



Allianz Group
Sustainable Development
Report 2010/11

Allianz 

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1 Our commitment

Sustainability calls for a responsible approach to progress

The financial crisis is not yet over. We still have to come to terms with its financial consequences and cannot rule out a scenario in which such an upset is repeated. Nevertheless, it has largely disappeared from the headlines, making way for new once-in-a-century events that nobody could possibly have foreseen in terms of their scale and frequency.

Who would have imagined that several North African nations would revolt against their leaders within the space of a few weeks? And who, in the wake of the floods that hit Australia and the earthquake in New Zealand, could have foreseen the catastrophe in Japan? How do we, as citizens, as politicians and as entrepreneurs, want to make a contribution to fostering stability, progress and prosperity in a world where natural forces, the political landscape and the capital markets seem to have gone off the rails? And is it even legitimate to strive for progress at all when we consider the worst-case nuclear scenario confronting Japan?

I believe that it is. The sort of progress we should be striving for, however, takes the concept of "progress" seriously and literally. Progress that, even when faced with intense competition, deals with human and natural resources in a manner that is not focused on the short term or on the benefits for the select few that manage to get ahead of the game, but rather looks at the long-term well-being of the people and the surrounding environment.

This is nothing new to an insurer and asset manager that has been guaranteeing its customers decade-long security for more than 120 years. But, given the recent events to have hit the headlines, it is a new challenge for us, too. A challenge that we will have to tackle with new approaches and financial solutions for our customers. All of these innovative solutions, however, are based on a principle that has long been known, but also has to be taken seriously and literally: sustainability.

Our Sustainable Development Report 2010/11 shows how Allianz management, employees and agents together with our customers address the challenges we jointly face. We have identified five global issues on which we focus, namely providing Access to Financial Services, Climate and

Demographic Change, Digitalization and the Stability of Financial Markets.

These issues do not only affect Allianz, its 151,000 employees and 76 million customers in 70 countries. Through analysis, dialog with our stakeholders and with the right financial solutions, we want to find a holistic approach to address these challenges that benefits society as a whole.

Our approach to sustainable development combines long-term economic value creation with a holistic approach to environmental stewardship, social responsibility and corporate governance. 2010 was a good year for our Group – both in terms of our financial performance as well as our sustainability performance:

- **Economic:** 2010 was one of the most successful years in our 120 year history, with net income exceeding €100bn and operating profit €8bn.
- **Environmental:** Our target to reduce our CO₂ emissions by at least 20 percent compared to 2006 we have achieved two years ahead of schedule and now have to set ourselves new targets.
- **Social:** The fact that our lighthouse financial literacy program, My Finance Coach, was named official project of the United Nations Decade of Education for Sustainable Development gave special recognition to our social commitment.
- **Governance:** Our Group-wide Anti-Corruption Program also includes interactions with our business partners.

As an insurer, sustainability is part of Allianz' DNA. We have been supporting the ten Principles of the United Nations Global Compact since 2002. Our achievements have been recognized by the leading sustainability rating agencies. The real benchmark, however, lies in continuing to meet the changing needs of our customers. These needs, the way in which they change in response to the five global issues, and our business success form the points of a triangle, the balancing of which acts as the guiding sustainability force for Allianz and its management.

Michael Diekmann

Chairman of the Board of Management of Allianz SE

2 Strategy

Committed to Sustainable Development

Since Sustainable Development (SD) is inherent to Allianz' business and impacts on it in many ways, the Group cultivates a culture of corporate responsibility. In 2010, Allianz focused on reviewing and strengthening its SD processes and intensifying relationships with employees and external stakeholders.

How Sustainable Development is lived out

Allianz has not just discovered SD in the past decade, but is building on foundations developed over the last 120 years. Hence, the Allianz Code of Conduct both expresses and further shapes this corporate culture of responsibility by upholding the everyday business principles we have developed over time. The Group's strategy in this field is based on four SD Principles:

- Striving to safeguard natural resources in all internal operations
- Incorporating sustainable business practices into Allianz products and services
- Developing long-term and mutually beneficial partnerships with stakeholders
- Aiming to be fully transparent about Allianz' sustainability performance

These SD Principles are complemented by global Group-wide guidelines, such as the Allianz Principles of Social Engagement.

Where sustainability is taken seriously

SD is in the very nature of Allianz' business. Consequently, Allianz

- Shapes developments towards a sustainable future by operating as a manager of risks and opportunities

- Offers low-premium insurance to poor people and thus supports rural communities in developing countries
- Combats the global challenge of climate change, as natural disasters account for 40% of industrial insurance claims
- Offers retirement planning solutions in response to demographic change across the globe
- Engages in efforts to create a sustainable financial system based on stable financial markets

At Allianz, SD means combining long-term economic value creation with a holistic approach to corporate governance, environmental stewardship and social responsibility. Allianz nurtures a corporate culture in which these challenges are managed effectively – not only for the risks they present, but also for the opportunities that can be seized to achieve sustainable success. In practical terms, this translates into focusing on the following:

- Achieving long-term economic growth and good corporate governance
- Finding innovative solutions that address local and global challenges
- Building long-lasting customer relationships
- Engaging employees in SD activities that are aligned with corporate core competencies and leadership skills, for example through Social OPEX and My Finance Coach
- Making a positive contribution to the environment and communities in which the Group operates
- Sharing knowledge, for example through trend and market research, financial literacy programs or the Allianz Knowledge website

Allianz4Good is the Group's central SD unit responsible for promoting and further integrating sustainability into all areas of the Allianz business by working in close cooperation with both central functions and subsidiaries.

What was achieved in 2010

The priorities in 2010 were to strengthen existing SD processes, for instance in SD reporting and ratings, and intensify relationships with employees and external stakeholders. In September 2010, Allianz4Good started a project to refine their value proposition in the Group. Its main aims are to review and further align the SD strategy with the business strategy; define the strategic objectives and how to better support business operations; make SD more tangible to all employees; and transparently communicate Allianz' strategic SD objectives to all stakeholders. By the end of the year, the external benchmarking and internal stocktaking processes had been concluded. This project will continue in 2011 and be manifested in different channels and projects, such as a corporate responsibility governance framework that better integrates the perspectives of local Allianz entities into SD developments.



Annual Report:
Sustainable
Development



Allianz Knowledge Site

3 Governance framework

3.1 Corporate governance: pursuing the highest standards

Since responsible and transparent leadership is critically important to the long-term success of a company, Allianz pursues the highest standards in corporate governance. The company's holistic approach was underlined by the appointment of a Chief Governance Officer in 2010.

A pioneering tradition

In striving for excellence in corporate governance, Allianz has implemented a holistic approach, of which pioneering achievements in the past provide ample evidence. Allianz was one of the first companies to implement Germany's Corporate Governance Code and started publishing details of its Board of Management's remuneration before this was required by law. Corporate governance at Allianz involves managing and supervising the company according to commonly accepted business principles, procedures and responsibilities to ensure an effective corporate governance system, which is essential for sustainable business performance. Transparent remuneration and long-term risk management are key characteristics of corporate governance at Allianz along with the Allianz Code of Conduct that lays down rules for acceptable behavior and corporate responsibility. As a mandatory document for all employees, the Code of Conduct shapes corporate culture throughout the Group.

Transparency in executive remuneration

For years, Allianz has practiced a policy of absolute transparency in executive remuneration. Details of the sums remunerated in 2010 are contained in the current Annual Report. Processes are now in place to evaluate the Board of Management's own sustainability performance with target assessment carried out by the Supervisory Board.

Prudence in risk management

The framework developed by European regulatory bodies for the prudent supervision of insurance companies, Solvency II, will be implemented in national legislation by the end of 2012. Allianz has not only been proactively supporting the ongoing Solvency II discussions but also ensures adherence to the requirements laid down in Solvency II and by the Minimum Risk Management Requirements for Insurance Companies (MaRisk VA), which were published by the German Federal Financial Supervisory Authority (BaFin) in spring 2009. Specifically, this involves the implementation of comprehensive and integrated risk governance rules, an articulation of Allianz's risk tolerance, a clear focus on undertaking specific risk governance processes to increase Group-wide risk awareness as well as the definition of a Group Risk Strategy and an overall risk framework.

Holistic approach to corporate governance

Allianz believes that corporate governance can only be practiced responsibly and efficiently through a dedicated comprehensive approach. To this end, the new function of Chief Governance Officer (CGO) was established for the Allianz Group in September 2010. The CGO reports directly to the Chief Executive Officer, Michael Diekmann, who explains the rationale behind the new function: "In the general public, the call for transparency and clearly defined rules in corporate governance is getting louder and

louder ... So far we've been addressing this issue on the basis of individual functions, such as compliance, audit, legal and finance. With the Chief Governance Officer we are now creating a function that provides an all-encompassing view." The CGO's responsibilities include:

- Conveying a holistic picture to both internal and external addressees of what constitutes good corporate governance
- Coordinating all corporate governance activities and implementing any necessary measures
- Ensuring that best practices are introduced in the company
- Keeping the Board updated on the latest developments in corporate governance



Annual Report:
Corporate Governance
Report and Statement on
Corporate Management



Remuneration Report

3.2 Sustainability management: embedded for good

The principles of Sustainable Development (SD) are embedded into the Allianz Group's core business. The task of managing the Group's SD agenda is in the hands of Allianz4Good.

The three Cs

The catalyst, coordinator and central hub of the Group's Sustainable Development activities is the Allianz4Good department, which was established in 2008 with a wide variety of responsibilities. As a catalyst, Allianz4Good identifies the relevant SD issues, creates the strategic framework for Group-wide SD, initiates pilot projects, sets up SD-related processes and ensures their integration into Group-wide business processes and operations.

In its coordinating role Allianz4Good is responsible for controlling the main SD activities between subsidiaries, strategic functions and the Allianz Board of Management.

As the central hub of SD activities, Allianz4Good shapes and supervises the introduction of relevant policies, supports subsidiaries in integrating and implementing the Group's strategic approach to the SD issue, and acts as a knowledge hub to consolidate SD activities in internal and external communications.

Close proximity to the Board

Just how seriously sustainable development is taken at Allianz is shown by the close proximity of Allianz4Good to the Board of Management. The head of Allianz4Good reports directly to Paul Achleitner, the Board Member responsible for Finance. Allianz4Good keeps the Board informed about the progress of SD issues and performance, and supports the Board with respect to its strategic decisions on SD-related topics.

Putting principles into practice

Allianz4Good is responsible for managing a wide range of SD activities that are grouped into three organizational units: Allianz4Good as the central unit with coordinating and collaborating functions; Allianz Climate Solutions; and the My Finance Coach Foundation.

In its coordinating and collaborating function, Allianz4Good is directly responsible for four areas:

- **Corporate Citizenship:** Supervising the practical side of the Group's role as a global corporate citizen, for example donations, disaster response and Corporate Volunteering aligned with core competencies and leadership skills, for instance in the Social OPEX program.
- **Environmental Management:** Further developing the Group's carbon reduction strategy, steering the Allianz companies' carbon reduction activities, monitoring the Group-wide Environmental Management System to reduce the carbon footprint and educating and enhancing awareness on environmental behavior.
- **SD-related Ratings and Reporting:** Communicating progress, aiming for full transparency through SD reporting and ratings, addressing stakeholders' issues and concerns (for example in the Annual Report), and managing participation in global sustainability ratings.
- **Microinsurance & Partnerships:** As a center of competence, coordinating microinsurance activities throughout the Group, further developing financial literacy programs in emerging countries, and maintaining strategic partnerships of direct relevance to the Allianz microinsurance business.

Allianz Climate Solutions (ACS), the Group's center of competence for climate change issues, advises customers and the Allianz Group on the opportunities arising from a low-carbon economy. In addition, ACS helps Allianz companies to share their expertise and supports the development and expansion of insurance projects and other financial solutions for related new technologies and renewable energy projects.

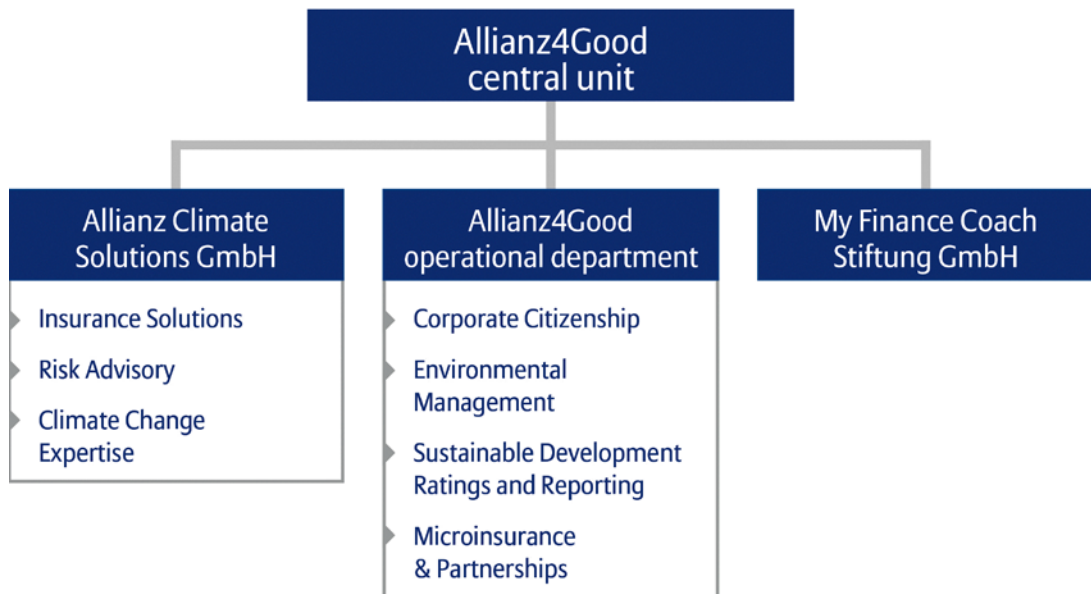
The **My Finance Coach Foundation**, an initiative set up by Allianz and external partners to promote financial literacy among 11- to 15-year-olds, aims to better prepare young people to take responsible financial decisions. In 2010, My Finance Coach was turned into a charity foundation to enhance its transparency, neutrality and opportunities for expansion.



ACS



My Finance Coach



3.3 Compliance management: striving for a culture of integrity

Allianz' compliance management system aims to ensure compliance with internationally recognized laws, rules and regulations to promote a culture of integrity and safeguard the company's reputation.

Roles and responsibilities

Group Compliance observes and assesses regulatory standards as well as ensuring the effective implementation of compliance and anti-money laundering programs. What's more, it cooperates closely with a network of local compliance officers to prevent and detect corruption and internal fraud. Throughout the Allianz Group, compliance officers advise employees on compliance-related topics, work to detect non-compliant behavior and advocate compliance positions in discussions with regulatory bodies. Strategic compliance initiatives, projects and policies are developed and implemented by Group Compliance in conjunction with the Compliance Standards Committee, which is made up of representatives of Allianz' regions, flagship companies and business divisions.

Guidelines and standards

Compliance management at Allianz involves supporting and following internationally and nationally recognized guidelines and standards – and in particular the United Nations (UN) Global Compact, the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, the Financial Action Task Force on Money Laundering and applicable embargo and sanction regulations. Allianz has implemented an internal Code of Conduct for Business Ethics and Compliance, which sets the standards for business conduct throughout the Group and also forms the basis for other guidelines and principles. The Code, which is obligatory for all Allianz employees

worldwide, provides clear guidance by laying down principles for topics such as non-discrimination and harassment, dealing with confidential information, insider trading, external communications, conflicts of interest, gifts and entertainment, and protection of Group property and natural resources. Interactive training programs are staged throughout the world to effectively communicate the compliance principles and guidelines, and supervise their implementation.

Combating corruption

As part of the compliance management system, Allianz established a global Anti-Corruption Program in 2009 to ensure the ongoing monitoring and improvement of internal anti-corruption controls. One component of this Program, the Anti-Corruption Policy, sets out the Group's minimum anti-corruption and anti-bribery standards, specific parts of which also apply to representatives, joint ventures and outsourcing partners. This Policy addresses all dealings with government officials and business courtesies, the hiring of representatives (e.g. tied agents), political contributions on Allianz' behalf and the handling of vendor integrity, joint ventures, outsourcing agreements and facilitation payments. Anti-corruption tools and controls support the Policy's incorporation into everyday business operations. Other measures include the introduction of a Gifts & Entertainment Policy, a Group-wide online anti-corruption training scheme and a vendor integrity screening process that ensures a proper integrity due diligence before any vendor is engaged.

Whistle-blowing

Another key component of the Allianz compliance program is a whistle-blowing system that allows employees to confidentially alert the relevant compliance department about any irregularities. All subsidiaries are covered by either proprietary or Group Compliance whistle-blowing channels. Group Compliance department offers employees from anywhere in the world the option of directly reporting irregularities to Allianz headquarters by e-mail. Integrity Committees installed at a Group and local level deal with any issues raised. Employees who voice concerns about irregularities in good faith need not fear any retribution, even if their charge turns out to be unfounded – a crucial factor in ensuring whistle blowing works effectively.

3.4 Risk management: risks and opportunities – our core business

Risk management is not only a core competence but also an integral part of our business processes. A Group-wide Risk Management System set up to protect our capital includes an extensive, Group-wide calculation of economic risk capital, which allows us to integrate risk considerations and capital requirements into decision-making and management processes at a high level of quality. This is founded on a strong risk management culture supported by a robust risk organization and effective risk processes.

Risk organization

The Board of Management, which has overall responsibility for risk management, determines the Allianz Group's risk strategy and approves the overarching Group Risk Policy document as well as allocating capital resources and risk limits. In 2010, Allianz established a Group Capital Committee, which is primarily responsible for drawing up proposals for Board decisions on risk strategy, capital and strategic asset allocation and solvency targets. The Group Risk Committee monitors risk-related developments and the Group's risk profile, defines risk standards and limits both for the Group and its subsidiaries (within the framework set by the Board) and also recommends and coordinates risk mitigation measures. The Group Finance Committee is responsible for risk mitigation in investment decisions. These three Committees are chaired by Board Members. The Group Risk department, which acts as an intermediary between the different companies and the Group Risk Committee, optimizes the dialogue between the Group and its subsidiaries, reports on risks relevant to the Group and implements the internal risk capital model.

Risk Policy and minimum standards in the Allianz Group

The core elements of the Risk Management System at Allianz are the Group Risk Policy and a set of minimum standards and guidelines, which are

based on sector standards and regulatory frameworks and together form a reference system. Allianz companies must adhere to this reference system to ensure effective and consistent risk management for the Group, but are allowed to develop their own policies within this framework. All Risk Policy documents are reviewed regularly to ensure a timely response to new business requirements and implementation of best practices.

New risks and early warning systems

Our business success is vitally dependent on detecting risks early and enhancing our understanding of new and previously unknown risks. Since 2001, Allianz has had a working group focusing on these two factors. The Global Issues Forum (GIF) is made up of senior managers and invites external experts to attend some meetings, if required. The Forum ensures that Allianz can access information from a body of experts who systematically monitor medium- to long-term risk developments and carry out regular risk and opportunity analyses of factors that may become relevant to the development of our business. The following topics of relevance to our business have been identified through a wide-ranging analysis of medium- and long-term trends:

- Economics and finance
- Legislation, regulation and reputation
- Geopolitics and globalization
- Society and consumer behavior

- Demographic change
- Environment and climate change
- Technologies and medicine

The GIF endeavors to provide early indication and evaluation of risks, and reports regularly to the Allianz Board of Management as part of this early warning system function. It also coordinates its activities with the Group Risk Department, the Group Risk Committee and the Global Issues Working Group – a subset of the GIF focusing on selected issues.

As a member of the Chief Risk Officer (CRO) Forum, an industry initiative, Allianz was involved in developing best practice standards to better manage risks in the ethical field during 2010. These standards focus on the sustainability impact of business transactions and provide best-practice guidance on how to integrate these considerations into pre-emptive and holistic risk management processes.



4 Strategic targets

Strategic targets	Time frame	Achievements in 2010
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Economic

Achieve profitable and sustainable growth

Five goals of our **Group Strategy**:

1. Profitable and sustainable growth
2. Well-balanced and synergetic business portfolio
3. Strong capitalization
4. World-class investment management
5. State-of-the-art risk framework

Ongoing

Top line lifted well above the €100 billion mark; revenues up by over 9.0% compared to 2009; net income from continuing operations up by 12.0% to over €5 billion; operating profit rose even higher to over €8 billion.

Environmental

Enable a low carbon economy

Reduce our own carbon footprint by 20% compared to 2006.	2012	Target achieved: Allianz' carbon footprint reduced by 27% of its 2006 levels.
Invest up to €1.5 billion in renewable energy projects , specifically in new wind and solar parks.	2012	Since 2005, €1 billion invested in 30 wind and solar parks.
Develop new products and services to help our customers mitigate the effects of climate change or manage their own environmental impact.	Ongoing	Over 70 "green" products and services offered by Allianz (2009: 50).
Contribute to public awareness and understanding of climate change and mitigation through research and advocacy .	Ongoing	Projects initiated in 2010 through our partnership with the WWF: heavy precipitation study and internal climate change awareness campaign.

Social

Promote diversity across the Group		
Increase the number of women in leadership positions ; our global target is to have at least 30% women in our Group-wide talent pool for management positions.	2015	15% of management positions directly below Board level held by women; 20% women in middle management; 32% of overall management positions in the Allianz Group held by women.
Adapt to the challenges of demographic change		
Launch the Strategic Workforce Planning (SWFP) internationally to address the shortage of skilled personnel.	Ongoing	Launch of SWFP in 2009 and further roll-out in 2010 at several major subsidiaries in core markets. The first global SWFP Conference held in November 2010 brought together 18 workforce planners to exchange ideas and foster the development of innovative ideas.
Strengthen social engagement in the Group		
Promote employee engagement formats that are aligned with core business competencies .	Ongoing	My Finance Coach: Pilot program deployed in seven German states; target of 300 volunteers reached by May; 674 volunteers by the end of December; visits to 7,700 pupils in 90 schools. Social OPEX Projects conducted in Germany, France, UK, Singapore, Italy and the Netherlands; 21 Allianz employees from ten subsidiaries and eleven social entrepreneurs involved.
Develop and roll out a Group Disaster Response Framework .	2011	Allianz Group Disaster Response Guideline approved for a rollout at the start of 2011.
Improve access to financial services		
Enhance financial literacy in emerging markets.	Ongoing	Public-private-partnership with the German development organization GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) to explore potential for innovations in microinsurance portfolio, drive knowledge and quality and enhance access to sustainable microinsurance solutions for low-income populations in India, Indonesia and some African countries.

