



Allianz4Good

Allianz SE

Managing risks, creating solutions

Sustainable Development Summary Report 2009

INSURANCE | ASSET MANAGEMENT | BANKING

Allianz 

About this report

Welcome to our Sustainable Development Summary Report. In the following pages we detail the solutions Allianz creates to actively address the key social and environmental challenges faced by our customers and our business.

This report aims to provide a balanced account of our performance in 2008/09, focusing on the most relevant topics. On pages 6–7 you will find an explanation of how these issues were identified.



In the production of this summary and our full report, we followed the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines. Selected GRI indicators are presented on page 28, while a full index can be found in our online report: www.allianz.com/en/about_allianz/sustainability/performance/indicators/page2.html



Allianz is also a signatory to the United Nations Global Compact and we regularly report against its principles. Our latest Communication on Progress can be downloaded from www.allianz.com/en/about_allianz/sustainability/strategy/partnerships/page5.html

You can read our full Sustainable Development Report online at www.allianz.com/en/about_allianz/sustainability/index.html

Allianz Sustainable Development Report 2008/2009

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ALLIANZ GROUP PORTAL

1.8 million poor people are protected by our microinsurance products

Welcome to the Allianz Sustainable Development Report 2008/2009

Our strategy

Our stakeholders

Climate change

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Read more



Will the international community tackle climate change with the same fervor it applied to the financial crisis? Michael Diekmann calls for political action and long-term investment. He sets out our sustainable development priorities and highlights the pivotal role that will be played by our employees and business partners.

CEO message 2



Overarching all Allianz's sustainable development activity is our strategic approach. This is based on identifying material social and environmental risks, then building and sharing knowledge about them. We integrate this understanding into processes, policies, and products across all Allianz operations.

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These are the issues that are of most concern to our stakeholders, and on which Allianz can make a real difference. From aging populations and poverty to evolving healthcare needs and climate change, we are tackling these risks with intelligence, to create solutions for society and growth for our business.

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Our stakeholders not only enable our day-to-day operations, but are the key to Allianz's long-term profitability. In this section, you can read about how we are listening to them, hearing their concerns, and innovating to meet their needs.

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For all a company's good intentions, the bottom line is its performance. In these pages, you can see exactly how Allianz is progressing on key sustainable development indicators. You can also find out what independent rating organizations think of us.

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CEO message

This year the entire world's attention has been focused on the financial crisis and its consequences. Economic programs costing approximately two trillion euros were mobilized within a matter of months. For the first time, the G20 appears to share the resolve to find common solutions and, given the global scope of the challenges that face us, that in itself represents an important step forward.



Should that cooperative attitude raise our hopes for Copenhagen as well? That's where the community of nations is planning to adopt a binding treaty on climate protection this December – a treaty that, in effect, will transform the industrialized nations into carbon-free societies by the year 2050. It's not at all clear whether Europe or the USA will assume effective political leadership roles. It's still uncertain whether global emissions trading can be established quickly enough. And it's equally uncertain how the burden will be distributed between the industrialized and emerging economies.

To confront these issues, too, a great deal of money will be involved. But in contrast to resolving the financial crisis, this is not the place for short-term rescue measures: what's called for is an ongoing investment in our future. According to economics professor Nicholas Stern, it will cost us about one percent of the total global economic output to transform ourselves into a climate-friendly society. Seven hundred billion euros a year – that's a lot of money, but it's only one-third the cost of the current economic programs, and a mere fraction of the potential price of advancing climate change.

A lead author

of the green paper "Financing a global deal on climate change", to be presented at the Copenhagen climate summit by the UNEP Finance Initiative

www.allianz.com/en/about_allianz/sustainability/strategy/index.html

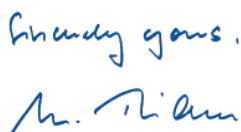
Allianz is deeply concerned about climate change – as it is with the effects of the gradual aging of many industrialized societies, the economic progress of developing and emerging economies, and the risks and opportunities of new technologies. These global challenges will have critical impacts on our clients' lives and businesses over the coming decades – and, as a result, on our business as well.

As a leading insurer, we already have a variety of influences in these areas. Vital innovations will reach the market only if we can assess and insure against their risks at an early stage. And innovations will not become established in the marketplace until they have been implemented by our clients and accepted socially. That's why we're collaborating with leading non-governmental organizations and experts, and making the jointly-developed knowledge available to the public on our knowledge partner site (www.allianz.com/en/about_allianz/sustainability/allianz_knowledge/index.html). Ultimately, innovations in the marketplace will be developed quickly enough only if institutional investors like ourselves provide capital early on, and – what's often even more effective – create opportunities for our clients to invest, through funds and other capital market products.

Allianz's greatest challenge now is to definitively integrate these urgent requirements into our business model. By establishing Allianz Climate Solutions and Allianz Global Life, and by introducing microinsurance policies for life, health, and property in India, Indonesia, and some African markets, we've taken our first highly instructive steps over the last few years, and have as a result acquired new experience. We're investing more than one billion euros in renewable energy, and are offering some of the first funds and products in these areas. Now we need to transfer these innovations from the niche markets into the domain of everyday business.

Our employees, agents, brokers, and business partners will play a crucial role in this regard. They are the link to our clients, and so must do more than simply be aware of changing client needs: as skilled and persuasive ambassadors, they must actively support our dialogue with our clients, and advocate our innovative new solutions.

We intend to develop a new client orientation that will make possible a more efficient connection between our customers' needs and creative product solutions, in accord with our belief that "with knowledge comes a responsibility to act!" We will measure our success by whether we are able to profitably and sustainably master these challenges jointly with our clients in all our markets. That, in a word, is our guiding principle of sustainability.



Michael Diekmann,
CEO, Allianz SE

1.8 million

people were protected by our microinsurance products by the end of 2008

240 megawatts

is the capacity of our wind farm portfolio

Over 550,000

customers were asked their opinions on our products and services in 2008

Over €1 billion

managed under our global EcoTrends strategy in 2008

Our management approach

Allianz is in a powerful position to help address social and environmental problems through its products and investments. But to do this, we need to manage sustainable development issues smartly and integrate them into our business activities.



We believe that our corporate commitment to sustainable development supports long-term economic growth by enhancing the reputation, brand, and community standing of the Allianz Group.

Our success is driven by the loyalty and trust of our customers, employees, investors, and other stakeholders. And we earn that loyalty and trust by helping find solutions to the concerns they have – concerns like climate change, health, and aging populations. Not to mention that these issues also present financial risks to our business, as well as opportunities to tap new markets and create competitive advantage. Or that by engaging in sustainable development, we enhance Allianz's reputation and community standing.

Given all this, we want to contribute to creating a positive future for our business and society. And we see that requiring a combination of long-term economic value, environmental stewardship, and social responsibility.

Our approach to achieving this has two pillars, the first being corporate sustainable development management. This involves integrating sustainable development considerations into all our business processes, policies, products, and services. It is based on four principles in the areas of:

Products and services that address social and environmental issues. These range from our catastrophe bonds, which transfer the risk of insuring against natural catastrophes to capital markets, to care products designed to meet the needs of aging populations.

Environmental responsibility. All employees are expected to take the environment into account when purchasing supplies. Wherever possible, they should aim to reduce their use of energy and other resources. We have an environmental management system through which our impacts are monitored and controlled.

Partnerships to further our understanding, skills, and solutions. Our three-year strategic alliance with the WWF is a prime example. Through it we are extending our expertise on climate change.

Transparency, including participating in socially responsible investment ratings, as well as producing regular reports on our social and environmental performance. This allows our stakeholders to benchmark us against our peers.

www.allianz.com/en/about_allianz/sustainability/strategy/approach/page4.html

The second of our pillars is corporate citizenship management. This involves strategically supporting communities with social and environmental challenges, for example by donating to underfunded emergency services. It includes volunteering, corporate giving, and the work of our foundations.

The Allianz4Good Principles for Social Engagement form the backbone of our corporate citizenship approach. They are the criteria by which we choose which community projects to support – for example, whether a project is aligned with our business objectives or whether the effect of our engagement can be measured. You can read more about them on page 26.

The implementation of our two-pillar strategy relies on grassroots involvement. But there is also a team of people coordinating our approach. Formed in 2008, the Group Social Opportunities | Allianz4Good team reports directly to Paul Achleitner, member of Allianz SE’s Board of Management. They are based at the Group center, reflecting the fact that sustainable development is one of Allianz’s core strategic issues.

The department’s key task is to coordinate Allianz’s sustainable development agenda, aiming to align subsidiaries with a strategic approach on important issues. The team thus acts as a driver and enabler, making it the subsidiary that is primarily responsible for realizing the sustainability agenda appropriately in the local context.

Addressing the challenges of climate change is a core element of Allianz’s sustainable development road map. Thus, Allianz Climate Solutions (ACS) has been set up – a unit that works closely integrated with Group Social Opportunities (GSO) pioneering tailor-made climate-related products across all our operations. ACS also acts as a think tank on future investment trends in areas such as renewable energy, clean technologies, and carbon markets. Its work is sponsored by the various Executive Board members with responsibility for the relevant business lines.

By incorporating the two pillars of sustainable development management and corporate citizenship management into our approach, we ensure that we are strategically and systematically addressing social and environmental risks and opportunities – both through our business practices and in the wider community.



Our approach to sustainable development

The GSO team is encouraging various functions within Allianz to take ownership of relevant issues. For example, sustainability risks are being integrated into our globally binding Group Risk Policy. Similarly, microinsurance has been transferred from a Group center-initiated pilot to a now established business line in India. In doing this, sustainable development increasingly becomes a natural part of the way we do business.

