Tochtergesellschaften (unter Einschluss von Privatplatzierungen), (3) zur Erweiterung des Aktionariats, oder (4) zum Zwecke der Mitarbeiterbeteiligung.
- d) Die Zeichnung sowie der Erwerb von Namenaktien aus genehmigtem Kapital zu allgemeinen Zwecken sowie sämtliche weiteren Übertragungen von N a m e n a k t i e n u n t e r l i e g e n d e n Übertragungsbeschränkungen gemäss Artikel 8 der Statuten.

**Article 6 Authorized Share Capital for General Purposes**

- a) The Board of Directors is authorized to increase the share capital from time to time and at any time until May ~~3, 2014~~1, 2016 by an amount not exceeding CHF 92,258,954.40 through the issue of up to ~~7,500,728 22,502.184~~ fully paid up registered shares with a par value of CHF ~~4.30~~ 4.10 each.
- b) Increases through firm underwriting or in partial amounts are permitted. The issue price, the date of dividend entitlement, the type of consideration (including the contribution or underwriting in kind) as well as the allocation of non-exercised pre-emptive rights shall be determined by the Board of Directors.
- c) The Board of Directors is authorized to exclude the pre-emptive rights of the shareholders and to allocate them to third parties in the event of the use of shares for the purpose of (1) mergers, acquisitions of enterprises or participations, financing and/or refinancing of such mergers and acquisitions and of other investment projects (including by way of private placements); (2) improving the regulatory capital position of the company or its subsidiaries (including by way of private placements); (3) broadening the shareholder constituency; or (4) the participation of employees.
- d) The subscription as well as the acquisition of registered shares out of authorized share capital for general purposes and any further transfers of registered shares shall be subject to the restrictions specified in Article 8 of the Articles of Association.

**Table of Contents**

**III. Organisation**

**A. Die Generalversammlung**

**Artikel 9 Befugnisse**

Die Generalversammlung ist das oberste Organ der Gesellschaft. Sie hat die folgenden unübertragbaren Befugnisse:

1. die Festsetzung und Änderung der Statuten;
2. die Wahl und Abberufung (i) der Mitglieder des Verwaltungsrats und, (ii) des Präsidenten des Verwaltungsrates, (iii) der Mitglieder des Vergütungsausschusses, (iv) der Revisionsstelle und (v) eines unabhängigen Stimmrechtsvertreters und etwaiger Stellvertreter;
3. die Genehmigung des Jahresberichts, der Jahresrechnung und der Konzernrechnung sowie die Beschlussfassung über die Verwendung des Bilanzgewinns, insbesondere die Festsetzung der Dividende;
4. die Entlastung der Mitglieder des Verwaltungsrats; und
5. die Beschlussfassung über die Gegenstände, die der Generalversammlung durch das Gesetz oder die Statuten vorbehalten sind oder welche ihr vom Verwaltungsrat vorgelegt werden.

**III. Organization**

**A. The General Meeting of Shareholders**

**Article 9 Authorities**

The General Meeting of Shareholders is the supreme corporate body of the Company. It has the following non-transferable powers:

1. to adopt and amend the Articles of Association;
2. to elect and remove (i) the members of the Board of Directors and the Auditors, (ii) the Chairman, (iii) the members of the Compensation Committee, (iv) the Auditors and (v) the Independent Proxy and his, her or its substitutes;
3. to approve the statutory required annual report, the annual accounts and the consolidated financial statements as well as to pass resolutions regarding the allocation of profits as shown on the balance sheet, in particular to determine the dividends;
4. to grant discharge to the members of the Board of Directors; and
5. to pass resolutions regarding items which are reserved to the General Meeting of Shareholders by law or by the Articles of Association or which are presented to it by the Board of Directors.



