

We take our responsibility for good management and control very seriously. To meet our goal of sustainable, transparent and efficient corporate governance, we continually incorporate current developments into the improvement process. This applies to the work of the Board of Management and the Supervisory Board as well as to questions of financial reporting and disclosure.

The requirements of good corporate management and control continued to be one of our foremost concerns in 2003. We want to make our decision-making and control structures highly transparent and efficient. In this pursuit, the Board of Management and the Supervisory Board cooperate closely and in a climate of mutual trust. We always disclose information relevant to our company in a timely manner, and we regularly report on our corporate structure, business developments and financial situation. The consolidated financial statements, as well as our quarterly reports, are established in accordance with international accounting standards. We offer our shareholders the possibility of following our Annual General Meeting on the Internet and to exercise their voting rights by proxy instruction.

In the past twelve months, corporate governance continued to be the subject of intense public debate. Increasingly, the debate has focused on individual details, particularly the question of remuneration for the members of corporate organs. At times, this gave rise to the impression that good corporate governance hinged on only this criteria. But Allianz is convinced that responsible management and control require a comprehensive approach that must take into account a multitude of aspects.

The central elements of our understanding of corporate governance are explained in this Annual Report. On pages 14 to 16 we comply with the demand for a transparent presentation of the remuneration for the Board of Management and the Supervisory Board by presenting a detailed remuneration report.

German Corporate Governance Code and Declaration of Compliance

On May 21, 2003, the German Corporate Governance Code was enhanced by a decision of the competent commission of the German Government. An essential part of the revision deals with the remuneration of the Board of Management. In section 4.2 of the Code, the following recommendations were added:

- individualized reporting of the remuneration for the Board of Management,
- an upper limit for stock options,
- publication of the value of stock options,
- publication of the system of remuneration on the Internet and
- information to the Annual General Meeting concerning the basic structure of the system of remuneration.

The Code now also recommends individualized reporting for the remuneration of the Supervisory Board. The new version of the Code was applicable for the first time to the annual Declaration of Compliance in accordance with § 161 of the German Stock Corporation Law (AktG). The Board of Management and the Supervisory Board decided to follow the recommendation of the German Corporate Governance Code in its version of May 21, 2003, with two exceptions. These concern the individualized reporting of remuneration for members of the Board of Management and the Supervisory Board. We are of the opinion that reporting remuneration on an individual basis would not provide any more information relevant to the capital markets than a detailed collective reporting. In addition, past experience indicates that individual reporting tends to level out individual board members' remuneration, which is not in the interests of the company and the shareholders. We declared that Allianz AG has, in the past, met all recommendations of the previous version of the Code. For this reason, reservations to the effect that the maximum number of group-external mandates had been exceeded are irrelevant.

The Declaration of Compliance with the German Corporate Governance Code in accordance with § 161 of the German Stock Corporation Law (AktG) was published on December 17, 2003 and reads as follows:

1. Allianz AG will comply with the recommendations made by the Government Commission on the German Corporate Governance Code (Code version as of May 21, 2003) with the following exceptions:
 - a) The compensation of the members of the Board of Management is published in the Notes to the Consolidated Financial Statements subdivided according to fixed, performance-related and long-term incentive components; however, it is not published individualized (section 4.2.4, sentence 2 of the Code). An individualized breakdown would not provide more information with relevance for the capital markets than a detailed publication of the overall compensation. Furthermore, practice shows that an individualized publication tends to result in a leveling of the individual compensation of the members of the Board of Management. This is not desirable from the company's as well as from the shareholders' perspective.
 - b) The compensation of the members of the Supervisory Board is published in the Notes to the Consolidated Financial Statements subdivided according to components; however, it is not published individualized (section 5.4.5, paragraph 3, sentence 1). The structure of the Supervisory Board's compensation is disclosed in Allianz's Articles of Association and the Annual Report. An individualized statement on the compensation would not provide additional information with relevance for the capital markets.
2. Since the last Declaration of Compliance as of December 18, 2002, which referred to the German Corporate Governance Code as amended on November 7, 2002, Allianz AG has complied with all the recommendations made by the Government Commission on the German Corporate Governance Code then in force.

This declaration is available on our website at www.allianzgroup.com/corporate-governance.

In addition, we applied most of the non-binding recommendations of the German Corporate Governance Code. For example, in relation to the work of the Supervisory Board this applies to the composition and competences of the Audit Committee or the tasks of the Personnel Committee. An exception exists to the extent that the shareholders' representatives on the Supervisory Board of Allianz AG are on principle not elected for different periods of time (Code section 5.4.4), but are all elected

every five years in a regular election. Substitute members are elected at the same time and, should they succeed a departing member, they remain in office only until the end of the current election period. Another exception concerns the suggestion that the performance-based remuneration of the Supervisory Board should contain components based on the long-term performance of the company (Code section 5.4.5, paragraph 2, sentence 2). We do not follow this recommendation. However, the Supervisory Board's remuneration contains a component based on the dividend policy of Allianz. Further details on our position with respect to the recommendations of the Code can also be found on our website at the address given above.

The two listed Group companies Allianz Lebensversicherungs-AG and Oldenburgische Landesbank AG issued a Declaration of Compliance on December 15 and 18, 2003, respectively. Allianz Lebensversicherungs-AG states therein the deviations from the recommendation concerning the individual publication of remuneration for the Board of Management and the Supervisory Board as well as deviations from the recommendation of a performance-oriented remuneration component for the Supervisory Board. Oldenburgische Landesbank AG also states a deviation from the recommendation concerning the individual publication of remuneration for the Board of Management and the Supervisory Board and explains why it does not follow the recommendation for a retention in Directors & Officers Liability Insurance.