Governance

Promote a culture of integrity and safeguard the company's reputation		
Balance short-, mid- and long-term elements of variable remuneration to support and encourage sustained value-oriented management.	2010	New remuneration system for the Board of Management effective from beginning of year; specific consideration given to sustainability.
Further strengthen compliance management .	Ongoing	Global Anti-Corruption Program, a core initiative with major developments in 2010: Rollout of Allianz Anti-Corruption Program and development and implementation of further program components (Gifts & Entertainment Policy and Anti-Corruption Training Courses).
Strengthen sustainability in the Allianz supply chain		
Ensure vendor integrity with Allianz' environmental, social and governance standards.	2010	Vendor Integrity Screening Process implemented at a global level.

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1 Access to finance

1.1 Microinsurance: the business with the double bottom line

Allianz has more than 4 million microinsurance customers and concrete plans for further expansion of microinsurance – a business with the double bottom line of both financial and social returns.

Bright future for microinsurance

An estimated 2.6 billion people live on a daily income between U.S.\$1.25 and U.S.\$4 a day. Poor people are more severely affected by natural disasters, accidents and illness, as they usually have no bank account and no access to modern financial services. They also lack the opportunity to save or to take out insurance to hedge against these shocks. Only 3% of them have access to state- or private-sector insurance schemes, which leaves the other 97% very vulnerable. This is where microinsurance can make a big difference. Microinsurance provides essential coverage to families and individuals who have no access to basic social protection. Microinsurance products provide people living on or below the poverty line with a health and financial safety net that enables them to survive risks that would otherwise shatter their lives.

market growth. However, this growth potential can only be exploited fully if we overcome the challenges of the microinsurance market:

- In countries such as India illiteracy is high and financial literacy low.
- More market research is required to better understand the market and people's needs and thus improve the quality of risk assessment.
- Infrastructures in these emerging markets are weak and hence distribution difficult.
- Since margins per policy are tiny, microinsurance can only be profitable if large numbers of standardized products are sold through standardized processes.

Though the microfinance industry has suffered severe setbacks in India in the recent past as microcredits led to much-publicized cases of over-indebtedness, microinsurance has not been affected by this crisis. For low-income households microinsurance remains a suitable means of managing risks at premiums typically ranging from €1-10 a year.

More than 4 million Allianz microinsurance customers in eight emerging countries

Microinsurance has big potential in many regions of the world. Experts estimate the market size to be around one billion people, mostly in India and Indonesia but increasingly in Latin America. Growing product diversity, knowledge of the market and customer needs and enhancing financial literacy among low-income groups are expected to drive

Allianz' double bottom line strategy

While profit expectations are much lower than in the traditional insurance business, there is a strong notion that making low-income customers familiar with the concept of insurance in general and the Allianz brand in particular will pay off over the years as these customers move up the economic ladder. But the double bottom line in this business is that microinsurance must deliver financial and social returns. Allianz aims to achieve an adequate

financial return by taking microinsurance to markets where an Allianz subsidiary operates and sufficient demand exists. The social returns are generated through a strong focus on portfolio quality. Here, Allianz aims to ensure its products deliver genuine client value by conducting focus group demand surveys and constantly challenging the value of the products offered.

The Allianz microinsurance business is run locally by its subsidiaries and coordinated centrally by Allianz4Good. Allianz works closely with NGO networks such as CARE International, PlaNet Finance and World Vision to assess client demand, develop products and design education material. In 2010, Allianz entered into a public-private partnership agreement with the German development organization GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) to improve the quality of its microinsurance offerings.

Developing the business

As the microinsurance business expands, Allianz is developing its future markets by helping to set industry standards, diversifying its own portfolio, enhancing the degree of professionalism and carefully balancing profitability and social impact.

1.2 Developing markets: expanding microinsurance in emerging markets

Microinsurance can offer existential help to millions of poor people in emerging economies. Allianz is not only a leading provider in this segment but also works to raise financial literacy levels.

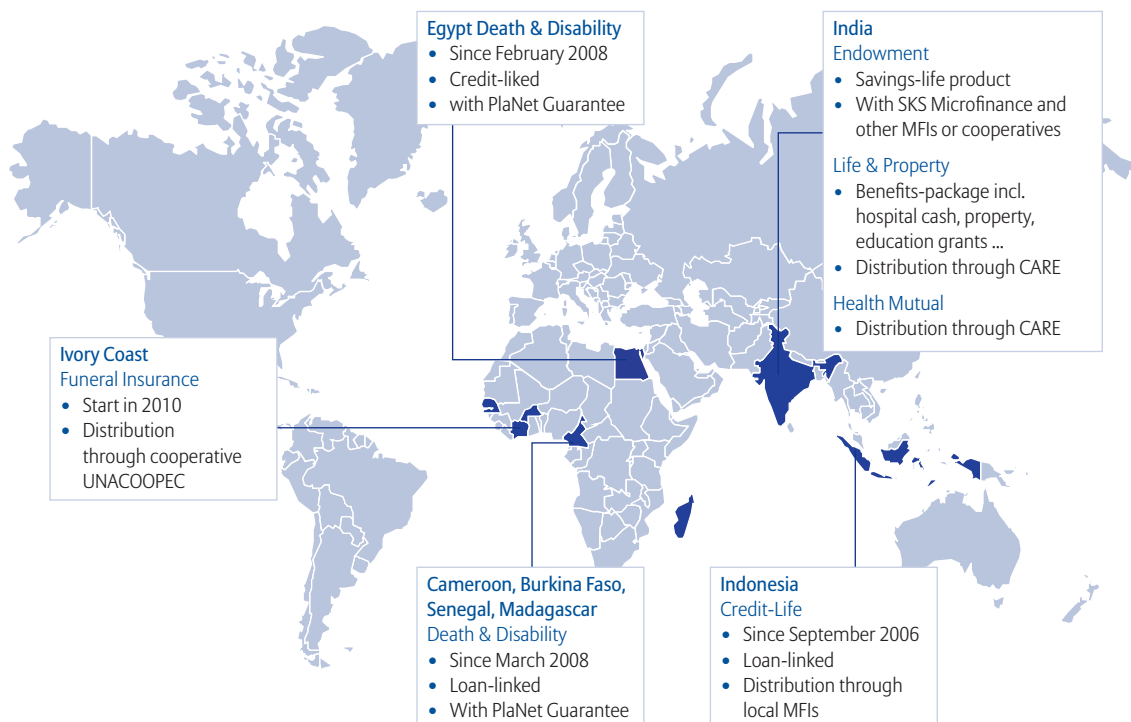
Meeting existential needs

In emerging economies, microinsurance helps poor families maintain a minimum standard of living and recover from shocks such as accidents or illness. There is, however, little understanding of the basic concept of insurance or what benefits it brings as literacy in general and financial literacy in particular is low. In India, for example, around a third of all adults are illiterate and the figure for rural women is even higher. Teaching poor people to plan for the future can help them to manage unexpected shocks more easily.

Strong in emerging markets

Allianz believes that the economic development of emerging economies is not just an imperative of global justice but, above all, an engine for global growth. By investing strongly in emerging markets, Allianz is acting on its convictions and has now become a leading provider of microinsurance in Asia and Africa.

Microinsurance products of Allianz and global representation



Source: Allianz4Good, March 2011

In dealing with low-income customers, Allianz knows how important it is to explain the benefits insurance can bring and develop bottom-up innovations. Hence, Allianz is working to increase literacy and financial understanding in order to better protect vulnerable communities, live out social responsibility, create sound foundations for insurance business and enhance product knowledge to grow the customer base.

Ensuring high quality standards in microinsurance

In 2010, Allianz formed a public-private partnership with the German development organization GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) acting on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ), to explore the potential for innovations in the microinsurance portfolio, drive knowledge and quality and enhance access to sustainable microinsurance solutions for the low-income population of India, Indonesia and African countries. Both partners have developed the following principles to guide Allianz' microinsurance business:



Allianz Knowledge



"Microcredit Crisis: What Is Allianz Doing?"

Microinsurance: Four Guiding Principles

Fair Pricing

- Our portfolio of products is priced to balance both profitability for us and affordability for our clients.

Access

- We select efficiently organized and professional distribution channels to ensure broad access to low-income clients.

Transparency

- We ensure that each client understands exactly what they are purchasing, and what the associated costs and procedures are.

Need Driven

- Our portfolio of products is designed to address the risks our clients actually face to ensure our products offer genuine added value.

Source: Allianz / GIZ PPP, 2011

Outlook for 2020

Allianz' microinsurance customer base now encompasses more than 4 million people worldwide. By 2020, Allianz predicts that 20% of Allianz' global customer base may well come from low-income groups. Therefore, Allianz is further expanding and developing its microinsurance portfolio through simple, standardized products and efficient handling:

- Analyzing customer needs and creating different client profiles to better adapt the product portfolio
- Developing savings-linked life insurance to safeguard income when a breadwinner dies and to save for the children's future, e.g. SSS in India
- Evaluating the initial experience in mutual health microinsurance, where smaller claims are managed independently by a local self-help group and larger claims, for example for surgeries and hospital stays, are taken on by Allianz.

At the same time, Allianz and GIZ aim to better measure and control the financial and social performance of microinsurance by applying microinsurance key performance indicators (KPIs):

- Financial KPIs, such as growth of gross written premiums and claims ratio
- Product quality KPIs, such as coverage, promptness of settlement, renewal rate and demand analysis

In the future, Allianz plans to conduct social impact reviews of microinsurance in emerging markets and hopes that measuring the social performance of products will become industry practice.

2 Climate change

2.1 Combining words with action

Global warming threatens to radically change our climate. Since it also poses a serious risk to the insurance industry, Allianz has a Group-wide strategy covering related risks and opportunities.

Reality of climate change

Scientists may disagree about the extent of climate change, but nobody of repute seriously disputes its existence. The Intergovernmental Panel on Climate Change (IPCC) estimates that average temperatures are very likely to rise by at least 2°C by the end of the century unless emissions are radically reduced, allowing atmospheric greenhouse gas concentrations to peak in the next five to ten years. Since global warming is most probably causing more frequent heatwaves, droughts and floods as well as more severe tropical storms, it is already having a material impact on the insurance industry, for example on health, life, property, liability and business insurance. In 2010, the total worldwide losses from weather-related natural disasters amounted to approximately U.S.\$99 billion. Payments on claims for damage and loss caused by extremes of weather have increased significantly in the past 30 years and totaled approximately U.S.\$24 billion in 2010¹. Allianz estimates this sum may rise to around U.S.\$40 billion a year by 2019.

Need for reliable climate data

Financial service providers face the global challenge of generating and interpreting climate data to further enhance climate-related risk management. A recently published United Nations Environment Programme Finance Initiative (UNEP FI) study on the financial sector's information requirements underlined the need for enhanced availability of reliable climate data to improve risk-assessment and decision-making processes. Consequently, Allianz is working to improve the identification, quantification,

pricing and mitigation of the risks involved. For example, Group Economic Research and Corporate Development (ERCD) identifies climate change-related trends, risks and opportunities, focusing on mid- to long-term time horizons and their impact on the insurance business; the Cat Management Unit at Allianz SE Reinsurance tracks scientific publications for relevant topics and plays an active role in the climate change working groups of the German Insurance Association; and Allianz collaborates with the World Wide Fund For Nature (WWF) to conduct relevant studies and internal projects.

Responding strategically

As long ago as 2005, Allianz adopted a comprehensive Climate Change Strategy aimed at reducing the Group's carbon footprint by 20% of the 2006 figure by 2012, dealing with the impact of climate change on both customers and its own business and contributing to a low-carbon economy by developing relevant products and services. As the Group-wide center of competence on climate change, Allianz Climate Solutions (ACS) serves other Allianz entities as well as customers with its risk analysis, investment and insurance expertise – with a clear focus on renewable energy, clean technology and the carbon market. Allianz' focus in its strategic response has been on four core areas:

- **Insurance solutions:** Allianz companies have developed a wide range of solutions to meet local market needs. For example, Allianz Global Corporate & Specialty (AGCS) has been developing new insurance solutions for offshore wind parks and investigating the insurability of new technologies, such as carbon capture and storage facilities.

- **Asset management:** Environmental and climate issues are taken into consideration in the Allianz Global Investors portfolio, for example through RCM, a subsidiary that manages the Global Water, the Global EcoTrends and the Global Sustainability Funds.
- **Direct investments:** Allianz Capital Partners (ACP) and its subsidiary Allianz Specialized Investments Limited (ASIL) have built up a portfolio in wind energy and solar power that was worth over €1 billion at the end of 2010.
- **Internal activities:** Besides initiatives to reduce the company's environmental and carbon footprint, Allianz has implemented an Environmental Management System to ease the collection and control of environmental data and bring the company into line with the ISO 14001 standard and the European Eco-Management and Audit Scheme (EMAS).

Moving forward

By the end of 2010, Allianz had developed more than 70 green products and services ranging from asset management to new kinds of insurance and assistance services. In early 2011 a WWF-supported employee information campaign on climate change was rolled out in several Group companies. As a founding signatory of the Carbon Disclosure Project (CDP) and through membership of the UNEP FI Climate Change Working Group, Allianz is playing a proactive role on the global stage. Moreover, by implementing a sustainable, long-term carbon neutralization strategy alongside its internal carbon emission reduction measures, Allianz is combining words with action to combat climate change.

2.2 Managing the impact of natural disasters

Though many of the effects of climate change are not readily apparent, natural disasters are – and they are happening more frequently. Allianz is confronting this challenge by analyzing the risks involved and developing effective countermeasures.

Growing threat

Scientific studies have shown that climate change will most probably lead to more natural disasters. A study published in November 2009 (Climate Change Tipping Points) by Allianz and the World Wide Fund for Nature (WWF) identified four major tipping points in the Earth's climate system – small changes that can make a big systemic difference and potentially affect numerous people and assets:

- A global sea level rise of up to two meters by the end of this century, combined with a localized rise on North America's Eastern Seaboard
- Shifts in hydrological systems in Asia resulting from disturbances of the monsoon regimes and fluvial systems fed from the Hindu Kush-Himalaya-Tibetan glaciers
- A die-back of the Amazon rainforest and more frequent drought in the western and southern parts of the Amazon Basin
- A shift to a very arid climate in southwestern North America

More than €1 billion
invested in renewable
energy projects

The failure to effectively combat climate change increases the probability of more tipping points developing – with even greater effects on the insurance industry.

Severe impact

The increasing frequency of natural disasters is directly affecting financial service providers. A sea level rise of 0.65 meters on the northeast coast of the U.S.A. is estimated to increase asset exposure from a current U.S.\$1.4 trillion to U.S.\$7.4 trillion. A hurricane hitting the New York region would cost the insurance industry around U.S.\$1 trillion right now, and over U.S.\$5 trillion by mid-century. Insurers would be heavily exposed – through hurricane and flood policies and as investors in real estate and public sector securities. Natural disasters imply an extreme volatility risk for the insurance industry with a special demand for capitalization and a specific risk management approach. Moreover, the financial services sector plays a crucial role in underpinning the entire economy – by supporting, protecting and investing in other businesses, including those most vulnerable to the catastrophic effects of climate change. The need for action is apparent.

Bonds against catastrophes

Natural catastrophe (NatCat) bonds are issued as an alternative and supplement to traditional catastrophe reinsurance policies. During the past five years, Allianz SE Reinsurance has successfully issued five NatCat bonds as an integral part of Allianz' risk management approach. If an event triggers the bond, Allianz is entitled to use the bond capital for claims payments to policyholders. If the bond expires without a trigger event, investors will be paid back their capital plus a fixed coupon above a reference rate.

Investing in research

Through its subsidiaries Allianz accumulates significant amounts of risk in peak perils such as hurricanes and earthquakes in the U.S.A. and windstorms in Europe. The WWF-Allianz study on major tipping points is a good example of how Allianz is investing in a better understanding of the potential risks of climate change by analyzing concrete insurance portfolios in specific locations. A project entitled "Extreme precipitation in Northern Italy" which is currently being conducted by Allianz SE Reinsurance's Cat Management unit in collaboration with external experts and the WWF, is investigating surface water flooding resulting from extreme rainfall in the Venice region of Italy. Historical, current and future scenarios are being developed with the help of global and regional climate models and a high-resolution flood model. This ongoing project aims to show how climate and flood modeling can be combined to generate outputs of practical use for Allianz' insurance business.



ACS



AGCS



Allianz Knowledge



Allianz SE Reinsurance

3 Demographic change

3.1 Tackling the challenges of demographic change

Aging populations, shrinking workforces, social security systems under pressure: demographic change is creating new challenges for financial service providers. Allianz is tackling them with a broad range of strategic, business-integrated solutions.

Decisive demographic trends

Aging populations are a global phenomenon caused by decreasing birth rates and increasing life expectancies. The only differentiating factor is the pace of change. Japan is already one of the world's oldest societies, Germany's population has been shrinking for several years and China will age significantly within a generation. Countries such as India still have a young demographic profile, but within a few decades even Asia's "demographic tigers" will face the same challenges.

The pace of aging also defines the differing consequences. In western industrialized economies, pay-as-you-go social security systems are coming under pressure, forcing individuals to take on greater responsibility for their future. In emerging economies, by contrast, the weakening of family ties requires comprehensive social security systems to be set up. Although declining workforces in the West are leading to shortages of the skilled labor needed for ongoing growth, migration will help alleviate these gaps – and is already doing so in some countries where farsighted immigration policies are in place.

Aging populations are having a significant impact on healthcare and pensions systems. Age-specific expenditure profiles are increasing while at the same time, industrialized societies in particular are moving away from an implied "pensions contract" between senior citizens and younger generations to more individualized pension provision. Though awareness is growing of the need for supplementary pension provisions, many still feel unprepared when it comes to retirement planning. Allianz is committed to raising awareness in this field.

Implications for financial service providers

These demographic trends are impacting heavily on the financial services sector. The threat of poverty in old age has increased the demand for clear advice and new solutions. The market for private-sector healthcare and retirement solutions is growing strongly worldwide. Two trends are apparent. First, additional pension assets are being built up to avoid the poverty in old age caused by less generous state pension systems. As a result, more emphasis is being placed on an accumulation phase with greater individual responsibility. Second, as a higher percentage of people in mature societies reach retirement age, more importance is being attached to managing the de-saving process, where pension assets accumulated during an employee's working life are converted into pension income spent during retirement. Consequently, there is now a growing emphasis on the management of longevity risks. This implicates the need for a suitable solvency and regulatory framework and capital-market solutions to manage these risks.

In aging societies demand patterns are changing, since both aging and migration are having a long-term impact on the demand for financial products and services in industrialized countries. The populations in the countries we are operating in, and hence our customer base, are becoming more diverse. This is also reflected in the broad spectrum of people we employ, because that enables us to best represent our customers' interests.

Allianz' strategic response

As an integrated financial services provider, Allianz is ideally positioned to offer holistic pension solutions by combining asset management and insurance expertise. To this end, Allianz is devoting considerable resources to strengthening its pension expertise in research and product development. Through Group-wide synergies between asset management and insurance experts, Allianz has been developing a range of tailored pension and healthcare products to meet its customers' current and future needs.

Extensive research and trend studies are influencing strategic decisions throughout the Group, driving product innovation and raising awareness of the demographic challenges within the business community and society as a whole. Group Economic Research and Corporate Development (ERCD) plans, directs and conducts macroeconomic and financial market research. Through a global Allianz task force convened in 2010, ERCD is specifically involved in strengthening Allianz' position in the pensions segment. In addition, Allianz business lines and subsidiaries have their own research capabilities that are contributing to the development of products and services to meet local needs, for example, at Allianz Global Life, Allianz Global Investors' (AllianzGI) International Pensions department and the newly established Center for Behavioral Finance by AllianzGI in the U.S.A.

Last but not least, Allianz is also responding to the demographic challenge of an aging workforce by developing solutions to bring the long-term demand for and supply of people and skills into line through its Strategic Workforce Planning.



AllianzGI



Allianz Knowledge



Center for Behavioral
Finance



ERCD



Project M

3.2 Product innovation: innovative responses to aging societies

Though the demographic challenges vary around the world, the global pension market is growing fast. Allianz is seizing the opportunities this offers to develop innovative solutions based on a comprehensive pension provision strategy.

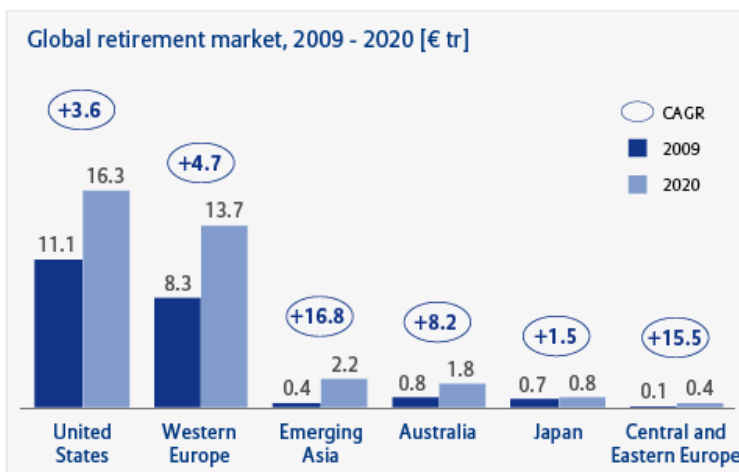
Regional diversity in a growing pension market

The challenges of aging differ from region to region. In Asia's emerging economies, comprehensive social security systems are still the exception and there is a clear trend to strongly funded pension pillars rather than Europe's traditional pay-as-you-go systems. In Europe, shrinking populations, decreasing workforces and high government deficits are putting pressure on pay-as-you-go systems and increasing the need for supplementary pension provision. Here, the trend is to gradual reforms of state pension schemes with a shift towards greater individual responsibility.

In the U.S.A., the world's largest and most mature pension market, occupational and private pension schemes are needed to finance retirement as social security payments are comparatively low. In the course of the next two decades, the uniquely populous baby-boomer generation will have

retired, boosting the demand for decumulation strategies. Moreover, the impact of the financial crisis on housing prices and asset-related retirement schemes has had a negative effect on the baby boomers' accumulated wealth. Demographically speaking, the pensions situation in South America is very different. Brazil, for example, is a country of rising life expectancy, increasing prosperity, a growing middle class and declining fertility. While Brazil has to prepare for the so-called retirement gap in its still developing social security system, some of its neighbors are more mature. Chile, for example, already has an advanced social security system.

