

In Pursuit of a Sustainable World

Allianz Group

Sustainable Development Summary Report 2007

Allianz 

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As an international financial service provider, we have the knowledge and experience to help individuals, communities, and businesses understand and mitigate risk, protect their assets, and invest responsibly in the future. Thus, we feel Sustainable Development is inherent to our business, whether the solutions we find address problems arising from climate change, an aging population or any other issue in society. To ensure success, we must understand our stakeholders and address their needs in a way that is sustainable for our businesses and for society.

We have been reporting online on Sustainable Development for 10 years. This is our third Sustainable Development summary report. This report includes a number of new initiatives and areas reported on, including:

- Our Environmental Footprint
- Reporting against the G3 Indicators
- Sustainable Energy
- CEO Statement
- Vision and Mission Statements.

▶ **This report is a summary. For our comprehensive online report visit our website.** Click where you see this icon, to read more or view websites.

Key highlights

- > DJSI insurance sector leader for the 2nd year
- > WWF Partnership
- > Inclusion in the Carbon Disclosure Project 5 Climate Index
- ▶ *Allianz Knowledge* website



€300–500m
invested in renewable energy
from 2005 – 2010

↓ **20%**
in CO₂ emissions
by 2012*
* based on 2000 levels

CEO Message

Welcome to our third Sustainable Development summary report. We have now been reporting on our environmental performance for almost 10 years. Sustainable Development values have always been, by nature, an integral part of our business as an international financial services provider and they are increasingly becoming a strategic key success factor for Allianz.



“We are the insurance sector leader in the Dow Jones Sustainability Index and part of every third European SRI fund.”

This year, we updated our Sustainable Development Mission and Value statements to more closely reflect our values and our stakeholders’ expectations. These have been instrumental in focusing our efforts, and directing them toward both challenges and opportunities. What has not changed is our ever-present dedication to ensuring customer loyalty. Our commitment to providing customers with quality products and services is central to this, as is our Customer Focus Initiative, which is one of our most wide-reaching developments being implemented in 37 subsidiary companies. In recent months, we have launched a number of “green products” including climate-friendly car insurance in Germany, Austria and the UK, mortgages for “greener” homes in Germany, insurance for certified energy-efficient homes in the US and a bond that is linked to the performance of a new index of companies with environmentally responsible practices.

Our commitment to ensuring customer satisfaction involves offering the best-possible value, and this has meant unavoidable reductions in staff numbers. This was not a decision we took easily. It is always sad to have to restructure in this way, but we do so in the knowledge that making these difficult changes will help ensure a sustainable and competitive future.

Our continued commitment to the UN Global Compact’s 10 principles on universal social and environmental practices is reflected in part by our progress against our goals. We are the insurance sector leader in the Dow Jones Sustainability Index and part of every third European SRI fund. Our climate strategy is to reduce our CO₂ emissions by 20% by 2012. We are looking to invest in excess of €300 million in renewable energies before the end of the decade, and have already invested €150 million in German and Italian wind farms.

In terms of our upcoming highlights, I am particularly proud of our newly formed strategic group, Climate Solutions GmbH, and our partnership with the World Wildlife Fund on climate change initiatives and research. To further engage with our employees, we are launching our first Employee Sustainability Report in autumn 2007.

As a world leader in financial services, we face the forthcoming challenges such as climate change from a position of responsibility and opportunity. I hope that in reading this report, you will gain a clearer picture of Allianz, and our dedication to Sustainable Development.

Michael Diekmann
Chairman of the Board of Management



Awards


We not only strive to meet our own targets, but also welcome the recognition from other institutions, in the form of awards and commendations including:

- > **FT's Emission Trading House of the Year 2006**
Dresdner Bank
- > **Felix Burda Award 2007**
Allianz Group
- > **Service Quality Award**
Allianz Life Indonesia

Goals and Performance

An important method for measuring our success is to track the outcome of our goals. Our involvement in various external initiatives, as well as the awards we receive, all help to evaluate our performance. We constantly set ourselves new goals, ensuring continuous improvement in achieving our Sustainable Development (SD) values.

