OUR CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS

RESULTS OF THE TRUCOST SDG EVALUATION

Allianz

01 INTRODUCTION

IN THIS REPORT

Welcome to our first publication focusing on the contribution of Allianz to the United Nations Sustainable Development Goals (SDGs).

At Allianz, we see the SDGs as playing a crucial role in global sustainable development. We want to review our contribution and that requires developing a robust and detailed understanding of our business impacts on the SDGs and their targets - both positive and negative.

So what is the best way for a global company like Allianz, with business lines in over 70 countries, to accurately measure and report on its impacts on the SDGs?

Despite widespread support and commitment among businesses, a globally consistent approach to effectively measuring business impact on the SDGs is still in its infancy.

As a pilot, we implemented the Trucost SDG Evaluation as a first step to comprehensively analyze our SDG exposure across the 70+ countries and business segments in which we operate.

This assessment represents our first deep-dive quantitative analysis of Allianz's SDG exposure.

The results confirm much of what we expected and they also identify new considerations and focus areas for further analysis. While the evaluation provides valuable first insights, we do not see it as being a fully developed approach to measure our SDG impacts. We discuss some of the limitations and suggest opportunities for improvement on page 7.

We strongly believe that all businesses stand to benefit by reviewing their SDG impacts and enabling greater potential contributions. Here at Allianz, we will continue to explore how we can contribute to the SDGs. We also encourage our industry peers and others to work together, with us, to promote cross-sector collaboration that will improve transparency on the SDGs and help shape comprehensive strategies to ensure their success.

We hope you find this report helpful and we would welcome your feedback at sustainability@allianz.com.

02 THE SDGS

The global SDGs are a universal call to action to end poverty, protect the planet and improve global political and economic stability. Through 17 bold commitments and 169 sub-targets, the goals seek to drive global action across social, environmental and economic development issues up until 2030. Each goal is interlinked and they influence each other in many ways.

Since they were launched in 2015, the SDGs have come to represent a global call to action for stakeholders from all countries to address the greatest barriers facing society. Adopted by all 193 UN Member States, they provide the first ever globally consistent framework that unites governments, businesses and civil society to deliver positive change.

Businesses have a key role to play and the SDGs have provided a global platform for increasing stakeholder awareness of companies' impacts on society. However, while they are an important tool for improving transparency and benchmarking, the SDGs were originally intended to support countries' sustainable development. Little to no guidance was available when they were launched on how business should measure and report on its SDG impacts. As a result, companies have struggled to consistently translate the SDGs into tangible business activities.

New guidance has emerged in recent years, including guidelines published in 2017 by the UN Global Compact and GRI on Business Reporting on the SDGs.

2018 also saw the launch of the World Benchmarking Alliance which aims to identify consistent benchmarks as an essential tool for measuring and comparing corporate performance on the SDGs.

Find out more about the UN Sustainable Development Goals.

03 OUR APPROACH TO THE SDGS

Given the nature and size of our global business, we impact many of the targets set by the SDGs. However, like our business activities and relationships, the SDGs and their sub-targets are intricately connected. Identifying and measuring our impacts and contribution – be it positive or potentially negative – is an ongoing challenge we have worked to overcome since the SDGs were launched.

We joined the young debate on how best to report business impacts on the SDGs in 2016 when we carried out our first strategic exercise to map our activities and sustainability strategy against the goals. This gave us an initial overview of the goals to which we broadly contribute (see page 11 of our 2016 Sustainability Report).

In 2017, we took a step further when we analyzed the SDGs to which our key activities and targets contribute the most in more detail. We used the "Business Reporting on the SDGs: An Analysis of the Goals and Targets" guidance and collected input from our businesses and experts to map strategic projects, targets, policies, and disclosures against the business indicators of the SDGs.

This challenging exercise took several iterations, mainly because the interrelationships between the SDGs make prioritization particularly difficult. We reported the results in detail in a deep-dive article in our 2017 Sustainability Report, identifying four SDGs to which Allianz makes a particularly significant contribution based on our initial analysis.

SDG 1 (No Poverty): By the very nature of what we do – protecting people and businesses against risks – we contribute to our customers' long-term financial wellbeing and help stabilize local economies, with a key focus on emerging consumers.

SDG 7 (Affordable and Clean Energy): We actively support the transition to a global low-carbon economy and provide sustainable solutions for our customers, including insurance solutions that support renewables and energy efficiency around the world.

SDG 8 (Decent Work and Economic Growth): As one of the world's largest financial services providers, enabling sustainable economic growth is fundamental to our core business and underpins our entire contribution to delivering the SDGs.

SDG 13 (Climate Action): We constantly work to identify and manage risks and opportunities resulting from climate change. We anticipate the risks as an investor, and we protect and care for our customers through our insurance products, while using our assets and insurance expertise to enable the transition to a low-carbon economy.

In 2018, we continued our journey to develop and understand our impacts on the SDGs, commissioning Trucost to apply its SDG Evaluation tool to our business model as a pilot assessment.