According to a 2010 Allianz study, the global pension market is expected to grow by 80% to 2020 with total pension assets rising from a current €20 trillion to €36 trillion. And the nature of the market is changing. The financial crisis, for example, highlighted the need for outcome-oriented solutions featuring guarantee concepts and inflation hedging.



Source: Allianz Demographic Pulse, Big and Getting Bigger, Nr. 3 2010

Seizing the opportunities

Allianz is developing private and occupational pensions, health insurance and assistance services to meet the needs of aging customers. By covering the whole value chain from research and product development to customer service and combining asset management and insurance expertise, Allianz is capable of managing its customers' entire lifecycle. By communicating its research findings, Allianz helps to raise awareness and improve understanding of the issues involved. This strategy is consistently integrated into Allianz' business, as these examples prove:

- Allianz Corporate Pension Advisors (ACPA), a joint venture set up in January 2011, will serve the Group's 200 largest corporate clients in Germany by offering customized solutions from Allianz' full product and service spectrum.
- Allianz Retirement Partners was launched in the U.S.A. in 2010 to capture synergies between Allianz Life of North America and Allianz Global Investors on key topics.
- The Center for Behavioral Finance aims to turn research insights into actionable ideas and practical tools for financial advisors, plan sponsors and investors.



Allianz Knowledge



Center for Behavioral
Finance

At the same time, Allianz is developing new products to broaden the range of guarantee concepts from traditional life insurance to hybrid products combining asset management and insurance expertise:

- **China:** Launch in another five cities of the Allianz Super Fit insurance program offering flexible, customized insurance solutions
- **Germany:** Recognition of Allianz PZTBest, a recently introduced supplementary insurance for long-term care, for its value for money and customer-friendly conditions
- **U.S.A.:** PIMCO Real Income Mutual Fund offering sustainable, inflation-adjusted income for a specific term; can be coupled with longevity insurance to deliver liquidity and guaranteed income for life
- **U.S.A.:** Allianz Life Pro V1 Annuity, a fixed index annuity providing guaranteed retirement savings, protection against market volatility and a bond index allocation strategy

Through Group-wide synergies Allianz is developing a range of tailored pension products

4 Digitalization

4.1 At home in a mobile, online world

At Allianz we are responding to an increasingly mobile, online world by developing a strategic approach to digitalization that exploits the opportunities of the digital economy and enhances customer convenience.

The digitalization trend

The world is going online and mobile. People are becoming more connected. Transparency is growing in all areas of life. Increasing internet usage is revolutionizing the way people interact. E-mail and mobile communications have become indispensable in our work and private lives. Smartphones have mobilized the online world. Social networking usage has now surpassed e-mail traffic. By changing consumer behavior and heightening customer expectations, digitalization is having far-reaching effects on the world of business.

Challenges and opportunities

In many industries the Internet has brought greater product transparency and thus comparability, raised expectations, for example for greater convenience and speed of response, and fueled fears over data security. This is also true of the financial services sector. The impact of digitalization on our business model, processes and operations is significant. But besides giving rise to many challenges, digitalization also presents us with numerous opportunities. We can more easily gain customer insights as customers find it easier to contact us and share their opinions with us. We can more effectively reach people with a high degree of web affinity. Online channels have low administration and distribution costs. Automation and centralized data-storage facilities have made our business processes more efficient. We enjoy better access to developing countries through mobile finance solutions. And customers can get in touch with us through many more access routes.

Convenience comes first

Our goal in harnessing digitalization is to ensure our customers enjoy even greater convenience in their dealings with Allianz. To this end, we are striving to optimize and seamlessly interconnect our multi-access purchasing processes. Allianz sees digitalization as a strategic field in which the trends, risks and opportunities need to be identified promptly to pave the way for an appropriate response. This task is undertaken by Group Economic Research and Corporate Development (ERCD) in collaboration with internal and external experts.

Allianz' strategic approach is reflected in the local digital strategies pursued by Allianz companies and supported by the Group. The Digital Taskforce, for example, incorporates experts from across the Group, leveraging local expertise and best practices through a global network, and has also developed a framework detailing the minimum requirements for implementing digital strategies locally.

Business operations and processes have been improved by systematically measuring customer satisfaction levels at various touchpoints through Net Promoter Score (NPS). This enables us to accommodate our customers' needs faster. Digitalized tools have been integrated into all areas of our business to enhance not just customer convenience but also the efficiency and effectiveness of our processes. Our digital program engages with customers through online visibility and routing, offers consumers their preferred contact medium, enables our sales force to sell and service online and delivers digitally on claims. All in all, Allianz has turned itself into a more accessible company to

meet our customers' expectations of enhanced ease of interaction. Our goal here is to give customers a choice between different access channels and ensure they encounter no difficulties when switching from one to another – through seamless interaction within the company.

Last but not least, we are making increasing use of social media to interact with customers. In 2010 we published Social Media Guidelines, defined online social media spokespeople, clearly emphasized online media in our international "One" campaign and on the Allianz Knowledge website encouraged communication via Twitter and Facebook.



Allianz Knowledge



Allianz protect



Allianz "One" campaign



ERCD

4.2 Serving customers better in a more competitive climate

Allianz is responding to the challenges and opportunities of the digital age by enhancing product transparency, improving customer interaction through online and offline channels, developing multi-access strategies and guaranteeing data security.

Stronger competition and greater expectations

The Internet has had a significant impact on the insurance industry. Greater product transparency is heightening competition, while comparison websites (e.g. aggregators) make it easier for customers to find the relevant product at the right price and swap from one insurance provider to another. As customer loyalty generally decreases, service expectations are rising, for example for faster, more convenient and more individual service. Allianz has risen to the challenge of stronger competition and increasingly demanding customers by ensuring its interaction with them is targeted, timely and engaging.

Digitalized tools have been integrated into all business areas to enhance customer convenience and improve process efficiency

Responding effectively and efficiently

As a globally operating company, Allianz can only secure its market-leading position by responding effectively and efficiently to the challenges of the digital age:

- **Efficient website usability:** Allianz has enhanced information access for existing and potential

customers through a wide range of measures. An example of this is Allianz Australia's "My Allianz" portal, where customers and non-customers alike can manage their insurance portfolio, including policies from other insurers, as well as getting quotes and purchasing or renewing policies online. Allianz policy holders can also submit their motor or property claims online.

- **Complementary online and direct access routes:** An Allianz Germany study has shown that 40% of new customers with Internet access now research the insurance market on the web but most of them (75%) sign their new policy at an insurance agent, a phenomenon known as "research online – purchase offline" (ROPO). Online communication and offline distribution complement each other at Allianz, as Allianz Spain's online IT platform E-Pac proves; agents use it to handle almost every aspect of the insurance business online. Moreover, a speedy handover of customer data ensures high-speed processing and no data loss.
- **24/7 information availability and product accessibility:** Allianz ACCESS was launched locally to provide existing and potential customers with convenient and flexible 24/7 access to information and services at home or on the move, online or by phone, and of course via any local agent.
- **Guaranteed data security:** Customers who already have the new German ID Card now enjoy enhanced security and convenience when using the protected Allianz Online Service portal. Other key features include a highly customized service center that brings customers benefits such as

personalized recommendations, quick quote lists, correspondence visibility and a secure iPhone claims app. Another innovation in 2010 was the launch by Air France, Allianz France and Mondial Assistance of Allianz Protect, the first-ever digital safe for travelers.

Developing multi-channel strategies

Digitalization offers us the chance to obtain a holistic view of our customers and understand their needs better, while at the same time enhancing our own process efficiency. By developing multi-channel strategies, we can interact with customers across all channels and touchpoints, effectively manage customer lifecycles, integrate customer data from online and offline channels and reduce wastage by offering customers the chance to receive marketing material online. Allianz is also expanding its multi-local direct insurance offers by establishing new direct insurance brands, such as AllSecur in Germany. By proactively responding to the challenges and seizing the opportunities of digitalization, Allianz is well equipped to strengthen its market position in an era of greater demand- and supply-side transparency.



Allianz Kunden
Service Center



AllSecur



Allianz Australia,
My Allianz (English)



Allianz Protect

5 Stability of financial markets

5.1 Building a new financial architecture

The recent financial crisis highlighted the need to reorganize financial markets. Although Allianz weathered the storm successfully, it fully supports efforts to enhance the stability of financial markets and is contributing to defining and developing a new financial architecture.

Far-reaching consequences

The financial crisis that triggered the deepest recession since the 1930s has led to strong political pressure for tougher regulation of the financial services industry. Although a report published by The Geneva Association concludes that there never has been a systemic risk from insurance core activities and insurers generally got through the financial crisis well, even playing a stabilizing role, regulations are set to become much more demanding for insurers, too. Since some non-core insurance activities may well be systemically relevant, comprehensive supervision is bound to take all core and non-core activities into account.

European harmonization

A new financial architecture is on the cards at a European Union level, where there is a clear trend towards harmonization of national regulations and increased consumer protection. In line with the whole industry, Allianz believes that Solvency II, the regulatory insurance regime intended to replace Solvency I at the end of 2012, is based on the right principles for a better risk assessment, but requests several improvements to make Solvency II workable and comparable. Specifically, the industry asks for appropriate measures to reflect the long-term perspective of insurance business activities and to reduce both excessive volatility and capital requirements.

Emerging markets on the up

The recent recession also accelerated the shift of economic power to emerging markets with China, India and other Asian economies currently the drivers of global economic growth. By 2020, the emerging markets' share of the global insurance business is expected to almost double to around a third in premium terms. Global efforts to harmonize the regulatory landscape, for example by G20, will push ongoing regulatory reform.

Opportunities and challenges for insurers

However, the regulatory and legal trends mentioned above will open up major opportunities for the insurance industry – but at a very significant cost:

- Greater capital needs and regulation will lead to sector consolidation, where only financially sound insurance companies will survive.
- Growing liability will emphasize the even greater importance of risk management; this will prove advantageous to companies with a diversified approach to risk management.
- Increasing international harmonization will also create a level playing field in less developed markets; this will facilitate access to new markets and business segments even though the generous transition period of up to ten years means the impact will only be in the long term.
- The decreasing generosity of social security systems will boost the demand for private sector products and services.

At the same time, the insurance industry will face significant challenges:

- Increased regulation in developed markets will lead to greater control and less entrepreneurial freedom.
- Stricter risk-management requirements will result in rising capital needs and increasing administrative costs.
- New accounting rules will make investments in higher yielding asset classes, such as equity, less attractive; this will undermine the insurers' role as a capital provider and lead to lower investment returns.

Allianz' long-term business strategy is based on an in-depth understanding of risks and opportunities

Responding to legal and regulatory trends

Since these legal and regulatory trends are material to Allianz' business, the Group is committed to engaging in important economic, environmental, societal and governance issues. After all, anticipating, monitoring and evaluating global issues is an essential aspect of comprehensive risk management. Group Economic Research and Corporate Development (ERCD) analyzes the implications at a macro level of economic and financial developments, such as the financial crisis or the European debt crisis, and the risk-opportunity potential in insurance and financial market segments worldwide. Group Regulatory Policy (GRP) is responsible for developing and securing a common Allianz Group opinion ("one voice") in important financial issues (especially accounting, regulation and tax) and promotes the company's interests in German and European politics, relevant associations and standard-setting institutions. Group Government Relations and Public Policy (GPP) has overall responsibility in dealing with political institutions, public policy and lobbying issues

on a global basis on the Group's behalf and is also involved in political risk management, for example at a geopolitical and regulatory level.

Strong market and customer orientation

The common denominator in all Allianz' efforts to help build a new financial architecture is a strong market and customer orientation. To this end, the Group Market Management department pursues a multi-faceted approach.

How Group Market Management works to increase market and customer orientation:

- Monitoring consumer trends and anticipating future consumer needs to develop future-oriented products and services
- Using customer feedback, complaints and mystery shopping to systematically improve customer interactions and key business processes
- Promoting financial literacy of customers and non-customers alike
- Strengthening the brand to provide orientation and build trust by sharing knowledge (for example through the One campaign)

Working for greater stability

Ultimately, the global financial crisis was caused by short-term thinking and unsustainable practices. Moreover, complex and non-transparent financial products with short-term incentives contributed to the partial failure of the capital market. Financial markets can only serve the cause of stability and sustainable growth if a long-term view prevails. After all, a long-term perspective is the crucial link between the market players' own interests, responsible behavior and social benefits. Insurers by nature pursue long-term investment strategies so that well into the future, they can uphold the promises made to customers today. Allianz firmly believes that long-term investing is a precondition for functioning capital markets and that the best possible contribution is to ensure that the money entrusted to the company is invested responsibly, as indeed it always has been. Allianz is continuing to

invest in low-risk and less volatile asset classes with attractive returns, as illustrated by the company's real estate portfolio and its investments in wind and solar parks.

Since stable financial markets are a prerequisite for our business, Allianz is working in many ways to support the strengthening of the new financial architecture. Its long-term business strategy is based on an in-depth understanding of risks and opportunities. Its comprehensive worldwide corporate governance structure fulfills the highest standards and ensures compliance with all market regulations. And its robust risk management framework tackles this high-profile issue with typical Allianz thoroughness.

Key elements of Allianz' risk management framework:

- Promotion of a strong risk management culture supported by the Group Risk department's robust risk governance structure
- Consistent application of an integrated risk capital framework across the Group to protect the capital base
- Integration of risk considerations and capital requirements into decision-making processes
- Regular Top Risk Assessments conducted to ensure risks are properly identified, analyzed and assessed across the Group

5.2 Reducing complexity: adjusting to the "new" normal

With private investors facing a more challenging financial climate than at any time in a generation, Allianz is not only preparing for the "new normal" of higher risk aversion, more regulation and stronger consumer protection but also working to raise financial literacy.

Understanding the financial crisis

Experts agree that excessive risk-taking based on a lack of understanding of the complexity of the financial system triggered off the financial crisis. Globalization had significantly increased the number of participants in the risk economy, where a systemic under-appreciation of risks was rife. As the World Economic Forum's Global Risk Report 2008 concluded, the world's financial markets had been revolutionized in the preceding 20 years – a revolution driven by deregulation, financial innovations such as derivatives and the rise of alternative capital pools, for example hedge funds, private equity firms and sovereign wealth funds. The need for effective risk management and transparency had thus become much greater.

The "new normal"

Today's "new normal" in the financial markets is characterized by higher risk aversion, more regulation and greater consumer protection. Having successfully steered through the financial crisis, Allianz is ready for this "new normal":

- Sound and stable "AA" rating
- Strong solvency (173%)
- Growing capital base of more than €44 billion
- Further strengthening of the risk management function

In the "new normal" Allianz has continued to protect its net asset value and carefully balance cash generation and investment opportunities. In managing the transition to the Solvency II framework, Allianz has given its business leaders state-of-the-art risk management technology to ensure even better day-to-day decision-making.

Reducing complexity

Complexity has emerged as one of the main topics Allianz' stakeholders are concerned about. According to the findings of a recent KPMG survey, reducing complexity is at the top of the business agenda globally. 94% of the executives interviewed say that complexity has increased over the past two years and believe that managing complexity is important to the success of their company. Moreover, regulation and government oversight are seen as the leading cause of complexity while global inconsistency in this field is considered to be the driving issue.

Since these legal and regulatory trends are material to Allianz' business, the Group is committed to engaging with policy makers, regulators, relevant associations and standard-setting institutions in order to help shape the future regulatory environment.

Managing complexity has also been core to Allianz' business strategy and was addressed as long ago as 2003, when the 3+One program was implemented. Its principles have guided the Group's activities ever since:

- Protect and enhance the capital base
- Substantially strengthen operating profitability
- Reduce complexity
- Increase sustainable competitiveness and value

The way Allianz weathered the financial crisis proves that the principles of 3+One are more valid than ever. Since it is Allianz' declared goal to build the strongest financial community and become the most trusted international financial services provider, the company is continuing to adapt its

business models and accelerating its efforts to drive efficiencies and reduce complexity.

One aspect of this complexity is a lack of in-depth financial understanding among the general public. Financial services and products are a complex business and can only be simplified to a certain degree. Thus, it is particularly important in this context to reduce perceived complexity through greater transparency, responsible sales practices and financial education.

Promoting financial literacy

Having learned the lessons of the global financial crisis, customers are keen to be better informed about their financial planning. Allianz is therefore taking a pro-active role in promoting financial literacy. Moreover, customers now want to see verifiable facts to justify confidence in a financial services provider, financial products that deliver results based on quality and stability, and greater transparency in financial services. International market surveys Allianz has conducted indicate that the need for transparency can be translated into comprehensibility of both products and advice. As a result, Allianz is adjusting its service portfolio to this demand through explaining finances and advising customers.

As the financial crisis progressed, Allianz worked to intensify its dialogue with the public, for example through providing financial know-how on its website, self-learning packages and a program that helps put an individual's personal finances in order. In an analysis of DAX 30 companies' websites in 2009 Allianz came top for "Readiness to engage in dialogue at times of crisis" and "Transparency." At the same time, Allianz is helping to enhance the financial education of school children through My Finance Coach, a financial literacy program.

In the past few years, Allianz has invested in its sales channels worldwide and expanded its global network of representatives to improve customer advice. Moreover, investment in training continued to be a high priority in 2010, with over 3,000 seminars on training and career development held in Germany alone.



Group Economic Research



Finance from A to Z



My Finance Coach



Annual Report 2010

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1 Business ethics

1.1 Our approach: transparency and integrity in business conduct

More than ever before, the general public is demanding transparency and integrity in financial services. Allianz has been committed to these goals for years and prioritizes ethical behavior in its corporate governance.

Of course the financial crisis brought a more urgent and intense tone to the call for transparency, integrity and clearly defined corporate governance rules in the financial services industry. But well before the crisis, Allianz had recognized this trend and taken appropriate action. As good corporate governance is essential to our business, ethical behavior has always been a key corporate responsibility at Allianz.

Strict standards in business ethics and compliance

The Allianz Group is firmly committed to transparency and integrity. Ethical behavior at Allianz translates into fair wages, anti-bribery measures, fiduciary responsibility, strict controls on payments to governments and activities in politically sensitive regions and sustainable standards implemented throughout the Allianz value chain.

The Allianz Group has adopted demanding standards for its international business activities, laying down policies and rules in order to achieve the highest possible ethical and compliance standards. The standards for business conduct set by the Allianz Code of Conduct for Business Ethics and Compliance form the basis for a wide variety of Group-wide guidelines and principles. Moreover, this Code of Conduct is obligatory for all Allianz employees.

Corporate governance in practice

Group Compliance is responsible for ensuring the effective implementation and monitoring of compliance and anti-money laundering programs within the Allianz Group.

The Group Government Relations and Public Policy (GPP) department provides the Allianz Group with the expertise it needs to manage dialogues on sociopolitical issues and also coordinates all Allianz' political activities.

An important organizational change took place in 2010 with the creation of a global sourcing and procurement unit. A new Group-wide shared services center, Allianz Managed Operations and Services SE (AMOS) was set up to cover the three main areas of Operations, IT and Services, also bringing IT and non-IT purchasing activities under a single umbrella. This newly formed unit manages the implementation of supply chain standards.

The various governance bodies work together to ensure that the twin goals of transparency and integrity are lived out in Allianz' business conduct and corporate governance.



1.2 Compliance: enhancing compliance effectiveness

In 2010 Allianz undertook numerous measures to further strengthen the effectiveness of compliance management. One core initiative was the Anti-Corruption Program.

Striving to ensure compliance

Allianz' Compliance organization is divided up into Group Compliance and local compliance departments in Allianz companies around the world. In 2010, the Group Compliance function was significantly strengthened by recruiting 15% more compliance specialists. During the year, Group Compliance conducted on-site reviews to assess the effectiveness of local implementation. 2010 also saw the continuation of the biennial meetings of the Compliance Standards Committee.

The increasing demand for audit services in the area of compliance prompted the German Public Auditors' Institute to develop a standard for auditing compliance management systems. Allianz has proactively supported the Institute in developing this standard, which will be published in the course of 2011.

In 2010 a Group-wide online anti-corruption training was introduced and will be further rolled-out in 2011

Allianz also continued to strengthen its tools in the battle against money laundering and the financing of terrorism through IT solutions that screen financial transactions in order to identify critical ones. Nevertheless, the existing manual checks on transactions potentially related to embargoes or sanctions will continue.

Advancing the anti-corruption campaign

As a member of Transparency International since 2002, Allianz takes a global stand against corruption. Internally, Allianz' aim is to guarantee continuous monitoring and improvement of its anti-corruption controls and increase the level of controls embedded in routine processes.

The global Anti-Corruption Program was a core initiative in 2010. Two major outcomes were the Gifts & Entertainment Policy, a new global guideline which was developed and rolled out in the course of the year, and the anti-corruption training courses. The Anti-Corruption Program has been expanded in 2011. Group Compliance closely observes regulatory developments across the globe and stays in close touch with Group Regulatory Policy, Group Government Relations and Public Policy and Group Legal Services. In 2010, the annual corruption risk assessment was successfully conducted across all regions and lines of business.

Raising awareness through training and communication

Allianz aims to raise awareness for internal compliance policies and sensitize employees to the rationale behind training and communication measures. To achieve this aim, training courses present employees with practical examples of how the principles set out in the Anti-Corruption and Gifts & Entertainment Policies should be implemented in everyday business.

In 2010, local compliance departments offered employees a wide range of training measures. The

rollout of a Group-wide online anti-corruption training program began at the end of 2010 and training courses will continue during 2011. The aim of this program, which is compulsory for all employees and offered in 25 languages, is to inform employees about the main anti-corruption and anti-bribery rules, the essentials of the Anti-Corruption and Gifts & Entertainment Policies, and Allianz' anti-fraud principles. In 2010, more than 15 training courses and online sessions were held at Allianz SE on what compliance means in practice, reaching more than 40% of employees locally.

In the course of the year, Allianz undertook a benchmarking process with peers and presented its Compliance program to external audiences at various conferences to help boost general levels of compliance awareness. Moreover, increasing use was made of external media to promote the Allianz Compliance principles. An interview with the Head of Group Compliance not only appeared on the Allianz intranet and website but was also distributed via Facebook and Twitter.