**Table of Contents**

**Artikel 14 Stimmrecht und Vertreter**

- a) Jede Aktie berechtigt, unter Vorbehalt der Einschränkungen gemäss Artikel 8 der Statuten und Artikel 14 lit. b) und c) untenstehend, zu einer Stimme. Jeder stimmberechtigte Aktionär kann seine Aktien durch einen unabhängigen Stimmrechtsvertreter oder eine andere von ihm schriftlich bevollmächtigte Person vertreten lassen, welche kein Aktionär sein muss.
- b) Ungeachtet lit. a) vorstehend gilt Folgendes: Sobald und solange eine natürliche oder juristische Person Namenaktien entsprechend 10% oder mehr des im Handelsregister eingetragenen Aktienkapitals der Gesellschaft kontrolliert, ist diese bei ordentlichen oder ausserordentlichen Generalversammlungen maximal zu den gemäss nachfolgender Formel zu eruierenden Stimmen (abgerundet auf die nächst tiefere, runde Zahl) berechtigt:

$$[(T \div 100) \times 10] - 1$$

Wobei gilt: T ist gleich der Gesamtanzahl der Stimmrechte, welche auf dem im Handelsregister eingetragenen gesamten Aktienkapital der Gesellschaft verliehen werden.

- c) Als kontrolliert im Sinne dieser Statuten gilt die Gesamtheit der einer stimmberechtigten Klasse angehörenden Aktien der Gesellschaft, welche von einer Person:
- (aa) direkt, als auch
- (bb) indirekt, definiert aufgrund der nachfolgenden Zuordnungskriterien, gehalten werden:

**Article 14 Voting Rights and Shareholders Proxies**

- a) Each share is entitled to one vote subject to the provisions of Article 8 of the Articles of Association and Article 14 paragraph b) and c) below. Each shareholder may be represented at the General Meeting of Shareholders by an Independent Proxy or another person who is authorized by a written proxy and who does not need to be a shareholder.
- b) Notwithstanding paragraph a) above, if and so long as there are Controlled Shares representing 10% or more of the registered share capital recorded in the Commercial Register, regardless of the identity of the holder thereof, such Controlled Shares shall be entitled to cast votes at any General Meeting of Shareholders or Extraordinary General Meeting of Shareholders in the aggregate equal to the number (rounded down to the nearest whole number) obtained from the following formula:

$$[(T \div 100) \times 10] - 1$$

Where: T is the aggregate number of votes conferred by all the registered share capital recorded in the Commercial Register.

- c) For purposes of these Articles, Controlled Shares means all shares of the Company, of all classes entitled to vote owned by a person in the aggregate whether:
- (aa) directly or
- (bb) due to Constructive Ownership, defined as ownership deemed to exist after application of the following rules of ownership attribution:

**Table of Contents**

- (i) *Zuordnung aufgrund einer Personengesellschaft (Partnership) oder einer anderen Gesellschaft, einem Trust oder eines Nachlasses.*
- (i) *Attribution from any partnership, estate, trust, or corporation.*

Mit Ausnahme der Regelung in Unterabsatz (D) untenstehend:

Except as provided in subparagraph (D) below:

- (A) Aktien, welche direkt oder indirekt von oder für einer/eine Personengesellschaft (*Partnership*) oder einem/einen Nachlass gehalten werden, gelten als anteilmässig von den betreffenden Partnern oder Begünstigten gehalten.
- (A) Shares owned, directly or indirectly, by or for a partnership or estate shall be considered as owned proportionately by its partners or beneficiaries.
- (B) Aktien, welche direkt oder indirekt von oder für einem/einen Trust gehalten werden, gelten als von den Begünstigten dieses Trusts im Verhältnis ihres rechnermässigen Anteils gehalten; allerdings gelten Aktien, welche direkt oder indirekt von oder für einem/einen Teil eines Trusts gehalten werden, der gemäss den anwendbaren Steuergesetzen (einschliesslich US Bundeseinkommenssteuerrechts) einer Person gehört, als von dieser Person gehalten gelten. Im hier verwendeten Sinne wird unter einem Trust, wenn vom Verwaltungsrat so bestimmt, nicht auch ein Trust verstanden, der in den Vereinigten Staaten oder einer anderen Jurisdiktion gegründet oder organisiert ist und der Teil eines von der US Bundeseinkommenssteuer bzw. von den Steuern der betreffenden anderen Jurisdiktionen befreiten Aktienvergütungs-, Renten- oder Gewinnbeteiligungsplans eines Mitarbeiters ist, welcher ausschliesslich dem Zweck der Begünstigung von Mitarbeitern oder deren Begünstigten dient.
- (B) Shares owned, directly or indirectly by or for a trust shall be considered as owned by its beneficiaries in proportion to the actuarial interest of such beneficiaries in such trust; provided, however, that shares owned, directly or indirectly, by or for any portion of a trust of which a person is considered to be the owner by applicable tax laws, including for U.S. federal income tax purposes, shall be considered owned by such person. For purposes of the foregoing, if so determined by the Board of Directors, a trust shall not include a trust created or organized in the United States or any other jurisdiction and forming part of a stock bonus, pension or profit sharing plan of an employer for the exclusive benefit of employees or their beneficiaries that is exempt from U.S. federal income taxation respectively from applicable taxes of such other jurisdiction.