Key Achievements

- DJSI insurance sector leader for the 2nd year
- Launch of our first **Employee Sustainability Report** (October 2007)
- Partnership with the **World Wide Fund for Nature** to integrate climate-related challenges into business decisions
- Creation of the **Climate Solutions GmbH** and implementation of the Allianz Climate Change Action Plan
- Re-launch of the SD discussion forum: **Allianz Knowledge website** 
- 37 Operational Entities, representing 80% of Allianz Gross Written Premiums, are now implementing the **Customer Focus Initiative Tools**
- Publication of Climate Change country reports (USA, Russia)
- Product development focused on climate and demographic change

External Benchmarks



Insurance sector leader 2006 and 2007



Participant since 2002



C Rating



Listed in the Advanced Sustainable Performance Index



Inclusion in CDP5 Climate Index

Goals: 2007 Progress and 2008 Goal Setting

	Goal 2007	Status	Goal 2008
Performance	Become a leader in Sustainable Development	DJSI: insurance sector leader in 2006 and 2007	Maintain leadership in the insurance sector
		FTSE4Good: participation	
Sustainable Development Reporting	Report to the Global Reporting Initiative's G3 framework	Completed – B rating	Obtain external assurance
Climate Change	Development of a climate change strategy	Strategy ratified	
	Implementation of the Allianz Climate Change Action Plan: <ul style="list-style-type: none"> – Integration into business units – 20% reduction in CO₂ emissions by the year 2012 (based on 2000 levels) – Implement product innovation (in insurance and investment) and adapt risk management 	Implementation ongoing: <ul style="list-style-type: none"> – Allianz SE established Allianz Climate Solutions GmbH – Global EMS framework established – Partnership with WWF to advance the financial sector in addressing climate change 	Development of a new climate change insurance and banking product
			Continue efforts to reduce CO ₂ emissions toward 20% reduction by the year 2012 (based on 2000 levels)
Continue WWF Partnership			
Our Environmental Footprint and EMS	Reduce our energy consumption and increase energy efficiency	Ongoing	Enhancement of the EMS to 80% of employees worldwide through the integration of 13 new group companies into the EMS
	Group integration of environmental principles	In progress – completion date December 2007	
Sustainable Investment	€300 to 500 million invested in renewable energy from 2005–2010	One third of the earmarked amount already invested in projects in Italy and Germany	Continued investment in renewable energy
	Successful launch of Ecotrend fund	Fund collected £938 million	Assets under management: Investment in Socially Responsible Investments (SRI) from 0.42% to 1.0%
Demographic Change	Development of initiatives and programs to tackle demographic change	Studies completed: <ul style="list-style-type: none"> – “Demography – a global trend” Allianz Global Investors – Study on pension systems by Allianz Dresdner Asset Management (ADAM) 	Ongoing monitoring and integration into strategy
	Development of new products and services	Development of several new products and services completed (e.g. “Enkel Police” – grandchildren’s policy) Global demographic equity fund: “Demographic Trends” (AGI) Creation of a new company Allianz Income Management Services (AIMS), whose core service is the retirement income segment	Ongoing product development and increase of premium volume of existing ones

more

Goals: 2007 Progress and 2008 Goal Setting *continued*

more			
	Goal 2007	Status	Goal 2008
Microinsurance	Indonesia: Launch of a microinsurance policy	Indonesia: 30,000 microinsurance policy holders	Indonesia: Reach the target of 50,000 microinsurance policy holders and develop new products
	India: 200,000 microinsurance policy holders	India: Achieved. Launch of three new products	India: Develop new products and increase customer base
	Egypt : To create microinsurance options	Egypt: 30,000 microinsurance policy holders	Egypt: Expansion of the program and into other African countries under consideration
Engagement with Society	Re-launch of the <i>Knowledge</i> website	Achieved	Global employee engagement program to be launched
	Stakeholder workshop on climate change with WWF	Comprehensive partnership with WWF to address risks and opportunities of climate change for the financial sector	Continuation of the Allianz / WWF Partnership
	Deployment of 2007 stakeholder survey	Ongoing	Respond to the results
	Allianz Environment Foundation Annual Conference in Benediktbeuren (since 1997)	Completed	Continuation of Environmental Foundation Annual Conference
Employees	Communication strategy to increase internal awareness of Sustainable Development	Ongoing	KPIs developed for employee engagement, trust, feedback, motivation, development and diversity from the strategic HR scorecard
	Launch of an employee report	Employee sustainability report – launch October 2007	
Customer Responsibility	Loyalty Leader by 2010	37 OEs representing 80% of Allianz GWP are implementing the Customer Focus tools – new completion date expected 2008	Further striving for the 2010 goal
	Net Promoter Score above market average		
Supply Chain	Group: New environmental guidelines for procurement for line managers	Ongoing	Completion
	USA: Development of an environmental procurement guideline	Ongoing	Completion

SD: Vision and Mission Statements

Our Vision and Mission Statements are integral parts of our Corporate Governance. Our Vision Statement describes our vision as a business. Our Mission Statement outlines our core Sustainable Development values and goals. Our employees adhere to our Code of Conduct, Sustainable Development Principles and our Group Risk Policy, which provide guidance in the implementation and protection of these corporate values and goals.