Changes in remuneration scheme

A new remuneration system for the Board of Management has been in place since January 1, 2010. Performance-related remuneration was adjusted to give specific consideration to compliance and sustainability. Although the key components of performance-related remuneration have been retained, its composition has been amended in the interests of a stronger alignment with the company's long-term success. A new remuneration policy was also implemented for the Supervisory Board and executive staff. More details can be found in the Remuneration Report.

1.3 Government relations: intensifying political relationships

With the effects of the financial crisis still being felt, the debate continues on the consequences for the global financial architecture. Lawmakers and regulators, for their part, are working to develop mechanisms to prevent a repeat of the financial crisis. In the meantime, Allianz is maintaining a constant dialogue with regulatory and political bodies.

In 2010, the main regulatory issues of importance to the financial sector were:

- Efforts of the G20 leaders to enhance the stability of the global financial system
- Identifying systemic risks within financial services' providers, and possibly also within insurance companies
- Future regulations under the European Commission's Solvency II framework
- Finding the correct framework for International Financial Reporting Standards

Experts in government relations and public policy

Group Government Relations and Public Policy (GPP), the specialist department coordinating Allianz' political activities, is a globally acting holding function based in Munich and with offices in Beijing, Berlin, Brussels, Rome and Washington D.C. Allianz Political Contacts comprises liaison points in some 35 countries and GPP also has various internal governance bodies, e.g. the GPP Steering Committee.

GPP is responsible for a wide range of tasks:

Political issue management:

- Managing political issues and government relations' expertise for the Group and its units
- Developing company positions vis-à-vis political partners

Lobbying and political networking:

- Coordinating all of Allianz' lobbying activities in line with the Allianz Lobbying Code of Conduct,

which is based on a strict set of values to ensure integrity in all the Group's interaction with political organizations and parties

- Membership of the European Insurance and Reinsurance Federation (CEA), the European Fund and Asset Management Association (EFAMA), the Geneva Association, the International Insurance Society (IIS) and several national associations in countries where Allianz operates
- Donations to political parties from Allianz companies (with policies differing from country to country)

Early warning and analysis of political issues:

- Monitoring of regulatory developments at a global, European and national level
- Engaging on key economic, governmental and societal issues at an early stage to promote an enabling political environment for the company's development

Promoting sustainable dialogues

The goal in 2010 was to increase contacts and interaction in order to conduct sustainable dialogues on relevant issues and fundamental societal challenges. The key discussion topics impacting on activities in 2010 were the regulatory and supervisory issues established by Solvency II, systemic risk, accounting standards, consumer empowerment and demographic change.

In 2010, GPP undertook an ongoing assessment of the application of the Financial Stability Board's (FSB) proposal on systemic risk to insurance and developed recommendations to address current regulatory

gaps. Two publications are worthy of mention: The Geneva Association Report on Systemic Risk in Insurance, including recommendations for five measures to strengthen financial stability; and a draft position paper entitled Resolution of International Insurance Groups. In addition, GPP participated at several international conferences, e.g. the World Risk and Insurance Economics Congress in Singapore in July 2010.

The dialogues initiated in 2010 included a conference organized in February by Allianz SE, the Frankfurter Allgemeine Zeitung and Stiftung Marktwirtschaft entitled Financial Market and Tax Policies: The Perspectives for 2020. The German Minister of Finance, Wolfgang Schäuble, and the Allianz CEO, Michael Diekmann, were among the participants from the worlds of politics, industry and science. A series of dialogues also took place under the auspices of the Allianz Political Forum at Allianz headquarters in Munich. Their aim was to improve mutual understanding among high-level political, academic and economic decision-makers, and thus promote a constructive dialogue for sharing experience and proposing solutions.

Looking ahead

GPP's activities in 2011 will include intensifying lobbying activities within the European Union; empowering EU-wide facilities; and strengthening the new dialogue platform in Brussels to bring together politicians, regulators, business experts and academia.

1.4 Procurement: sustainability standards in the supply chain

Allianz is committed to promoting sustainability standards in its supply chain management. In 2010, a global sourcing and procurement unit was set up and measures were taken to enhance supervision of social, environmental and governance standards in our supply chain.

The Procurement Department plays a key role in promoting sustainability standards in the supply chain, even though the risks associated with the environmental and social impact of Allianz' suppliers are limited. Moreover, Procurement is making a significant contribution to Allianz' CO₂ reduction targets.

Global sourcing and procurement set-up

An important organizational change took place in 2010 with the creation of a global sourcing and procurement unit. A new Group-wide shared services center, Allianz Managed Operations and Services SE (AMOS), was set up and covers the three main areas of Operations, IT and Services, bringing IT and non-IT purchasing activities under a single umbrella. AMOS was launched with the aim of increasing process efficiency, improving the quality of services for both customers and employees, and specifically enhancing the alignment of supply chain management issues between IT and non-IT purchasing activities. AMOS will enable Allianz to broaden the impact of sustainability policies within the Group and make sure all suppliers abide by Allianz' sustainability standards. Allianz is in the process of developing a framework for global sustainable supply chain management. However, the current global operational purchasing policies for both IT and non-IT suppliers define cooperation between Allianz companies and headquarters. Local implementation is in the hands of Allianz subsidiaries, who can also share best practices via a Global Purchasing intranet portal.

Ensuring high supplier standards

Allianz' goals in procurement activities are to ensure the continuous promotion of sustainability standards with current and potential suppliers, and to make sure that all Allianz suppliers abide by the company's environmental, social and governance standards as outlined in its Code of Conduct and set of purchasing principles. They are all in line with the International Labour Organization (ILO) standards and the principles of the United Nations (UN) Global Compact – in particular Human Rights, Labour Environment and Anti-Corruption.

A two-tier process is in operation to ensure suppliers comply with these sustainability standards:

- The supplier selection process, which is run by AMOS, controls the environmental and social standards of potential suppliers, who are sent a questionnaire tailored to the potential sustainability risks arising from their respective lines of business.
- The vendor integrity screening process, which was introduced into the general supplier selection process at a global level in 2010, controls the governance and compliance performance of vendors. In this way it ensures a proper integrity due diligence before vendors are engaged.

Contributing to CO₂ reduction targets

Significant progress was made in 2010 in the ongoing reduction of CO₂ emissions through Allianz' global procurement activities. For example, a contract management tool was developed to facilitate the harmonization and monitoring of supplier contracts throughout the Group. This tool, which will be implemented in 2011, also includes a digital signature functionality that will reduce paper consumption and postage.

Since 98% of Allianz' CO₂ emissions are accounted for by energy consumption, business travel and printing, there is huge CO₂ leverage potential in this field. 2010 saw the definition of a Green IT Hardware

Purchasing Policy, which reflects the company's commitment to reducing energy consumption, encouraging recycling and promoting sustainability among IT suppliers. The Policy, which came into force in 2011, requires all IT hardware purchasing requests for proposals to include a Green IT section, which is a factor in the sustainability performance in the vendor selection score. Moreover, Energy Star and EPEAT have been adopted as Group-wide standards for all IT product purchases to reduce energy consumption and IT waste on an ongoing basis. Other CO₂ reduction milestones passed in 2010 include a Print Policy implemented by IT departments Group-wide and a Global Travel Regulation that sets minimum sustainability standards for business travel in all Allianz companies.



Environment

A Group-wide Green IT Hardware Purchasing Policy was introduced in 2010

2 Customers

2.1 Our approach: building lifelong customer relationships

As customer habits change and markets evolve, lifelong customer relationships are more important than ever. Allianz thus invests considerable resources in identifying changing needs, adapting to them and building up lasting relationships based on trust.

Changing needs

Consumer habits, such as the way we work, gather information, spend our leisure time or plan our lives, are in a state of flux. Societal developments such as demographic change, increasing digitalization or unstable financial markets are influencing consumer needs and their access and attitudes to markets such as insurance. Thus, it is crucial for Allianz, whose business is essentially about people, to identify changing needs and adapt accordingly. Only by proactively engaging with customers is it possible to gain a deeper understanding of their needs and requirements, their wishes and desires – as the basis for building lifelong customer relationships.

- Enabling subsidiaries to gain in-depth market and customer insights through tools such as market research and Net Promoter Score (NPS)
- Defining customer product and service requirements
- Steering the development of a holistic go-to-market strategy
- Building and protecting the Allianz brand

Strategic moves

Allianz further operationalized Market Management in 2010. This involved measures such as identifying best practices, sharing them throughout the Group and encouraging their implementation. In response to the increasing pace of digitalization, Market Management promoted the integration of digital trends into business processes and operations at a Group and local level. Other important moves included building up a holistic customer contact management approach and the launch of a new, Group-wide brand strategy.

Putting a principle into practice

A strong customer focus is at the heart of the overall strategy Allianz pursues – and this is reflected in the organizational set-up. Group Market Management (GMM) was established to enhance customer focus at a Group and local level. GMM works to ensure that the entire Group is continually improving its customer and market orientation, and that local best practices are shared around the Group. GMM also supports all Allianz subsidiaries in setting up a so-called Market Management function, whose key role is to champion customer centricity.

In practice, Market Management's responsibility involves:

Looking ahead

Allianz' ultimate objective is to achieve customer loyalty leadership in all its key markets. Ambitious though this may seem, it is vital to the overriding goal of building long-lasting and profitable customer relationships – the only foundation for sound business, now and in the future.



Customer solutions



Allianz "One" campaign

2.2 Customer focus: responding to evolving markets

In a world that is increasingly online and mobile, changing information-gathering and decision-making habits present Allianz with both challenges and opportunities. Allianz is responding to evolving markets by enhancing its customer orientation.

Challenges and opportunities

A revolution in customer behavior has taken place in recent years. Growing Internet usage is revolutionizing the interaction between companies and consumers. Consumers increasingly expect information and service wherever and whenever they want. An adequate response to these challenges is critical to the Allianz business. At the same time, digitalization is opening up the opportunity for even greater customer orientation at Allianz.

Adapting to digitalization

In adapting business processes to the digitalization trend, Allianz has been focusing on increasing service quality and modernizing customer communications to further improve its customer orientation. During 2010, the activities in this field were mainly focused on the following areas:

- **Digital Taskforce:** 40 CEOs from Allianz companies along with their local experts joined this Taskforce with the aim of collecting best practice examples and communicating them throughout the Group; developing a framework to exploit the opportunities of digitalization; finalizing a digital strategy; and enhancing the digital road map kit, which supports the design and implementation of customized local strategies. In the course of the year, an online Digital Workspace was set up to encourage targeted collaboration and further the exchange of expertise and experience. Over 20 webinars were held on selected hot topics such as social media, and more than 190 examples of

digital practices from Allianz companies were collected and actively shared across the Group.

- **Allianz ACCESS:** Customers now expect speedier interaction, greater availability of services and more flexible accessibility, and have a clear preference for individualized services and products. Allianz ACCESS was launched to counteract the threat of losing touch with the 25- to 45-year-olds, a customer group of great relevance to Allianz because of their web affinity and importance for future business. This project aims to bring Allianz closer to existing and potential customers by making interaction with the company as easy, convenient and flexible as possible. Since no one-size-fits-all strategy can be developed for all subsidiaries, a framework to help implement a local accessibility strategy has been developed and is being regularly updated to meet future needs.
- **Financial literacy:** Online tools such as www.financefroma-z.com are helping to improve the financial literacy of existing and potential customers, while a new Financial Toolbox makes mortgage, debt or retirement calculations possible.
- **Global social media guidelines:** In 2010, Allianz published its corporate guidelines for the use of online social media by everyone associated with Allianz worldwide.

Encouraging innovation

Innovation is essential in meeting evolving expectations and anticipating the future requirements of customers and markets. In 2010, around 60 Allianz companies were actively involved in innovation activities steered by the local innovation managers. An Innovation Summit held in Germany in November 2010 attracted participants from throughout the Group and proved extremely useful in strengthening the innovation management process at Allianz through sharing best practices and providing new perspectives on innovation and hot topics such as digitalization. This trend will be taken into account at the annual Allianz Global Innovation Awards when, for the first time, a new award will be presented for the “best digital innovation” – in the context of the overriding goal of improving customer orientation.



Customer solutions



Finance from A-Z

2.3 Customer loyalty: prioritizing customer satisfaction and loyalty

In 2010, Allianz again implemented numerous measures to enhance customer satisfaction and loyalty.

Back in 2005, Allianz launched its global Customer Focus Program to achieve and maintain high levels of customer satisfaction and loyalty. On that note, the processes introduced to gather feedback from customers, employees and agents were further improved in 2010.

The customer contact management framework was further developed in 2010 and implementation initiated in six Allianz flagship companies: Austria, France, Germany, Italy, Spain and Switzerland.

In 2010, feedback from almost one million customers was collected

Promoting holistic customer contact management

Customer contact management at Allianz involves the pursuit of four objectives:

- Integrate customer needs into the entire value chain from customer service centers to claims management and sales
- Build a holistic, customer-desired experience along a customer's life-time journey
- Maximize the value for customers via systematic and quantifiable management of touchpoint interaction quality
- Better connect and align customer interaction points

Avoiding customer attrition

Allianz devotes considerable resources to maintaining the loyalty of its customers, detecting those with a high probability of attrition and acting anticipatorily. The six flagship companies paid particular attention to the issue of customer attrition in 2010. All the local good practices, for example customer loyalty rewards programs, were documented and shared as orientation models with other Allianz companies, as were key learnings and tools. Fid'Allianz in France is a good example of a successful loyalty rewards program, with over 200,000 customers enrolled and a significant impact on attrition (-50%) and cross-selling (+73%). Global monitoring of local attrition measures has been set up to provide a clearer overview of how they are impacting.

Encouraging customer feedback

Since Allianz aims to be customer loyalty leader in all the countries it operates in, customer feedback is highly valued as a vital customer loyalty tool. Net Promoter Score (NPS), a measurement of customers' willingness to recommend Allianz and hence the key global metric for customer loyalty, is regularly measured in about 40 Allianz companies representing around 90% of gross written premiums (GWP).

NPS is applied in two ways:

- Top-down NPS, a mandatory Group Key Performance Indicator for customer loyalty that is measured annually by local companies according to global standards, allows benchmarking to competitors in the respective local markets.
- Bottom-up NPS, a mandatory and certified change-management tool, is measured directly after customer interaction at critical touchpoints (for example advice & quotations and claims) and also includes customer feedback calls via frontline staff and agents. This allowed feedback on key interactions to be collected from almost one million customers in 2010.

The focal points of NPS activities in 2010 included activation of local customer feedback for key business objectives such as improving the claims and advice process as a moment of truth for customers. Between 2007 and 2010, Top-down NPS results show that the proportion of Allianz companies rated less favorably than their competitors fell from 20 to 14 percent. At the same time, the proportion of companies with more loyal and more satisfied customers rose from 41 to 46 percent. In addition, Bottom-up NPS results at key customer touchpoints have significantly improved.

In 2011 we will further strengthen the use of customer feedback to derive insights on key customer requirements and translate them into concrete service levels. Our goal is to holistically manage all customer touchpoints through systematic monitoring of customer satisfaction levels.



Customer solutions

Proficiently handling complaints

Complaints are bound to happen in an organization with more than 76 million customers worldwide. The vital factor is how they are managed. Allianz therefore conducted an internal certification process of its companies to ensure Group-wide quality standards are met in handling complaints with the proficiency they deserve. Moreover, Allianz systematically gathers and analyzes complaints so as to learn as much from this negative feedback as from the positive feedback mentioned above.

Engaging in mystery shopping

In 2010, Allianz increased its mystery shopping activities to further improve the quality of advice at sales touchpoints. Mystery shopping involves trained test shoppers acting as customers and reporting back on what they have experienced. A global experts' group focusing on flagship companies was set up to develop and share mystery shopping expertise, and Allianz companies are now starting to implement the best practice approach developed in this way. In Germany, for example, the lessons learned from mystery shopping reports have been integrated into the agent training program, and mystery shopping activities have been extended to call centers in order to further improve the quality of their service.

2.4 Brand management: building trust through investing in the brand

In the present financial climate Allianz knows how important it is to invest in brand management in order to build trust and transparency and stay connected with existing and potential customers.

The Allianz business is influenced not only by changing customer behavior and needs but also by the perceived lack of transparency of financial institutions and processes. One outcome of the global financial crisis has been increasing distrust in the financial sector. To counteract the potentially negative impact on business such a development may have, Allianz has adapted a new brand communication strategy and embedded brand management in its digitalization programs.

Strengthening brand management

In view of the fact that Allianz operates in around 70 countries with 79% of revenues currently branded as Allianz, the company's long-term brand strategy and brand architecture follow a one-brand vision and are brought to life by brand communication and campaigns. Guided by this strategy, Allianz has transformed the existing organizational structure into more customer- and market-oriented entities in recent years. Allianz' goal in brand management is to find new ways of interacting and dialoguing with customers and prospects.

One important move was the launch of the international "One" campaign in 2010. Its main focus is on sharing the knowledge and experience to help customers and non-customers move on and up in life. By dealing with real people and sharing real experiences, advice and knowledge, Allianz has thus placed customers at the heart of its communication measures. Moreover, the "One" campaign has enabled Allianz to globally demonstrate a single strong and consistent position to its current and prospective

customers – in the form of one global concept with numerous local interpretations.

In order to really share knowledge and expertise, the "One" campaign makes broad use of the digital space and encourages dialogue, engagement and participation through online and interactive media, for instance by incorporating user-generated content. Other delivery channels include the press, TV, billboards and a global airport campaign. The impact of the "One" campaign has been remarkable and website traffic has increased remarkably since its launch.

Gaining international recognition

Evidence that Allianz is moving in the right direction with its brand management activities comes from the 2010 awards and rankings. In September, the Allianz brand strategy was placed 67th in the Interbrand 2010 ranking of the most important global brands, an improvement of 14 positions on 2009. This placed Allianz among the top financial services providers and top risers. The 2010 Interbrand ranking also showed that the value of the Allianz brand had increased by 28% on 2009. Moreover, the Booz & Company's Chief Marketing Officers (CMO) Award went to Allianz in 2010 as an acknowledgment of the "outstanding and consistent implementation of a clear global Allianz Brand Architecture."

Monitoring the brand – especially in the light of the new brand strategy – is important to understand the key drivers in local markets. To this end, customer insights are being gathered and integrated into

processes on a regular basis. What's more, the Brand Value Program Agreement ensures that the brand management principles and standards are embedded in the business processes of all major Allianz companies.

The Allianz brand is now valued at some EUR 4.9bn, an increase of 28 percent compared to 2009 (Interbrand ranking)

Conducting responsible marketing and communications

One important means of overcoming any distrust of the financial sector is to make sure customers understand products and services, prices and conditions. To this end, Allianz aims to be transparent and use appropriate, easily intelligible language in all its marketing and communication activities. The commitment to communicate prices and conditions in a clear and transparent way is reflected in strict regulation of the entire sales process, for example by testing whether marketing material fulfills these above-mentioned criteria. Last but not least, Allianz is committed to adapting its marketing material to significant ethnic groups within a country. In Germany, for example, where 4% of the customers are Turkish, Turkish customers were invited to a Family Day hosted by our Turkish-speaking agents to mark the end of Ramadan in mid-September 2010. Ethnic marketing at its best is a good example of consistently applied customer orientation, and our employees and agents reflect the diversity of our customer base.



Allianz "One" campaign



Customer solutions



Sponsoring Paralympics

3 Employees

3.1 Our approach: safeguarding our human resources – now and in the future

Allianz is determinedly tackling the opportunities and challenges of demographic change. Besides forecasting its implications for business, Allianz is enhancing the attractiveness of its work environment and developing long-term solutions to match the future supply and demand of people and skills.

Group-wide HR management

Human Resources (HR) was reorganized in 2010 to further strengthen talent development and expand HR's strategic advisory role. All the central HR activities were merged under new responsibility at Board level and the position of a Group-wide Chief HR Officer was created. Globally, Allianz employs more than 151,000 people who work in over 70 countries. The aim of global HR management is to ensure a globally consistent HR strategy, e.g. providing all Allianz companies with a strategic HR framework, such as Global Talent Management. However, each subsidiary has differing needs so HR policies do vary to some degree and each subsidiary has retained responsibility for its own operational implementation.

Transparency in workforce planning

Significant progress was made in Strategic Workforce Planning (SWFP) in 2010. Launched in 2009 to identify and address future workforce opportunities and challenges at a global and local level, SWFP supplies up to 10-year forecasts of Allianz employees' age structures, productivity, attrition, recruitments, payrolls and turnover-related costs. This high degree of transparency is vital in ensuring Allianz always has sufficiently skilled staff available at the right place and the right time. Moreover, SWFP enables HR to guide and pro-actively support strategic decision-making processes in this field. In Germany, for example, Allianz has collaborated with the University of Mannheim on a comprehensive three-year study to examine the relationship between age and productivity among Allianz employees, and has also launched a pilot project of the Silver Liner Program

to retain the expertise of senior management and retirees in order to strengthen knowledge transfer. The SWFP approach has been rolled out at several other major subsidiaries in core markets, for example France and Italy, and at Allianz Global Corporate & Specialty, as well as being extended to tied-agent distribution networks in Germany and France. The first global SWFP Conference held in November 2010 brought together 18 workforce planners to exchange ideas and foster the development of innovative ideas.

Furthering Group talents

In addition to securing a good position in the market for recruiting future high-performers, Allianz focuses on retaining and developing skilled employees in the long term. Global Talent Management, a global HR process, aims to maximize the quality and performance of highly talented staff within the Group through a common and systematic approach implemented across all Allianz companies. Moreover, a Group Executive Pool has been introduced to actively manage succession planning and use and develop the Group's talent pool to the full.

Health and well-being at work

2010 saw much progress in providing work environments that promote employees' health and well-being. These measures were steered and implemented at a local level. In Germany, for example, an overarching health management system was introduced at all Allianz companies and special training or incentives provided for employees in stress

management, fitness and relaxation, ergonomic workplace design, health and nutrition. Free flu vaccination and bowel cancer screening programs were among the preventive health measures taken at the headquarters in Munich. The Group's European SE Works Council has been particularly focusing on employee health, and a pan-European agreement on guidelines for work-related stress was signed in the first half of 2011. A similar agreement on life-long learning is under discussion.