Stakeholder engagement and material issues

To rise to the challenges of sustainable development, we need knowledge. That means learning from experts, but also listening to our stakeholders. This way we can address the issues that really matter to them.



Our key stakeholder groups are:

- Customers
- Employees
- Shareholders and the investment community
- Communities
- Government and regulators
- External organizations including non-governmental organizations
- Suppliers and other business partners.

Allianz carries out in-depth research on sustainable development issues, often in partnership with expert organizations. We then share it with the public, both on our corporate website www.allianz.com/en/about_allianz/sustainability/studies_publications/index.html and the Allianz Knowledge site (see the panel opposite).

But with many different issues on the sustainable development agenda, how do we choose which to focus on? An important part of that process is to listen to others. We ask our customers, shareholders, employees, and other stakeholders about their concerns. These people enable Allianz to continue operating: only by addressing their needs can we secure long-term profitability.

The starting point is our ongoing stakeholder dialogue. We engage in many different ways, at both Group and local levels. To give you a taste:

- Each year we go on road shows to meet our investors, and we debate sustainable development issues with rating agencies.
- Employees are surveyed to find out what they like about Allianz and what they want to see changed.
- Every Allianz company makes regular calls to get feedback from their customers. Sometimes the local CEO him- or herself makes these calls.
- In our partnerships with non-governmental organizations, experts, and peers, we develop our sustainable development expertise and share best practice.
- We conduct a bi-annual survey of economists, journalists, and other professionals to ask which social and environmental issues they think we should be focusing on. We also get their thoughts on our sustainable development performance.

www.allianz.com/en/about_allianz/sustainability/strategy/issues/page2.html

To prioritize the concerns aired in these communications, an annual workshop is held with participants drawn from key Allianz functions, such as Investor Relations and Group Economic Research and Development. We consider how important each issue is to our stakeholders, and how great its impact might be on Allianz. And we ask ourselves how much control we have over the issue: we want to focus our time and resources on the areas where we can make the most impact.

By asking ourselves these questions, we came up with the matrix below. Naturally this will change over time. The world moves on and we will repeat this process regularly to ensure we are moving on with it.

Did you know...

Our average lifespan increased by 19 years in the second half of the 20th century. And by 2020 more than one billion people will be over 60 – almost twice as many as today.

If we take action now, addressing climate change could cost just 1% of global GDP. Compare that to its potential damage: to shrink the world's economy by 20%.

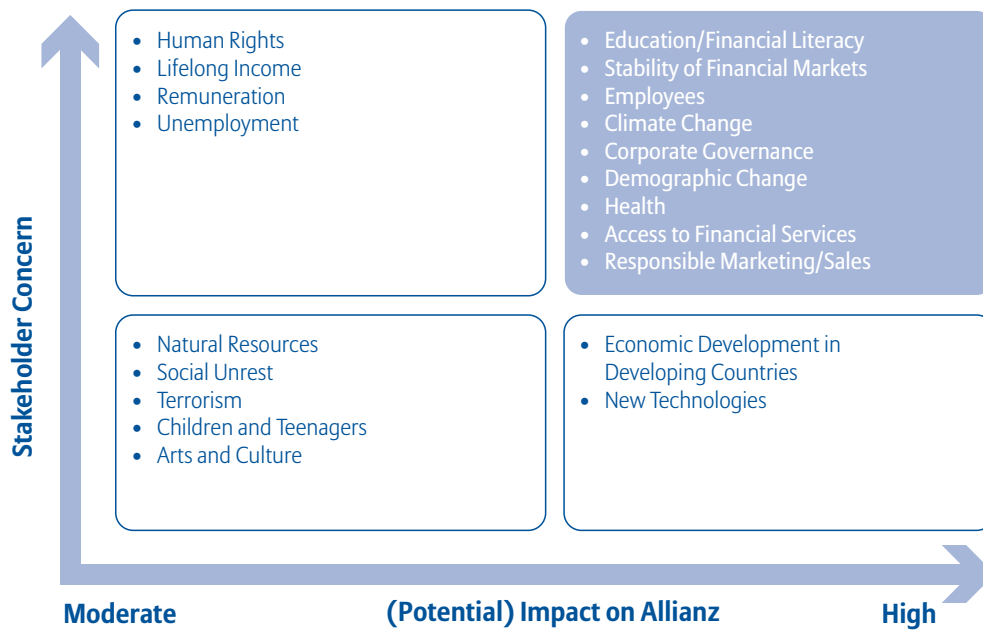
By sharing knowledge like this, we can empower people to live within the earth's means and have a positive impact on society. That is why we developed the Allianz Knowledge site.

It is a repository of useful information on health, demographic change, the environment, and microinsurance, drawing on the knowledge of independent scholars, non-governmental organizations, and Allianz experts. Why not take a look, learn something new, and make a difference today?

Go to www.allianz.com/en/about_allianz/sustainability/allianz_knowledge/index.html



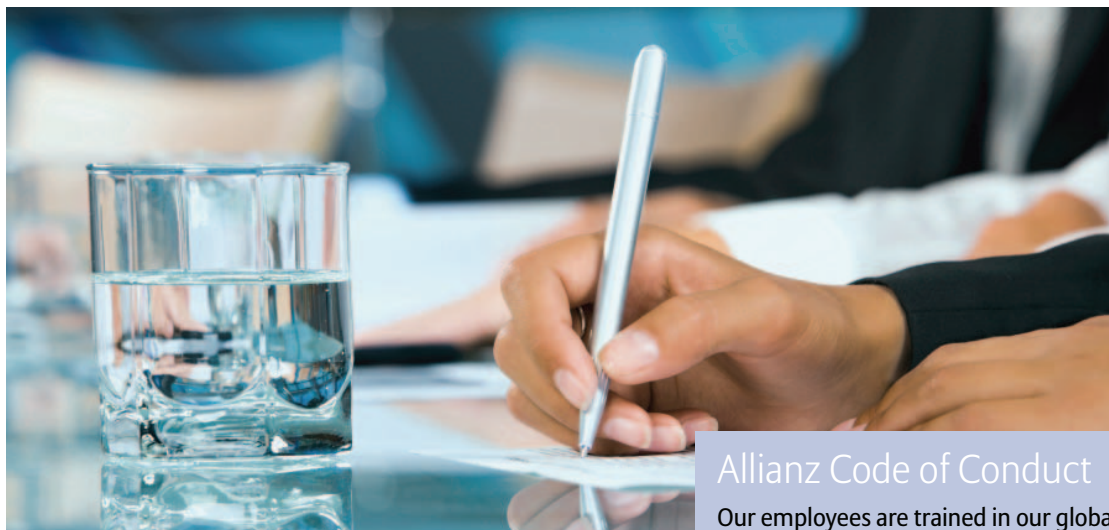
Allianz Materiality Matrix 2008/09



■ These issues are reported on as they are highly relevant to our business and stakeholders.

Corporate governance

Recent high-profile cases have thrown the spotlight on excessive CEO payouts, corporate spying, and other poor governance practices. But how does a company ensure its management and employees act with integrity and responsibility?



Allianz Code of Conduct

Our employees are trained in our global Code of Conduct and expected to comply with its 22 principles at all times. These cover:

- Fair and regulatory conduct of business
- Non-discrimination and openness to feedback
- Prevention of insider trading
- Use of confidential information
- Prevention of corruption and bribery
- Communication with customers and the media
- Acceptance and granting of gifts and other benefits
- Management of conflicts of interest
- Protection of Group property and natural resources
- Prevention of money laundering, financing of terrorism, and other illegal activities
- Protection of employees in cases of whistle blowing.

At Allianz we have a global framework based on transparency and best practice. It is in line with the Sarbanes-Oxley Act, and we were the first company to comply with the German Corporate Governance Code. The framework comprises Group-wide policies such as our Code of Conduct and Group Risk Policy.

The first pillar of our governance framework is our Board constitution. At the heart of a sound governance system is the company's senior management structure. Allianz has a two-tier Board system comprising the Board of Management and the Supervisory Board. The Board of Management sets business strategy and ensures local Allianz companies are acting in line with the Group's objectives. It reports to the Supervisory Board, which also grants approval on some decisions, such as larger acquisitions and disposals.

The current nine Members of the Board of Management come from various countries, echoing Allianz's international presence. Since we became a European Company (Societas Europaea or SE) in 2006, our Supervisory Board is now made up of just 12 members. Six of these are employee representatives: nominated by our staff, they reflect the distribution of Allianz employees across the EU states. The six other members of the Supervisory Board are shareholder representatives and are independent.

www.allianz.com/en/about_allianz/sustainability/strategy/governance/page3.html

The Board of Management's remuneration is set and regularly reviewed by the Supervisory Board. We are aware that senior management remuneration is a sensitive issue and design our remuneration packages to support sustained, value-creating performance from our managers. In 2008, reflecting the impact of the financial crisis, the Board's total remuneration was reduced by 32.3%, compared to 2007.

Living good governance is the second pillar of our global framework. This extends beyond our senior management to all employees. We expect them to conduct themselves ethically, with integrity, and to comply with legal and regulatory requirements. The financial environment is complex and our employees should not have to handle difficult issues such as insider information or money laundering alone – so we have Compliance Officers whose role it is to advise our staff on their conduct.

However, our industry faces various challenges in relation to corruption, as well as legal requirements governing transparent reporting and record-keeping. We are addressing these issues proactively: in July 2009, we launched the Allianz Anti-Corruption Program to further improve the transparency of our controls in this area, and where necessary, enhance them.