In the following pages, we provide you with more details of the evaluation approach and our results.

You can also find more information about our contribution to the SDGs, including case studies, in our 2018 Sustainability Report.

04 THE TRUCOST APPROACH

Launched in 2018, the Trucost SDG Evaluation is designed to aid companies in understanding their performance and the role they can play in achieving the SDGs.

The Trucost methodology involves a quantitative analysis of a company's SDG performance across the value chain, spanning the entirety of its geographic operations. It provides a framework for business to evaluate its impact on the SDGs.

Trucost's SDG Evaluation follows a four-step process which aims to holistically assess the impact of a company on the SDGs across the value chain.

You can find more detail on the Trucost SDG Evaluation methodology on page 8 of this report and on the Trucost website.

THE FOUR KEY STAGES OF THE TRUCOST SDG EVALUATION METHODOLOGY

STAGE 1
Understanding exposure to SDG risks

The range and degree to which a company is exposed to SDG risks across the sectors and geographies in which it operates.

STAGE 2
Evaluating SDG risk mitigation

Assessment of strategies, policies and actions to reduce or eliminate adverse impacts on a range of environmental, social and governance issues. Companies are rated from 'No Action' to 'Leader' on each of the 45 Trucost SDG metrics.

STAGE 3
Evaluating positive impact

Trucost evaluates the positive impact on the SDGs created by companies across five themes: revenue from products and services that contribute to the SDGs; contributions to economic growth; contributions to full employment; contributions to corporate philanthropy; and public commitments to transform business models to better align with the SDGs.

STAGE 4
Evaluating holistic SDG performance

Based on steps one to three above, Trucost calculates a SDG Evaluation Score to track progress over time and provide a point of comparison with peers.

05 KEY RESULTS

WHERE DO WE HAVE OUR GREATEST POSITIVE IMPACT?

Trucost calculated Allianz's positive impact by assessing our influence on the SDGs across five themes:

- Revenue from products and services that contribute to the SDGs;
- Contributions to economic growth;
- Contributions to full employment;
- Contributions to corporate philanthropy; and
- Public commitments to transform the business model to better align with the SDGs.

The results indicate that 94% of Allianz's revenue is aligned with the SDGs.

We contribute most significantly through the sales of products and services, employment and contributions to economic growth to the following SDGs:

In addition to our own analysis in 2017, the pilot also highlighted SDG 3 which we impact more than we had originally considered.

SDG RISK MITIGATION: HOW WELL DOES OUR STRATEGY MITIGATE AGAINST OUR MOST IMPORTANT SDG RISKS?

Allianz is well known for its industry-leading strategies, policies and actions that aim to manage environmental, social and governance (ESG) risks.

Trucost evaluated our risk mitigation efforts (specifically) in the context of the SDGs. The evaluation criteria focused on the following criteria: transparency; actions and targets; continuous improvement; verification; and value chain engagement.

The assessment found that Allianz's sustainability strategy impacts almost all SDGs and is aligned with Trucost's SDG exposure risk profile for the company[1].

Closest strategic alignment is with the SDGs where our exposure is greatest (including SDG 7, SDG 13 and SDG 17). Hence, potential risks are mitigated effectively through strong actions on climate change, renewable energy, waste and tax transparency[2].

HIGH EXPOSURE SDGS THAT ARE MOST CLOSELY ALIGNED WITH OUR STRATEGY:

The SDG strategy gap assessment results suggest Allianz's SDG strategy is aligned with the exposure profile for the company:

Trucost identified opportunities to further improve risk mitigation and reporting on progress in adressing climate change vulnerabilities.

A key initiative with which we address this is the newly launched Net-Zero Asset Owner Alliance. The members of this group commit to reduce the carbon emissions of their investment portfolios to net-zero by 2050. Allianz has helped to set up this group consisting of the world's largest pension funds and insurers, together with the Finance Initiative of United Nations Environment (UNEP FI), the Principles for Responsible Investment (PRI), WWF as well as the Mission 2020 campaign.

Trucost also provided us with further insight into SDG 3 and SDG 9 which we will review internally.

MOST FINANCIALLY MATERIAL SDGS:

To identify which SDGs may represent the greatest financial risks and opportunities in the near term, Trucost also plotted Allianz's SDG impact against financial materiality[3] of the issues underlying each SDG.

The analysis suggests that Allianz should seek opportunities to maximize the positive impact it creates for high materiality ESG issues in its sector, including SDG 3 (Good Health and Wellbeing) and SDG 13 (Climate Action).

The method also provided us with further insights into financially material SDGs which we will review internally.

[1] In the context of the SDG Evaluation, exposure to 'SDG risk' refers to the risk that a company may be directly or indirectly causing a negative impact on the SDGs or the risk that a company may be dependent on practices and activities that conflict with the SDGs.

[2] The assessment is based on Trucost's assessment of the highest risk SDG issues according to the level of exposure in the countries and sectors in which Allianz operates. It does not account for other considerations that may influence Allianz's SDG strategy such as the priorities of customers, staff and other stakeholders.