Fortunately, there are not many work-related accidents at Allianz since the majority of staff have desk jobs. Hence, the few accidents there are occur in the employees' private lives or on their way to and from work. Employees who have been struck down by a long-term illness are helped in their gradual return to work by a recently introduced reintegration program. This is just one indication of the high priority Allianz assigns to the health and well-being of its employees.

Looking ahead

To improve employee engagement and the performance culture, Allianz plans to further promote meritocracy by closely linking performance and remuneration and to generate a stronger buy-in by ensuring that findings from the Global Engagement Survey are consistently acted upon. At the same time, Allianz aims to enhance HR process quality and the degree of standardization in order to enhance efficiency and effectiveness in this field.



Allianz employees



Careers@Allianz

3.2 Talent management: farsighted and focused on skills

Having the right people in the right place at the right time is crucial to Allianz' long-term business success. To this end, Allianz strives to recruit and develop top talents, promote high-performers and retain skilled employees.

Meeting future staffing needs

In its recruitment activities Allianz aims to ensure a sufficient supply of well-qualified management and specialist personnel as well as countering demographic developments. In 2010 Allianz Germany increased its personnel marketing activities and the development of its own vocational trainees, of which 81% were taken on after successfully completing vocational training courses. Moreover, a higher percentage of women were employed in sales functions in anticipation of the increasing importance of female customers and to benefit more from the performance of mixed teams.

Systematic talent and career management

Allianz places great emphasis on preparing itself for current and future workforce opportunities and challenges. It therefore aims to identify and close talent gaps by optimizing employees' performance, filling management positions internally and attracting external top talents.

- **Managing talents and careers**

The crucial process of developing talents within Allianz continued with Career Development Conferences (CDC) held worldwide. In 2010, this process based on a cascade of CDCs around the world included around 3,000 senior managers and high-potentials from 70 subsidiaries. Moreover, eight key functions – Audit, Human Resources (HR), Operations, Finance, Market Management, Claims, Pricing & Underwriting and Communications – staged functional CDCs to discuss and address

specific functional pipeline, skills and competency gaps across different Group companies.

- **Geared to leadership**

By greatly increasing the scale and scope of the Allianz Management Institute (AMI), Allianz is creating a corporate university network dedicated to the development of Allianz managers worldwide. The ten franchisees now include AMI Americas, AMI France, AMI Italy, AMI Mondial Assistance and AMI Online Academy, and the number of training programs and participants at the central academy, AMI Group, increased by over 15% on 2009. What's more, the development and use of AMI Program Boxes – a tool kit offering comprehensive information and materials for organizing local AMI programs – has enhanced the consistency of leadership training in Allianz subsidiaries. A significant focus within the leadership development program was on increasing the proportion of women in senior management. In 2010, the number of women participating in leadership training programs was three times as high as the year before. To further promote leadership skills Allianz again encouraged employees to engage in relevant corporate volunteering schemes such as Social OPEX and My Finance Coach.

Focus on functions

There was a broad range of functional training and development activities in 2010. Development targets and individual development plans ensured the ongoing development of employees. In all, 55% of the Allianz workforce and 81% of managerial staff attended at least one training program in 2010 and

the Group invested a total of €130 million in staff training. One of the focal points was on the further training of specialists in critical functions that are in short supply and great demand throughout the industry. This took place, for example, through the Global Actuarial and Risk Development Program and the Audit Talent Development Program. Moreover, the Silver Liner Program was developed to retain the expertise of senior employees or retirees and support the process of knowledge transfer within the Group. In a pilot project, senior high-performers will be selected from throughout the Group to provide subsidiaries with additional technical, business and personnel skills. A Communication Staff Exchange Program has enabled more than 60 employees from global communication departments to work in 19 Allianz companies in eight different countries. This staff rotation is beneficial not just to those involved but also to the company as a whole.



Allianz employees



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3.3 Diversity: why diversity is good for business

Greater diversity in the workforce, a higher proportion of women in senior management and a healthier work-life balance: Allianz believes these factors are vital to the Group's success.

Strategically important

Promoting diversity is not just a political issue, it is also an increasingly important competitive factor in the insurance business – because the more diverse Allianz is, the more accurately it represents society. By leveraging differences and combining strengths, Allianz achieves a stronger customer focus and improves productivity. Allianz focuses on two main issues in nurturing diversity: women in leadership roles and the integration of employees with disabilities. Set up in 2007 to boost diversity in the Group, the Allianz Global Diversity Council is chaired by a Board Member and develops strategies and guidelines for the entire Group, decides on diversity goals, and monitors the progress of women with leadership potential through the Global Gender Scorecard.

Increasing the female quota

Allianz aims to increase the share of women in the talent pool for all levels of management to 30%. Currently, there are 15% women in the first layer of management below the Board and 20% in middle management. Worldwide, 32% of the managerial positions are held by women. Although the female quota for the entire workforce is much higher at 48%, there are encouraging signs of progress in raising the percentage of women in managerial posts. In 2010 43% of participants in a development program for departmental managers were women (up from 24% in 2009) and mentoring programs for women are in place at companies such as Allianz SE,

Allianz Global Corporate & Specialty (AGCS), Allianz Global Investors (AllianzGI), Euler Hermes and Allianz France. There has also been a significant increase in the number of women attending the Allianz Management Institute. Networking among female employees has also been promoted by activities such as the Allianz Women in Dialog, AllianzGI New York's Network of Women, Euler Hermes Women's Network and the Allianz Italy Women's Committee. In Germany, Allianz fully supports the initiative of the Ministry for Family Affairs, Senior Citizens, Women and Youth to bring more women into leadership positions by developing measures to improve the balance between work and private life.

Integrating employees with disabilities

In the year under review, Allianz continued to facilitate the integration of employees with disabilities. By the end of 2010 ten Allianz companies had fulfilled government-regulated quotes, up from seven in 2009. In February 2010 a start was made with the implementation of Group-wide guidelines to ensure buildings, workstations and websites are accessible to wheelchair users and the blind and visually impaired. Allianz Italy actively recruits disabled graduates for underwriter positions, and at Mondial Assistance Brazil visually impaired call center operators have been shown to perform 11% better than non-disabled employees and provide an excellent, highly focused service to customers.

Improving tolerance and acceptance

As a globally operating company with a strong customer focus Allianz believes it makes sound business sense to hire employees with a wide variety of backgrounds, languages, abilities and customs. But it is just as important to encourage workplaces that value such diversity. Two examples in 2010 point to significant progress in this field: At Allianz companies in Munich an informal network known as AllDive has been set up to promote a lesbian, gay, bisexual and transgender dialogue and gain clearer insights into the needs of such customers; and AGCS launched a three-block session for all employees on cross-cultural communication, negotiation and working styles to accommodate the truly global nature of Allianz' business. In similar fashion Allianz aims to ensure as much national diversity as possible in management. Currently, 43% of Allianz' senior management worldwide are non-Germans with a total of 39 nationalities represented.

Worldwide, 33% of managerial positions are held by women

3.4 Engagement: fostering a performance culture

Since sustainable success in the insurance industry is dependent to a high degree on the commitment and performance of highly skilled staff, Allianz attaches great importance to maintaining and fostering employee engagement and a healthy work-life balance.

The competitive advantage of engagement

Employee engagement is a key competitive advantage in a people-oriented business such as financial services. Allianz therefore aims to encourage and enhance employee engagement as a factor that contributes to a culture of high performance and customer orientation. An important milestone was passed in 2010 with the first Group-wide Allianz Engagement Survey unifying local surveys. Some 106,000 employees from 66 Allianz companies were invited to take part. This was the first comprehensive attempt to gather feedback on leadership qualities from Allianz employees on a global scale, and the results from the many Allianz companies were fully comparable. A participation rate of 69% shows a high degree of acceptance for the Survey – and is itself a striking engagement figure. In 31 of the Allianz companies surveyed, the Employee Engagement Index was over 70%. This Index is a significant indicator of people's attitudes and perceptions that, in turn, drive behavior – and as such is a valuable parameter in quantifying engagement.

The measurement of employee engagement is now as relevant for executive remuneration as the opinions of customers and shareholders have been. From 2010 onwards, the results of the Allianz Engagement Survey will influence the variable component in the remuneration of top management.



Allianz employees



Careers@Allianz:

Balancing work and private life

Allianz firmly believes that work-life balance is a key factor in ensuring long-term employee motivation and health, as well as in attracting new recruits. In 2010, significant progress was made in creating a balance between work and private life. Allianz' overriding goal is to offer its employees a working environment that furthers productive work. In this context, flexible working hours are generally seen as an important factor. Guidelines to promote a Flexible Working Model were introduced by Allianz UK and an agreement on flexible working hours was reached with the Works Council at Allianz Spain. Another key factor in balancing work and private life is how family-friendly a firm is. In recent years, Allianz has received a number of awards for its family-oriented approach, as exemplified by its daycare facilities, a child-care subsidy, and health and fitness campaigns. In 2010, a Parents' Forum was set up to discuss how to better balance the demands of family and work in day-to-day life. The Global Diversity Office also kicked off a pilot New Dads @ Work platform for young fathers to discuss crucial issues relating to family life and work. Allianz Life of North America took a practical step towards balancing work and family life by setting up an early learning center for 73 children. And in a similar vein, three new on-site crèches will open at Allianz entities in Munich in 2011.

4 Environment

4.1 Our approach: improving the environmental footprint

Allianz' commitment to improving its environmental footprint was underlined in 2010 by measures to enhance the management of environmental issues and further reduce carbon emissions.

Urgent and essential action

One of the greatest threats facing humankind today is climate change. Its implications for the insurance sector are huge; 40% of industrial insurance claims paid out in recent years resulted from natural disasters. As long ago as 2005, Allianz adopted a Climate Change Strategy covering both its activities as a provider of financial services – insurance solutions, asset management and investments – and internal business operations.

Environmental responsibilities

Overall responsibility for operational carbon reduction at Allianz lies with Allianz4Good, Board-level responsibility for environmental management with Paul Achleitner and operational responsibility with the Group Environmental Officer, a post created in January 2010. His brief includes steering the Group's carbon reduction activities, further developing the Group's carbon reduction strategy, sharing best practices across the Group, managing environmental data collection and monitoring processes within the Group's Environmental Management System (EMS).

Reducing the carbon footprint

In 2008, the Allianz Board of Management set the Group the target of reducing its CO₂ emissions by 20% of the 2006 levels by 2012. As part of this strategy to combat climate change, Allianz introduced an EMS to ensure transparency in environmental performance and support the systematic gathering and controlling of environmental data. By December 31, 2010, this EMS covered 82% of Allianz' global employee base, up from 81% at the end of 2009.

The three levers of Allianz' carbon reduction strategy are:

- Reducing emissions, for example through energy, paper and water consumption
- Avoiding emissions, for example through video-conferencing
- Substituting fossil-fuel energy with renewable sources

Achievements in 2010

In the course of the year, Allianz took some decisive steps to strengthen the management of environmental issues. An environmental data collection concept was developed in line with well-established financial reporting procedures to integrate the collection of environmental data into the financial data stream. The latter ensures data accuracy and availability, significantly cuts collection time and effort and reduces complexity through highly automated processes. The 2010 environmental data collection was done using this new process.

To support the Group-wide carbon reduction strategy, Allianz introduced a Global Print Policy to cut paper consumption, a Global Travel Regulation to avoid unnecessary business travel and a Green IT Hardware Purchasing Policy to reduce energy consumption. Though undoubtedly good for the environment, these measures were primarily cost-driven and thus contributed to the company's bottom line. During the year, Allianz heightened awareness of the importance of environmental considerations and Group-wide measures to reduce the carbon footprint through presentations to key IT and non-IT functions, such as Purchasing, and to the environmental managers of Allianz companies.

Significant progress was also made in auditing the energy performance of Allianz buildings. Allianz Real Estate, for example, piloted a Sustainable Buildings project to determine the energy efficiency and thus the carbon reduction potential of relevant parts of Allianz' real-estate investment portfolio, also including buildings which are occupied by Allianz. One of the key findings was that savings of up to 23% in energy consumption and related carbon emissions can be achieved with relatively small investments. Based on the results of this project, Allianz Real Estate initiated a comprehensive sustainability program for Allianz' real estate investments. This includes, for example, the integration of sustainability criteria into the investment process and an ongoing assessment of the environmental performance of the existing portfolio.

Looking ahead

A corporate climate change awareness campaign, which kicked off in March 2011, will be rolled out to Allianz companies across the Group in the course of the year. The campaign aims to raise awareness of climate change as a critical issue for Allianz' business by providing employees with background information on climate change and stimulating discussion on what can be done to tackle the problem. Since Allianz has already achieved its 20% carbon reduction target set for 2012, new strategies and targets are to be developed to further improve the Group's carbon and environmental footprint. Last but not least, action will be taken to further embed environmental considerations into core business operating and decision-making processes.

4.2 Environmental footprint: reducing consumption of natural resources

Allianz takes a wide range of measures to reduce its consumption of natural resources and improve its environmental and carbon footprint. The two levers most affecting CO₂ reduction are energy consumption and business travel.

Drastic reduction in CO₂ emissions

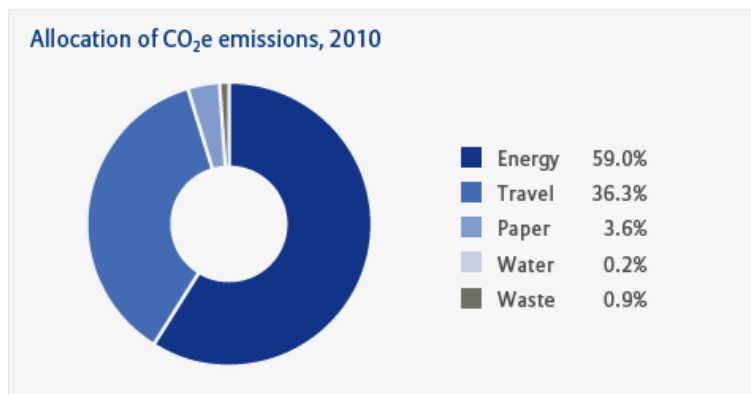
Back in 2008, Allianz set itself the ambitious target of reducing the Group's greenhouse gas emissions (CO₂e¹) by 20% of the 2006 total by 2012.

This target was achieved in 2010 with an overall Group-wide reduction of 27%². The following graph shows the breakdown of Allianz' CO₂e emissions by five indicators:

Since 99% of our emissions come from energy, travel, and paper, the focus of our carbon-reduction strategy is on these three areas. The remaining 1% originates from water and waste.

Three significant Group-wide trends were observed during 2010³:

- Reduction in energy consumption (-5%) and a switch to green electricity (+25%pp)
- Increase in business kilometers traveled (+5%)
- Reduction in paper use (-23%) and a switch to recycled paper (+8%pp)



Source: Allianz SE, 2010

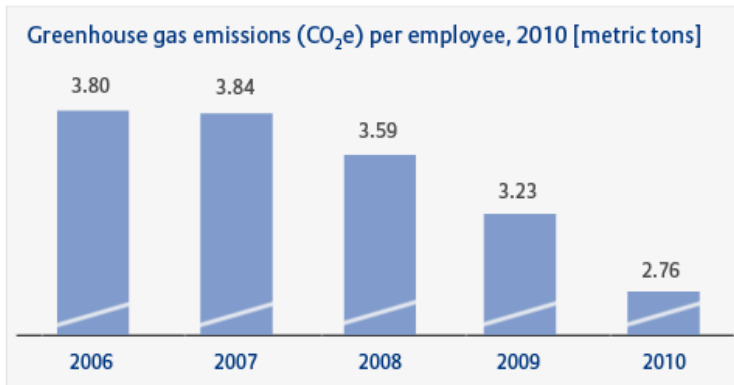
1) CO₂ equivalent: The universal unit of measurement to indicate the global warming potential of each of the six greenhouse gases, expressed in terms of the global warming potential of one unit of carbon dioxide. It is used to evaluate the release (or avoided release) of different greenhouse gases against a common basis. The emissions of each greenhouse gas (CO₂, CH₄, N₂O, etc.) are calculated separately and then converted to CO₂ equivalents on the basis of their global warming potential. (Definition taken from the Greenhouse Gas Protocol)

2) Our CO₂ figures are based on net carbon accounting; in other words, we use the contractual emission factors provided by our suppliers.

3) The figures show the changes over and against the 2009 figures.

Fall in GHG emissions since 2006

There has been a significant fall in Allianz' greenhouse gas (GHG) emissions in the past five years, as the following graph shows:



Source: Allianz SE, 2010

In line with the GHG Protocol, Allianz has developed methods to measure and analyze CO₂ emissions, differentiating between the three Scopes defined in the Protocol:

- **Scope 1** – direct GHG emissions: emissions sources that are self-owned or self-controlled by Allianz
- **Scope 2** – indirect GHG emissions: emissions from the consumption of purchased electricity, heat or steam
- **Scope 3** – other indirect GHG emissions: emissions from other sources, including travel, water, waste and paper

For details on the GHG emissions allocated to the three different scopes, please see our Key Figures section.

Energy consumption down

Allianz uses energy to power IT hardware, lighting and other electrical appliances, as well as for heating and cooling offices. As energy is our main CO₂ driver, our focus is on reducing the energy consumed. The benefits are not just reduced CO₂ emissions but also lower energy costs. In 2010 Allianz reduced its Group-wide energy consumption by 5%. Allianz France, for example, achieved a reduction of 29% and Fireman's Fund, an Allianz company in the U.S.A., installed fuel cells and cut its consumption by 15%.

Although overall electricity consumption remained stable, there were several significant developments during 2010. The share of electricity generated from renewable sources rose from 15% to 40%, with two companies setting the pace: Allianz Elementar in Austria switched to 100% green electricity and Allianz Italy increased the share from 55% to 90%. Within the energy mix, Allianz moved away from fossil fuels to electricity for heating and cooling. A reorganization of the server infrastructure, the use of more energy-efficient IT equipment and a move to more energy-efficient buildings with associated improvements in building technology all helped to reduce energy consumption.

A Green IT Hardware Purchasing Policy, which was defined in 2010 and came into force in 2011, requires all IT hardware purchasing requests for proposals to include a Green IT section. Energy Star and EPEAT have been adopted as Group-wide standards for all IT product purchases. Last but not least, the waste heat captured from IT hardware in Germany saved 43,040 gigajoules in 2010.

Measures to reduce business travel

Allianz aims to reduce CO₂ emissions by cutting down on business travel and promoting video-conferences. Although the overall business kilometers traveled in 2010 were 5% higher than in 2009, 2010 saw a 3% reduction compared to 2008. This is a more significant comparison than 2009, which was an exceptional year as travel was much lower than normal due to the financial crisis. In 2010, Allianz continued to implement its Global Travel Regulation (GTR), which sets minimum standards for employee travel practices globally. By the end of the year, the GTR applied to approximately 85% of Allianz employees worldwide. In 2010, air travel rose by 27% and rail travel by 2% whereas car travel fell by around 7%. The rise in air travel can be attributed to the recovery from the recession in many countries, and particularly in the U.S.A. China, however, set a shining example by reducing its business travel by 30%. In another pleasing development, company-owned fleet vehicles in Germany have run on a climate-neutral basis since 2008 thanks to a special Allianz car insurance tariff that offsets all emissions.

Sharp fall in paper consumption

Besides aiming to reduce overall paper consumption, Allianz is working to increase the use of recycled paper, totally chlorine-free paper and FSC-labeled paper. The 23% reduction in overall paper consumption in 2010 was mainly achieved through the implementation of a Global Print Policy in January 2010. Its aim is to encourage employees to reduce the amount of internal printing. In addition, Allianz made increasing use of e-mails and web-based correspondence in its communications with customers, agents and other stakeholders. Allianz Brazil reduced its paper consumption by 43% in 2010 – the best performance of any Allianz company. As for the kind of paper used, 2010 saw an 8 percentage point increase in the share of recycled paper to now almost 18% with Allianz' German operations doing particularly well – up from 15% to 60% in communications with customers. The consumption of chlorine-bleached paper fell by around 91% to a mere 1%, and over 20% of Allianz' total paper consumption is now FSC-labeled paper.

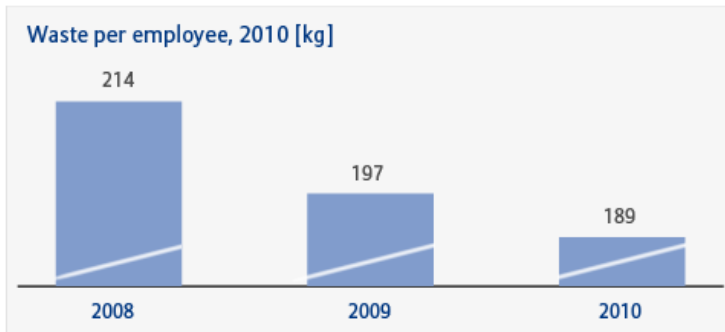


Source: Allianz SE, 2010

Overall CO₂ reduction
by 2010:
27 % less than 2006

More waste recycled

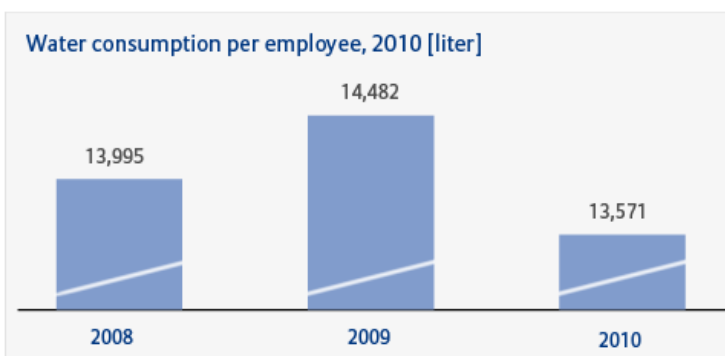
Allianz strives to reduce the amount of waste it generates and increase the proportion it recycles by encouraging employees to separate the different kinds of waste. In 2010, the Allianz Group produced 28,533 metric tons of waste, of which 55% was recycled. This was 1,713 metric tons less than in 2009. The improvement in the Group's waste footprint was due to reduced paper use, waste separation and awareness campaigns such as the one that delivered a 20% reduction at Allianz Life of North America.



Source: Allianz SE, 2010

Reduced water consumption

Although Allianz reduced its water consumption by some 6% in 2010, this was caused by natural fluctuations rather than specific measures to save water. 2009 had seen water consumption rise due to heightened hygiene awareness during the influenza pandemic. Water consumption at Allianz is mainly impacted by ongoing measures to generally increase the energy efficiency of the buildings through refurbishments and moves to newer and more modern buildings.



