



Allianz 4 Good

Allianz SE

# Building a sustainable future

Sustainable Development Summary Report 2008



# About this report

Welcome to our Sustainable Development report which describes our work to build value for customers, employees, shareholders and the community. In it, we summarize our approach to sustainable development (SD) and aim to provide a balanced account of our performance in 2007/08. Our report focuses on the issues considered most relevant, which have been identified in our 'materiality assessment' (see page 3).

## Key to symbols

This report shows our contribution to the implementation of the ten UN Global Compact (UNGC) principles and also describes our performance against the Global Reporting Initiative (GRI) indicators.



Symbols like this describe our performance against relevant GRI indicators:



Symbols like this describe our contributions to relevant UNGC principles:



Symbols like this indicate where you can read more about our SD initiatives and performance on our website:



[www.allianz.com/sustainability](http://www.allianz.com/sustainability)

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## ⇒ ethical

Listed as one of "The World's Most Ethical Companies" by the Ethisphere Institute

## ⇒ equal

and fair chances for our investors

## ⇒ 20%

reduction in CO<sub>2</sub> emissions by 2012 (based on 2006 levels)

## ⇒ five

Offering microinsurance products in five developing countries

## ⇒ 70%

employees subject to environmental management

"The message is clear – knowledge enables innovation, innovation empowers solutions and solutions drive business."

## CEO Message

### Dear Reader,

Welcome to our 2008 Sustainable Development report which describes our work to build value for our customers, employees, shareholders and the community.

As a global risk manager operating in 70 countries and serving more than 80 million customers, a sustainable approach is essential for our business.

Demographic change, climate change, and the breakdown of social security systems as well as the opportunities provided by economic development in every region of the world are affecting our business today and will do even more tomorrow.

Providing innovative product solutions that support our clients in meeting today's global challenges is an integral part of our strategy.

Looking back, I am proud of how much we have achieved. For example, four years ago climate change was a topic left to reinsurers. Today, we support our clients in meeting the challenges posed by climate change, for example, by empowering them to rebuild their homes according to the highest ecological standards. We also transfer risks to the capital markets as shown by our disaster bonds for flood risks. Further, by 2010 we will have invested more than €500 million in renewable energy.

We are also working in developing countries like India, Indonesia and Egypt to provide microinsurance products that help people and markets to develop. In this effort, we cooperate with partners including the UN Development

Program, the GTZ, CARE, and PlaNet Finance as well as local organizations.

This business approach has earned Allianz external recognition including being listed by Ethisphere as one of the world's most ethical companies. We aim at strengthening this leadership role through our new Allianz4Good platform which enables our employees to take an active role in furthering our sustainable development strategy.

The message is clear – knowledge enables innovation, innovation empowers solutions and solutions drive business.

In reading our report, you will gain a clearer picture of how we are part of the solution. For the first time, we have included a materiality assessment in this report, identifying those issues with greatest relevance to our stakeholders and our business. This assessment allows us to further focus our efforts and generate the greatest long-term value for all of us.

Please share your comments with us. Your feedback is integral to our success.

*Sincerely yours,  
M. Diekmann*

Michael Diekmann  
Chairman of the Board of Management



### Materiality assessment

The “materiality matrix” below identifies the sustainability issues most relevant and their relative importance to Allianz and its stakeholders at the time of reporting. We will be reviewing the matrix on a regular basis as stakeholders’ views and the potential impact of these issues on our business change over time.

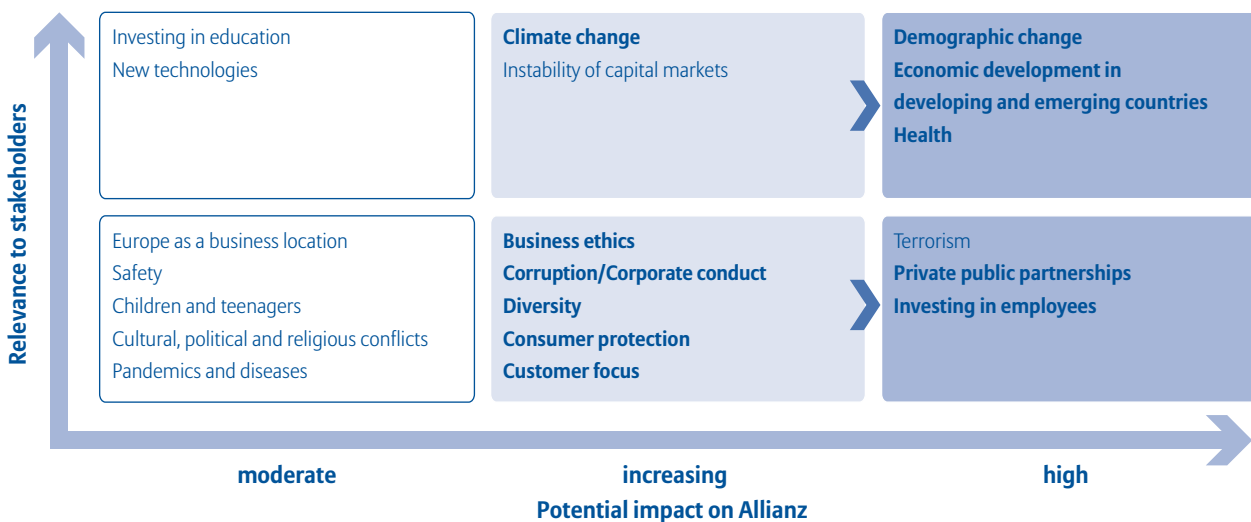
The following criteria were used in our assessment:

**Issues with current or potential impact on the company:** this determination involved consultation with key business units that analyse trends, research and business results.

**Issues of significant concern to stakeholders:** this determination involved a stakeholder survey with the media, political, non-governmental, scientific and economic communities.

### Allianz materiality matrix

We report on all issues in **bold**



- These issues are reported on as they are highly relevant to our business and stakeholders.
- We try to respond best to our stakeholders’ expectations, but we also see our role as raising awareness on emerging issues that have potential strategic impact on the company but may not yet be on the agenda of our stakeholders.

# Goals and Performance

We are committed to the sustainable development (SD) goals that we set ourselves and consistently measure their outcomes. Winning awards for our work on SD, or obtaining a high placing in an international rating, is a welcome recognition of the effort and commitment of Allianz employees and an acknowledgement that our actions really do speak louder than words.



## Measuring our progress

Allianz reports on a comprehensive set of Key Performance Indicators, as defined by the Global Reporting Initiative (see page 24), which allow us and our stakeholders to benchmark our progress. We are constantly setting ourselves new goals helping to ensure continuous improvement in the Group's SD values.