**Table of Contents**

- |   |  |
|---|--|
| <p>(C) Wenn eine Person direkt oder indirekt wertmässig mit 10% oder mehr an einer Gesellschaft beteiligt ist oder die Anteile für diese Person gehalten werden, so gelten die der Gesellschaft direkt oder indirekt gehörenden Aktien als von dieser Person gehalten, dies im Verhältnis des Werts der dieser Person gehörenden Aktien zum Gesamtwert aller Aktien der Gesellschaft.</p> <p>(D) Wenn mehr als 50% der Stimmrechte aller stimmberechtigten Aktienklassen einer Gesellschaft von einer Personengesellschaft (<i>Partnership</i>) oder einer anderen Gesellschaft, einem Nachlass oder einem Trust direkt oder indirekt gehalten werden, so werden Betreffenden im Rahmen dieses Unterabsatzes (i) sämtliche Stimmrechte der betreffenden Gesellschaft zugerechnet.</p> <p>(ii) Zuordnung bei Personengesellschaften (<i>Partnerships</i>) oder anderen Gesellschaften, bei einem Nachlass oder einem Trust:</p> <p>(A) Aktien, welche direkt oder indirekt von oder für einem/einen Partner oder einem/einen Berechtigten eines Nachlasses gehalten werden, gelten als von der betreffenden Personengesellschaft (<i>Partnership</i>) oder vom betreffenden Nachlass gehalten.</p> <p>(B) Aktien, welche direkt oder indirekt von oder für einem/einen Begünstigten eines Trusts gehalten werden, gelten als vom Trust gehalten, sofern der Anspruch des Begünstigten am Trust nicht lediglich geringer und ungewisser Natur ist (<i>remote contingent interest</i>); <u>vorausgesetzt aber</u>, dass direkt oder indirekt einer Person gehörende Aktien, welche gemäss den anwendbaren Steuergesetzen (einschliesslich US Bundeseinkommenssteuer) Eigentümerin eines Trustanteils ist, als vom Trust gehalten gelten. Ein ungewisser Anspruch</p> | <p>(C) If 10% or more in value of the shares in a corporation is owned directly or indirectly, by or for any person, such person shall be considered as owning the shares owned, directly or indirectly, by or for such corporation, in that proportion which the value of the shares which such person so owns bears to the value of all the shares in such corporation.</p> <p>(D) For purposes of this subparagraph (i), if a partnership, estate, trust, or corporation owns, directly or indirectly, more than 50% of the total combined voting power of all classes of shares entitled to vote in a corporation, it shall be considered as owning all the shares entitled to vote.</p> <p>(ii) Attribution to partnerships, estates, trusts, and corporations:</p> <p>(A) Shares owned, directly or indirectly, by or for a partner or a beneficiary of an estate shall be considered as owned by the partnership or estate.</p> <p>(B) Shares owned, directly or indirectly, by or for a beneficiary of a trust shall be considered as owned by the trust, unless such beneficiary's interest in the trust is a remote contingent interest; <u>provided, however</u>, that shares owned, directly or indirectly, by or for a person who is considered the owner of any portion of a trust by applicable tax laws, including for U.S. federal income tax purposes, shall be considered owned by the trust. For purposes of the preceding sentence, a contingent interest</p> |
|---|--|

**Table of Contents**

eines Begünstigten eines Trusts ist im Rahmen des voranstehenden Satzes gering, wenn unter grösstmöglicher Ausschöpfung des Ermessensbereichs des Trustees zugunsten dieses Begünstigten, der rechnermässige Wert des Anspruchs 5% oder weniger des Trustvermögens ausmacht. Unter einem Trust im Sinne des Unterabsatzes (B) wird, wenn vom Verwaltungsrat so bestimmt, nicht auch ein Trust verstanden, der in den Vereinigten Staaten oder einer anderen Jurisdiktion gegründet oder organisiert ist und der Teil eines von der US Bundeseinkommenssteuer bzw. von den Steuern der betreffenden anderen Jurisdiktionen befreiten Aktienvergütungs-, Renten- oder Gewinnbeteiligungsplans eines Mitarbeiters ist, welcher ausschliesslich dem Zweck der Begünstigung von Mitarbeitern oder deren Begünstigten dient.