Source: Allianz SE, 2010

5 Investment Community

5.1 Our approach: an active player in the growing ESG market

As environmental, social and governance factors have become increasingly significant in recent years, Allianz has demonstrated its commitment to their application through sustainability-oriented developments in its investment strategies and management.

Growing ESG market

Insurance companies are not only risk managers and risk carriers, but also large-scale institutional investors. Investment management is thus an integral part of their business. Hence, integrating sustainability into investment strategies is not only important for Allianz' third-party investment management, but also influences decisions on proprietary business, i.e. investing the income from insurance premiums.

Sustainable and Responsible Investment (SRI) can be described as an investment style that incorporates environmental, social and governance (ESG) issues into investment analysis and asset management. In the past two years, the growth in SRI investments worldwide has accelerated significantly and in September 2010, the global SRI market was estimated at around €6.9 trillion (Eurosif, European SRI Study 2010). Various factors have fueled this growth: increasing demand from institutional investors, growing interest on the part of private investors, legislative changes and initiatives such as the United Nations Principles for Responsible Investment (UN PRI), a voluntary framework by which investors incorporate ESG issues into their decision-making and ownership practices.

Allianz' investment management structures

As an investor, Allianz distinguishes between proprietary and third-party asset management: The Group's **proprietary business** is steered by Allianz Investment Management SE (AIM). Established in 2007, AIM is responsible for the decisions taken on

the investments of Allianz insurance companies worldwide, for developing and implementing the Group's strategic asset allocation, and for driving tactical investment decision-making. AIM implements investment decisions into asset management mandates and, as such, instructs and controls asset managers.

Third-party business is managed by Allianz Global Investors (AllianzGI). As one of the world's five largest asset managers, AllianzGI can point to a significant volume of business involving asset management products and services both for a wide range of retail and institutional asset management clients and for the Group's insurance operations. AllianzGI pursues a multi-boutique approach with specialist asset managers for different investment strategies and asset classes as well as several competence centers for ESG expertise and investing.

By the end of 2010, AllianzGI had more than €3.1 billion in SRI assets under management. In addition, AllianzGI provides ESG advisory services to large institutional clients. Some AllianzGI subsidiaries – AllianzGI Investments Europe, AllianzGI Korea and RCM – are already signatories to the UN PRI.

Recognized sustainable company

Allianz is recognized in a variety of ratings as a sustainable company and maintains strong relationships with sustainability-focused rating agencies and investors. Two Allianz Group centers are of particular interest from an investor perspective: Group Investor

Relations (IR), as the direct contact point for sustainability-focused rating agencies, investors and analysts; and Allianz4Good, which cooperates closely with IR and serves as an internal cooperation partner for sustainability-focused rating agencies and investors. Allianz' priorities in 2010 were on fulfilling the requirements laid down by investors and rating agencies and strengthening the dialogue with ESG-oriented ones through a variety of interactions.

Allianz Global Investors manages €3.1 bn in Sustainable and Responsible Investments

Two other developments in 2010 were of particular importance: AllianzGI Europe, the registered holding company, created a special Fiduciary Management unit, which also offers ESG advisory services to institutional clients; and RCM launched Sustainability Step Change, a global sustainability (ESG) strategy that will further push the incorporation of ESG issues into the organization's investment analysis and decision-making process. This enhanced sustainability strategy redefines sustainability investing to include a broader approach to ESG and reclassifies products to create a clear distinction between sustainability (for example Allianz RCM Global Sustainability) and thematic funds/clean technology (for example Allianz RCM EcoTrends and Allianz RCM Water Fund). It also established a framework for the global expansion of sustainability (ESG) research processes and structures.

Strategic steps in 2010

A significant step was taken at the end of 2010 when AllianzGI Investments Europe signed the UN PRI. The former was set up in early 2010 and also assumed the PRI signatory role from AllianzGI France. Building on the significant progress made by AllianzGI France since 2007, this ESG-oriented approach applies to all investment analyses and decision-making processes as well as to ownership policies and practices.

Looking ahead

One thing is certain: ESG issues will become more and more significant in years to come, and Allianz will continue to prioritize sustainability and SRI in its investment strategies and management – as an investor, in its third-party asset management business and as an investee.

5.2 Own investments: investing in renewables and clean technology

The impact of climate change is driving the market for renewable energy and clean technology. Allianz not only insures such facilities against a variety of risks but is also expanding its portfolio in renewable energy and clean technology.

Fast-growing markets and portfolios

The renewable energy segment has grown tremendously in recent years. This is hardly surprising in view of the role it can play in reducing CO₂ emissions. According to Bloomberg New Energy Finance, new investments in clean energy, which includes renewable energy, biofuels, energy efficiency, infrastructure and other clean technologies, totaled U.S.\$243 billion in 2010.

In many of its markets Allianz is insuring renewable energy facilities against technical, electronic, business interruption or liability risks. In addition, Allianz continues to investigate the insurability, technical feasibility and risk profile of upcoming renewable or clean energy projects that are not yet on the market. Carbon capture and storage technology is a good example. At the same time, Allianz is expanding its investments in renewable energies.

Promoting wind energy and solar power

As large institutional investors, insurance companies are important players in the financing of a low-carbon economy. Allianz sees renewable energies as an attractive growth market – for two reasons: first, for the sake of portfolio diversification; and second, because sound returns are expected in the long run.

Allianz Capital Partners (ACP), which is responsible for direct investments in the area of private equity

within the Allianz Group, is one of the leading European alternative asset investors with its subsidiary Allianz Specialized Investments (ASI) focusing on renewable energy investments. The total sum of direct investments made by Allianz Capital Partners (ACP) in renewable energy projects topped the €1 billion mark during 2010. By the end of 2012, Allianz plans to further increase the portfolio by up to €500 million to €1.5 billion. ACP, which is already one of the world's largest investors in this field, is building up a long-term portfolio in wind energy and solar power. The wind parks ACP acquired during 2010 include Langres Sud (52 MW), Achet le Grand and Roye (20 MW) and Cambon (12 MW) in France and Kesfeld and Kirf (40.5 MW) in Germany. By the end of 2010, ACP's renewable energy portfolio included some 30 wind and solar parks in Germany, France and Italy. After investing in its first-ever solar park (a 6-MW facility in Brindisi) in 2010, ACP went on to acquire two more PV (photovoltaic) assets in Italy.

ESG in proprietary investments

Allianz is analyzing the available options and scope of application of environmental, social and governance (ESG) criteria in its proprietary investments and considering possible ways of implementing them in various asset classes, regions and subsidiaries.

5.3 Third party asset management: investing sustainably and responsibly

In third-party asset management Allianz applies environmental, social and governance (ESG) criteria to identify long-term risks and opportunities. In 2010, Allianz started working to extend ESG analysis to mainstream investments.

Multi-boutique approach to asset management

There are various good reasons why analyzing ESG factors in an investment arena makes sound business sense: customer demand, the growing materiality of ESG risks, better risk-adjusted returns and portfolio diversification. By applying ESG criteria to its investments, Allianz can identify long-term risks and opportunities that are not correctly reflected by the market price. Allianz Global Investors (AllianzGI), the Group's third-party asset management unit, takes a multi-boutique approach involving a wide range of specialists with different investment strategies for different asset classes and several ESG centers of competence:

AllianzGI Investments Europe

AllianzGI Investments Europe believes that Sustainable and Responsible Investment (SRI) provides added value for clients in two ways:

- Sustainable investment performance for all AllianzGI Investments Europe funds: Including ESG factors in the tool kit used by all fund managers helps to improve security analysis and ultimately contributes to better security selection; ESG factors may also help to improve the risk-return profile of investments.
- Responsible investment for all dedicated SRI investments: Minimum ESG ratings and a focus on additional criteria, such as human rights, are required of all eligible issuers; this sustainable and responsible approach not only helps add financial value but also contributes to building a more sustainable economy, society and environment.

AllianzGI Investments Europe plays a leading role across the entire SRI value chain:

- Upstream: Participating in corporate or multi-stakeholder initiatives and investor networks to bring about more sustainable government policies, financial markets and corporate practices (for example Extractive Industries Transparency Initiative, Global Reporting Initiative working groups and the European Fund and Asset Management Association's Responsible Investment Working Group).
- Investing: Systematic research into and specific adaptation of ESG criteria for both mainstream and ESG portfolios; "best in class" and "best effort" approach for ESG portfolios across all main asset classes.
- Downstream: Universal proxy voting policy, active share ownership (>300 annual meetings), and engagement to protect long-term investor interests and improve market practices; unique proxy voting policy for all equity investments, integrating environmental and social criteria as well as traditional corporate governance criteria.

AllianzGI Korea

AllianzGI Korea applies ESG criteria to equity investments, for example Corporate Governance Strategy, and focuses on investing in companies that have high growth potential but are undervalued due to weak corporate governance. Support is given to such companies to improve their corporate governance and unlock potential value. Improving corporate governance is seen as the main engine of excess return.

PIMCO

PIMCO, a leading bonds specialist, applies ESG criteria to fixed income products, for example offering “sin-free” investments where a negative screening process is applied.

RCM

RCM believes that sustainability investing, which is broader than ethical or socially responsible strategies, provides an additional information advantage and, when exploited correctly, can lead to enhanced stock selection. At RCM, material ESG factors are considered alongside financial factors, identifying risks and opportunities that, as yet, have not been fully priced by the markets.

- **Fundamental research:** RCM focuses on materiality in ESG analysis with the aim of identifying companies offering the “best-in-class” response to ESG risks and opportunities on a sector-by-sector basis.
- **Grassroots:** A unique, proprietary research tool that complements fundamental and sustainability research.
- **Integrated ESG proprietary research:** Introduction of global sustainability sector framework papers, which on a sector-by-sector basis identify the most material ESG factors and provide RCM investors with insights into the key ESG issues that can impact the sectors and the companies they are investing in.
- **Contribution to sustainability thought leadership in the investment industry:** RCM is helping to shape the debate and future direction of sustainability investing as a founding member of or participant in industry initiatives, for example Carbon Disclosure Project (2000), Extractive Industries Transparency Initiative (2003) and UNEP FI Asset Management Working Group (2004), and as a signatory to the Global Investor Statement on Climate Change (2010).
- **Global Proxy Voting Policy and Guidelines** that bring together all of RCM’s regional proxy voting policies and practices whilst being sensitive to regional rules and regulations as well as reflecting material sustainability (ESG) issues in active share ownership.

Activities in 2010

AllianzGI global:

- Initiation and sponsorship of innovative research on “ESG Risk Factors in a Portfolio Context” with modeling by risklab, the specialist investment and risk advisory subsidiary.
- Launch of Allianz Sustainable Assets for Pensions, an initiative to create a network for the exchange of best practices among asset owners, consultants and other ESG experts.
- Signatory to the Global Investor Statement on Climate Change presented at the Cancun Climate Summit in October 2010.
- Signatory to the Carbon Disclosure Project, which is supported by more than 550 investors globally representing U.S.\$71 trillion assets under management.

AllianzGI Investments Europe:

- Signing of the UN Principles for Responsible Investment (UN PRI), thereby taking over the signatory role of AllianzGI France, which signed in 2007.
- Launch of the Allianz Euroland Equity SRI: Building on the success of Allianz France’s Valeurs Durables fund, one of Europe’s largest equity SRI funds, this new Luxembourg-based fund is being distributed in Europe and Asia and has been included in a unit-linked Allianz Life Germany product launched at the beginning of 2011.
- Launch of Allianz PEE Actions ISR Solidaire, which has been made available to all Allianz France employees via their employer savings plan: 5–10% of assets under management are invested in two French social business organizations, ADIE (microfinance) and Habitat et Humanisme (social housing); the remaining assets are invested in equity in accordance with the SRI equity investment process.
- Acquisition of €3.4 billion fiduciary mandate for dutch pension fund, including comprehensive advice and services on ESG policy, engagement and proxy voting.
- Newly created position of Head of Sustainable & Responsible Investments, including responsibility for ESG research, and reporting directly to the Chief Executive Officer and the Chief Investment Officer of AllianzGI Investments Europe.

- Regular updating of mainstream equity portfolio managers on ESG sector reviews, including relative company positioning on key ESG factors and alerts on problematic issues.
- Participation in the launch of the food production sector supplement at the GRI annual conference in Amsterdam and thus representing investors in the Global Reporting Initiative's two-year working group dedicated to that sector.

PIMCO:

- Two mutual funds focusing on "sin-free" investments: Total Return III and Low Duration III.
- Launch of a Socially Responsible Emerging Markets Bond Fund.
- Management of several separate accounts for clients in the U.S.A. and Europe.

RCM:

- Launch of Sustainability Step Change strategy: Refocusing and embedding sustainability research at a global level; crystallizing the definition of sustainability, SRI and ethical investing as well as themed funds; and establishing a global sustainability research framework.
- Public launch of Sustainability Step Change on RCM Day in Frankfurt in September 2010: Industry leaders and practitioners were invited to debate on how to navigate through the maze of definitions (e.g. ESG, SRI, RI) and distinguish between them, and to talk about ESG risks, challenges and opportunities in sustainable investing.
- Responsibilities of Team Head of Sustainability Research extended to become Global Head of Sustainability Research with direct accountability to Co-Heads of Global Research and the RCM Chief Investment Officer.
- Signing of the Global Investor Statement on Climate Change at the Cancun World Climate Summit: Part of RCM's ongoing commitment to demonstrating thought leadership, meeting objectives as a signatory to the UN PRI and maintaining an active voice in the sustainable investment arena.
- Renewed support for the Carbon Disclosure Project.
- Signatory to the CDP Water Disclosure Project.

Looking ahead: ongoing prioritization of SRI

AllianzGI Investments Europe:

- Extending ESG analysis into mainstream fixed income now that it has been embedded into mainstream equity investments.
- Continuing to promote and expand SRI through a pan-European roll-out.
- Maintaining a proactive leadership role across the full SRI value chain, as recognized by superior rankings in the annual UN PRI evaluation .

RCM:

- Establishing a global sustainability research framework and team structure (to include North America and Asia).
- Publishing Sustainability Sector Framework Papers in collaboration with RCM sector analysts to facilitate the expansion of ESG analysis to mainstream investments.
- Providing thought leadership in sustainability investing by forging partnerships with academic institutions and think-tanks as well as conducting research into key sustainability topics.

5.4 Sustainability ratings: rated among the top rankings

The Allianz Group again achieved top sustainability rankings in 2010 and the ongoing, in-depth dialogue with ESG-oriented investors and rating agencies continued unabated.

In 2010, rating agencies once again assessed Allianz' sustainability performance and gave the Group top rankings. Moreover, Allianz was included in the main international sustainability indices and ratings: Carbon Disclosure Project, Dow Jones Sustainability Index, FTSE4Good, Goldman Sachs GS Sustain, oekom research, Sustainalytics and Vigeo. As communication with ESG-oriented investors and rating agencies grows in importance, Allianz' main aims are to strengthen these relationships, engage with mainstream investors on environmental, social and governance (ESG) issues and uphold the excellent rating positions.

Excellent ratings

Since Allianz is committed to increased transparency and accountability on sustainable development issues, performance data are submitted to a wide variety of rating agencies and indices. As in previous years, the top scores achieved in 2010 represent an objective recognition of the high sustainability standards Allianz sets for its business.

- **Dow Jones Sustainability Index (DJSI):**
 - Assessment: Sustainable Asset Management Group (SAM), Switzerland
 - Once again a Gold Class member in 2010, with a score of 79 (same as the Super Sector Leader)
 - Especially recognized for: Human Capital Development, Stakeholder Engagement, Brand Management and Business Risks and Opportunities
- **FTSE4Good Index:**
 - Assessment: Ethical Investment Research Services (EIRIS), UK
 - Rated in both the European 50 and the Global 100 ranking since 2001
- **oekom:**
 - Assessment: oekom research, Germany
 - C+ rating: prime status, i.e. ranking among the world's best companies in an industry and fulfilling the sector-specific minimum requirements as defined by oekom research ("best in class")
 - Excellent rating for environmental management and also recognized for corporate governance, business ethics and eco-efficiency
- **Goldman Sachs GS Sustain:**
 - Assessment: Goldman Sachs, U.S.A.
 - Once again one of three Sustainability Leaders in the industry in 2010
 - GS Sustain: A unique framework that looks beyond traditional investment methods, helps to identify companies that can sustain leadership in their industry and fuses quantifiable ESG metrics with industry positions and long-run financial forecasts
- **Carbon Disclosure Project (CDP):**
 - Allianz Group a founding signatory
 - Listed in the Carbon Disclosure Leadership Index Germany in 2010

2010: a pro-active year

In 2010, a number of meetings and conference calls were arranged to engage with investors and rating agencies. We see increasing interest from investors and asset managers in integrating ESG criteria into their investment process and building up ESG research capabilities. However, some methodologies to analyze companies' sustainability performance are still in their infancy. Given their importance to investors and hence their impact on guiding as well

as steering markets, rating agencies at large need to focus on developing further to fulfill their own aspiration of setting leading standards. We invest considerable resources in supporting the further development of rating approaches and methodologies. The way ahead in 2011 involves further strengthening stakeholder relations and enhancing dialogues, for example through specific ESG road shows.



AllianzGI



Allianz Global
Investors Europe



PIMCO



RCM

6 Society

6.1 Our approach: a committed corporate citizen

As a financial services provider operating in over 70 countries across the globe, Allianz takes its role as a corporate citizen seriously. Through structured community involvement with strategic partners Allianz leverages its core corporate competencies whilst engaging volunteer employees in these activities.

Applying financial expertise to the long-term benefit of the communities it operates in is an integral component of Allianz' Corporate Citizenship. Allianz' focus here is to find innovative solutions that address the local and global challenges these communities face – challenges such as climate change, poverty or an aging population. In all its corporate citizenship activities Allianz aims to bring in its core competencies, involve the know-how and skills of its employees and share the company's knowledge to the benefit of society.

Allianz4Good has established a Group-wide CC network that includes CC managers from Allianz companies around the world. Their role is to manage and implement CC activities at a local level on the basis of the Group-wide framework and to exchange know-how and best practice across the Group. Topic-related working groups advance Group-wide knowledge and support the Allianz4Good team in developing topics of relevance to the entire Group. In 2010 this work included, for example, the development of a new disaster response framework.

Corporate Citizenship set-up

Within Allianz4Good, the central department responsible for sustainable development in the Allianz Group, there is a Corporate Citizenship (CC) team that has strategic and executive responsibility for the activities in this field. Its work involves:

- Setting the CC framework for the Group
- Managing and coordinating CC activities at a Group level
- Developing and implementing global programs that draw on Allianz' core competencies to build solutions that meet critical community needs
- Providing effective tools and guidance for local Allianz companies
- Providing a forum for the exchange of ideas and best practices across the Group
- Entering into partnerships across sectors and with other businesses to complement Allianz' own expertise.

Allianz' corporate foundations

Although operating independently of the company, Allianz' network of corporate foundations is a vital component of the Group's social engagement. What all these corporate foundations have in common is that they address basic social, environmental and cultural issues of relevance to Allianz and the societies it operates in. The four Allianz SE foundations illustrate the breadth of issues covered:

- The Allianz Cultural Foundation initiated a Debate on Europe 2010 series.
- The Allianz Direct Help Foundation offers effective and sustainable help in response to catastrophes and natural disasters.
- The Allianz Foundation for North America empowers young people to shape a secure future, for instance with a project entitled Engaging Workplace Diversity.

- The Allianz *Foundation for Sustainability* (Allianz Umweltstiftung) runs the Deutscher Klimapreis, an award that honors the engagement of German schools in the field of climate protection.

Besides these Allianz SE foundations, Allianz subsidiaries also have many foundations of their own.

Corporate Citizenship principles and tools

In recent years, Allianz4Good has developed core principles for Corporate Citizenship in the Allianz Group and supported their local implementation with various tools:

- **Allianz4Good Principles for Social Engagement:**
 - Define the strategic approach to social engagement within the Group
 - Ensure that social engagement is aligned with both the Group strategy and local business objectives
 - Generate a long-term win-win situation for society and the company worldwide.
- **Allianz4Good Scorecard, made available to all Allianz companies in 2010:**
 - Enables Allianz to assess in strategic terms the impact of the various activities in the social engagement field, for example donations, partnerships and corporate volunteering.
 - Enhances the development of a strategically aligned, consistent and effective portfolio of societal engagements, for instance the selection of organizations Allianz wishes to support or partner with and regular assessment of both new and existing engagements, in order to ensure that Allianz' commitment leads to the expected social impact and gains.



Allianz Cultural
Foundation



Allianz Direct Help
Foundation



Allianz Foundation
for North America



Allianz Umweltstiftung

6.2 Lighthouse projects: Corporate Citizenship in action – to society's benefit

Allianz addresses its social responsibility through integrated formats that include employee engagement, knowledge transfer and corporate giving. The projects detailed below exemplify the principles and practice of Allianz' Corporate Citizenship.

Three overriding goals shape Allianz' Corporate Citizenship activities:

- Supporting the development of effective solutions to critical social issues in the communities Allianz operates in
- Drawing on the company's core competencies
- Engaging Allianz' employees in order to strengthen their identification with the company, enhance their skills and develop team spirit

My Finance Coach: fostering financial literacy

Through the My Finance Coach program Allianz and its partners aim to foster financial literacy among 11- to 15-year-olds. Familiarizing these young people with financial issues will help them to make educated financial decisions now and in the future. Allianz intends to expand the pilot program in Germany through 2011 by training an additional 800 volunteers from among its own staff, tied agents and partners' employees.

Originally set up in 2009 by Allianz, My Finance Coach was turned into a charitable foundation in October 2010 with an advisory committee of renowned educational experts. The cooperation agreement between the Foundation's three founding partners – Allianz, the communications agency Grey and the business consultants McKinsey & Company –

is valid until 2014 to ensure consistency in program management. The pilot program, which began in seven German states, had a successful 2010. The target of 300 volunteers was reached by May and by the end of December, the figure was up to 674. In all, 301 classes with 8,000 pupils in 90 schools were visited in the course of 2010. A pilot interdisciplinary e-learning teacher-training course in economics and finance, developed in collaboration with Bavaria's Teacher Training Academy, was also introduced in Bavaria and will be offered to teachers all over Germany in 2011.