“The improved total performance reflects a successful execution of the Group-wide strategy, ‘Global Solutions for Global Problems’. This is underpinned by excellent results in all three dimensions.”

Dan Oprisa, SAM Research Analyst 2007

## Key achievements

- Dow Jones Sustainability Index – **Insurance sector leader** for two years in a row.
- Partnership with the **World Wide Fund For Nature** on a ground-breaking program to meet the challenge of climate change.
- Development of **innovative products** such as the catastrophe bond which covers flood risk.
- Introduction of several new microinsurance products serving the needs of customers in five developing countries.
- Over 70% of our employees are now covered by our **Environmental Management System**.
- Over €350 million invested in **renewable energy** to date.
- Set up of the **Center of Competence on Climate Change** to develop and transfer best practice on an international basis.

➔ **20%**

Our goal is to **reduce our CO<sub>2</sub> emissions** by 20% by 2012

(based on 2006 levels)

## Awards

Our SD efforts are recognized through awards including:

- ➔ World's Most Ethical Companies 2008 – added to the list by the Ethisphere Institute – Allianz SE
- ➔ Ruban d'Honneur, Award for Corporate Sustainability – European Business Awards (EBA) 2008 – Allianz SE
- ➔ Environmental Values and Resources Award – Marin County Awards of Excellence 2007 – Fireman's Fund Insurance Company
- ➔ Deal of the Year 2007 Award – *Energy Risk Magazine* – Dresdner Kleinwort
- ➔ Top 100 Low Carbon Pioneers – *CNBC European Business Magazine* – Allianz SE
- ➔ 2007 European Excellence Award – Public Relations and Communications – Dresdner Kleinwort.



"CSR is an area of expertise that lots of companies are paying lip service to. But here is a company that said: 'This is not something that we're adding on, this is actually what we do: CSR is a part of our business. There is no difference between business as usual and corporate social responsibility.'"

Phil Forrest, Chairman of the Judges, European Business Awards



"They go well beyond legal minimums, opting instead to bring about innovative ideas that contribute to the public well-being. By their actions, they are forcing their competitors to follow suit, or fall behind – and truly embodying the notion that ethical business practices are more profitable in the long run."

Alexander Brigham, Executive Director of Ethisphere Institute

## External benchmarks



**Dow Jones Sustainability Indexes**  
Insurance sector leader 2006/07 and 2007/08



Participant since 2002



Listed in the Advanced Sustainable Performance Index



C Rating



**CARBON DISCLOSURE PROJECT**

Inclusion in CDP Leadership Index since 2005

## Goals: 2008 progress and 2009 goal setting

	Goal 2008	Status	Goal 2009
Performance	Maintain sustainable development leadership in the financial services sector	DJSI: Insurance sector leader 2006/07, and 2007/08 inclusion into FTSE4Good in 2007	Maintain sustainable development leadership in the financial services sector
		European Business Award: Ruban d' Honneur 2008	
		Added to the Ethisphere list of the "World's Most Ethical Companies"	
Sustainable development reporting	Obtain external assurance	Obtained external assurance for environmental data and management for the German Group companies (more than 30% of our employees)	Active stakeholder engagement in our materiality assessment
		Matrix on the materiality of topics included in the report	Conduct materiality workshop with key units at Allianz
Climate change	Continue efforts to reduce CO <sub>2</sub> emissions toward 20% reduction by 2012 based on 2006 level	International binding program on CO <sub>2</sub> emission reduction launched	Global awareness on CO <sub>2</sub> emission reduction concept for 80% of employees
	Develop new climate change insurance and banking products	Implementation reached and further efforts ongoing	Establish product innovation in the market segment of "LOHAS" (Lifestyle of Health and Sustainability)
		<ul style="list-style-type: none"> <li>Set up of the Center of Competence on Climate Change to develop and transfer best practice on an international basis, e.g. ECOMotion, green building, green mortgage</li> <li>Implementation of CER insurance in Business Interruption policy (AGCS) together with partner (August 2008)</li> <li>Development of three product lines for all customer groups:                             <ul style="list-style-type: none"> <li>– energy efficiency (mitigation)</li> <li>– weather derivatives (adaptation)</li> <li>– carbon offsetting (offset)</li> </ul> </li> </ul>	Set up virtual networks of sustainability product innovators: leverage synergies/best-practice exchange across business units and Group companies
	Continue WWF partnership	Common implementation of projects under the WWF partnership (e.g. Environmental Management System, Climate Scorecards)	Research on the degree of correlation between climate-friendly customers and their risk-averseness  Research on the strategic impact of CO <sub>2</sub> risks in investments (beyond case-by-case assessments)  Develop and stress-test climate-change related macro-economic and regulatory scenarios
Environmental Management System (EMS)	Enhance EMS to 80% of employees worldwide	70% of employee coverage reached and 22 companies implementing EMS	Accomplish an 80% employee coverage
	Integrate 13 new group companies into EMS	Integration achieved	Integrate 15 new Group companies into EMS
		Implementation of the CO <sub>2</sub> concept and emission reduction framework program	First complete Allianz global CO <sub>2</sub> balance sheet Environmental model guideline for real estate
Sustainable investment	Invest €300 to 500 million in renewable energy between 2005–2010	More than €350 million already invested in projects in Italy and Germany to date	Invest an additional €150 million in renewable energy projects
	Assets under management: Investment in Socially Responsible Investments (SRI) from 0.42% to 1.0%	Share of third-party assets under management in SRI funds at 0.6%	Look into further opportunities to integrate sustainable development criteria into investments
		Cooperation with WBCSD <sup>1</sup> and DVFA <sup>2</sup> in a joint initiative to mainstream SRI criteria in the financial market	Further active involvement in the joint DVFA/WBCSD initiative