- (C) Wenn eine Person direkt oder indirekt wertmässig mit 50% oder mehr an einer Gesellschaft beteiligt ist oder die Anteile für diese Person gehalten werden, so gelten die der Gesellschaft direkt oder indirekt gehörenden Aktien als von dieser Person gehalten; allerdings ist die vorangehende Bestimmung nicht anwendbar, wenn sie aufgrund des Haltens eigener Aktien durch die Gesellschaft zur Anwendung käme.
- (iii) *Kontrollvereinbarungen.* Wenn einer Person aufgrund einer Vereinbarung, eines Vertrages, einer Übereinkunft oder einer sonstigen Beziehung betreffend eine oder mehrere Aktien der Gesellschaft ganz oder anteilmässig (A) Einfluss auf Stimmrechte zukommt (einschliesslich das Recht zur Ausübung oder zur Bestimmung der Ausübung des Stimmrechts an diesen Aktien); und/oder (B) Einfluss auf die Verfügungsberechtigung dieser Aktien zukommt (einschliesslich das Recht, diese Aktien

of a beneficiary in a trust shall be considered remote if, under the maximum exercise of discretion by the trustee in favour of such beneficiary, the value of such interest, computed actuarially, is 5% or less of the value of the trust property. For purposes of this subparagraph (B), if so determined by the Board of Directors, a trust shall not include a trust created or organized in the United States or any other jurisdiction and forming part of a stock bonus, pension or profit sharing plan of an employer for the exclusive benefit of employees or their beneficiaries that is exempt from U.S. federal income taxation respectively from applicable taxes of such other jurisdiction.

- (C) If 50% or more in value of the shares in a corporation is owned, directly or indirectly, by or for any person, such corporation shall be considered as owning the shares owned, directly or indirectly, by or for such person; provided, however, the foregoing rule shall not be applied so as to consider a corporation as owning its own shares.
- (iii) *Control arrangements.* If a person through any arrangement, contract, understanding, relationship, or otherwise regarding one or more shares of the Company has or shares (A) voting power which includes the power to vote, or to direct the voting of, such share; and/or (B) investment power which includes the power to dispose, or to direct the disposition of, such share(s), such share(s) shall be considered as owned by such person.



**Table of Contents**

zu veräussern oder die Veräusserung anzuordnen), so gelten diese Aktien als von der betreffenden Person gehalten.

- |   |  |
|---|--|
| <p>(iv) <i>Optionsrechte, Wandelrechte oder ähnliche Rechte.</i> Wenn eine Person ein Recht hat, eine oder mehrere Aktien zu erwerben, einschliesslich (A) durch Ausübung eines Options-, Wandel- oder eines ähnlichen Rechts, (B) durch Wandlung einer Sicherheit; (C) durch die Möglichkeit, einen Trust, ein Vermögensverwaltungskonto oder eine ähnliche Vereinbarung für nichtig zu erklären; oder (D) durch die automatische Aufhebung eines Trusts, eines Vermögensverwaltungskontos oder einer ähnlichen Vereinbarung, so gelten diese Aktien als von der betreffenden Person gehalten. Als Option, mit welcher Aktien erworben werden können, gelten in diesem Sinne Optionsrechte (und jede einzelne einer Serie von Optionen), mit denen erstgenannte Option erhalten werden kann.</p> | <p><i>Options, warrants or similar rights.</i> If any person has a right to acquire one or more shares, including (A) by way of an option, warrant or similar right; (B) through the conversion of a security; (C) pursuant to the power to revoke a trust, discretionary account, or similar arrangement; or (D) pursuant to the automatic termination of a trust, discretionary account or similar arrangement, such shares shall be considered as owned by such person. For this purpose, an option to acquire such an option, and each one of a series of such options, shall be considered as an option to acquire such shares.</p> |
| <p>(v) <i>Familienmitglieder.</i> Eine natürliche Person hält ihre Aktien direkt oder indirekt von oder für (A) ihren oder seine Ehepartner/in (ausgenommen Ehepartner, die rechtlich aufgrund eines Scheidungsurteils oder einer Verfügung zum Getrenntleben [<i>separate maintenance</i>] getrennt sind); und (B) ihre oder seine Kinder, Enkel und Eltern. Ein im Rechtssinne adoptiertes Kind gilt im Sinne dieses Unterabsatzes (v) als Kind der betreffenden natürlichen Person.</p>  | <p><i>Members of a family.</i> An individual shall be considered as owning the shares owned, directly or indirectly by or for (A) his or her spouse (other than a spouse who is legally separated from the individual under a decree of divorce or separate maintenance); and (B) his or her children, grandchildren and parents. For purposes of this subparagraph (v), a legally adopted child of an individual shall be treated as a child of such individual by blood.</p>   |
| <p>(vi) <i>Keine Umgehung.</i> Wenn eine Person Trusts, Vollmachten, übrige Vertretungsberechtigungen oder sonstige vertragliche Abreden errichtet oder benutzt in der Absicht, die wirtschaftliche Berechtigung an den Aktien zu verdecken oder die Fälligkeit einer wirtschaftlichen Berechtigung an den Aktien, die sich gemäss einem Plan oder Programm ergeben würde, verhindert, um die</p>   | <p><i>No circumvention.</i> If a person creates or uses a trust, proxy, power of attorney, pooling arrangement or any other contract, arrangement, or device with the purpose or effect of divesting such person of beneficial ownership of shares of the Company or preventing the vesting of such beneficial ownership as part of a plan or scheme to evade the provisions of these articles of</p>  |