When problems do occur, fellow employees are often the first to notice. But raising concerns about a colleague is never easy. In such circumstances, employees are encouraged to discuss their concerns with their immediate supervisor or contact a department such as Compliance or Human Resources. Additionally, we have whistle-blowing mechanisms in many locations. Reports can be made anonymously and whichever route our employees take, no one who reports a concern in good faith can expect reprisal, even if it proves to be unfounded.

Our third corporate governance pillar is risk management. It looks beyond our own company and conduct to the changing environment in which we and our customers operate. As a financial services provider, we are in the business of actively managing risks. We have our eyes on the horizon, anticipating risks varying from climate change to market fluctuations, pandemic diseases to new legislation.

Whatever the risk, our role is to anticipate it and have systems in place to effectively reduce the impact of disadvantageous events on Allianz and our customers. Central to our risk management system are the Group Risk Policy and a set of business segment-specific Minimum Standards, with which our companies need to comply. Both Policy and Minimum Standards are based on best practice and are updated regularly to take new business needs into account as well as ensuring high-quality and effective risk management throughout the Group.

The latest update of the Minimum Standards added requirements for the management of reputational risks, effective from July 2008. These threaten to compromise our corporate values or reputation, for example as an environmentally responsible company. The new standards support Allianz companies in their decision-making on activities that might be perceived as controversial by our stakeholders.

Through these three pillars – corporate constitution, living good governance, and risk management – we ensure that Allianz maintains the highest standards of governance.

Glimpsing the future

Since 2002, a group of our senior executives has been meeting once a quarter. The Trend Assessment Forum gets together to examine trends in risks and opportunities – things like emerging health risks or the social impacts of nanotechnology. Regularly reporting to the Board of Management, this group forms a core part of our strategic early warning system. The system uses a host of tools to comprehensively identify the threats and opportunities emerging from medium- and long-term trends.

Sustainable financial services

Allianz takes a two-fold approach to delivering sustainable financial services: we build social responsibility into our own products and contribute to the development of industry-wide frameworks to address the financial crisis and the challenges of sustainable development.



Through the active management of risk, we support innovation and economic development.

“ For almost two years, the world has experienced a severe financial and economic crisis. It is now critical that all involved learn from these events and draw the right lessons. This is why we have started an extensive information campaign to explain the downturn, and set out what we believe is necessary to improve the financial sector’s regulatory framework.

Building the bridge from today’s shattered markets to a stable financial system requires joint action by all relevant players. For the first time, the G20 seem willing to find common solutions: and we are confident that the upcoming measures will close international regulation gaps and design the right framework for financial markets to serve further economic developments.

Improved oversight, however, will not suffice, as past economic growth was significantly nurtured by the use of economic steroids – cheap credit, that is – and we have to challenge the way we define success. We are entering an age without such performance enhancing drugs and the question now is what such a world will look like.

Allianz’s strong performance throughout the crisis has shown that our long-term horizon and conservative investment strategy position us well towards this challenge. In addition, we have been modifying our products in response to changing customer needs and are increasingly investing in growth markets. In doing so, we are now even more focused on long-term, sustainable solutions.

Based on our experience and actions, and in joint efforts with our stakeholders, we are confident that we will successfully master the challenges of the future. ”



Paul Achleitner, Member of the Board of Management, Allianz SE

www.allianz.com/en/about_allianz/sustainability/sustainable_financial_services/index.html

We also apply this twofold approach – contributing to industry frameworks while building social responsibility into our business – to our insurance and asset management services.

In the insurance segment, we advocate the incorporation of environmental, social, and governance (ESG) factors into underwriting and product development through our participation in the UNEP FI Insurance Working Group (IWG). The IWG has conducted a global survey on the subject that will be published in October 2009. Over 30 employees, including chief underwriting officers and risk managers from Allianz companies around the world participated, and the results will inform the IWG's Principles for Sustainable Insurance, due for launch in 2010.

At Allianz, we incorporate ESG considerations into our risk management (see page 9). For example, we watch emerging risks: those that threaten our future success or our customers, like growing social inequalities. Emerging risks is a regular agenda item for the Insurance Risk Committee, which includes Chief Underwriting Officers from our main companies.

We also design insurance products that promote sustainable behavior and help our customers to manage the environmental and social risks they face. Presented throughout this report, they range from reduced premium policies for insuring energy-efficient buildings to microinsurance products for those living in poverty.

On the asset management side, sustainable development is supported through socially responsible investment (SRI). Increasingly, investors ask asset managers to take ESG criteria into account when selecting investments. We see this as a powerful way to partner with our customers, and we offer a number of SRI funds.

RCM's Global Water Fund is a prime example: it invests in companies that are improving the availability of clean water around the world. And Citizen Care from AllianzGI France has been very successful. It focuses on consumer and environmental protection and was ranked number one in the French SRI market by Morningstar and Novethic. In 2008, the total assets we managed across our SRI funds exceeded €4.1 billion.

When pension fund managers want their assets to be invested according to SRI criteria, they turn to companies like ours with strong track records in this area. The French public service pension scheme, ERAFP, for example, asked RCM to manage €150 million – one of the largest sustainability mandates in Europe. The funds are invested according to the ERAFP SRI Charter, with specialist input from RCM's Sustainability Research Team.

Our two leading subsidiaries on SRI, AllianzGI France and RCM, are also both signatories to the Principles for Responsible Investment. For us, the principles constitute a roadmap towards ambitious goals of further integrating ESG information into our investment decisions.

"The Principles for Responsible Investment are an excellent way for RCM to express our commitment to supporting both existing and potential clients in their efforts to incorporate environmental, social, and governance issues into the investment process."

Bozena Jankowska, Head of the Sustainability Research Team, RCM

Trend alert

In the field of socially responsible investment (SRI), research is vital. At AllianzGI France, an SRI Advisory Committee has been in place since 2005. The committee of 12 assists management in research and integrating sustainable development issues, and has helped AllianzGI become one of the most prominent investors in the French SRI field.

It has been nine years since we established our Sustainability Research Team at RCM, and in 2008 it helped win RCM the accolade of Leading Fund Management Firm for SRI in the Thomson Reuters Extel Survey. RCM studies sustainability-related changes in industry sectors, as well as technological and regulatory developments and social trends. Their insights are translated into stock- and sector-specific trends that enable our asset managers to retain or increase conviction in the stocks we hold. Thus we turn short-term volatility into long-term opportunities for our clients.

Demographic change

We are living longer lives. However, this creates pressure on pensions and healthcare systems. By studying these developments and addressing emerging consumer needs, Allianz is supporting its customers and building business.



“For citizens, increased awareness is needed of the long-term costs of their lifestyles and behavior, and financial companies should help raise their customers’ awareness.”

Markku Wilenius, Senior Vice President and Trend Scientist at Allianz SE

As a financial services provider, demographic change is a burning issue for us. The working population is shrinking and the retired population expanding. This means that state pensions funded by those currently working are no longer adequate in many parts of the world. With insufficient state funds to rely on, individuals are increasingly making their own arrangements with companies like Allianz to provide for their healthcare and living costs in old age.

But this paints an overly simple picture: demographic changes vary around the world. To predict the specific needs of different markets, we have to know local demographics inside-out. To achieve this, we undertake detailed, comprehensive research that feeds into our product development processes.

Tandem, from our subsidiary Mondial Assistance, is a good example of a product designed in light of demographic research. In France, the trends include a growing proportion of elderly people and changes to family structures. These mean it can be problematic for younger generations to look after their elders. Tandem has been designed to

insure against the challenges of becoming a caregiver. The support given to help the carer adjust to their new role includes training from a nurse on how to prepare drugs, and best look after their dependent.

Another case in point is the Schutzbrief 55Plus product from Allianz Germany. Research shows us that what people in their 50s and above fear most is the need for extended care – in an era when family members are not always available to provide that support. Traditional insurance products cover only specific risks, so Schutzbrief 55Plus was developed to be more comprehensive, providing peace of mind for our customers. In addition to standard insurance benefits, Schutzbrief’s clients are relieved of daily burdens, such as cleaning the house, for up to six months. Caregivers also help with medical appointments, personal care, and even making a will. Support like this during times of need enables our customers to maintain their independence for longer.

And the innovation does not stop when it comes to pension products. We have created a unique, research-driven unit called Global Life to manage our pension offer. In 2008, Global Life launched Invest4Life, a cutting-edge annuity product. It combines a pension with a fund investment. Income never falls below a guaranteed level, but if the value of the fund increases so too does the customer’s income.

www.allianz.com/en/about_allianz/sustainability/demographic_change/index.html

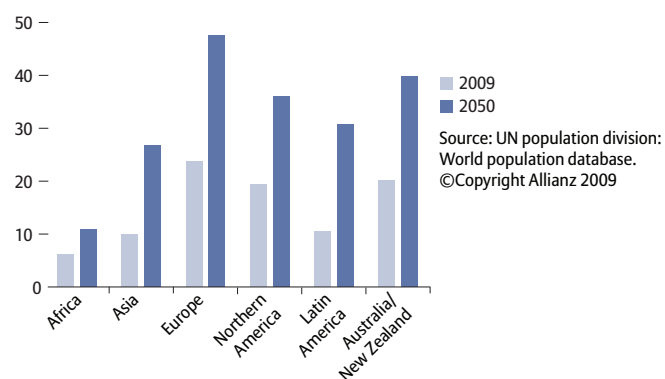
The expertise we develop from our research is not only used to inform our product development: we also make it public. After all, the challenges of demographic change cannot be tackled by our sector alone: they also require government action and consumer awareness.