<sup>1</sup> World Business Council for Sustainable Development

<sup>2</sup> German Association of Financial Analysts



	Goal 2008	Status	Goal 2009
Demographic change	Ongoing monitoring and integration into strategy	Demographic change is a starting point for strategic projects initiated by the Group's development unit The newly introduced Global Talent Management system identifies and retains talents and potentials	Ongoing monitoring and integration into strategy
		Workshop on longevity held in cooperation with Humboldt University, Berlin	Further workshops with internal key units and external research institutions
	Publication: <i>Ageing Societies – the strategic positioning of financial services providers</i>	Further publications to share expertise and best practices	
	Ongoing product development and increase of premium volume of existing ones	Achieved (see page 17)	Ongoing product development and increase of premium volume of existing ones
Microinsurance	Indonesia: Reach the target of 50,000 microinsurance policy holders and develop new products	Indonesia: targets achieved – 50,000 policy holders, two new products launched (Takaful and health insurance)	Creation of a global Allianz microinsurance strategy to be implemented by a taskforce
	India: Develop new products and increase customer base	India: targets achieved – launch of five new life and health products; more than 100,000 policy holders reached	Focus on increasing customer base in existing markets with existing products
	Egypt: Expand the program in Egypt and into other African countries under consideration	Egypt: 30,000 microinsurance policy holders reached Sub-Saharan Africa: Started in Senegal in 2007, in Cameroon, Ivory Coast, Madagascar, Burkina Faso, Benin, Togo, Mali, Central Africa in 2008 Colombia: microinsurance distributed via supermarket; more than 639,000 policies sold	Further product development
Engagement with Society = Allianz4Good	Launch global employee engagement program	Launch of Allianz4Good program focusing on best practices and social innovation	Allianz4Good operating and best practice exchange ongoing
		Development of corporate citizenship guidelines to transform non-strategic initiatives into strategic ones aligned with business	Start of Social Engagement and Finance programs under the Allianz4Good brand
		Annual survey of corporate citizenship projects, initiatives and achievements started in June 2008	Launch of partnerships between Allianz business units and Allianz corporate citizenship units
	Continue Allianz/WWF partnership	Partnership with WWF to assess the carbon footprint of ongoing Allianz investments	Establish regular reporting on Group-wide corporate citizenship projects and their scope
	Respond to the results of the 2007 Stakeholder Survey	The results have been incorporated into our materiality analysis	Continuation of Allianz/WWF partnership
			Active integration of stakeholders' expectations into our strategy and activities
	Continue the Allianz Environment Foundation Annual Conference in Benediktbeuren	Conference on biodiversity succeeded	Conduct a new stakeholder survey
Employees	Develop KPIs for employee engagement, trust, feedback, motivation, development and diversity from the strategic HR scorecard	Ongoing	Regular measurement of KPIs from Leadership Culture Survey and Employee Engagement
		Tracking the percentage of women in different positions/levels	Survey on leadership, trust, feedback, development and diversity
	Launch a report targeted to employees	Launch of the <i>Corporate Responsibility</i> magazine edition three in July 2008, aimed at employees	Increase the number of women in the potential pools/management positions in all levels
		Roll out of the Employee Engagement and Retiree Empowerment program under the Allianz4Good brand	
Customer responsibility	Further strive for our 2010 goal of Loyalty Leadership. Net Promoter Score above market average.	Over 40 OEs representing approximately 90% of Allianz GWP are implementing the Customer Focus tools, with completion expected end 2008	Progress toward our 2010 goal of "be considered the loyalty leader*" by our customers * as measured by Net Promoter Score

CEO Message

Performance

Strategy

Corporate Governance

Core Issues

Key Indicators

# Strategy

As an international financial services provider, sustainable development is inherent to our business. We are focused on finding innovative solutions that address the local and global challenges our customers face, be this global climate change, safety or an ageing population. Our values and mission statement form an integral part of our Corporate Governance.

## Mission statement

At Allianz, we strive for exceptional financial performance and growth based on our commitment to the pursuit of a sustainable world, through combining long-term economic value, environmental stewardship and social responsibility.



## Our values

**Through knowledge, we aim to understand and effectively manage risks.** We will continue to take a proactive approach in raising awareness and gaining knowledge about sustainable economic, social and environmental development. These values are integrated into our risk management process and into the development of innovative insurance and financial products.

**We aim to create innovative solutions through dialogue and partnership.** We enjoy a constant dialogue with our stakeholders and NGOs as a way of creating innovative and enhanced solutions that meet the challenges facing our customers.

## We are committed to leveraging our international and financial position to respond to global challenges.

We provide protection for our individual and corporate customers around the globe against inherent financial risks and potential loss; therefore, we act as a facilitator of technological innovation and economic growth. Our financial position enables us to contribute toward solutions for societal challenges such as poverty, environmental protection and demographic change.

**We believe that our success is driven by our customers' trust and loyalty.** Our customers' trust and loyalty are invaluable for Allianz's long-term growth. Trust and loyalty are founded on the personal conduct and skills of our employees and agents, and their commitment to create value for our customers. Our Code of Conduct and Leadership Values support all employees and agents in meeting the highest level of integrity.

## Sustainable development management

The Strategy for Sustainable Development is managed by the **Allianz Group Sustainable Development Office** which is now part of a new department, **Group Social Opportunities**. This newly formed department aims to further integrate sustainable business practices into the Allianz Group's core business activities, as well as fostering strategic corporate social responsibility and corporate citizenship projects. Group Social Opportunities operates under the brand **Allianz4Good** in supporting and networking Allianz social initiatives worldwide, and developing pilots on employee and retiree engagement and financial innovation.

## Working Group

The Working Group manages and implements sustainable development initiatives and communications on a day-to-day basis. This group works with all business segments on such initiatives, incubates product development and integrates our sustainable development strategy into our business.



## Strategy Team

Our sustainable development management is led by our international Strategy Team. It reports directly to the Chairman of the Board of Management and the International Executive Committee (IEC) of the Allianz Group, which jointly ratify international strategies and initiatives. The Sustainable Development Strategy Team communicates regularly with the Working Group which is “on the ground” implementing social and environmental values at Allianz.



# Corporate Governance

Our goal is to become the most trusted financial services provider. We have a strong customer focus and measure ourselves against the highest standards of quality and performance. It is vital, therefore, to have systems in place which ensure that we always operate with integrity. The foundations of our business are corporate governance, risk management and compliance systems, all designed to help ensure that we adhere to our principles of responsible corporate behavior.

## Transparent management is the basis of good corporate governance

As a Societas Europaea\*, the key features of our corporate constitution are:

- A two-tier board system, involving a Board of Management and Supervisory Board
- The principle of equal employee representation on the Supervisory Board.

Allianz is guided by internationally and nationally recognized standards of good and responsible corporate management, including the Sarbanes–Oxley Act and the German Corporate Governance Code.

 [www.allianz.com/cg](http://www.allianz.com/cg)

### Fact

- ➔ Corporate governance is part of every function of our business, not just the responsibility of any one department.

## Our reputation is one of our key assets

We work hard to protect and further strengthen our reputation, which all activities within the Allianz Group could potentially impact. Possible losses caused by reputational damage could be of the same magnitude or greater than the financial impact of a major correction in the equity markets or a severe natural catastrophe such as a hurricane.