**Table of Contents**

Bestimmungen dieser Statuten zu umgehen, so gelten die Aktien als von dieser Person gehalten.

(vii) *Anwendbarkeitsbestimmungen.* Im Rahmen der obenstehenden Unterabsätze (i)-(vi) dieses Artikels 14 lit. c) (bb) gilt folgendes:

(A) Aktien, die indirekt von einer Person gemäss den Unterabsätzen (i), (ii), (iii), (iv), (v) und (vi) gehalten werden, gelten im Rahmen der Anwendung dieser Unterabsätze als tatsächlich dieser Person gehörend; allerdings sollen (I) Aktien, die indirekt von einer natürlichen Person gemäss Unterabsatz (v) obenstehend gehalten werden, nicht in der Weise von ihm oder ihr als gehalten gelten, dass unter (nochmaliger) Anwendung von Unterabsatz (v) der/die entsprechend andere als indirekt berechtigt gilt; (II) Aktien, die gemäss Unterabsatz (ii) obenstehend indirekt von einer Personengesellschaft (*Partnership*) oder einer anderen Gesellschaft, einem Nachlass oder Trust gehalten werden, nicht in der Weise als gehalten gelten, dass unter Anwendung von Unterabsatz (i) obenstehend (betreffend Zuordnung an einen Partner, Begünstigten, Eigentümer oder Gesellschafter einer Personengesellschaft (*Partnership*) oder anderen Gesellschaft, eines Nachlasses oder Trusts) der/die entsprechend andere als indirekt berechtigt gilt; und (III) Aktien, die als von einer natürlichen Person gemäss den Unterabsätzen (iv) oder (v) obenstehend gehalten gelten, von ihm oder ihr als gemäss Unterabsatz (iv) gehalten gelten.

(B) Aktien, welche aufgrund mehrerer Bestimmungen gemäss den Unterabsätzen (i)-(v) dieses Artikels 14 lit. c) (bb) gehalten werden oder von mehreren Personen, sollen gemäss derjenigen Regel zugeordnet werden,

association, such shares shall be considered as owned by such person.

(vii) *Rules of application.* For purposes of subparagraphs (i) to (vi) of this subparagraph (bb) of subparagraph c) of Article 14, the following shall apply:

(A) Shares constructively owned by a person by reasons of the application of subparagraphs (i), (ii), (iii), (iv), (v) and (vi) shall, for purposes of applying such subparagraphs, be considered as actually owned by such person; provided, however, that (I) shares constructively owned by an individual by reason of the application of subparagraph (v) above shall not be considered as owned by him or her for purposes of again applying such subparagraph (v) in order to make another the constructive owner of such shares; (II) shares constructively owned by a partnership, estate, trust or corporation by reason of the application of subparagraph (ii) above shall not be considered as owned by it for purposes of applying subparagraph (i) above (relating to attribution to a partner, beneficiary, owner or shareholder from a partnership, estate, trust or corporation) in order to make another the constructive owner of such shares; and (III) if shares may be considered as owned by an individual under subparagraphs (iv) or (v) above, such shares shall be considered as owned by him or her under subparagraph (iv).