In 2011, My Finance Coach will be rolled out across the remaining nine German states, aiming to reach 50,000 pupils out of a total target pool of some four million, for example through innovative extracurricular formats. All learning modules have been translated into English to provide volunteering opportunities for non-German speakers among Allianz' diverse employee base. Preparations are under way to extend My Finance Coach to non-German-speaking countries.

The German UNESCO Committee has declared the Foundation to be an official project of the United Nations Decade of Education for Sustainable Development. This seal of quality recognizes innovative educational initiatives that help embed the principles of sustainable development in education.

Social OPEX: assisting social entrepreneurs

Social OPEX aims to share Allianz' know-how and business skills with socially committed organizations. It combines OPEX (Operational EXcellence) – an internal quality management approach based on internationally acclaimed standards such as Six Sigma and Total Quality Management and used to implement change in the organization – with employee engagement in the social sector. The main goal is to support talent development at Allianz through a unique format that allows employees to gain valuable out-of-company experience.

My Finance Coach Foundation is an official project of the United Nations Decade of Education for Sustainable Development

In 2010, Social OPEX projects were conducted in Germany, France, the UK, Singapore, Italy and the Netherlands, involving a total of 21 Allianz employees from ten subsidiaries and eleven social entrepreneurs. Throughout the year, regular feedback was obtained through tracking the Net Promoter Scores, monitoring projects in progress, collecting post-project reviews and conducting in-depth interviews with social entrepreneurs and project participants. Several projects are worth particular mention: Social OPEX teams provided organizational support for the Homeless World Cup in Edinburgh; MyBnk in London received an £80,000 grant to implement an extension plan developed with the Social OPEX team; and support was provided for Aflatoun (Child Savings International), headquartered in Amsterdam, and Le Chênelet, a French social housing enterprise.

In 2011 a pilot Social OPEX program will be conducted in the U.S.A. The target for the year is that 40 Allianz employees in Europe and the U.S.A. will support social entrepreneurs in their projects. Ultimately, Allianz aims to integrate Social OPEX into its core HR processes.

Disaster response: helping in times of need

Disaster response is another cornerstone of Allianz' Corporate Citizenship. The objective here is to alleviate the suffering of communities hit by a natural or man-made disaster, mainly through monetary donations.

The Allianz Direct Help Foundation was founded in the wake of 9/11 to organize the response of Allianz and its employees to catastrophes or natural disasters. The common goal of all projects is to offer effective and sustainable help. Employees' donations are generally used for direct aid, whereas the company's donations are directed towards longer-term, sustainable solutions to the respective problems.

In 2010, humanitarian aid was provided for the victims of three major disasters:

- **Haiti earthquake**
 - Allianz employees and companies worldwide donated a total of €450,000 to assist the victims of the earthquake that hit the island of Haiti on January 12, 2010; the money was mainly channeled through the humanitarian organizations CARE and Red Cross.
 - The disaster triggered the development of a new strategic framework within the Allianz Group for responding to disasters. The overall goal was to define when Allianz should become active in the aftermath of a disaster, and how a disaster response program should be organized to ensure that donations made by the company and/or employees are relevant, timely and effective. The new disaster response framework was approved by the Allianz SE Management Board in November 2010 and will be realized in 2011.
- **Floods in Pakistan**
 - In July-August 2010, Pakistan was hit by the worst floods in its history. In close cooperation and consultation with its country subsidiary, Allianz SE donated EUR 150,000, of which half was used as emergency aid for health care and half to support the building of a healthcare facility in one of the worst hit areas.

- Funds were provided to the Mahvash & Jahangir Siddiqui Foundation in Karachi, a non-profit organization that supports relief efforts in Pakistan during national emergencies.
- Allianz SE's initiative was supported by the individual donations of Allianz employees and subsidiaries; for example, Allianz Global Investors companies in Germany decided to make donations for the flood victims instead of giving Christmas presents to business partners.
- **West Sumatra Earthquake**
 - In September 2010, less than a year after an earthquake destroyed the Simpang Anduring school buildings in the port of Padang, Indonesia, 800 children and their teachers moved into the newly completed complex, which Allianz companies in Indonesia had helped to finance.
 - In November 2010, disaster coaches from Allianz started preparing the pupils for any future emergency. The children learn how to protect themselves during an earthquake, how to evacuate a building and where to run to. The disaster risk reduction program is scheduled to be expanded to other risk-prone areas in Indonesia in 2011.



My Finance Coach



Allianz Direct
Help Foundation

7 Key figures

7.1 Economy

Allianz at a glance

As of December 31	2010	2009	2008
Total revenues, [€m] ⁴	106,451	97,385	92,568
Operating profit, [€m] ⁵	8,243	7,044	7,455
Net income from continuing operations, [€m] ⁶	5,209	4,650	4,268
Return on equity after income taxes, [%] ^{7,8,9}	11.9	12.50	9.90
Basic earnings per share, [€] ⁴	11.2	9.33	(5.25)
Dividend per share, [€]	4.50 ¹⁰	4.10	3.50



For more details
please see the
Annual Report 2010

Allianz delivered strong results in 2010:

revenues grew by 9.3% and the operating profit increased by 17.0% to €8,243 million – its highest level since 2007.

Sustainability performance

As of December 31	2010	2009	2008
Assets under Management in SRI funds [€bn]	3.1	4.8	4.2
Share of SRI funds from total AuM [%]	0.2	0.4	0.5
Investments in renewable energy projects [€mn]	1,000	760	500
Microinsurance customers (rounded)	4.0	3.8	1.9



For more details please
see the Investment
community chapter

Allianz manages a number of Sustainable and Responsible Investments (SRI) across the major asset classes through its third-party asset manager Allianz Global Investors. SRI assets under management amounted to €3.1 billion at the end of 2010, down from €4.8 billion in 2009. This fall was driven by outflows in retail fixed income, especially money market funds, due to the low interest rate environment; a trend experienced by the market as a whole.



For more details
please see the Access
to finance chapter

Allianz's investments in renewable energy have surpassed the €1 billion mark in 2010. Since 2005, Allianz has invested in 30 wind farms and solar parks in Germany, France and Italy.

Allianz now offers a variety of microfinance products to more than 4 million customers (2009: 3.8 million) in eight countries of Asia, Africa and South America.

4) Total revenues comprise statutory gross written premiums in Property-Casualty and Life/Health, operating revenues in Asset Management and total revenues in Corporate and Other (Banking).

5) The Allianz Group uses operating profit as a key financial indicator to assess the performance of its business segments and the Group as a whole.

6) Following the announcement of the sale on August 31, 2008, Dresdner Bank was classified as held for sale and discontinued operations. Therefore, all revenue and profit figures presented for the continuing business do not include the parts of Dresdner Bank sold to Commerzbank on January 12, 2009. Starting as of 2006 the results from these operations are presented in a separate net income line "Net income (loss) from discontinued operations, net of income taxes".

7) Figures prior to 2008 have not been restated to reflect the change in the Allianz Group's accounting policy, effective July 1, 2010. For further information please refer to note 4 of the consolidated financial statements.

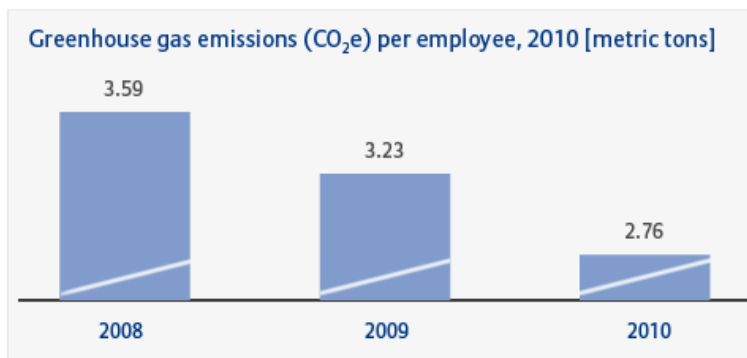
8) Based on average shareholders' equity. Average shareholders' equity has been calculated based upon the average of the current and the preceding year's shareholders' equity as of December 31.

9) Based on net income from continuing operations after non-controlling interests

10) Proposal

7.2 Environment

Total greenhouse gas emissions (CO ₂ e)			
	2010	2009	2008
Scope 1 – Direct GHG emissions, total [metric tons]	41,496	53,205	53,900
Scope 2 – Indirect GHG emissions, total [metric tons]	197,207	256,347	282,345
Scope 3 – Other indirect GHG emissions, total [metric tons]	179,098	185,407	220,386
Scope 1-3 GHG emissions, total [metric tons]	417,801	494,959	556,631
Scope 1-3 GHG emissions, per employee [metric tons]	2.76	3.23	3.59

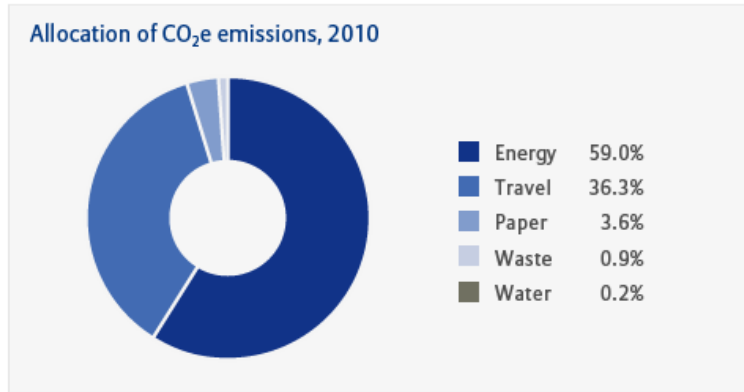


Source: Allianz SE, 2010

For more details please see the Environment chapter

Allianz has developed methods to measure and analyze CO₂ emissions and differentiates between the three Scopes defined in the Greenhouse Gas Protocol. A major achievement in 2010 was the reduction of greenhouse gas emissions per employee by 27% of their 2006 levels. The drivers were reduced energy and paper consumption and a higher percentage of green electricity sourced.

Allocation of greenhouse gas emissions (CO₂e), 2010 [%]



Source: Allianz SE, 2010



For more details
please see the
Environment chapter

Allianz monitors its environmental impact and calculates its greenhouse gas emissions using energy, business travel, paper and water consumption, and waste generation as indicators. The percentage share of energy fell in 2010 and though business travel was higher than in 2009, when it was unduly affected by the recession, it was lower than 2008, a more suitable year for comparison purposes.

Energy consumption

	2010	2009	2008
Energy consumption, total [GJ]	3,554,430	3,724,624	3,824,832
Energy consumption per employee [GJ]	23.5	24.3	24.6
Electricity [%]	66.9	63.8	64.0
Fossil fuels [%]	20.6	24.2	24.8
Long-distance heating [%]	11.3	11.1	10.1
Internal waste heat [%]	1.2	1.0	1.0

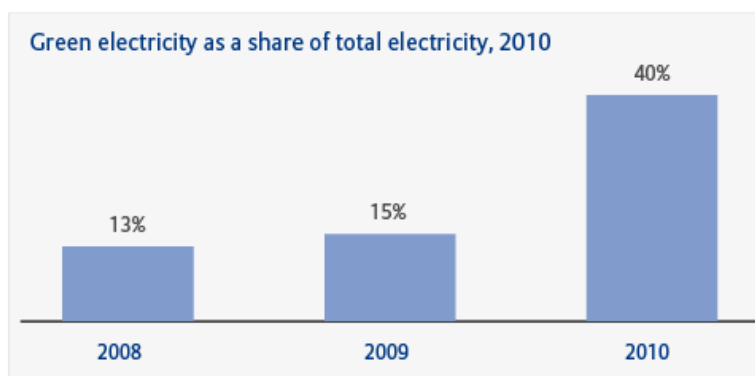


For more details
please see the
Environment chapter

Allianz uses energy to power IT hardware, lighting and other electrical appliances, as well as for heating and cooling offices. As energy is the company's main CO₂ driver, the focus is on reducing the energy consumed. In 2010, Allianz reduced its Group-wide energy consumption by 5%.

Share of renewable energy

	2010	2009	2008
Green electricity as a share of total energy sourced [%]	27	10	9
Green electricity as a share of total electricity sources [%]	40	15	13



Source: Allianz SE, 2010

2010 saw the share of electricity generated from renewable sources rise from 15% to 40%. Two companies in particular set the pace: Allianz Elementar (Austria) switched to 100% green electricity and Allianz Italy increased the share from 55% to 90%.

Business travel

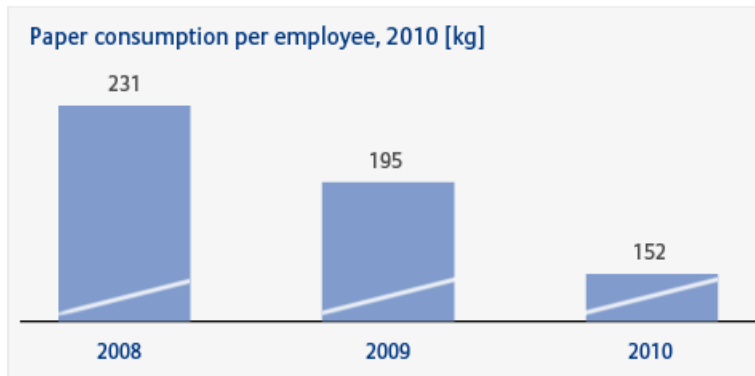
	2010	2009	2008
Total traveled (in thousand km)	997,440	947,647	1,023,346
– Road travel [%]	50.7	57.5	55.7
– Air travel [%]	41.7	34.6	38.5
– Rail travel [%]	7.6	7.9	5.8

Although the total distance traveled in 2010 was 4.3% higher than in 2009, this was mainly due to 2009 being an exceptional year as a result of the financial crisis and limitations on travel. A comparison with 2008 gives a more accurate assessment of how Allianz' Global Travel Policy impacted to reduce business travel by 3% from 2008 to 2010. In absolute and relative terms, the greatest reduction was in road travel. Another trend which materialized over the past few years was a steady increase, in absolute terms, in travel by rail.

Paper and water consumption, waste generation

	2010	2009	2008
Paper consumption per employee [kg]	152	195	231
Water consumption per employee [liter]	13,571	14,482	13,995
Waste per employee [kg]	189	197	214

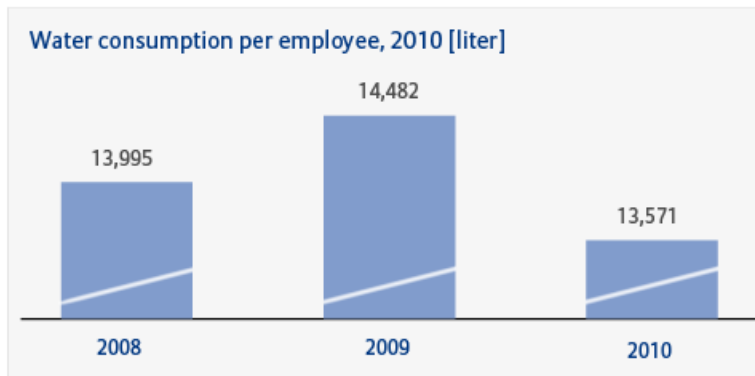
Paper



Source: Allianz SE, 2010

The implementation of Allianz' Global Print Policy was the main reason for a 23% fall in paper consumption in 2010. Another contributing factor was the increased use of digital technologies in stakeholder communications. Besides this sharp fall in overall paper consumption, the share of FSC-labeled paper rose to around 20% and recycled paper to around 18%.

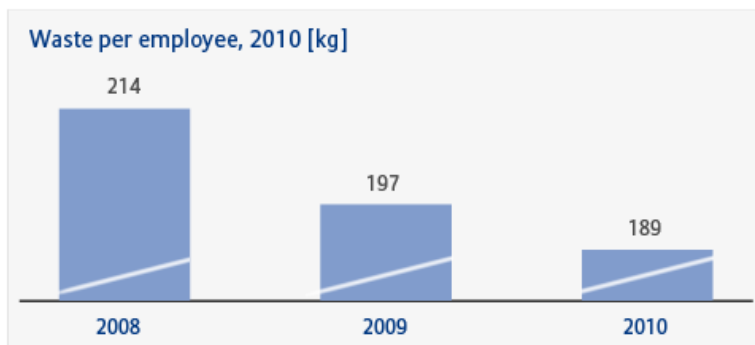
Water



Source: Allianz SE, 2010

Water consumption fell by 6.3%, though 2009 was an exception year because of temporary factors such as hygiene measures during the swine flu epidemic.

Waste

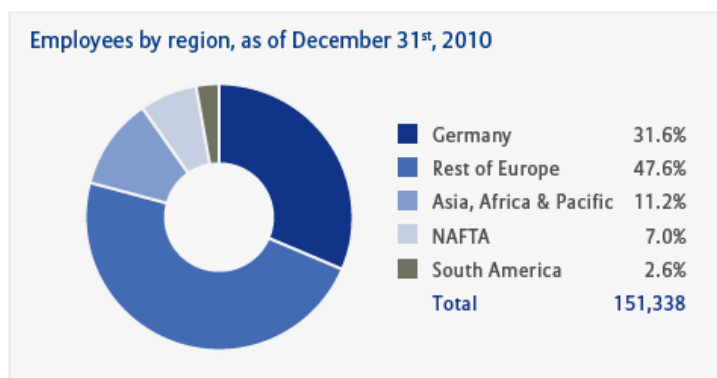


Source: Allianz SE, 2010

The amount of waste generated fell slightly; 55% was recycled, 24% incinerated and 21% went to landfills.

7.3 Social

Employees by region, 2010



For more details
please see the
Annual Report 2010

At the end of 2010, Allianz employed 151,338 employees worldwide.

Employee turnover

	2010	2009	2008
External recruitment	21,660	17,409	n.a.
External leavers ¹	20,701	21,558	n.a.

In previous years, moves within the Allianz Group were included in the employee turnover figures. Thus, the total numbers of recruits and leavers were reported in a way that overstated the actual fluctuation. In 2010, for the first time, intra-Group movements were removed from these figures to reflect true employee fluctuation. The figures for 2009 are provided retrospectively. The economic slowdown during the financial crisis had an impact on Allianz' recruiting activity in 2009 but as economic recovery continued during 2010, recruiting activities also increased.

Employment relationship

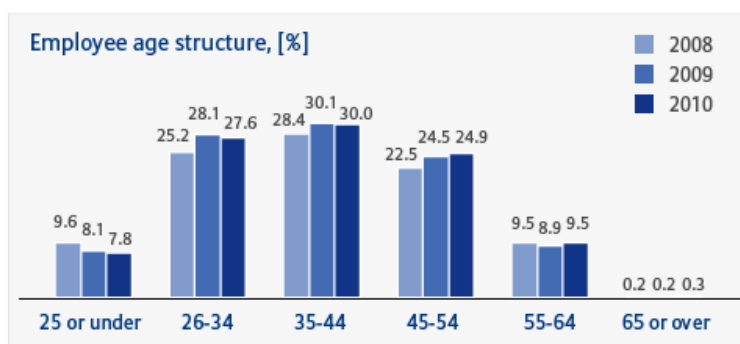
	2010	2009	2008
Permanent employees [%]	93.6	94.5	94.6
Temporary employees [%]	6.4	5.5	5.4
Full-time employees [%]	88.4	89.4	91.2
Part-time employees [%]	11.6	10.6	8.8
Trainee ratio ² [%]	2.2	1.8	1.8

The increasing share of part-time employees over the years is due to the attractive range of flexible work arrangements Allianz offers.

1) Number of employees who left the Allianz Group during the reporting period. 2009: including trainees, 2010: excluding trainees – for 2010 the calculation has been adjusted and is now in line with common industry practice.
2) Trainees: Employees at the beginning of their career participating in a trainee program, i.e. who are undergoing practical training designed to facilitate their development of knowledge and skills, e.g. apprentices, trainees, interns and working students, and with a formal arrangement (e.g. employment contract or third party agreement with a school or university)

Age structure [%]

Age groups	2010	2009	2008
25 or under	7.8	8.1	9.6
26-34	27.6	28.1	25.2
35-44	30.0	30.1	28.4
45-54	24.9	24.5	22.5
55-64	9.5	8.9	9.5
65 or over	0.3	0.2	0.2



Source: Allianz SE, 2010

The aging populations of industrialized economies are also reflected in the Allianz workforce where a trend towards a slightly older average workforce is apparent.

Diversity

	2010	2009	2008
Women in management positions ³ [%]	32.8	31.5	31.6
Share of women in overall workforce ⁴ [%]	47.9	47.3	49.0

In 2010, women accounted for 15% of management positions directly below Board level, 20% of middle management and 32.8% of all management positions in the Group. Although women make up 47.9% of the workforce, the growing percentage of women in managerial positions is an encouraging sign. Promoting women, however, is only one aspect of Allianz' efforts to increase diversity. Allianz' international workforce and cross-border co-operation are also a reflection of the Group's diversity. 43% of managers at the top two levels are non-Germans and 39 different nationalities are represented in top management. In 2010, there were 531 long-term employee assignments within the Allianz Group and over 60 nationalities worked at headquarters.



For more details please see the Employees chapter

³) Including women in positions at Board level as well as three levels below Board level (division, department and team managers)

⁴) Change in methodology: Up to 2009, the overall share of women in the workforce reported was calculated from non-executive staff; in 2010 the share was calculated from the total headcount. Figures for 2009 and 2008 were adjusted accordingly and reflect the change in methodology.

Talent management

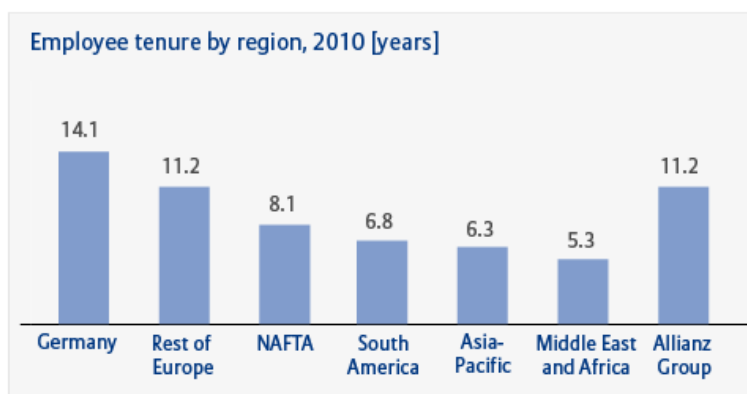
		2010	2009	2008
Total expenses for employees in training, (€m)		130	147	147
Employees undergoing at least one training session	Staff [%]	55.4	60.6	59.9
	Managers [%]	81.1	81.1	70.1

The Allianz Group invested €130 million in training and further education measures in 2010 – a global average of €980 per employee (2009: €1,100). The fall in overall spending on training and further education measures was due to the increased use of e-learning and more in-house training measures.