One way in which Allianz raises customer awareness is through our various financial literacy programs around the world. Did you know, for example, that to fill the gap between state pension finances and pensioners' requirements, a 30-year-old in Germany should put aside around 5% of his or her income? And that figure jumps up if you put off saving until later in life.

It is not just the financial side we counsel customers on. As people live longer, we can advise them on changes in their health. For example, in old age the chances increase of suffering devastating conditions like Alzheimer's. But there is cause for hope: by exercising the brain, the onset of dementia can be delayed. With this in mind, Mondial Assistance has launched a program for customers aged 50 and over, teaching them techniques to keep their brains active.

As these examples show, by understanding demographic change and translating its challenges into imaginative products and services, we continue to meet our customers' needs.

Old-age dependency ratios (%)



Old-age dependency ratio is a measure of the number of people aged 65 and older expressed as a percentage of the number of people aged 15 to 64. In Europe, for example, by 2050 for every 100 people of working age, there could be 47 people in retirement. These trends make today's pension and social security systems financially unsustainable.

Demographic change: Q&A

What is demographic change?

It is an umbrella term for changes in the structures of populations. For example, a falling number of births, increased life expectancy, or migration patterns.

Are these changes global or at the level of individual countries?

There are global trends: people are living longer and fewer babies are being born. This means more people in the world, and particularly more old people. But there are also variations at continent and country levels. Some of the most noticeable differences are between developed and emerging economies.

What is the main difference between developed and emerging economies?

People live much longer in developed countries – at least 20 years longer in Europe or North America, compared to Africa. Life expectancy is increasing in emerging economies, as improved medical standards and hygiene are reducing infant mortality. But it is also increasing in developed countries, mainly because healthcare advances are enabling people to live longer into old age.



Our research reports on the impacts of demographic change are all available to download at www.allianz.com/en/about_allianz/sustainability/studies_publications/index.html

Microinsurance

Billions of people around the globe live in poverty with limited access to financial services. Without insurance, they risk losing everything. Through microinsurance schemes, we can offer low-cost protection to those at the bottom of the economic pyramid while building our business.



“Microinsurance made a difference to the way we used to manage our immediate and unforeseen needs; we never had choices about how to manage our risks before. Now I can proudly say that the program generated opportunities for us to lead a dignified life and achieve a greater level of financial security.”

Amudha Bhaskaran, Kalaimagal Self-help Group Leader

The map opposite shows Allianz’s microinsurance offer. Our schemes are typically managed in partnerships with organizations such as SKS microfinance, CARE and PlaNet Finance. Some are supported by developmental organizations like the United Nations Development Programme or the German Society for Technical Cooperation (GTZ).

By the end of 2008, we had over 1.8 million people, mainly in India, insured against disability, accidents, and damage to property, as well as giving them the opportunity to save money through life insurance. Globally, our premiums totaled over €10 million in 2008.

It seems clear that microinsurance is a double bottom-line business: good for society and good for Allianz. But it is not without its challenges. Michael Anthony (MA), Microinsurance Expert at Allianz, told us more.

Microinsurance sounds like a real good-news story...

MA: Yes, but it’s not been an easy journey. The microinsurance market is very different to the markets we’re used to, and we’ve learned a fair few lessons along the way. Like with any innovations, we were hitting some walls in the early years.

Such as?

MA: Well, to succeed microinsurance needs to be low-margin, high-volume. We learned a lot, first of all, about the needs of a client segment that we considered outside our target market only a few years ago, so we could design our products accordingly. Developing an affordable solution that meets the social criteria of our local partner organization and is still profitable – that is the main challenge.

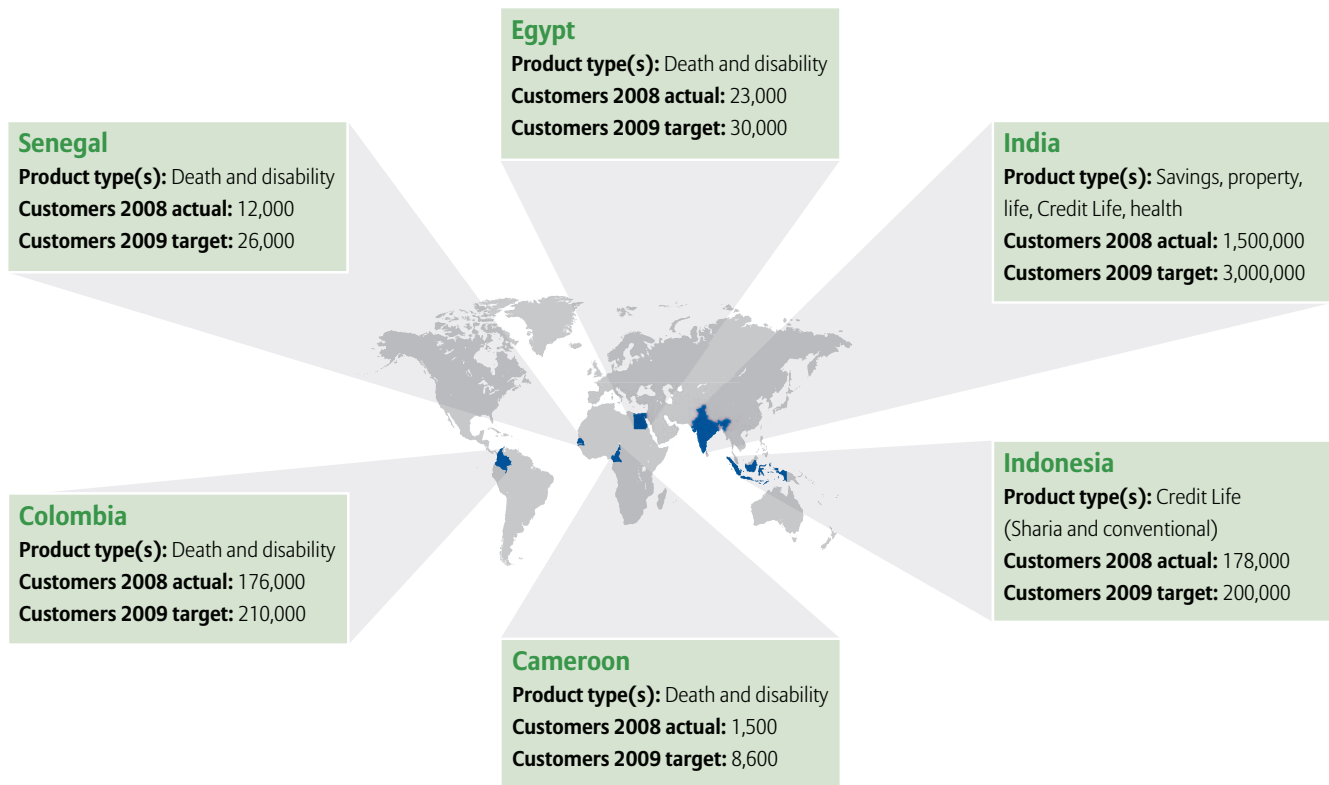
Also, competition is growing and there is already a race for the market at the bottom of the economic pyramid.

The proportion of poor people who have access to governmental or private insurance schemes is just 3%. This makes the other 97% very vulnerable. Should they lose their homes or suffer ill health, they have little to fall back on. Moreover, many poor people are particularly exposed to accidents and natural catastrophes, such as those affected by Cyclone Nisha in 2008 (see the case study opposite).

Microinsurance is an important safety net for low-income households and its advent is a milestone in fighting poverty. But it is also a sustainable profit-making business for Allianz.

www.allianz.com/en/about_allianz/sustainability/microinsurance/index.html

Allianz's microinsurance offer



But affordability of insurance is to do with risk levels.

How can you offer low-cost products in high-risk areas?

MA: We focused on low-cost distribution and processes. But we overestimated the availability of commercial reinsurance to diversify the risks from natural catastrophes. Microinsurance against crop losses or natural catastrophes is still tricky. Our approach is to innovate with care and to look at unusual answers to mitigate the risks. In the case of health insurance, we organized the community into a health mutual, thereby reducing the fraud rate to almost zero – unheard of in health insurance before now!

Sounds like you're getting creative.

MA: You have to! Entering this segment means pairing your classical insurance know-how with innovative bottom-up solutions. You should see how we sell microinsurance in India. 90% of our clients there have never heard of the concept of insurance before. So our partner CARE India is organizing mass awareness-raising campaigns in the villages, putting on puppet shows and Bollywood-style sketches to get the message across. It's different, but it works!

Microinsurance tested

In 2008, Cyclone Nisha hit parts of southern India and northern Sri Lanka, leaving devastation in its wake. In that area, we offer a €2.5 per year microinsurance product – typically bought by fishermen, stall holders, and cattle herders.

After the cyclone had passed, we received over 16,000 insurance claims. But with flooded roads and no electricity, it would have taken a considerable time for Bajaj-Allianz to assess all those claims. So we came up with a creative solution. Our community partners and CARE fieldworkers assessed the damage while the Bajaj-Allianz team checked random samples. It took about two months to complete the process and make payments to valid claimants.



Health

Healthcare needs are increasingly changing. Not only do they vary between different countries, but with medical advances continuing apace, it can be hard to keep up. Allianz stays abreast of developments and innovates accordingly.



“The area of health is one where we are constantly facing new challenges. These days, special attention must be paid to questions raised by issues such as demographic change, medical advances, and the related healthcare financing. To meet these challenges adequately, innovation is needed so we can provide sustainable concepts specifically adapted to these new circumstances.”