The role of Allianz SE is to define Group-wide standards and support our Group companies and business units. Allianz has established Group-wide processes to identify, monitor and assess reputational risks. These processes apply in the case of controversial business activities, dilemma cases and critical environmental and social aspects of a project.

 [www.allianz.com/en/allianz\\_group/sustainability/management\\_policies/risk\\_management/index.html](http://www.allianz.com/en/allianz_group/sustainability/management_policies/risk_management/index.html)

\* Societas Europaea, or SE, is the term used to describe a company governed by common principles within the European Union.



## Compliance: combining business ethics with operational integrity

In many organizations, compliance tasks are implemented by departments such as investor relations, human resources, or audit and risk management. Compliance is fundamental to our corporate governance framework, and to doing good business. Therefore, our compliance program aims to give all employees a framework by which they should operate, as well as support in day-to-day questions of integrity.

“Our business is only sustainable if achieved by operating with integrity, with fairness and in accordance with regulations. The Allianz Code of Conduct sets the framework for this. Compliance plays an important role in enabling, supporting and monitoring our employees and business in this respect.”

Reinhard Preusche, Group Compliance

## Code of Conduct (CoC)

Our Code of Conduct sets the framework to operate with integrity, fairness and in accordance with regulations and encourages employees to speak out, confidentially, about behavior which contradicts our CoC. They can report incidents to their line manager, compliance or audit representatives.

Our Code of Conduct also covers:

- Zero tolerance for bribery or corruption
- Respect for the professionalism of our business partners
- Equal and fair chances for our investors
- Creation of transparent capital markets
- No tolerance of the misuse of confidential or price-sensitive information
- Prevention of money laundering and financing of terrorism: no illegal activities
- Non-discrimination of employees
- Protection of natural resources.

[www.allianz.com/en/allianz\\_group/sustainability/our\\_strategy/conduct/index.html](http://www.allianz.com/en/allianz_group/sustainability/our_strategy/conduct/index.html)



## Anti-corruption

Our business faces several challenges when it comes to corruption, as well as legal requirements governing transparent books and records. Areas we focus on include our growth potential in markets with a high competition profile and cooperation with brokers and consultants. Our response to corruption includes:

- Guidance on gifts and entertainment in our Code of Conduct
- Separation between broker compensation and underwriting
- Anti-corruption awareness and Foreign Corrupt Practices Act training program (to be rolled out).

# Environmental Management

Being one of the largest global financial services providers, we know that our operations have an impact on the environment.

Although as a business our activities are not as energy-intensive as manufacturing, we nevertheless generate CO<sub>2</sub> emissions as we go about our everyday business. It is our duty to minimize this environmental impact.

## Environmental policy

Our environmental management program is underpinned by our Code of Conduct and requires all Allianz employees to take responsibility for their use of natural resources, and where possible consider sustainable development principles when working with suppliers.

Our environmental policy guides our environmental engagement across the Group and requires companies to meet the following criteria:

- Establish leadership responsibility for environmental protection
- Maintain a positive influence over their own operational environmental impact
- View environmental protection as a continual learning and improvement process.

Within the policy, the role that individual employees play in our sustainable development goals is also emphasized, because whatever decisions are made at the top of the company mean little without the efforts made by individual employees on a daily basis.

Goal	Status 2007	Status 2008	Completion
Reduce CO <sub>2</sub> emissions by 20% by 2012 (based on 2006 levels)	Ongoing	Ongoing	2012
Develop an environmental operating network across the Group to agree joint operational principles of our Environmental Management System (EMS)	Ongoing	Ongoing	2009
Implement a new environmental management team structure	Approved 2007	Completed	–
Increase the environmental data collected to cover 80% of all employees Group-wide and expand the eco-management system by integrating a further 15 Group companies	Ongoing	Ongoing (Board approval in April 2008)	December 2008
Further development of Group-wide environmental reporting	Ongoing	Annual Update	August 2008

## Our Environmental Management System (EMS)

Our EMS conforms to the international Environmental Management Standard ISO 14001. It monitors our environmental impact and creates systematic controls, helping us to reduce the impact and make cost savings through a more efficient process. Key facts:

- The system now covers 70% of our employees
- 14 new Group companies joined the program in 2007; 15 more companies will join in 2008, increasing the total to 37 covering over 80% of employees
- Dresdner Bank has been recertified according to ISO 14001

➤ **6.9%**

We have **reduced our waste per employee** by 6.9% since 2006

## Monitoring what we do

At Allianz, we are working to minimize our environmental footprint, which we measure on the basis of our consumption of energy, paper, water, waste and CO<sub>2</sub> emissions caused by business travel. This is done through our Environmental Management System through which we calculate direct and indirect emissions.\*

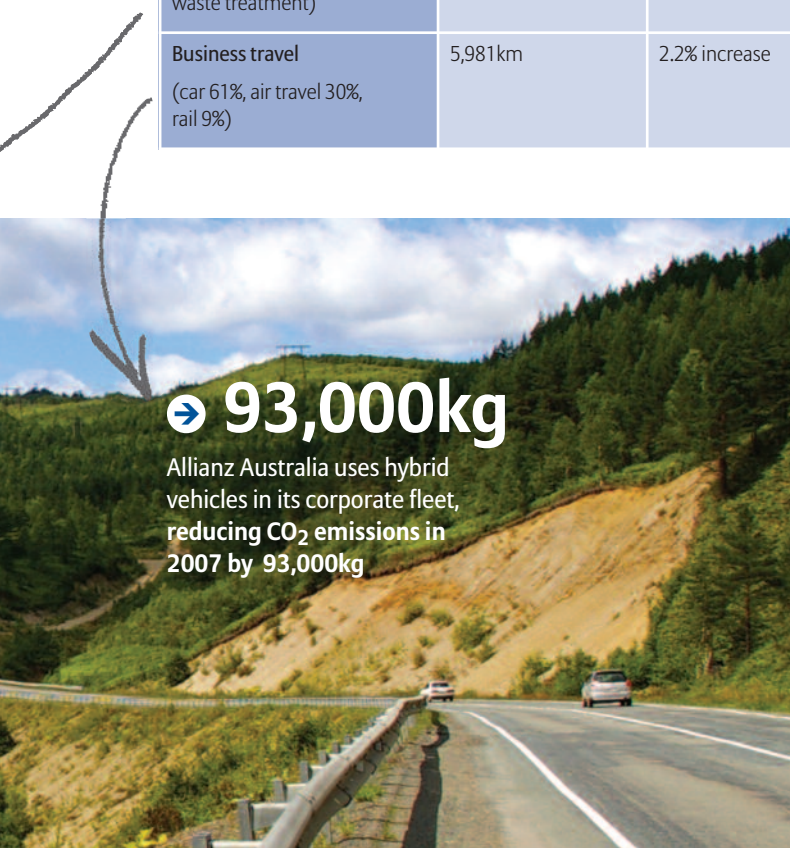
Key indicators	Per employee, per year	Progress from 2007
Total CO <sub>2</sub> emissions	4,214kg of CO <sub>2</sub>	0.2% increase
Energy consumption (65.5% electricity, 24.7% fossil fuels, 9% long distance heating and 0.8% internal waste heat and other renewable heating energy)	30,900MJ	2.3% decrease
Paper	186kg	2.6% decrease
Water	15,074 liters	3.3% increase
Waste (67.5% recycled, 26.6% thermally treated, 5.8% in landfills, 0.1% special waste treatment)	253kg	6.9% decrease
Business travel (car 61%, air travel 30%, rail 9%)	5,981 km	2.2% increase