(B) For purposes of any one determination, shares which may be owned under more than one of the rules of subparagraphs (i) through (v) above of subparagraph (bb) of subparagraph c) of Article 14, or by more than





**Table of Contents**

zugeordnet werden, welche der betreffenden Person/den betreffenden Personen den höchsten Prozentsatz an Aktien zuweist.

one person, shall be owned under that attribution rule which imputes to the person, or persons, concerned the largest total percentage of such shares.

d) ~~reserviert~~ Die Generalversammlung wählt einen unabhängigen Stimmrechtsvertreter und einen Stellvertreter. Wählbar sind natürliche oder juristische Personen oder Personengesellschaften. Die Unabhängigkeit richtet sich nach Artikel 728 OR. Die Amtsdauer des unabhängigen Stimmrechtsvertreters und etwaiger Stellvertreter endet mit der Beendigung der auf ihre Wahl folgenden ordentlichen Generalversammlung. Wiederwahl ist möglich. Falls der unabhängige Stimmrechtsvertreter vor Ablauf seiner Amtsdauer aus seinem Amt ausscheidet, seine Unabhängigkeit verliert oder sein Amt nicht ausüben kann, übernimmt sein von der Generalversammlung gewählter Stellvertreter ohne weiteres seine Funktion. Der unabhängige Stimmrechtsvertreter nimmt seine Pflichten in Übereinstimmung mit den einschlägigen Gesetzesvorschriften wahr. Der Verwaltungsrat stellt sicher, dass die Aktionäre die Möglichkeit haben, dem unabhängigen Stimmrechtsvertreter zu jedem in der Einberufung gestellten Antrag zu Verhandlungsgegenständen Weisungen zu erteilen. Zudem müssen sie die Möglichkeit haben, zu nicht angekündigten Anträgen zu Verhandlungsgegenständen sowie zu neuen Verhandlungsgegenständen gemäss Artikel 700 Absatz 3 OR allgemeine Weisungen zu erteilen. Der Verwaltungsrat stellt sicher, dass die Aktionäre ihre Vollmachten und Weisungen, auch elektronisch, bis 6 Uhr Lokalzeit am Tag der Generalversammlung dem unabhängigen Stimmrechtsvertreter erteilen können. Der unabhängige Stimmrechtsvertreter ist verpflichtet, die ihm von den Aktionären übertragenen Stimmrechte weisungsgemäss auszuüben. Hat er keine Weisungen erhalten, so enthält er sich

d) ~~reserved~~ The General Meeting of Shareholders shall elect an Independent Proxy and a substitute of the Independent Proxy who may either be individuals, legal entities or partnerships. The independence of the Independent Proxy and his, her or its substitute shall be construed in accordance with Article 728 CO. The term of the Independent Proxy and his, her or its substitute shall end with the closing of the next ordinary General Meeting of Shareholders following the General Meeting of Shareholders that elected the Independent Proxy and his, her or its substitute. The Independent Proxy and his, her or its substitute may be re-elected. In case the Independent Proxy leaves office before the end of its term, if he, she or it loses his, her or its independence or may otherwise no longer exercise his, her or its functions, the substitute to be elected by the General Meeting of Shareholders shall assume the office. The Independent Proxy shall exercise his, her or its responsibilities in accordance with the provisions of the law. The Board of Directors shall ensure that the shareholders have the opportunity to give instructions to the Independent Proxy with respect to each agenda point mentioned in the notice to the meeting. In addition, the shareholders shall be given the opportunity to give general instructions with respect to motions made at the meeting concerning an agenda point or with respect to an agenda point not previously announced in the invitation (Article 700 para. 3 CO). Furthermore, the Board of Directors shall ensure that the shareholders may give their proxy or instructions to the Independent Proxy until 6:00 a.m. (local time) on the day of the General Meeting. The Independent Proxy shall exercise the voting rights granted to

**Table of Contents**

der Stimme. Kann der unabhängige Stimmrechtsvertreter sein Amt nicht ausüben, dann gelten die ihm erteilten Vollmachten und Weisungen als seinem Stellvertreter erteilt.