Vision Statement

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

Mission Statement

We recognize knowledge as the key to understanding and effectively managing risks.

We will continue to take a proactive approach in raising awareness and gaining knowledge about durable economic, social and environmental development. These values are integrated into our risk management process and the development of innovative insurance and financial products.

We recognize partnership and dialogue as key to creating innovative solutions.

We will extend co-operation with our network of NGOs and increase dialogue with our stakeholders with a view to creating new and enhanced solutions that meet the challenges facing our customers.

We recognize the financial power we have through our premiums, investments and assets.

We provide protection for our individual and corporate customers against inherent financial risks and potential loss; therefore, we act as a facilitator of technological innovation and economic growth. With our financial opportunities comes a responsibility to respond to societal challenges such as demographic change, poverty, and environmental protection.

We recognize our success as driven by our customers' trust and loyalty.

Our customers' trust and loyalty is invaluable for Allianz's long-term growth and we feel it is founded on the personal conduct and skills of our employees and agents, and their commitment to create value for our customers. Our Code of Conduct and Leadership Values support all employees and agents in meeting this high level of integrity.

Code of Conduct

The Code of Conduct for Business Ethics and Compliance represents the minimum standards for all employees with the view to preventing situations that might question our integrity. There are 22 principles in total, which include:

- > Fair and Regulatory Conduct of Business
- > Non-discrimination
- > Corruption and Bribery
- > Protection of Group Property and of Natural Resources
- > Acceptance and Granting of Gifts and other Benefits
- > Communication both Internally and Externally
- > Complaints Management
- > Prevention of Money Laundering and Financing of Terrorism, no Illegal Activities
- > Ethical Conduct of Business
- > Protection of Employees in Case of Communication about Illegal or Questionable Activities
- > Conflict of Interest with Clients and Business Partners.

Environmental Management

To ensure we minimize our environmental impact, we are committed to the continuous improvement and implementation of our environmental management program – a commitment that becomes evermore vital as our knowledge of environmental threats continues to grow. The creation of the Allianz Environment Foundation in 1990 was one of our early initiatives to create and support programs to improve our environmental management and we continuously look for ways to reduce our environmental impact.

Our Environmental Management System (EMS) monitors our environmental performance and creates systematic controls, offering the potential both for reducing our environmental impact and for cost savings through efficiency. It currently covers over 102,000, or 61%, of our employees, including those in our largest subsidiaries in Germany, Italy, France, the UK, and the USA. Our goal is to increase our coverage of employees to 80% by 2008.

Goal	Status	Completion Date
Develop a Group-wide environmental operating network to agree joint operational principles of the EMS	Ongoing	12/2007
Implement a new environmental management team structure	Awaiting board approval	12/2007
Increase the environmental data collected to cover 80% of all employees Group-wide	Ongoing	12/2007
Minimize resource use	Ongoing	Ongoing
Reduce CO ₂ emissions by 20% by 2012*	Ongoing	2012

* based on 2000 levels

Our EMS

- > We are committed to the continuous improvement and implementation of our environmental management program – a commitment that becomes evermore vital as our knowledge of environmental threats continues to grow.
- > Our Environmental Management System currently covers over 102,000, or 61%, of our employees, including those in our largest subsidiaries in Germany, Italy, France, the UK, and the USA.





Facts

- > Environmental footprint definition: The impact of an organization on the environment
- > Our carbon footprint was 625,000 tons for 2006 or 3,754kg of CO₂ per employee
- > 8.5% of our carbon footprint is from air travel, which accounts for 34% of our business travel
- > Our goal is to reduce our CO₂ emissions by 20% by 2012*

*based on 2000 levels

Environmental Footprint

We believe businesses have a responsibility to be accountable for their environmental footprint. Our aim is to minimize our impact and in an effort to be accountable we are now reporting on our environmental footprint. Our Environmental Management System (EMS) helps us to measure and monitor our energy consumption, use of resources, and direct and indirect carbon emissions and covers all of our major companies.