## Our environmental footprint

Our environmental impact derives largely from our energy consumption and corporate travel. Our consumption of energy accounts for approximately 71% of our direct and indirect CO<sub>2</sub> emissions. Business travel contributes a further 24%. In addition, our environmental footprint covers paper and water consumption as well as waste we dispose.

The figures below are based on the greenhouse gas emission data from all employees at fully consolidated companies in which the Group's environmental strategy is applied.

CO <sub>2</sub> emissions according to Greenhouse Gas Protocol	
Total emissions	709,400 tonnes
Direct emissions (burning fossil fuels at our operations)	10.3%
Indirect emissions (heat and electricity consumption)	58.6%
Other indirect emissions (business travel, paper, water consumption and waste disposal)	31.1%



### Facts

- Environmental footprint is defined as the impact of an organization on the environment
- Our carbon footprint was 709,400 tonnes for 2007, 4,214kg per employee
- 24% of our total emissions derive from business travel; 61% of which was by car and 9% by train

### Achievements

- RCM is offsetting its entire travel footprint to become carbon neutral in business travel
- The US insurance company FFIC reached a waste recycling rate of 69%

\*Last year's results were extended to include the newly integrated Allianz companies; thus, note that a refinement of the baseline was necessary and deviations exist to last year's report.

# Climate Change

Climate change affects everyone – it is a global phenomenon that has an impact on the way we live and the way in which we do business. As global risk managers, it is our business to care about climate change as it directly affects our operations and because we have the expertise and means to influence the way in which we all react to it.

But importantly, climate change is not only about managing risks, it is also about tapping opportunities. Evidence of this is the key role that Allianz, and the financial services sector as a whole, are playing in growing markets – ranging from financing and insuring renewable energy and energy efficiency to trading carbon emissions.

“We see rising claims due to natural catastrophes and have a vested interest in reducing global warming. Our industry has been at the forefront of this debate for a long time.”

Clement B. Booth, Allianz SE Board member

## Climate change action plan

Allianz has developed a long-term strategy to address climate change risks and opportunities and to reduce its own environmental impact. These strategies involve strengthening key partnerships, setting goals and targets, and developing new products and services.

In total our action plan involves 17 objectives. Key elements include:

- Reducing our carbon emissions, see page 13
- Developing products and services geared to address climate change
- Conducting risk management
- Leveraging climate change research
- Shaping public policy position and external commitments.

## 2007/08 performance

- ➔ Establishment of binding CO<sub>2</sub> targets and Group programs including an international CO<sub>2</sub> emission reduction program
- ➔ Set up of the Center of Competence on Climate Change to develop and communicate best practices
- ➔ Development of three product lines for all customer groups:
  - energy efficiency (mitigation)
  - weather derivatives (adaptation)
  - carbon offsetting (offset)
- ➔ Three-year partnership agreement signed with WWF to collaborate on furthering our climate change strategy





## Managing risk and opportunity

### Adapting our risk management to climate change

Previously, insurers relied on past experience to determine projected loss levels resulting from natural catastrophes. Emerging risks resulting from climate change increase the number of extreme weather experiences that may cause damage and have changed the way our sector must determine projected loss levels. Thus, climate change-related risks are now integrated into our internal governance procedures and policies.

Questions remain about whether traditional reinsurance is the best long-term answer for the threat of climate change, which is why we are constantly investigating new ways of diversifying this risk. An example is the transfer of risk to the capital markets through new products like catastrophe bonds.

### The cost of climate change

- In the past 30 years there has been a 15-fold increase in weather-related claims.
- 40% of all damages that Allianz now pays out are due to natural catastrophes.
- Between 2010 and 2019, average losses for the insurance industry could grow to US\$41 billion per annum.

### Our partnership with the World Wide Fund For Nature

We are proud of our relationship with the internationally respected World Wide Fund For Nature (WWF), with whom we have worked since 2005 to analyze climate risks throughout our business. In collaboration with WWF, we have developed a climate change strategy to reduce our impact on the environment and take advantage of the opportunities that climate change can bring.

In September 2007, we signed a three-year partnership agreement with the WWF. This will help us to quantify both the direct and indirect effects of climate change and ensure that the latest knowledge and research into climate change becomes an innovative driver for our products and services.



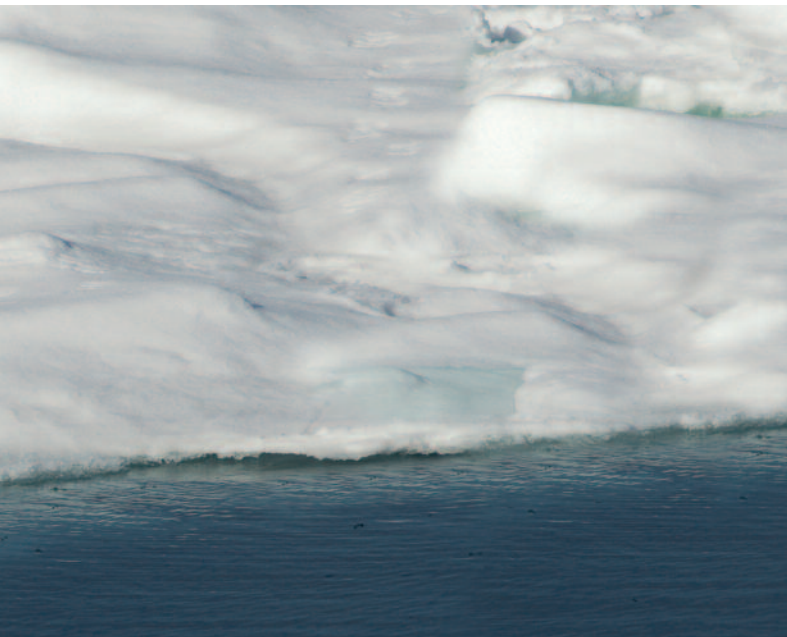
Partnership with WWF on Climate Change Research and Strategy

“Together with the WWF, I believe we can jointly get the whole financial industry moving in the right direction.”