[3] Financial materiality is assessed based on the Sustainability Accounting Standards Board materiality matrix for the primary operating sector – Insurance.

06 CONTINUING OUR JOURNEY

As a pilot project, the Trucost evaluation has been a valuable step for further understanding our contribution towards the SDGs.

As we continue on our journey, exploring, analyzing and reporting on Allianz's impacts – both positive and potentially negative – on the SDGs and other sustainability and ESG-related topics will remain a high priority.

While the evaluation provides valuable first insights, we do not see it as being a fully developed approach to measure our SDG impacts. Due to the interconnected nature of the SDGs and our global operations, the methodology is limited in its ability to reflect the complexity of Allianz's global operations across different business segments.

We see a number of areas and opportunities for further development:

- Balancing the need to use more detailed data to paint an even more accurate picture of a company's SDG impact, with the resources needed to provide such data.
- Measuring impact in financial terms to make it comparable with financial data.
- Increasing transparency of methodology, such as explanation of "key drivers/levers for change".

07 ADDITIONAL INFORMATION

ABOUT TRUCOST

Trucost, part of S&P Global, assesses risks relating to climate change, natural resource constraints, and broader environmental, social, and governance factors. Companies and financial institutions use Trucost intelligence to understand their ESG exposure to these factors, inform resilience and identify transformative solutions for a more sustainable global economy.

Launched in May 2018, the Trucost SDG Evaluation was developed in conjunction with a group of 12 leading companies and a panel of international experts from the investor, academic, non-government and corporate sectors, and offers a holistic assessment of company performance on the SDGs across its full value chain.

THE TRUCOST SDG EVALUATION METHODOLOGY

The Trucost SDG Evaluation provides a framework for evaluating both the positive impact and the potential or actual negative impacts of companies on the SDGs. The framework aligns with the concept of 'Principled Prioritization' set out by the UN Global Compact and the Global Reporting Initiative*, which calls for companies to consider and report on their SDG impact with respect to:

- Actual or potential risks to people and the environment directly or indirectly connected with the company's value chain, such as greenhouse gas emissions or the risk of child labor in the supply chain.
- Positive impacts or contributions to the SDGs associated with products, services, investments and other activities.

This approach offers a balanced perspective on the holistic impact and alignment of a company to the SDGs.

HOW DOES TRUCOST EVALUATE COMPANY SDG ALIGNMENT?

Trucost's SDG Evaluation follows a four-step process to holistically assess the impact of companies on the SDGs across the value chain:

1. Understanding Exposure to SDG Risks: The first step in evaluating company SDG performance is to understand the range and degree to which a company is exposed to SDG risks across the sectors and geographies in which it operates. In the context of the SDG Evaluation, 'SDG risk' refers to the risk that a company may be directly or indirectly causing a negative impact on the SDGs (such as environmental pollution emissions in the supply chain) or the risk that a company may be dependent on practices and activities that conflict with the SDGs (such as underpayment of wages or child labor). SDG Risk exposure is assessed using Trucost's 'SDG-Extended Multiregional Input-Output Model (SDGI-O)' that models economic flows and associated SDG risks across countries and sectors globally. Trucost assesses 45 unique metrics linked to the SDG targets.

2. Evaluating SDG Risk Mitigation: Many leading companies have adopted or plan to adopt strategies, policies and actions to reduce or eliminate adverse impacts on a range of environmental, social and governance issues. Trucost evaluates company SDG Risk Mitigation efforts using a criteria-based assessment focusing on transparency, actions and targets, continuous improvement, verification and value chain engagement. Companies are rated from 'No Action' to 'Leader' on each of the 45 Trucost SDG metrics.

3. Evaluating Positive Impact: Trucost evaluates the positive impact on the SDGs created by companies across five themes:

- Revenue from products and services that contribute to the SDGs, adjusted for the level of need for such products in key sales markets (all SDGs).
- Contributions to economic growth measured as the 3-year average EBIT growth rate (SDG 8).
- Contributions to full employment, measured based on the company labor intensity compared to the average across the sectors and countries in which the company operates (SDG 8).
- Contributions to corporate philanthropy including product donations, volunteering and other activities compared with a benchmark of 1% of profit (all SDGs).
- Public commitments to specific, substantial and time bound targets to transform business models to better align with the SDGs (all SDGs).

4. Evaluating Holistic SDG Performance: Based on steps 1 to 3 above, Trucost applies analytics to build a profile of SDG risk, positive impact and mitigation action to aid a company in strengthening and optimizing its SDG strategy. Trucost also calculates an SDG Evaluation Score, balancing a company's SDG risks and positive impact to track progress over time and provide a point of comparison with peers.

* Source: UNCG and GRI, 2018. Integrating the SDGs into Corporate Reporting: A Practical Guide. Available: https://www.globalreporting.org/resourcelibrary/GRI_UNGC_Reporting-on-SDGs_Practical_Guide.pdf

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