Olaf Tidelski, Head of Claims and Health Management, APKV

Innovating means seeing how our customers' needs are evolving and helping to protect their health in new ways. Our approach goes beyond insurance: Allianz also raises awareness of wellbeing issues and promotes disease prevention, for instance. From piloting health insurance for the low-income market in India to investing in medical centers and hospitals in Russia, we are approaching the challenges of health in new ways.

Today's globalized society has brought an increasingly mobile labor market, with companies keen to offer top-quality healthcare to their employees, wherever in the world they are working. To respond to this evolving demand, we established Allianz Worldwide Care (AWC) in 2000, since when it has grown to serve clients in 150 countries, including students studying abroad, English retirees in Spain, and globe-trotting fashion models. In 2008, AWC won the Best International Private Health Group category at the Investment Fund and Product Awards, with both its range of flexible products and its partnerships with local medical services being praised by the judges.

“Being a part of a global network puts us at a distinct competitive advantage. International healthcare competitors may compete in many of the same markets, but they don't have the local expertise Allianz has in each market to call on.”

Ron Buchan, CEO, Allianz Worldwide Care

www.allianz.com/en/about_allianz/sustainability/health/index.html

Germany and France are our key health insurance markets in the western hemisphere. Here, our companies go beyond the role of health insurer, playing a more active part in managing our customers' health needs.

Allianz Private Krankenversicherung (Allianz Private Health Insurance – APKV) is a good example. With its GesundheitsLotsen>>® service it has reacted to the increasingly complicated world of healthcare, where people often feel overwhelmed by all the information and options given to them. Different treatment choices, scheduling procedures, and payment requirements can be too much to take in. With GesundheitsLotsen>>®, customers can call our helpline before, during, and after an illness or hospital stay – and over 5,000 customers have already been guided through the complexity of healthcare in this way.

Another example of APKV's expanded service is provided by its specialist programs for knee and hip replacements. APKV coordinates all the treatments and administration involved, making the process easier for our customers while giving them access to the best-quality services. The hospital also provides a 10-year guarantee on the replacements. Measures like this take the supplementary worries of healthcare off our customers' shoulders, so they can focus on getting better.

Our approach also extends to supporting consumers before they reach the point of needing medical treatment. Increasingly, society is interested in healthy lifestyles and disease prevention: our own survey showed that 44% of Germans identify themselves with a "Lifestyle of Health and Sustainability". Prevention and awareness programs therefore represent an opportunity for us to contribute to society at the same time as reducing our costs by lowering customers' needs for medical care.

In France, for instance, Mondial Assistance is helping elderly customers keep devastating diseases like Alzheimer's at bay. The risk of contracting dementia is reduced by stimulating the brain. Mondial's program takes advantage of this fact with its tailored modules for 50- to 70-year-olds and those over 70. The younger group receives training from specially trained nurses on activities to keep their minds active as they age. For the older group, Mondial has created a test to identify whether people need ongoing support or to be admitted to a specialist clinic.

Disease prevention campaigns like this one are invaluable for society and for our business. At the same time, we also see it as our responsibility to raise awareness of the advantages of having insurance in the event of ill health, and to offer affordable products.

For example, in Thailand, cancer is the number one cause of death. Yet many people do not insure themselves against the impacts of contracting the disease. The reasons for this are manifold: a lack of awareness, the effort involved in purchasing insurance, the requirement for a medical check-up, and the cost.

In 2008, Allianz Thailand developed an innovative product that addresses all these barriers. It was launched with a campaign to raise awareness of cancer prevention and the need for protection. The product is very reasonably priced and is sold separately from broader health insurance. No medical check-ups are required, and it can be bought simply through a television shopping channel. It is unsurprising, then, that over 14,000 customers had signed up for its protection by the end of 2008.

No place like home

It is bad enough to be in hospital with a leg infection. But if you have given birth just weeks ago, and being in hospital means you have to stop breast feeding, it can be really distressing. This was the situation a customer of Allianz Care in Brazil found herself in. But she was lucky: under our Assisted Hospital Release Program, she was able to complete her treatment at home.

The program involves Allianz nurses assessing patients' individual circumstances to enable them to go home as soon as they are ready. Support is put in place so they can complete their recovery outside hospital. Our new mother, for example, received medication and specialist dressings in her own house. For Allianz, this approach lowers our costs – in this case creating savings of over €15,000. For our customers, there is less risk of infection and a more comfortable recovery environment.

Climate change

Climate change is a threat to society and a risk for the insurance industry. Allianz's response is holistic: we offer products to protect against climate risks, but also support the transition to a low-carbon economy through investment and research.



"Green products, of course, are not large-scale in the beginning, but they are profitable, and we can help our customers reduce their carbon emissions and participate in the global effort to slow down climate change."

Martin Ganseder, Head of Insurance Services,
Allianz Climate Solutions

investment decisions. And through our strategic global partnership with the WWF, we develop expertise on the wide-ranging impacts of climate change on the financial sector.

One of our subsidiaries is exclusively devoted to climate change-related business: Allianz Climate Solutions (ACS) focuses on the growing markets for renewable energy and clean technology, as well as services for the carbon market. Together with the Allianz Center of Competence for Climate Change (4C), ACS develops new climate-related insurance products such as:

- Products and services that promote "low-carbon" behavior. The Allianz Craftsmen Service is an example: their energy calculator and advisory service help homeowners understand the options for reducing their domestic CO₂ emissions. And if customers want to make reductions, we have a network of qualified craftsmen available to help.
- Products that address new climate risks. For example, one of our Russian subsidiaries, ROSNO, offers agricultural insurance to cover farmers against weather risks that can cause bankruptcy. Crop insurance can be problematic because many clients will be affected by the same weather events. This means they claim at the same time, making the product risky or unprofitable for the insurance company. By working with weather indexes, ROSNO structures the risks more clearly, making it easier to attract reinsurance, and thus has created a profitable product.
- Products related to emissions trading and carbon neutralization projects. AGCS provides a case in point, as it offers insurance against lost income from carbon credits, for example if generation is disrupted at a renewable energy project.

Few now doubt the negative effects of global greenhouse gas emissions on climate change, and the insurance industry is on the frontline of increasing storms and floods: 40% of the industrial claims Allianz now pays out are due to natural catastrophes.

How can Allianz manage the risks that climate change poses and how can we support the slowdown of global warming through our products and investments? In collaboration with a number of leading climate change experts and selected industry groups, we gather the necessary knowledge to inform climate change-related investment decisions and product development.

Allianz co-chairs the UNEP Finance Initiative Climate Change Working Group, where we work to mobilize our industry into action. We are also a founding signatory of the Carbon Disclosure Project, which advocates the publishing of companies' emissions data to assist climate-informed

www.allianz.com/en/about_allianz/sustainability/climate_change/index.html

In our investment business, Allianz drives the investments required for a global shift to a low-carbon economy, achieving both a positive environmental and financial bottom line (see graph below).

For example, RCM's EcoTrends Fund invests in companies working in renewable energy and other areas of environmental protection, and its global strategy had over €1 billion under management as at the end of 2008. Our investment approach has won external recognition: not only did the UK EcoTrends Fund win "Best Climate Change Investment Fund 2008" in its first year on the market, but the Sustainability Research Team involved in its development was ranked the second Leading Fund Management Firm for socially responsible investment (SRI) by the Thomson Reuters Extel SRI Survey.

A proportion of the life insurance premiums received from our clients goes straight into the renewable energy sector. Allianz has built up a portfolio exceeding €500 million of investment in wind parks across Italy, Germany, and France. We will further expand our renewable energy portfolio through wind and solar power investments to a total value of €1 billion by the end of 2012.

In our reinsurance business, we have issued innovative catastrophe bonds that mitigate against potential future limits on insurance capacity for climate-related disasters. In 2009 we brought transactions worth over €120 million to the market.

Offshore wind energy: the decisive blow?

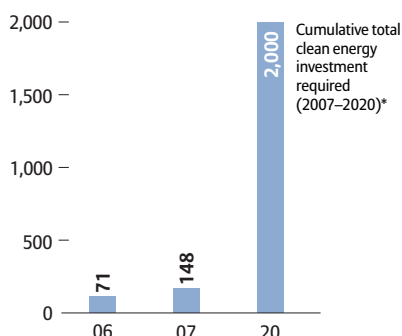
Building an offshore wind farm is challenging enough even without financing hurdles. But with investors waiting for risks to be insured, and insurers holding out for investment, does this vicious circle signal the premature end of the industry? Find out how Allianz is taking action in our online report: www.allianz.com/en/about_allianz/sustainability/climate_change/technology/page2.html

Spreading the word

We make our research on climate change freely available on our website – go to www.allianz.com/en/about_allianz/sustainability/studies_publications/index.html



Global clean energy investments (\$ billion)

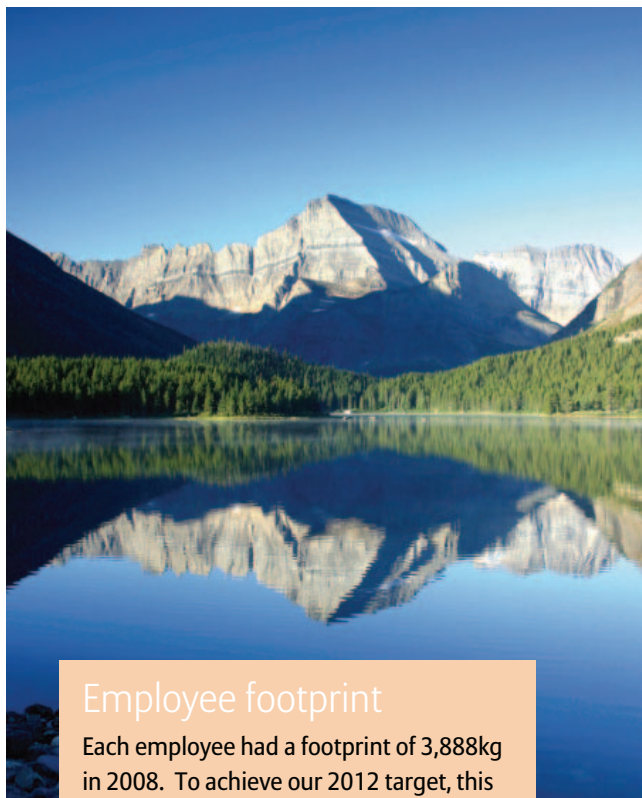


* Source: New Energy Finance, IMF, SEFI, UNFCCC, McKinsey. Investments include both debt and equity.