Dr. Joachim Faber, CEO Allianz Global Investors AG and Board member of Allianz SE

### 2009 goals

- Reduce CO<sub>2</sub> emissions by 20% by 2012 (based on 2006 levels)
- Roll-out of the CO<sub>2</sub> emission reduction concept to 80% of employees
- Research the correlation between climate-friendly customers and their risk averseness
- Assess the possibility of integrating the impact of CO<sub>2</sub> risks into investment analysis (beyond case-by-case assessments)
- Develop and stress-test climate-change-related macro-economic and regulatory scenarios



# Climate Change continued

## Public policy position and external affiliations

Allianz is continuing to raise awareness of climate change issues across the sector and with the public as a whole. We are an integral part of several international climate change bodies, which help us to develop our own expertise, stay at the forefront of new trends, and plan ahead with security. These include:



UN Environment Program  
Member and Chair of the UNEP FI  
Climate Change Working Group



Allianz Hungária – founding  
member – to increase the national  
use of fuels produced from  
renewable base materials



Global Roundtable on Climate  
Change – Call to Congress



2 Degrees German Businesses  
for Climate Protection

### CARBON DISCLOSURE PROJECT

Inclusion in the CDP Leadership Index since 2005

### THE CLIMATE GROUP

Group Member

## Allianz Climate Solutions (ACS)

Formed as a subsidiary company in August 2007, ACS is pioneering work into tailor-made climate-change-related products across all our operations. As well as acting as a cutting-edge think-tank for future investment trends, mainly into renewable energies, ACS is coordinating climate activities across the whole Group, bringing together our global expertise into one coherent strategy for tackling climate change.

In December 2007, the Allianz Center of Competence for Climate Change (4C) was established to respond to the growing need for climate-related insurance products. As well as generating new green ideas, 4C focuses on sharing best practice in green product innovation across the whole Group.

By pooling their expertise and experience, ACS and 4C have created a strong base to develop the solutions that businesses need to tackle the problems of climate change.

## Research

Allianz continues to make an important contribution to the global understanding of climate change, with wide-ranging research and analysis, much of it carried out in partnerships with leading international bodies. Here are some examples.

### UNEP FI Study Carbon Crunch

This briefing focuses on the contribution of the financial sector to the fight against global warming. Its key message is to urge policy makers to adopt reduction targets beyond 2012 and use this as a clear mandate for action.

### Hedging Climate Change

This Allianz report calls for new approaches to risk diversification in the insurance industry and specifically looks at how to insure catastrophes caused by climate change. As a result, capital markets now have an important role to play in the diversification of natural catastrophe risks, in particular through the development of catastrophe bonds.

### AGI Survey on Green Portfolios


An innovative survey of US investors released by Allianz Global Investors in 2008 showed that the environment is viewed as a major long-term investment opportunity. Nearly half of the 1,003 investors surveyed said that over the next 12 months they were likely to invest in a company or mutual fund looking to provide solutions for environmental problems.

“As professional risk managers, we want to bundle our international know-how from the fields of insurance, banking and asset management in Allianz Climate Solutions and offer customers tailor-made solutions based on green products and services.”

Dr. Joachim Faber, CEO Allianz Global Investors AG and Board member of Allianz SE

## Climate change sustainable products and services

Our sustainable products and services include the following:

Product	Product and service
	 <a href="http://www.allianz.com/en/allianz_group/sustainability/products_services/index.html">www.allianz.com/en/allianz_group/sustainability/products_services/index.html</a>
<b>Green Bond</b> Dresdner Kleinwort and Dresdner Bank Europe	A five-year European bond where returns are linked to the performance of a new index of companies investing in renewable energy and energy-efficiency projects.
<b>EU Carbon Fund</b> AGF, France	The fund trades carbon dioxide (CO <sub>2</sub> ) emission allowances. This innovative exchange mechanism is intended to help reduce greenhouse gas emissions (GhG).
<b>Wind Energy Investments</b> Allianz Special Investments (ASIL)	Over €350 million has been invested to date in Allianz Special Investments wind energy, of which 75% in nine wind farms in Germany and 25% in the Francofonte wind farm in Italy. All of these investments have been transferred into the newly established Allianz Renewable Energy Partners Fund. Further investments in renewable energy are planned.
<b>Carbon Emissions Trading and Finance</b> Dresdner Bank joint venture with Gazprombank Russia	Investment in primary projects generating CO <sub>2</sub> certificates with a view to repackaging these for resale to investors on a secondary market basis.
<b>Solar Guarantees</b> Allianz Risk Transfer	New and innovative technology, such as solar power, often leads to unknown risks that are difficult to evaluate. As a result, companies in the solar industry grant long-term guarantees for their products, with financial impacts for the whole project life-cycle. Allianz Risk Transfer has developed bespoke solutions, tailored to the specific requirements of these manufacturers to assist the management of those risks.
<b>Plantation Forestry Carbon Offset Insurance</b> Allianz Australia	A product aimed at helping corporate clients reduce their CO <sub>2</sub> emissions.
<b>First Cat Bond on European Windstorms</b> AGCS and Allianz RE	This is the first bond of its kind and allows the risks of windstorms in seven European states, including Germany and the UK, to be transferred to investors. The bond has been described as “a valuable additional risk management instrument,” by Amer Ahmed, Chief Risk Officer of the reinsurance division of Allianz SE.



# Microinsurance

Allianz offers microinsurance to communities in emerging economies and developing countries where people are often most vulnerable to risks such as natural disasters, illness and disease, and where there is little or no social security. Microinsurance can help these people to invest in their livelihoods, respond to unforeseen events and plan for their future.

## What is Allianz doing?

### Our approach: partnerships

Our partners are vital if our microinsurance products are to be a success. They know the needs of local people, are trusted in the community, and are experts at training the microfinance institutions (MFIs) and NGOs that serve as distribution partners. Our partners also play a crucial role in overseeing the administrative process, and helping to keep costs down. For technical advice Allianz works with organizations such as CARE and PlaNet Finance, who help us to develop ties with local grassroot NGOs and MFIs, who can then educate the local population about insurance schemes.

### Allianz and financial education

In many countries where Allianz is introducing microinsurance, financial illiteracy is high and insurance is an unknown concept to many people. This is when education becomes crucial.