- e) Der Verwaltungsrat hat das Recht, die Bestimmungen dieses Artikels 14 auszulegen, die Berechtigung von natürlichen und juristischen Personen an Aktien der Gesellschaft zur Sicherstellung der Umsetzung der Bestimmungen dieses Artikels 14 festzulegen sowie letzte Berichtigungen (welche er nach den Umständen für gerecht und vernünftig hält) an der Gesamtzahl der mit den Aktien verbundenen Stimmen vorzunehmen, um sicherzustellen, dass keine Person gesamthaft direkt oder indirekt 10% oder mehr der gesamten Stimmkraft aller stimmberechtigten Aktienklassen erhält. Bei der Auslegung kann der Verwaltungsrat Gesetze, Reglemente und übrige Bestimmungen sowie Rechtsprechung aus dem In- und Ausland beziehen, welche diesem Artikel 14 grundsätzlich ähnlich sind.
- f) Der Verwaltungsrat kann in besonderen Fällen Ausnahmen von den vorerwähnten Stimmrechtsbeschränkungen gewähren. Die Stimmrechtsbeschränkung findet keine Anwendung auf die Ausübung des Stimmrechts durch den unabhängigen Stimmrechtsvertreter.

**B. Der Verwaltungsrat**

**Artikel 17 Wahl, Konstituierung und Entschädigung**

- a) Der Verwaltungsrat besteht aus wenigstens drei und höchstens dreizehn Mitgliedern. Die Amtsdauer des Verwaltungsrats beträgt ~~drei Jahre. Die erste Amtsdauer wird für jedes Mitglied~~

him, her or it by the shareholders in accordance with their instructions. If no instructions have been given, the Independent Proxy shall abstain from voting. If the Independent Proxy is unable to exercise his, her or its office, the proxies and instructions shall be deemed to be given to the substitute of the Independent Proxy.

- e) The Board of Directors shall have the authority to interpret the provisions of this Article 14 and to determine the ownership of shares by any individual or entity so as to fully implement the provisions of this Article 14 and to make such final adjustments to the aggregate number of votes attaching to any shares that they consider fair and reasonable in all the circumstances to ensure that no Person will have in the aggregate direct or Constructive Ownership of 10% or more of the total combined voting power of all classes of shares entitled to vote. In so interpreting this Article 14, the Board of Directors may look to laws, rules, regulations and court decisions (including of countries outside of Switzerland) having language substantially similar to this Article 14.
- f) The Board of Directors may in special cases allow exceptions from this limitation on voting rights. The limitation on voting rights shall not apply with respect to the votes cast by the Independent Proxy.

**B. The Board of Directors**

**Article 17 Election, Constitution and Indemnification**

- a) The Board of Directors shall consist of a minimum of three and a maximum of thirteen members. The term ~~shall be three years. Each year the Board of Directors shall be renewed by~~

**Table of Contents**

~~bei der ersten Wahl durch den Verwaltungsrat so festgelegt, dass jedes Jahr eine gleiche Anzahl Verwaltungsräte neu bzw. wiedergewählt werden müssen und spätestens nach drei Jahren sämtliche Mitglieder des Verwaltungsrats sich einer Wiederwahl haben stellen müssen. Der Verwaltungsrat bestimmt die Reihenfolge der Wiederwahl, wobei die erste Amtszeit einzelner Mitglieder des Verwaltungsrats weniger als drei Jahre betragen wird, ein Jahr. Diesbezüglich ist unter einem Jahr der Zeitraum zwischen zwei ordentlichen, aufeinanderfolgenden Generalversammlungen zu verstehen. Im Falle einer Zu- oder Abnahme der Anzahl der Mitglieder des Verwaltungsrats, bestimmt der Verwaltungsrat die neue Reihenfolge der Wiederwahlen. Infolgedessen kann die Amtsdauer einzelner Mitglieder des Verwaltungsrats weniger als drei Jahre betragen. Die Amtsdauer läuft mit dem Tag der nächsten ordentlichen Generalversammlung ab, vorbehaltlich vorgängigen Rücktritts oder Abwahl. Wenn vor Ablauf dieser Amtsdauer Verwaltungsräte ersetzt werden, läuft die Amtsdauer der neu hinzu gewählten Mitglieder mit der ordentlichen Amtsdauer ihrer Vorgänger ab.~~

Die Mitglieder des Verwaltungsrats können wiedergewählt werden.