2008 targets	2008 progress	2009 targets
Develop three product lines for all customer groups: <ul style="list-style-type: none"> • Energy efficiency (climate change mitigation) • Adaptation to climate change • Carbon markets and offsetting. 	Achieved (see page 18). Achieved (see page 18). No new products in 2008.	Further expand energy-efficiency products and carbon market-related insurance products.
Set up virtual networks of environmental product innovators to leverage synergies and encourage best practices across Allianz companies.	Achieved. The Allianz Center of Competence for Climate Change was established in 2008, and is sponsored by our Board Member for Global Lines.	Further share best practice solutions related to environmental products across Allianz companies.

Environment

We all contribute to climate change – Allianz included. But we recognize the great risk it poses for our planet, so are not taking any shortcuts in reducing our footprint. We cut our carbon dioxide emissions by over 3% per employee in 2008.



Employee footprint

Each employee had a footprint of 3,888kg in 2008. To achieve our 2012 target, this needs to fall by a further 680kg.

That is progress towards our chief environmental goal – to reduce carbon dioxide (CO₂) emissions per employee to 20% below 2006 levels by 2012. As our environmental impact is small compared to many companies, it can be harder to find opportunities to cut emissions. But we are taking a thorough and focused approach to help us meet our target.

To systematically control our environmental impacts, we have implemented an Environmental Management System (EMS). We are committed to doing this right, and our EMS is in accordance with the European Eco-Management and Audit Scheme (EMAS) and the international standard, ISO 14001. It is also underpinned by our globally binding Code of Conduct.

Our EMS covers the five indicators that contribute to our CO₂ emissions: energy use, business travel, paper consumption, waste, and water use. The first three account for 99.1% of our emissions, so we pay particular attention to them.

www.allianz.com/en/about_allianz/sustainability/stakeholders/environment/page5.html

“The level of personal engagement in tracking our consumption of natural resources and driving change has been extraordinarily high within each of the 38 companies we have rolled out the EMS to. It proves that every colleague involved considers this an important responsibility for the company.”

Astrid Zwick, Group Sustainable Development Manager

For each of these there are various opportunities to reduce emissions, and we are guided by this hierarchy:

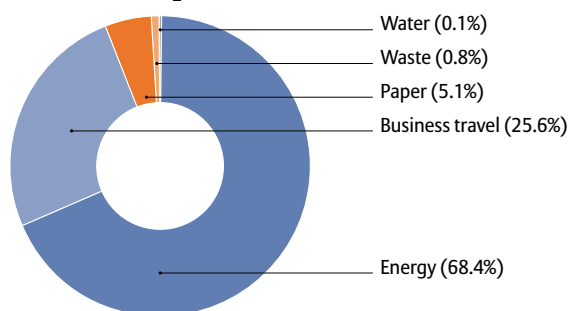
1. Avoiding unnecessary emissions, for example by video conferencing instead of travelling
2. Reducing emissions, for instance through low-energy lighting
3. Substituting alternatives, such as renewable energy
4. Neutralizing emissions, for example offsetting carbon emissions associated with the mail we send.

Rolling the EMS out to countries as diverse as the United States, Malaysia, and Russia, all with differing environmental challenges and possibilities – is an ambitious project. Nonetheless, 38 companies (representing 83% of employees) use the EMS so far.

Of those 38, the majority started in 2007 or 2008, so most impact reduction measures are recent. Already, though, those measures are taking effect: our emissions are falling and we expect them to drop even further as the EMS fully takes hold.

The measures that Allianz companies have implemented are plentiful and diverse. Allianz Austria, for example, has cut gas use at its head offices by an amazing 72% and electricity by 28% over just three years. This was achieved through a multitude of improvements to the building and lighting systems, including installing a new building control system. These steps have earned the company a European Green Building Award.

Allianz's 2008 CO₂ emissions by source

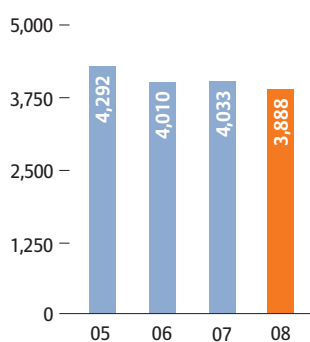


Allianz Australia has over 60 hybrid vehicles in its fleet, and many companies have installed water-saving valves in their bathrooms. Allianz UK hit Gold in the City of London Clean City Awards by recycling 73.5% of its waste.

Every one of these actions, and the many more across our business, lessened Allianz's contribution to climate change. To put some numbers to that, in 2008:

- Energy use per employee fell 2.2%, mainly due to the reorganization of our server infrastructure and building improvements
- Our restructuring process, which involved much travel in 2007, ended in 2008. This helped our employees' travel drop by 5.3 million km
- Waste per employee dropped by 2.5%. The completion of the restructuring, and less rebranding activity contributed. Of course, with waste it is not just a question of how much you produce, but what you do with it. 58% of ours is recycled
- Through improved building control systems and various sanitation and renovation measures, we reduced water consumption per employee by 4.3%
- Paper was the only indicator not to improve, with consumption increasing 6.9%. We are actively addressing this issue with measures including setting a standard of double-sided printing across the Group.

CO₂ emissions per employee (kg)



These results, together with increased use of renewable energy, produced the 3.04% reduction in CO₂ emissions per employee, compared to our baseline year of 2006. In 2008, we saved over 19,000 metric tons of CO₂ – equivalent to the collective annual carbon footprint of 1,831 European residents.

That is an important contribution to environmental protection. And our actions also reduce costs and enhance Allianz's reputation. Already our thorough approach to environmental management is reaping rewards. With examples of good practice in place and more on the way, we look forward to even greater benefits.

Selective environmental indicators

Indicator	2007	2008	Change
Energy per employee (kWh)	8,010	7,833	-2.2%
Business travel per employee (km)	6,180	6,095	-1.4%
Paper use per employee (kg)	191	205	+7.3%
Waste per employee (kg)	240	234	-2.5%
Water per employee (liters)	15,176	14,524	-4.3%

2008 targets	2008 progress	2009 targets
Environmental guidelines		
Produce environmental guidelines for real estate.	This was rescheduled.	Allianz Real Estate to develop a concept for the evaluation of several building categories in order to build a foundation from which to develop carbon related guidelines in 2010.
		Conduct a preliminary study on environmental guidelines for IT.
Data collection		
Increase the environmental data collected to cover 80% of employees and integrate further 15 Group companies in the EMS.	15 new companies were integrated; the EMS now covers 83% of employees, with data collection covering up to 76%.	Develop a concept for the integration of environmental data collection into our financial data reporting processes, to further improve data quality and coverage.
CO₂ reduction		
Reduce CO ₂ emissions per employee by 20% by 2012 (based on 2006 levels).	Emissions were reduced by over 3% compared to 2006 levels.	Further reduce CO ₂ emissions towards our 2012 target.
Set up reduction plans for each of the key contributors to our CO ₂ emissions (energy, paper, water, waste, and travel).	Rescheduled due to the further expansion of the EMS.	Set up reduction plans for each of the key contributors to our CO ₂ emissions (energy, paper, water, waste, and travel).

Customers

With the reputation of financial institutions deteriorated by the financial crisis, our sector needs to rebuild customer trust. At Allianz, we are further strengthening our operating approach to put customers – at the heart of everything we do.



“Above all we have to listen to our customers’ needs – especially now, when so many of them feel uncertain as a result of the crisis – and work consistently with the Net Promoter Score results from our customer surveys. On balance, I expect that the financial crisis will prove to be an opportunity for us, not a threat, and that, ultimately, we will emerge as a company that forms a strong, sound community for all involved, a true alliance in troubled times.”

Michael Diekmann, CEO, Allianz SE

In our business, consumer protection is vital. Large areas of our operations are regulated as a result – Allianz’s entire sales process, from product idea through to market delivery. We are committed to keeping customer data secure and only gather personal data for purposes the customer has approved of. Allianz also communicates the prices and conditions of our products and services in clear, comprehensible language and we test our marketing materials to ensure that customers really understand them.

But following legal requirements is not enough to create a sustainable business. Success requires satisfied and loyal customers. We see the evidence: 40% of new customers cite recommendation by an Allianz customer as a factor in their choice of our products. And it is our goal to be the customer loyalty leader in all countries where we operate.