In India, for instance, we have worked closely with CARE to develop an awareness-raising campaign that explains insurance in a simple and fun way. At special events, hundreds of villagers gather to watch a puppet show that explains insurance. To help people remember, there is also a microinsurance song that uses a well-known Indian tune.

We have also built on concepts which local people understand, such as sharing the burden with friends and family. This is the principle behind mutual insurance, and means that if everyone in a village pays in a small amount, the whole community can benefit from insurance when it is needed.

More than two billion people live in extreme poverty without access to basic services. Research has found that these people face risks more often, and with a greater relative financial impact. This is due in part to living in high-risk areas such as flood plains or areas with extreme weather, as well as lack of sanitation, access to clean water, hazardous working conditions and poor nutrition.

## What is microinsurance?

Microinsurance supports families who have no access to social protection. It is a market-based mechanism that promises to support sustainable livelihoods by empowering people to adapt to and withstand stress. Microinsurance products have premiums as low as five eurocents per month, and cater for low-income households. This has made microinsurance a vital tool in helping to reduce poverty.

**“Microinsurance for us is a social business that has both a social impact and provides a long-term financial return.”**

**Michael Anthony, Allianz SE, Group Social Opportunities**



## Case studies

### Best Islamic Life Insurer 2008 – Allianz Indonesia

Allianz Life Indonesia was voted best Islamic Life Insurer in the fifth Islamic Finance Awards 2008 by Karim Business Consulting GmbH. The award recognizes the success of the company's Takaful-based product, which respects Sharia law. The product was launched in 2006 and now offers insurance to over 15,000 people who previously could not take out policies.

### Takaful microinsurance

Allianz has become the first international insurer to offer a microinsurance product that complies with Islamic law. Allianz has been offering Takaful insurance products in Indonesia, which incorporate the principles of Islamic finance law, since April 2006. Now, through its Payung Keluarga (Family Umbrella) policies, it has introduced a microinsurance version of the Takaful policies, specially tailored to meet the needs of low-income customers.

Jens Reisch, CEO of Allianz Life Indonesia, explains: "The majority of the Indonesian population is Muslim, so ensuring that the products they buy do not go against the principles of the Koran is an important consideration for many. And that applies to potential microinsurance customers, too."

## Our products and our customers

We are engaged in microinsurance in India, Indonesia, Egypt, Senegal, Cameroon, Ivory Coast and Colombia, selling microinsurance that can help people in poor communities to avoid falling into the poverty trap.

Country	Partner	Product	Policy holders
Egypt	PlaNet Finance	Death and Disability Insurance	29,000
Senegal	PlaNet Finance, PlaNet Guarantee	Death and Disability Insurance	1,000
India	CARE, Bajaj Allianz	Life, accident, property and health insurance, community-based health insurance program	242,000 (200,000 with Bajaj Allianz, 42,000 with CARE)
Indonesia	GTZ	Credit life insurance, also as a Sharia version	65,000
Colombia		Accident insurance	639,000

### How does it work?

While insurance is a common concept in developed countries, in many emerging economies insurance penetration is low and the idea of pooling a risk among several members of a community in an organized fashion is rare. This means that educating people about risk, and how insurance can help them to manage it, is often the first important step.

To succeed, microinsurance needs to be high-volume, well-distributed and affordable. A key to making this happen is to partner with NGOs and other organizations that can offer technical assistance to establish market demand, research customer needs, train microfinance institutions and then roll out microinsurance schemes.

⇒ 100%

It is expected that there will be a **100% growth in microinsurance** across the world by 2011



# Demographic Change

The world's population is changing. It is predicted that by 2050 it will have grown to more than nine billion people. But this growth will not be evenly spread, and while Europe's population is already shrinking, most less-developed countries will still see a growth in population within the next decades. Falling birth rates and increasing longevity, particularly in the industrialized world, result in a growing proportion of older citizens in some countries.

## What does this mean for Allianz?

For Allianz, demographic changes offer new challenges and opportunities in markets of the future. It's an issue that Allianz takes seriously, and to which we are responding in a number of different ways.

### New demand, new products

Although fertility rates have been decreasing on a global scale, many developing countries in Asia, Africa and South America still see a growth in population. Accompanied by an emerging middle class in many countries, particularly in Asia, this is creating investment opportunities and a new demand for financial products.

The predominantly ageing societies of the industrialized world, including Western Europe and Japan, offer different opportunities. There are questions about people's long-term financial security, and about whether social security systems and pension schemes can cope with much older populations. In these countries, there is increasing demand for new types of healthcare services, products that can help

make life easier for older people, and new ways to finance living in assisted accommodation. Allianz has responded with a range of products, including:

- **Senior Extended Accident Insurance** – Schutzbrief 55Plus provides extensive aid and care benefits for seniors who want to be cared for professionally at home after an accident or illness.
- **Allianz-dit Demographic Trends** – this equity fund specifically invests worldwide in companies that benefit from demographic change.
- **Capital Mémoire** – AGF France offers a new service for long-term care policy holders that is designed to help prevent and diagnose memory loss.
- **Grandchildren's policy** – this fund-based annuity allows grandparents to help finance their grandchildren's future needs.
- **OptiMaxx** – a flexible product from Allianz Mexico designed to allow young people to start planning their pension early.

## Facts

- ➔ By 2030, it's estimated there will be a shortage of 20 million people of working age in Europe<sup>1</sup>
- ➔ The world's less developed countries are growing by 80 million people a year – that's 50 times more than developed countries<sup>2</sup>

<sup>1</sup> European Commission 2006

<sup>2</sup> Population Reference Bureau (2007 World Population Data sheet)



“The mega-trend demographics are not so much a threat, more an investment opportunity.”

Hans-Jörg Naumer, Head of Capital Market Analysis at Allianz Global Investors KAG

**New talent**

Ageing populations can potentially leave businesses short of skilled workers, which is why Allianz is now putting even more effort into diversifying the workforce. At the same time, this enables us to address different market areas and develop innovative financial solutions.

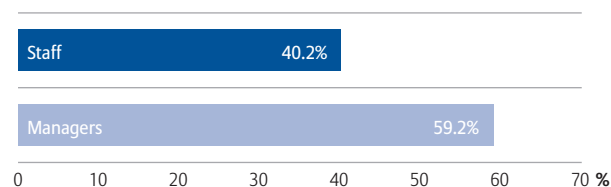
As the pool of people available for work shrinks, retaining experienced staff, and further developing employees’ skills, is crucial.