- b) ~~Der Verwaltungsrat konstituiert sich. Die Generalversammlung wählt die Mitglieder des Verwaltungsrates einzeln. Die Generalversammlung wählt den Präsidenten des Verwaltungsrates aus dem Kreis der Verwaltungsratsmitglieder. Im weiteren konstituiert sich der Verwaltungsrat selber. Der Verwaltungsrat wählt seinen Präsidenten sowie einen Vizepräsidenten. Er und bezeichnet einen Sekretär; dieser braucht nicht dem Verwaltungsrat anzugehören. Die Organisation des Verwaltungsrats wird im Organisationsreglement festgelegt. Der Vorsitzende hat den Stichentscheid.~~

~~rotation, to the extent possible in equal numbers and in such manner that, after a period of three years, all members will have been subject to re-election. The Board of Directors shall establish the order of rotation, whereas the first term of some members may be less than three years. In this regard, one year shall mean the period between two ordinary General Meetings of Shareholders. In the event of increase or a decrease in the number of Directors, the Board of Directors shall establish a new order of rotation. In this context the terms of office of some members may be less than three years.~~ for each member of the Board of Directors shall conclude at the next ordinary General Meeting of Shareholders. The term of office of a member of the Board of Directors shall, subject to prior resignation or removal, expire upon the day of the next ordinary General Meeting of Shareholders. Newly-appointed members shall complete the term of office of their predecessors.

Members of the Board of Directors may be re-elected.

- b) The General Meeting of Shareholders shall elect each member of the Board of Directors by separate vote. It furthermore shall elect the Chairman from among the members of the Board of Directors. Otherwise the Board of Directors shall constitute itself. It appoints its Chairman, a Vice-Chairman and a Secretary who does not need to be a member of the Board of Directors. The Organization of the Board of Directors is provided for in the Organizational Regulations. The Chairman shall have the casting vote.

**Table of Contents**

c) Die Mitglieder des Verwaltungsrats erhalten für ihre Tätigkeit eine Entschädigung, deren Höhe vom Verwaltungsrat festgelegt wird. Die Mitglieder des Verwaltungsrats sind ebenfalls berechtigt, an Mitarbeiterbeteiligungsprogrammen der Gesellschaft teilzunehmen.

d) Soweit es das Gesetz zulässt, werden die Mitglieder des Verwaltungsrats sowie der Geschäftsleitung aus dem Gesellschaftsvermögen schadlos gehalten für Forderungen, Kosten, Verluste, Schäden, Bussen, und sonstige Auslagen, welche ihnen im Zusammenhang mit ihrer Tätigkeit für die Gesellschaft entstehen bzw. gegen diese erhoben werden, es sei denn, ein rechtskräftiger Entscheid eines Gerichts oder einer anderen Behörde stelle fest, dass die betreffende Person die obgenannten Auslagen und Verpflichtungen aufgrund einer vorsätzlichen oder grobfahrlässigen Pflichtverletzung verursacht hat.

Unabhängig von vorstehender Bestimmung schießt die Gesellschaft den Mitgliedern des Verwaltungsrats sowie der Geschäftsleitung die im Zusammenhang mit oben erwähnten Angelegenheiten entstehenden Gerichts- und Anwaltskosten vor. Ausgenommen sind jene Fälle, in denen die Gesellschaft selbst gegen die betreffenden Personen vorgeht. Die Gesellschaft kann die aufgewendeten Auslagen zurückfordern, wenn ein Gericht oder eine andere zuständige Behörde rechtskräftig feststellt, dass die betreffende Person gegenüber der Gesellschaft eine Pflichtverletzung begangen hat.

c) Members of the Board of Directors shall receive compensation for their work in an amount to be determined by the Board. They may also participate in the Company's employee benefit plans.

d) The Company shall indemnify and hold harmless, to the fullest extent permitted by law, each of the members of the Board of Directors and officers out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty on behalf of the Company, provided that this indemnity shall not extend to any matter in which any of said persons is found, in a final judgement or decree not subject to appeal, to have committed with intent or gross negligence.

Without limiting the foregoing paragraph, the Company shall advance court costs and attorney's fees to the members of the Board of Directors and officers, except in cases where the Company itself is plaintiff. The Company may however recover such advanced cost if a court or another competent authority holds that the member of the Board of Directors or the officer in question has breached its duties to the Company.