By listening to our existing customers, we can find out what we need to do, keeping them satisfied and maintaining their loyalty. As Gerhard Rupprecht, Member of our Board of Management, says, “It is important to ask our customers their opinions on the quality of our service on a regular basis. Their feedback is invaluable when it comes to continually improving ourselves.”

Our Customer Focus (CF) program incorporates standardized tools such as customer loyalty measures, feedback calls, and complaints management. It is rigorous: to ensure our customers’ complaints and feedback are addressed with the proficiency they deserve, Allianz companies go through a certification process in the use

www.allianz.com/en/about_allianz/sustainability/stakeholders/customers/page2.html

of Net Promoter Score (NPS) and Complaints Management. Forty companies (representing 90% of our Gross Written Premiums), have now done so. And with improved customer loyalty a target for every Allianz company, this is a priority throughout the business.

Under CF, we measure customer loyalty using two types of NPS. “Top-down” NPS is assessed annually, and used to benchmark our companies against competitors. “Bottom-up” NPS is used at critical points, such as when a customer makes an insurance claim.

For the process of gathering “Bottom-up” NPS scores our frontline staff is calling customers. Over 550,000 customers were called in 2008, and 30–50% of these initial calls are followed up to find out the underlying reasons for their scores. From the data gathered, Allianz companies can assess trends and come up with ways to better serve their customers.

For example, through NPS calls Allianz Austria identified that satisfaction decreased if customers were not contacted regularly or if sizeable claims took a long time to be settled. The company now regularly contacts life insurance customers with tailored advice, and has adapted its processes for high-value claims. Allianz Spain is responding to its NPS feedback too: an SMS service has been introduced to keep customers informed about the progress of their insurance claims.

We also learn from customer complaints. The proficient handling and analysis of complaints is an important part of CF. Based on the valuable insights they gain from the tools, all major Allianz companies are expected to remove their biggest customer frustrations in 2009.

In fact, our shift towards a more customer-focused culture is already reaping rewards. In 2008, Allianz won a series of customer service awards including Readers’ Digest’s Most Trusted Insurance Brand for Allianz in Germany and Hungary. And there are more widespread improvements: since CF was introduced in 2006, the percentage of Allianz companies with customer loyalty above the average of their peers has tripled.

Reaching out

There are many groups for whom access to financial services is limited. One of the best ways we can extend our customer base is by making Allianz products accessible to these people. To those on very low incomes in emerging economies, we offer microinsurance products (see page 14). And for migrant populations, we produce our marketing materials in various languages and styles.

An exciting new area for us is the development of Sharia products. Under Sharia (Islamic) law, products involving interest-based growth are unacceptable. So mainstream insurance and investment products are off-limits to many Islamic populations. Allianz now offers Sharia investment, insurance, and microinsurance products. They are based on profit-and-loss sharing, and equity investments are made in enterprises conforming to Sharia law, following the approval process of an independent Sharia Advisory Board.

“Being customer-focused motivated Allianz to develop this Sharia insurance in Indonesia. It is the first of its kind in Asia and, as a Muslim, I am very proud to be the project leader who developed this in Indonesia.”

Kiswati Soeryoko, Sharia Director, Allianz Life Indonesia

Innovate to stay on top

The markets Allianz operates in are constantly evolving: not only do customers’ preferences change, but issues like climate change stimulate demand for new products and services. To meet these changing needs, we continually innovate and adapt.

ideas to success (i2s), our program for innovation, draws on the ingenuity of our people. 60 companies now run i2s, under which all employees and sales agents can contribute ideas on things we might do differently. The statistics speak for themselves: since 2006, over 100,000 ideas have been generated (41,181 in 2008), of which over 17,000 have been implemented (9,035 in 2008).

The best ideas are shared across the Group and rewarded at the Global i2s Innovation Awards. Our 2008 winners included an idea that has been implemented by Allianz Engineering Energy Services. To help customers comply with the new EU Directive on the energy performance of buildings, we are now offering a suite of products including energy certification and energy audits.

Employees

A company is only as exceptional as its employees, and the threat of talented individuals jumping ship is one that every business faces. In response, Allianz aims to attract ambitious people, keep them on board, and empower them to grow with the company.



“Allianz was among the first companies to establish a European Works Council under the legislation for “Societas Europaea” or SE companies – a significant achievement. Also under the SE legislation and for the first time in the history of Allianz, its Supervisory Board now includes employee members from Germany, France, and the UK. The Works Council is kept informed and consulted on many topics, and is currently aiming to develop Group guidelines for work-related stress prevention and management.”

Geoff Hayward, Deputy Chairman,
Allianz SE Works Council

Training and development are key for this. When filling job vacancies, we always focus on promoting current employees first. That way, they have the chance to progress and we hold on to in-house expertise. Through our global talent management system and annual conferences, employees receive clear career plans and direct feedback about their strengths and areas for improvement. In 2008, 56.9% of employees and 70.1% of managers took at least one training course.

Diversity is another important factor for a global company. We have a responsibility to maintain a workplace free of discrimination. Our Global Diversity Council, comprising 20 senior executives, ensures that our diversity principles are put into action. The more diverse a company’s workforce, the better it understands and responds to its diverse customers. Beyond that, by encouraging diversity, we access a much wider talent pool. “Talent has no passport, no physical or religious connotation,” as Allianz Executive Board Member Enrico Cucchiani puts it.

But Allianz still has a way to go: although 51.5% of our global workforce is female, women are still under-represented at management levels (31.6%). We have a number of activities in place to increase these percentages, including:

- Supporting work-life balance through offers such as teleworking or stress management seminars
- Creating a mentoring program for women with leadership potential
- Improving the visibility of female managers as role models.

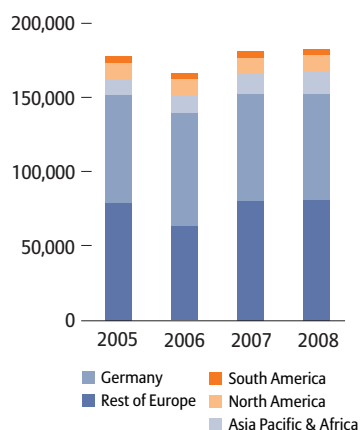
www.allianz.com/en/about_allianz/sustainability/stakeholders/employees/page1.html

Employees want to know that their company is looking out for them, so we actively protect our staff's health. For those working overseas, we make top-quality healthcare available through our Worldwide Care product. Moreover, various Allianz companies run health promotions, for example supporting employees who want to stop smoking or subsidizing medical examinations. And we teamed up with a French non-governmental organization to run awareness programs on HIV/Aids for employees at our 12 subsidiaries in sub-Saharan Africa.

To be an employer of choice, we also need to pay our staff fairly. Allianz employees' achievements are rewarded appropriately with base pay, performance-related pay, and additional benefits, including our Employee Stock Purchase Plan. Our staff now make up 11.9% of Allianz shareholders, owning 1.35% of our shares. Of course, the people who know best whether we are on the right track as an employer are our employees – so we ask them for their feedback. Each year we conduct a survey to find out what we are doing well and where they see areas for improvement. In 2008, over 16,000 employees from 24 Allianz companies took part in the survey – an increase of 66% over 2007. The majority told us that Allianz's culture is one where:

- Discrimination is not tolerated
- The employees would recommend the company's products
- There is a supportive working environment
- People gain a sense of accomplishment and go the extra mile to support the company's success.

Allianz employees by region



We know the score

With over 180,000 employees (as at 31/12/08), maintaining a consistent, global HR approach while allowing for local differences is no small challenge for Allianz. In recent years, we have introduced the HR Scorecard to help us do just this. It contains 20 indicators selected to give us a picture of how we are performing and where our HR strategies can be optimized. Each year, all Allianz companies report on indicators covering areas such as: employee engagement, trust, and feedback high-performance culture learning and growth. Of course, the greatest benefits of the HR Scorecard are the actions that follow. The results are discussed by management, and that sets the ball rolling on initiatives to further improve our organizational performance.

Embracing diversity at sea

Every year, Allianz gives 30–40 employees the chance to soak up knowledge about disability issues – while at sea! The Jubilee Sailing Trust has created a classroom with a difference: a specially adapted ship on which each able-bodied person is partnered up with someone living with a disability.

"We have found that the Jubilee Sailing Trust offers an innovative approach. It brings people together to work in a team with people who are different from themselves and gets them to see the potential in others."

Veronica Schilling, Group HR at Allianz



Community

There are countless causes local to Allianz companies that deserve attention. But how should we choose which projects to support with the limited resources available?



The Allianz4Good Principles in brief

Social engagement projects should ideally meet our Principles in the areas of:

- Alignment with long-term corporate strategy
- Alignment with business objectives
- Measurement and accountability
- Transparency.

In response to requests for guidance on how to make such strategic decisions, and based on surveys of programs at Allianz companies, we have developed the Allianz4Good Principles for Social Engagement. These Principles support Allianz companies worldwide in implementing objective criteria for decision-making on local donations and projects. They guide companies to choose causes that are in line with each company's expertise, resources, and strategic priorities, and that also enhance Allianz's impact on society and the environment.

Christopher Worthley (CW), Executive Director of the Allianz Foundation for North America and co-author of the Principles, told us more.

Why has Allianz introduced the Allianz4Good Principles?

CW: For many years, Allianz companies around the globe have engaged with excellent community projects through corporate donations and volunteering. Need for such backing is increasing in many places. In this context, it helps to have tools to aid decision-making on which projects enable us to make a lasting difference, based on what Allianz knows best and cares about most. This means assessing potential projects according to objective standards, monitoring our impact, and communicating results clearly to all stakeholders. This is what the Principles are all about.