- Our **Global Talent Management** lets employees take advantage of career opportunities, and allows Allianz to use this talent to maximum effect.
- The **Allianz Group Management Institute (AMI Group)** promotes a performance culture and helps develop managers and candidates for senior positions.
- In 2007 Allianz invested €159m in staff training.

Allianz also promotes diversity and cooperation between employees of different cultures, age groups, and levels of experience and ability, and is increasing the visibility of female managers as role models.

Across the whole company there are numerous initiatives designed to create an attractive working environment from flexible working hours and crèches, to sports facilities and fitness programs.

**Participants in training\***



\*Allianz Capital Partners are not included



➔ **19 years**

Our average lifespan has increased from 46 to 65 in the second half of the 20th century

“The future belongs to fully funded retirement provision.”

Dr. Joachim Faber, CEO Allianz Global Investors AG and Board member of Allianz SE

# Employees

Motivating, inspiring and rewarding our staff is vital if we are to achieve the sustainable development of our business. We aim to be an employer of choice with a business approach, career opportunities, and package of pay and conditions, which help us retain excellent employees, and also attract ambitious people to the Group.

## Developing our workforce

Our development strategy is designed to enable our employees to fulfil their potential and contribute to the success of the Group. We invest continuously in approaches and tools to help them perform to the best of their ability. This also motivates them to stay with, or join, the company. Examples include the following:

- Our Global Talent Management system provides a framework in which individuals can take advantage of career opportunities, while allowing Allianz to use the talent within the company to the best possible effect.
- Individual performance objectives are set using strategic HR scorecards, a recent innovation to help Allianz's management team develop specific goals against 20 key performance indicators.
- We have introduced new evaluation procedures that help us assess more clearly how an individual or team has performed, so that we can reward them accordingly.

## Diversity – a crucial business tool

Diversity is vital to Allianz, a company with a global presence. Not only do we work in many different countries but our employees are moving between offices and different cultures more than ever before. We encourage employees to take up cross-border placements and exchange programs, which provide them with fulfilling development opportunities, and also encourage a flow of expertise around the Group. A diverse, mobile workforce is also key to developing 'out of the box' thinkers – individuals who are often the catalyst for developing the innovative business ideas for which Allianz is well known.

“Apart from being a valuable thing in itself, reflecting all groups in society is key to being a successful company. For us, this is the essence of diversity”.

Clement B. Booth, Allianz SE Board member

## Health First

There is a huge range of wellness and sickness prevention programs across all Allianz companies.

These include special stress-busting courses at our Headquarters in Munich, help in giving up smoking in France, and free medical examinations for staff and customers at Allianz Brazil, especially high-risk individuals such as those who are obese, or suffer from diabetes or cardiovascular disease.





Allianz has a set of guidelines and a high-level Global Diversity Council to champion diversity. Issues we are addressing include:

**Gender**

Our strategy ranges from improving the visibility of female managers as role models, to introducing more work-life management tools.

**Disability**

Allianz is committed to maintaining a workplace that helps employees manage their disabilities. And by understanding the challenges of disability, our staff can improve customer service for disabled customers, too.

**Generation mix**

We encourage older, more experienced people to continue their careers with us, resolving staff shortages caused by the demographic shift as well as providing teams with an important mix of ages and points of view.

**Customer focus**

Diversity is also about providing products that meet the needs of a diverse range of clients, such as Takaful insurance products for Muslims.

**Case studies**

**2007 Italian Barometer of Customer Satisfaction Index (BISCI) Award (Allianz Genialloyd)**

Allianz Genialloyd, the Allianz Group's direct sales insurance company in Italy, won the BISCI Award in 2007 for the Third Party Motor customer satisfaction and expeditious claims settlement. It is the seventh consecutive year the company has won, with its customer satisfaction of 96.7%, over three points higher than the industry average.

**Best Financial Services Employer 2007 (Allianz Slovakia)**

A study by Hewitt Associates places Allianz Slovakia as the Best Financial Services Employer 2007 in Slovakia and the sixth best overall employer. The company received the award for its strong focus on HR, particularly in the areas of quality recruitment, career development and talent management.

“Our employees’ different abilities and talents are the most valuable capital we have with which to respond to future challenges. Diversity is the prerequisite for innovation and growth, and it is essential in business.”

Wulf Meier, Head of HR at Dresdner Bank AG



**Ideas to Success (i2s)**



Innovation is crucial to Allianz. Without it we would not be able to survive in an industry that is getting more competitive, more price-driven and more demanding.

i2s is a framework for ideas management that has been rolled out to 58 Allianz companies worldwide, actively encouraging over 172,000 employees to improve the way in which Allianz operates daily. So far more than 60,000 ideas have been generated.



# G3 Summary

We have been reporting on sustainable development indicators since 2002, which has allowed us to benchmark our progress. We are pleased to note we have made progress in most of the major areas of environmental, social and economic indicators. Below is a summary of some of the key indicators. We report against a comprehensive list of qualitative and quantitative data.

Indicators of the Allianz Group	2004	2005	2006	2007
<b>Economic Development</b>				
Total revenues (€ billion)	96.9	101	101.1	102.6
Operating profit (€ million)	6,839	7,743	10,386	10,915
Net income (€ million)	2,266	4,380	7,021	7,966
Return on equity after taxes (%)	7.8	12.6	15.6	16.4
Basic earnings per share (€)	6.19	11.24	17.09	18
Economic value added (€ billion)	–	–	3.5	3.928
<b>Social Issues</b>				
Employees (number)	162,180	177,625	172,065	181,207
Employees undergoing at least one training session (%)				
– Staff	–	–	–	40.2
– Managers	–	–	–	59.2
Proportion of women in middle and senior management (%)	26.2	25.4	28.4	29.2
<b>Environmental Performance</b>				
Percentage of employees subject to environmental management (% of employees)	61	56	61	70
Energy consumption (MJ/employee/year)	32,102	31,986	31,582	30,900
Business travel (km/employee/year)	5,446	5,621	5,850	5,981
Total CO <sub>2</sub> emissions (kg/employee/year)	4,145	4,292	4,207	4,214
Water consumption (liters/employee/year)	16,107	16,698	14,587	15,074
Paper consumption (kg/employee/year)	187	219	191	186
Recycled paper consumption (% of total paper consumption)	7	9	8	9.3
Amount of waste (kg/employee/year)	294	314	272	253

For a complete list of our G3 description and reference table visit:

[www.allianz.com/en/allianz\\_group/sustainability/performance\\_highlights/gri\\_index/index.html](http://www.allianz.com/en/allianz_group/sustainability/performance_highlights/gri_index/index.html)

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