Tenure [years]

	2010	2009	2008
Managers	12.7	12.3	12.4
Staff	10.8	10.4	9.6

Tenure by region, 2010 [years]



Source: Allianz SE, 2010

There was very little change in employee tenure with fluctuation remaining within the normal limits. On average, both managerial and non-managerial staff stay with the company for more than ten years. Employees work for the company for an average of 11 years, with Germany having the longest tenure figures of any country within the Group.

Absenteeism

	2010	2009	2008
Sick days per employee ⁵	5.9	5.8	7.2

A global absenteeism figure was included for the first time in 2010, whereas only the absenteeism rate for Germany was reported up to 2009. The average number of sick days rose slightly from 2010 to 2009. No differentiation is made between absences caused by sickness or stress since this is not permitted in many countries. Accident data are not reported centrally, but as most of the Allianz business is conducted in offices, work-related accidents are not a major issue.

Innovation management

	2010	2009	2008
Implemented ideas per 100 employees	17.9	10.5	5.4
Participation rate [%]	29.3	29.0	24.0

Allianz promotes a culture of innovation and provides a framework for generating, managing and implementing ideas. The “implemented ideas per 100 employees” figure used to compare the Group’s ideas performance over the years reveals a significant increase in recent years.

Community engagement – Group level lighthouse projects

	2010	2009	2008
Social OPEX volunteers	21	8	n.a.
No. of social organizations supported	11	3	n.a.
My Finance Coach volunteers	670	n.a.	n.a.
My Finance Coach pupils reached	7,770	n.a.	n.a.

Through initiatives such as Social OPEX Allianz also supports and encourages volunteering projects in which corporate expertise and competencies are employed for a community’s benefit. In 2010, Allianz employees supported 11 social organizations.



For more details please see the Society > Lighthouse projects

Since these initiatives were piloted in 2009, figures are only available for 2009 and 2010. In 2010, Allianz teamed up with partners to launch an independent initiative to take finance into schools: My Finance Coach (MFC). 670 employees volunteered for this initiative, which was piloted in Germany, and 7,770 pupils in 90 schools were reached.

7.4 Governance

Donations to political parties in Germany

As a corporate citizen of significant size and headquartered in Germany, Allianz SE is committed to the country's vibrant democracy, which for over 60 years has brought prosperity, freedom and justice to the German people. Over the years, Allianz has therefore contributed to political parties that are represented as parliamentary groups in the German Parliament, support the social market economy and acknowledge the important role labor and industry have played in the creation of the modern German state.

In 2010, Allianz contributed equal amounts to political parties representing a variety of views within the German political spectrum: the Greens (Bündnis 90/Die Grünen), Christian Democrats (CDU), Christian Social Union (CSU), Liberals (FDP) and Social Democrats (SPD). €50,001 went to each party and €10,000 to their youth organization. The donated amount is specifically chosen to ensure the figure is officially published by the German Parliament, which guarantees complete transparency. All contributions are effective as of July 1st to ensure that they are in no manner connected, or perceived to be connected, to any legislative initiatives or elections. Allianz companies in other countries comply with local legal requirements and conventions.

STAKEHOLDER INTERACTION

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1 Stakeholder relationship management

1.1 Our approach: strengthening stakeholder relationships

Since stakeholder trust is essential for successful business, Allianz is committed to engaging its stakeholders in a variety of ways at both a Group and local level. In 2010, Allianz focused on strengthening its stakeholder dialogue on issues such as climate change and microinsurance.

Systematic approach

Allianz employs a systematic approach to understand the demands of its various stakeholder groups: customers, employees, the investment community, non-governmental organizations (NGOs), governments, suppliers and society in general. The overriding goal is to intensify the various types of dialogue between Allianz and its stakeholder groups by discussing current and future global issues with the aim of:

- Determining how Allianz can effectively help in managing these issues
- Gathering specific opinions, expectations and ideas from stakeholders and considering those in the light of business operations
- Cooperating with stakeholders to find effective solutions

Two levels of dialogue

Allianz builds stakeholder relationships through regular and systematically planned stakeholder dialogues in a variety of forms, for example conferences, workshops, road shows, surveys and interviews, and at both a Group and local level. In all these dialogues Allianz follows the following basic principles: first, listen to what stakeholders say and avoid one-way communication; second, put yourself in the stakeholders' position and analyze what drives them. Allianz strives to reach these diverse groups and discuss topics of relevance to the company at two levels:

- Group-level dialogue: The relevant departments are responsible for topic-related interaction, for

example Group Government Relations and Public Policy for government issues and Allianz4Good for Sustainable Development issues; the Group has also appointed spokespeople with specific topic responsibilities to interact with media representatives.

- Local-level approach: Each Allianz company manages its own stakeholder interactions.

Gathering stakeholder opinions

At a Group level Allianz sees stakeholder surveys as a crucial tool in finding out the most relevant topics for key stakeholder groups. The biennial global Stakeholder Expectations Survey targets politicians, the media, NGOs, scientists, other companies and Allianz' own management staff. The most significant findings of the latest Survey in 2009 were as follows:

- New focal points: Whereas demographic change was again seen as the top issue, there was also a shift of focus towards education, stability of financial markets and dealing with technological and social risks.
- Changed expectations: Stakeholders placed greater emphasis on "social commitment" and "cooperation with NGOs" while naming "customer satisfaction" as the main indicator of success ahead of "profitability" or "employee satisfaction."
- Interest in involvement: Stakeholder groups expressed an interest in engaging with Allianz on new issues and commitments, and attached particular importance to dialogue events and online information.

At the twice-yearly Global Issues Forum a body of experts analyzes long-term developments to ensure that Allianz systematically monitors risk and opportunities along with any other factors that may become relevant to the business. The 2010/2011 Materiality Survey has involved a broad consultation of internal and external experts and sources, with input also coming from the Global Issues Forum and the Stakeholder Expectations Survey. In this way, Allianz has been able to identify the business-related sustainability topics of most relevance to stakeholders and identify what its role should be in addressing them.

Intensifying dialogue

In 2010, Allianz emphasized specific initiatives in the field of climate change and microinsurance, for example, while making knowledge on major global issues easily accessible to stakeholders via its Allianz Knowledge website. Available in several languages, the website regularly provides news and articles on topics such as climate change, energy and demographics while also making use of social media to give stakeholders the chance, among other things, to evaluate and rank articles. Looking ahead, Allianz plans to further expand its platforms for interacting with stakeholders on crucial topics.

1.2 Dialogues: listen, discuss, understand

Stakeholder dialogue is part of Allianz' everyday business. Though conducted at many different levels and in diverse forms, Allianz always strives to listen, discuss and understand what its stakeholders have to say. Allianz takes up the issues raised and discusses them with representatives from the worlds of politics and business. A selection of the numerous global and local dialogues conducted in 2010 is listed below.

Customers

Multi-local:

- Customer feedback: systematic collection of customer feedback at identified multiple touchpoints with NPS.
- Allianz "One" campaign: Places the customer at the center of our communication by sharing the knowledge, experiences and advice of our customers, employees and key stakeholders to help people understand what we do and offer.

Employees

Global:

- Allianz Engagement Survey: First global initiative to gather feedback on leadership qualities and corporate culture – some 106,000 employees from 66 Allianz companies were invited to take part in this first-ever Group-wide survey.
- Digital Task Force: Set up in 2010 as a knowledge exchange platform for sharing and communicating best practices, furthering the exchange of expertise and experience and encouraging targeted collaboration.
- Global Strategic Workforce Planning: The first Conference held in November 2010 brought together workforce planners to foster the development of innovative ideas in the field of future-oriented workforce planning.

Local:

- Female networks: Promoted by activities such as Allianz Women in Dialog, AllianzGI New York's Network of Women, Euler Hermes Women's Network and Allianz Italy Women's Committee.

- AllDive lesbian, gay, bisexual & transgender network: Set up at Allianz entities in Munich to promote dialogue and gain clearer insights into the needs of these groups.
- Dialogues on work-life balance: Work-family life issues discussed at the Parents' Forum and New Dads @ Work platform.

Government relations

Global:

- Ongoing dialogue with regulatory and political bodies: Coordinated by Group Government Relations and Public Policy, the globally acting holding function based in Munich.
- Climate Change Workshop: Staged in São Paulo in 2010 by Allianz Climate Solutions in conjunction with the Geneva Association to discuss climate change from an insurance, health and poverty perspective.

Local:

- Allianz Political Forum: Series of dialogues staged at Allianz headquarters in Munich to promote a constructive dialogue between high-level decision-makers in politics, academia and business.
- Financial Market and Tax Policies Conference: Politicians, industry leaders and scientists discussed the perspectives for 2020.
- Ongoing dialogue on climate change with the German Ministry for the Environment.

Investment community

Global:

- Shareholder dialogues: Various forms of dialogues such as quarterly analyst conferences, regular investor conferences, an annual Capital Markets Day and an annual shareholders' meeting.

Local:

- Engagement with portfolio companies: Numerous meetings with representatives of large companies were organized by brokers to discuss a broad range of environmental, social and governance (ESG) issues and also cover major controversies.
- RCM Investor Day in Frankfurt, September 2010: Industry leaders and practitioners were invited to debate on how to navigate through the maze of definitions (ESG, SRI, RI), distinguish between them and talk about ESG risks, challenges and opportunities in sustainable investing.
- Leadership of a working group on governance: Involvement of AllianzGI France in CorDial, a dialogue interface with issuers created by the French Forum pour l'Investissement Responsable.

Society

Global:

- 2010/2011 Materiality Survey: The results of this broadly based consultation with selected stakeholders helped Allianz to understand which Sustainable Development-related topics are most relevant to its stakeholders in its business context; the results are communicated in this SD Report.
- "Debate on Europe" panel discussions: Contribution to the creation of a public forum where topics of material importance to European unity can be discussed.
- Partnership since 2007 with World Wide Fund for Nature: Relevant projects such as "Extreme precipitation in Northern Italy"; this partnership has generated a number of key results of benefit to society in general.
- Microinsurance Roundtable: The most prominent Microinsurance Roundtable was held in New York City in September 2010 in conjunction with the Financial Access Initiative and attracted 40 representatives from the United Nations Development Programme, the World Bank and other leading microfinance institutes and NGOs.

Local:

- My Finance Coach: Collaboration with Grey and McKinsey & Company to promote financial literacy among 11- to 15-year-old school pupils in Germany.

1.3 External commitments: promoting the sustainability agenda

Allianz plays a pro-active role in sustainability-related associations, initiatives and alliances at a national and international level. The most important external commitments are listed below.

International commitments and memberships:

- Carbon Disclosure Project (CDP)
 - Since 2002, Allianz has been a founding supporter and signatory to the CDP, an initiative intended to provide investors with information on greenhouse gas emissions and the climate strategy of the world's largest corporations.
 - In 2010 Allianz was included in the German Carbon Disclosure Leadership Index.
 - Signatory to Water CDP 2010 and 2011.
- European Fund and Asset Management Association (EFAMA).
- European Insurance and Reinsurance Federation.
- Sustainable Stock Exchange Initiative
 - RCM, Allianz' global equity specialist, is a supporting signatory.
- The Geneva Association
 - The Geneva Association was founded to identify and analyze issues of specific relevance to the insurance industry. Allianz has been a member for many years and also contributes to the Association's climate change discussions.
- Transparency International
 - Member since 2002.
- United National Principles for Responsible Investment (UN PRI)
 - Signatory to the UN PRI through our specialist investment units.
- United Nations Environment Programme Finance Initiative (UNEP FI)
 - In this global partnership between the United Nations Environment Programme and the financial sector, Allianz co-chaired the Climate Change Working Group from 2005 to 2009 and is still member of that and other working groups.
 - Signatory to the Global Investor Statement on Climate Change 2010.
 - Signatory to Investor Statement on Catalyzing Investment in a Low-Carbon Economy 2010.
- United Nations Framework Convention on Climate Change.
- United Nations Global Compact (UNGC)
 - Signatory in 2002.
 - Publication of an annual Progress Report.
- World Business Council for Sustainable Development (WBCSD).

National commitments and memberships:

- *Centrum für Corporate Citizenship Deutschland GmbH*
- ClimateWise
 - In 2007, Allianz UK co-founded ClimateWise, an initiative now including more than 40 British insurance companies.
 - Andrew Torrance, Chief Executive Officer, Allianz UK, chairs ClimateWise UK.

- *Rat für nachhaltige Entwicklung* (German Government's Council for Sustainable Development)
 - This Council contributes to Germany's sustainable development strategy and designates specific areas of action and projects.
 - Angela Merkel appointed Joachim Faber, a member of the Allianz SE Board, to the Council in May 2010.
- *Forum Nachhaltige Entwicklung der Deutschen Wirtschaft* (econsense).
- UK Stewardship Code
 - RCM is a supporting signatory to the UK Financial Reporting Council (FRC) list of organizations who published a statement of commitment to the UK Stewardship Code in July 2010.
- 2° – German CEOs for Climate Protection
 - Co-founder and member of an independent German organization aiming to tackle climate change by promoting technological developments since March 2007.
 - Participant in the 2010 2° Forum on Research and Innovation for Climate Protection in Berlin.
- Munich Climate Insurance Initiative (MCII)
 - The MCII was formed by insurers, climate change and adaptation experts, NGOs and policy researchers intent on finding solutions to the risks posed by climate change.
 - Allianz has been a member since 2009.
- *Deutsche Gesellschaft für Internationale Zusammenarbeit* (GIZ): a public private partnership (PPP) with this German development organization
 - This PPP was initiated in 2010 to explore the potential for innovations in the microinsurance portfolio, drive knowledge and quality and enhance access to sustainable microinsurance solutions for low-income populations in India, Indonesia and African countries.
- World Wide Fund for Nature (WWF)
 - Global partnership with WWF in communication, various projects and research topics since 2007.
 - Analysis of the risks and opportunities for the financial sector brought about by climate change; for example "Extreme precipitation in Northern Italy", a project aiming to evaluate future annual expected losses from the riskiest parts of Northern Italy to ensure sustainable insurance cover against losses from heavy precipitations.
 - Report on Energy and Climate Policy in Europe (RECIPE), a study jointly launched in November 2009 and showing that ambitious climate change mitigations are feasible at low cost if decisive political and economic action is taken within the next years.
 - Relevant studies and internal projects relating to climate change.

Partnerships

- Volans: Cooperation with an external consultancy in the Social OPEX program
 - In 2009, Allianz and Volans, an external consultancy, created a unique global leadership development program, Social OPEX. Social OPEX allows specially trained experts from Allianz to assist social enterprises in coping with their business challenges, improving business operations and increasing their overall social impact.
- International Red Cross and Red Crescent Movement: joining forces in disaster response
 - Global partnership with the International Red Cross and Red Crescent Movement to facilitate global fundraising and ensure the efficient use of funds since 2010: besides existing partnerships with relief organizations at a local level, employee donations by Allianz Group will be solely directed to this global partner.

2 Reporting

2.1 Our approach: geared to stakeholders' needs

To drive a company's sustainability agenda, you need to report about it effectively. That is why Allianz is determined to make its Sustainable Development (SD) Report 2010/11 as transparent, user-friendly and target-group-oriented as possible.

Targeted information and insights

The Allianz SD Report is targeted at analysts, ranking and rating agencies and NGOs on the one hand, and the general public, customers and employees on the other. It has two main aims:

- First, to inform these target groups as comprehensively and transparently as possible about the progress made in sustainability and corporate responsibility – as expressed in the company's relationships with customers, employees, suppliers, the investment community and indeed society as a whole – in environmental matters, and in sustainable development management;
- Second, to provide insights into global issues material to the business namely access to finance, climate change, demographic change, digitalization and the stability of financial markets.

Revised reporting concept

The structure of this year's SD Report has been revised to increase its user-friendliness and topicality. Moreover, it is now more clearly oriented to the needs of the various Allianz stakeholders thanks to a number of new features:

- Inclusion of focus topics based on the findings of the Materiality Survey 2010/2011
- Informative and short reports in the Global Issues and Sustainability in Practice sections
- Descriptive, fact-based, progress-oriented reports in the Strategy & Management and Performance 2010 sections.

Other changes have been made to take advantage of the interactive nature of the web. For example, we are moving towards a more dynamic form of SD communication by featuring regularly updated best practice stories from around the world. Last but not least, a subtle change in the designation of the SD Report (2010/11) reflects Allianz' efforts to further align the SD Report with the company's financial reporting. The fact that this year's report was launched six weeks earlier than last year is evidence of our improved reporting procedures.

Enhanced reporting process

Each year since Allianz began reporting on sustainable development in 2002, every effort has been made to improve the quality of the reporting process, which takes in a great many internal stakeholders. The driving force and central hub of this process is Allianz4Good, the department whose job is to identify relevant topics, coordinate workflows and communicate with numerous departments and employees in the content collection process. In-depth discussions with content managers and several internal approval cycles ensure a correct focus in all the topics dealt with. This year's Report reflects the great diversity of a business conducted in more 70 countries of the world and is thus on its way to becoming a truly global report. Every effort will be made to further intensify this global focus in the future.

International guidelines fulfilled

The SD Report relates to the entire Allianz Group and is geared to the G3 Indicators of the Global Reporting Initiative (GRI) and the Financial Services Sector Supplement, which are displayed this year in an index. Additional information has been included in the Report to document progress on the implementation of the Ten Principles of the United Nations Global Compact in the fields of human rights, labor standards, environmental protection and anti-corruption. All the measures, activities and key figures presented in this Report refer to the 2010 financial year. However, any information of relevance to the sustainability agenda that became available before the editorial deadline of February 28, 2011 has also been included to make the Report as up-to-date as possible.

2.2 Materiality process: survey identifies focus topics

What are the economic, environmental, societal and governance (EESG) topics that are material to Allianz' sustainable business strategy? To find the answer, Allianz conducted a Materiality Survey among selected stakeholders. The results are reflected in the Sustainable Development (SD) Report 2010/11 and helping to shape Allianz' SD strategy.

Targeted information and insights

Sustainability is a vast subject covering a broad spectrum of issues. Not all of them, however, impact on Allianz' business to the same extent. The challenge is to identify the issues of material importance. To this end, Allianz engaged with a wide range of external and internal stakeholders – media representatives, academics, rating agencies, NGOs, auditors, government representatives and senior executives from across the Group – to discover which sustainability challenges they believe are material to Allianz' business.

Materiality process 2010/11

The aims of the materiality process, which began in November 2010, were threefold:

- Ensure an ongoing stakeholder dialogue.
- Identify the most important challenges and opportunities relating to global issues now and in the future.
- Enhance the tangibility and substance of the global issues thus identified.

The questionnaire Allianz used to interview the selected stakeholders was developed by Allianz' SD team with the support and verification of external market research experts. A major source of input to the questionnaire were the issues presented at Allianz' twice-yearly Global Issues Forum and the findings of the Stakeholder Expectations Survey 2009. To select specific subtopics within the global issues of access to finance, climate change, demographic change, digitalization and stability of financial markets, Allianz engaged in discussions with internal experts

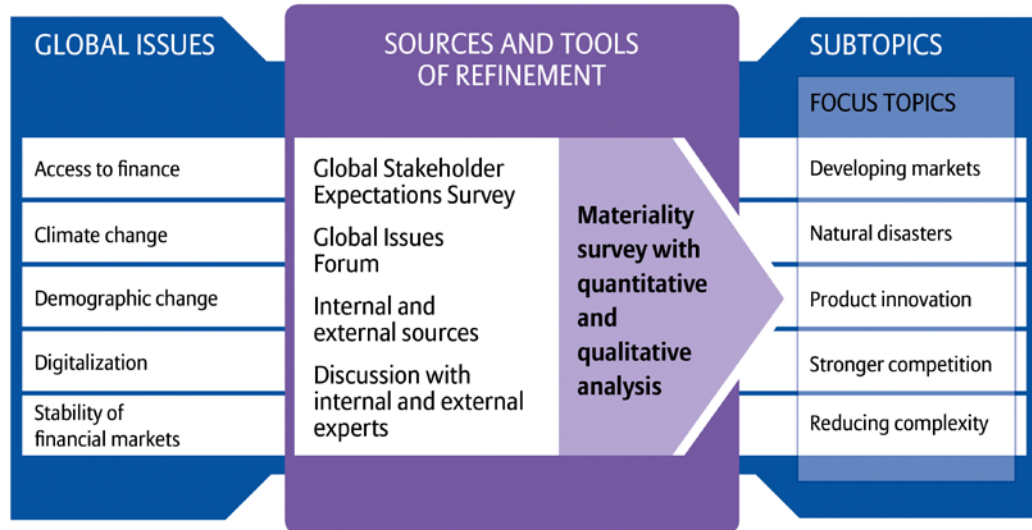
and consulted various external sources, for example research publications from industry think-tanks, international sustainability associations and NGOs. In the questionnaire selected stakeholders were asked to determine how relevant these subtopics are to Allianz' business and share their thoughts on what Allianz' role should be in addressing these emerging issues. The stakeholders were naturally free to express any diverging opinions and mention any topics they felt were missing.

Material results

Early in 2011, the Materiality Survey results were subjected to quantitative and qualitative analysis in order to identify the issues with the greatest impact on Allianz' sustainable business process. The most important findings are detailed here:

- Access to finance: The provision of insurance in developing countries is regarded as a precursor for economic development and a future business opportunity for Allianz; however, profitability is a prerequisite for the microinsurance business.
- Climate change: The accumulation of natural disasters and the resulting economic losses are considered to be the most critical issue for Allianz' future success.
- Demographic change: Innovations in products and services for aging populations and in healthcare are believed to be most important issues.
- Digitalization: Stronger competition resulting from the high transparency is viewed as the most relevant issue.
- Stability of financial markets: Reducing complexity is seen as the most important factor that impacts on the industry and forms the basis for rebuilding trust.

Materiality process 2010/11



The key findings of this materiality survey have been integrated into the SD Report 2010/11 as focus topics. Allianz is responding transparently to these stakeholder demands by showing how the issues impact on financial service providers and outlining what its strategic approach is.

Allianz SE
Koeniginstr. 28
80802 Munich

www.allianz.com/responsibility