The Sarbanes-Oxley Act

As a German company listed on the New York Stock Exchange, Allianz AG is subject to U.S. corporate governance rules to the extent that these are applicable to foreign issuers.

On July 30, 2002, President Bush signed into law the Sarbanes-Oxley Act of 2002, which is aimed at restoring the trust of investors in the capital markets. For this purpose, the law expands the disclosure obligations of corporations and formalizes the processes that precede corporate reporting. Companies are obliged to establish internal control systems that must be maintained and reexamined on a regular basis. By way of certification, certain corporate officers must personally attest to the exactitude and completeness of reporting. Management must also certify that certain requirements concerning the internal control systems have been met. In addition, the law raises the requirements for the independence of auditors and contains detailed rules concerning the Audit Committee.

The Sarbanes-Oxley Act also has considerable implications for Allianz AG. The new disclosure rules require some amendments of our reporting. The Audit Committee is given comprehensive rights and duties. We have adapted the procedural rules of the Audit Committee accordingly.

The Supervisory Board of Allianz AG has determined that the chairman of the Audit Committee, Dr. Manfred Schneider, has the attributes that the SEC implementation ruling requires of the Audit Committee Financial Expert. In addition, Allianz AG has adopted a "Code of Ethics" addressed to the members of the Board of Management and senior financial officers. It sets standards of ethical and righteous behavior in the personal and professional area, particularly regarding the handling of conflicts of interest and the application of the highest corporate disclosure standards. The Audit Committee has adopted new procedures which make sure that the independence of auditors is specially controlled. These procedures meet the stricter independence requirements of the SEC.

The NYSE also enacted new Corporate Governance Rules last year. As an issuer headquartered outside the U.S.A., Allianz AG is solely held to disclose the material differences between its own corporate governance standards and the new NYSE rules. This disclosure will be made on our website as of the date of this year's Annual General Meeting.

The Supervisory Board and its committees

Last year, the Supervisory Board was newly elected for a period of five years. A total of eight new members were appointed to the Supervisory Board. Among other departing members, the previous chairman of the Supervisory Board, Dr. Klaus Liesen, was no longer available for reasons of age. In the constitutive meeting of the newly elected Supervisory Board on April 29, 2003, Dr. Henning Schulte-Noelle was elected as its chairman.

An essential part of the Supervisory Board's work is performed by its committees. The **Audit Committee** constituted in September 2002 is composed of three shareholder representatives and two employee representatives. In its constitutive meeting, the Supervisory Board elected Dr. Manfred Schneider as chairman of the Audit Committee and named Messrs. Dr. Gerhard Cromme, Prof. Dr. Rudolf Hickel, Frank Ley and Dr. Henning Schulte-Noelle as its other members. The main task of the Audit Committee is the preliminary examination of the Group's Annual Financial Statements and Consolidated Financial Statements as well as the Management Report and the Recommendation for Appropriation of Profit. In addition, it examines the quarterly reports and the 20-F filing required in the U.S.A. The Audit Committee also prepares the appointment of the Auditor

by the plenary Meeting of the Supervisory Board, ascertains the required independence of the Auditor, assigns the mandate to the Auditor and sets priorities for the Audit. Its tasks also include the examination of the risk control system. In fiscal 2003, the Audit Committee held five meetings.

The **Standing Committee** has a total of five members, two of which are employee representatives. Its essential function is the approval of matters for which Supervisory Board approval is required, to the extent that such matters do not fall under the competency of the Personnel Committee or must be decided by the plenary meeting of the Supervisory Board. In particular, this concerns the approval of capital market measures and of the acquisition or divestiture of companies or shareholdings in companies. It is also in charge of drafting the respective Declaration of Compliance in accordance with § 161 of the German Stock Corporation Law concerning compliance with the German Corporate Governance Code as well as the regular examination of corporate governance and the efficiency of the work of the Supervisory Board.

The **Personnel Committee** is composed of the Chairman of the Supervisory Board as well as one representative each of the shareholders and employees on the Supervisory Board. It prepares the appointment of members of the Board of Management, tends to ongoing personnel matters of members of the Board of Management and handles questions concerning their compensation. It is also involved in the long-term succession planning for the Board of Management.

The statutory **Mediation Committee** meets only if the Supervisory Board, in a vote on the appointment or recall of a member of the Board of Management, fails to obtain the two-thirds majority required by law.

At the end of 2003, the Supervisory Board conducted an efficiency review in accordance with a recommendation of the German Corporate Governance Code. For this purpose, every member of the Supervisory Board received a questionnaire, requesting evaluations and suggestions concerning individual aspects of the Supervisory Board's work. The questionnaire had previously been approved by the Standing Committee, which compiled the results, condensed them into recommendations as to how the work of the Supervisory Board could be further improved and proposed these to the Supervisory Board in a meeting on December 17, 2003.

Outlook

At the national and European levels, there are a number of supplementary initiatives for the further development of the corporate governance culture. The E.U. Commission is working on the implementation of an “Action Plan” on corporate governance. This plan is intended to more fully harmonize corporate legal rules within the E.U. and set a standard of transparency. In the framework of its “Ten-Point- Program,” the German Federal Government has presented draft laws on corporate integrity and a reform of financial reporting as well as a new balance sheet monitoring bill (enforcement). It is our opinion that future initiatives should focus more strongly on maintaining the international competitiveness of the German corporate governance system.

The corporate governance practice of Allianz AG was also the subject of various media analyses in 2003, and the company received one of the top rankings among DAX 30 companies. We take this as an incentive and an obligation to continue our examination and development of corporate governance in the interest of serving our shareholders, customers and employees and in the interests of our sense of social responsibility.

Up-to-date information on corporate governance is also available on our website at www.allianzgroup.com/corporate-governance.