Are we taking ownership out of local companies' hands and centralizing decision-making at the Group level?

CW: Absolutely not. We believe that local employees are the experts on what is needed in their communities. For this reason, we developed the Principles – to support their decision-making, rather than make decisions for them. Initiatives that are especially successful in implementing a strategic vision are now recognized with the Allianz4Good seal, a reflection of their proven commitment to the highest standards for strategic social engagement.

www.allianz.com/en/about_allianz/sustainability/stakeholders/community/page3.html

Can you give us some examples?

CW: The Heritage Program at Fireman's Fund Insurance Company is one great example. Employees and agents award grants to local fire departments for life-saving equipment, training, and community education. Wholly aligned with our business of risk management, the program also enhances Fireman's Fund's reputation as a valued partner in keeping communities safe. There are clear metrics in place to measure the program's success – based on employee surveys, website usage statistics as well as grant data. And the data is impressive: grants totaling US\$21 million have been made across all 50 states since 2004. This year, the Heritage Program was among the very first initiatives to be recognized with the Allianz4Good seal.

There are many other initiatives around the world that we think reflect a clear strategic vision and that we hope to recognize in the future with the Allianz4Good seal. Allianz Suisse's partnership with the Swiss Red Cross (SRC), for example, involves not only financial support for SRC's operations, but also engages local Allianz employees through blood donor sessions. Here, too, the partnership reflects Allianz's commitment to comprehensive social contributions and, of course, excellent risk management.

A journey into darkness

What is it like to lose your sight? Our employees have been finding out, thanks to a unique experience made possible by AllianzGI in Munich. At Dialogue in the Dark, participants navigate everyday scenarios and team exercises in total darkness. With visually impaired people guiding them, normal roles are reversed. Completing the challenges requires collaboration, clear communication, and trust – all essential ingredients of outperforming teams. But they also build appreciation of diversity: a win-win for Allianz and the community that has been recognized with and Allianz4Good seal.

"In this environment, with one of their five senses removed, people are taken out of their comfort zone. This causes people to question their feelings, perception, and behavior."

Beat Bucher, Global Head of Human Resources, AllianzGI

Employee engagement

Several Allianz subsidiaries run programs in which employees undertake volunteering in the community. In the UK for example, employees help school children with their reading and presentation skills. And in Thailand over 80% of employees take part in corporate volunteering opportunities such as handing out excess food or reading for blind people.

Naturally our social initiatives benefit local communities, but we believe the advantages are also internal. When our employees get involved, they develop new skills and gain fresh perspectives. What is more, they enjoy making a difference through our diverse volunteering programs. And that in turn strengthens their appreciation of Allianz as an employer.

Focusing on financial literacy

People of all ages struggle with the complexities of finance – which products to choose, what the terminology means, how much risk to take, and so on. With our expertise, one of the most pertinent ways that we can support communities is by teaching people how best to manage their money. Various Allianz companies already do this: projects range from teaching school children about basic finance to creating websites dedicated to demystifying inflation, retirement planning, or the financial crisis. And there is more to come – in Germany we are currently piloting a financial literacy program for teenagers. More on that in our next report.

As part of our financial literacy pilot, Allianz employees teach 8th grade pupils in Germany about saving and budgeting.



Key performance indicators

In producing our Sustainable Development reports, we follow the Global Reporting Initiative's (GRI) Sustainability Reporting Guidelines. Use of this international standard enables us to benchmark ourselves against competitors as well as tracking our progress over time.

A full list of the GRI indicators and our performance against them can be found in our online report www.allianz.com/en/about_allianz/sustainability/performance/indicators/page2.html

Below we have selected the quantitative indicators that are most pertinent to our material issues.

	2005	2006	2007	2008
Economic Development				
Total revenues (€ billion)	101.0	101.1	102.6	92.6
Operating profit (€ million)	7,743	10,386	10,915	7,433
Net income (€ million)	4,380	7,021	7,966	3,967*
Return on equity after taxes (%)	12.6	15.6	16.4	9.7**
Basic earnings per share (€)	11.24	17.09	18.0	5.43
Economic value added (€ billion)	–	3.50	3.928	0.842
Board of Management remuneration (€ million)	37.2	41.2	38.8	26.3
Assets under management with high social and/or environmental benefit (%)	0.41	0.41	0.6	0.5

	2005	2006	2007	2008
Social Issues				
Employees	177,625	172,065	181,207	182,865***
Recruitment rate (%)	–	–	14.7	17.1
Employees undergoing at least one training session staff (%)	–	–	40.2	56.9
managers (%)	–	–	59.2	70.1
Percentage of middle managers who are female (%)	25.2	24.8	29.2	31.6

	2005	2006	2007	2008
Environmental Performance				
Percentage of employees covered by our Environmental Management System (%)	56	61	70	83
Total CO ₂ emissions (kg per employee)	4,292	4,010	4,033	3,888
Energy consumption (kWh per employee)	8,885	8,154	8,010	7,833
Business travel (km per employee)	5,621	6,009	6,180	6,095
Paper consumption (kg per employee)	219	190	191	205
Recycled paper as a percentage of total paper consumption (%)	9	7	8	10
Amount of waste (kg per employee)	314	255	240	234
Water consumption (liters per employee)	16,698	14,708	15,176	14,524

* Figure based on continuing operations. Following the announcement of the sale on August 31, 2008, Dresdner Bank qualified as held-for-sale and discontinued operations. Therefore, the figures presented for our continuing business do not include the parts of Dresdner Bank that we sold to Commerzbank on January 12, 2009.

** Figure based on net income from continuing operations.

*** Figure includes Dresdner Bank employees.


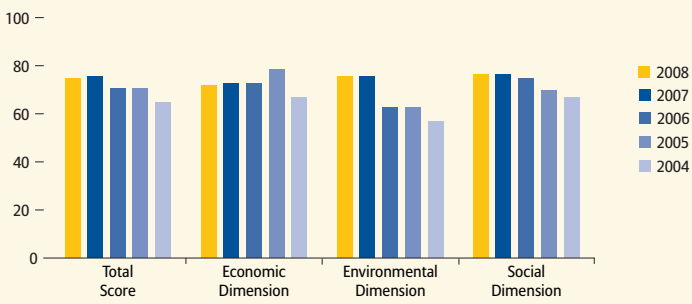




Socially responsible investment ratings

Allianz is committed to transparency and accountability on sustainable development performance and we back that commitment with action. We submit our data to independent rating agencies and indexes, and are proud to be recognized with top marks.

With growing public concern about sustainable development and increasing awareness that social and environmental factors can impact on the financial performance of stocks, both individual and institutional investors are increasingly asking Allianz about our “extra-financial” performance.

We therefore submit data to various sustainability rating agencies, enabling investors and other stakeholders to benchmark us against our peers. The process also gives us independent feedback on potential areas for improvement.

Our performance in a selection of the foremost ratings and indexes is outlined below.

	<p>Allianz has been listed in the Dow Jones Sustainability Index since 2000 and has been the leading direct insurer since 2006. Assessment is carried out by Sustainable Asset Management Group (SAM). Our score of over 70% in the Index earned us recognition as a SAM Gold Class Member in 2008 and 2009 – one of just two companies in the insurance sector to reach this standard.</p> <p>SAM Rating for the Allianz Group 2004–2008 in % of Maximum Score</p>  <table border="1"> <caption>SAM Rating for the Allianz Group 2004–2008 in % of Maximum Score</caption> <thead> <tr> <th>Dimension</th> <th>2008</th> <th>2007</th> <th>2006</th> <th>2005</th> <th>2004</th> </tr> </thead> <tbody> <tr> <td>Total Score</td> <td>75</td> <td>75</td> <td>70</td> <td>70</td> <td>65</td> </tr> <tr> <td>Economic Dimension</td> <td>70</td> <td>70</td> <td>70</td> <td>75</td> <td>65</td> </tr> <tr> <td>Environmental Dimension</td> <td>75</td> <td>75</td> <td>65</td> <td>65</td> <td>55</td> </tr> <tr> <td>Social Dimension</td> <td>75</td> <td>75</td> <td>70</td> <td>70</td> <td>65</td> </tr> </tbody> </table>	Dimension	2008	2007	2006	2005	2004	Total Score	75	75	70	70	65	Economic Dimension	70	70	70	75	65	Environmental Dimension	75	75	65	65	55	Social Dimension	75	75	70	70	65
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	<p>For this index, Ethical Investment Research Services (EIRIS) applies the FTSE4Good criteria to the FTSE Developed Index Series. These criteria are being continually evolved to reflect best practice, and in 2008 the bar was raised on human rights. EIRIS has included Allianz in FTSE4Good every year since 2002.</p>																														
	<p>The NASDAQ OMX CRD Global Sustainability 50 Index was launched in June 2009 and focuses on sustainability performance reporting. Allianz is one of only 10 financial services companies included.</p>																														
	<p>Assessed by Vigeo, the ASPI Eurozone comprises 120 European companies assessed across six areas. We have been in the index since 2004, and in 2008 scored highly in the areas of environment and community involvement.</p>																														
	<p>SiRi is the world's largest independent provider of SRI research and consulting services. In 2008, they assessed Allianz and found our performance to be above the sector average across all areas. When it came to environment and community, we scored close to double the sector averages.</p>																														

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We would like to thank all of our colleagues and partners
who have helped us to create this report.

Copywriting and design: Flag, UK
Production: Rainer Litty, WWF
Print: abcdruck, Heidelberg

www.allianz.com/en/about_allianz/sustainability/index.html