Our Environmental Footprint

As we do not undertake any industrial activities, our environmental impact is largely from our facilities management and corporate travel. Heating and electricity accounts for approximately 75.8% of our CO₂ emissions. Business travel contributes a further 16.5%. In total, our environmental footprint covers the following:

Energy – our energy consumption is largely from heating, lighting and air-conditioning of our buildings, and IT infrastructure. Our use of renewable energy was approximately 1.5%. In 2006, each Allianz employee used an average of 9,724kWh of energy. This was a 4% increase from 2005, a figure due mainly to the computer centers of our Austrian and Swiss subsidiaries being brought into our current EMS system.

Travel – business travel is one of the major contributors to our carbon footprint. In 2006, our employees traveled 716,852,110km on business. Of our carbon footprint related to travel, 34% was due to air travel, 52% by car and 14% by rail.

Paper – although our use of paper has fallen considerably in the last few years – and by 16.5% in 2006 – our use of recycled paper still remains too low, at about 10.3% of the total.

Water – in 2006, each employee used an average of 17,990 liters of water, a 5.7% increase from the previous year. This was mainly due to technical changes in the cooling system of the German computer center, which used more water but led to electricity savings.

Waste – in 2006, the quantity of waste was 282kg for each employee, of which 80% was recycled. The quantity of waste disposed per employee decreased by 14.3%.


Supply chain – German Allianz companies have been following environmental guidelines for procurement since 2002, as have many other Allianz companies, in an effort to improve environmental management throughout our supply chain.








 **14.3%**

in waste disposed per employee since 2005

Our Environmental Footprint

 **4.7%**
in CO₂ since 2005

 **16.5%**
in paper use since 2005

	Total Impact	Impact Per Employee	Progress (since 2005)
CO₂ emissions	625,500 tons – 9% direct emissions (burning fossil fuels at our operations) – 67% indirect emissions by heat and electricity consumption – 24% other indirect emissions – business travel, consumption of paper and drinking water – waste disposal	3,754kg of CO ₂ *	4.7% 
Energy consumption	1.6 million MWh – 16.6% fossil fuels, 1.5% internal and regenerative heat, 62.2% electricity, 19.7% heating	9,724kWh	4% 
Recycled paper	3,520 tons – 10.3% of total paper consumption	21kg	8% 
Paper use	34,000 tons	204kg	16.5% 
Water use	3 million m³	17,990 liters	5.7% 
Waste	47,000 tons – 80% recycled – 19% thermally treated – 1% in landfills	282kg	14.3% 
Travel	716,852,000km – Air travel 34% – Rail 14% – Car 52%	4,302km	3.8% 

* The decrease of CO₂ emissions was due in part to a higher low-emission energy mix at ADAG, RAS and Allianz Cornhill, and adapting the calculation basis for business travel to the GHG Protocol of the World Business Council for Sustainable Development. These adjustments were necessary in order to ensure comparability with other financial services, also on an international level.


Reducing our Footprint

Identifying areas of concern is an important process, but means little unless we use that information to improve our efforts. So our policy is to ensure that what we learn leads to effective action. While some changes take place through “top-down” initiatives, we encourage offices and branches to organize their own initiatives. For example, a photovoltaic system has been generating environmentally friendly power at our Maarweg Center in Cologne since 2006. A total of 576 solar elements were installed on a 715 square meter roof, generating around 90,000kWh of electricity a year, equivalent to the annual power consumption of 30 households.

In an effort to reduce office-based emissions French subsidiary AGF is replacing 5,000 printers, photocopiers and fax machines with 1,500 multifunction devices. AGF anticipates a major reduction in paper consumption, as these devices offer double-sided printing.

Since opening in 1998, the Allianz site in Unterföhring has saved over 100 million liters of drinking water thanks to its state-of-the-art rainwater facilities. The photovoltaic electricity production system has helped to save a total of 113,300kg of CO₂ emissions. The use of recycled waste heating has resulted in savings of 83,400,000kWh of energy and 19,000,000kg of CO₂ emissions.

To reduce our carbon footprint, we have to be both forward thinking and realistic. Of course our offices must be lit and heated to acceptable standards, and our employees will often need to travel. But there are ways we can significantly reduce the impact of these and countless other daily activities, for the sake of our environment. Education plays an important role in this. Both the company intranet and a communication program in 2007 aim to increase employee awareness of environmental issues, while our first employee sustainability report will include information on what individuals can do to reduce their contribution to climate change.

To calculate your own carbon footprint visit:
 <http://footprint.wwf.org.uk>

Identifying areas of concern is an important process but means little unless we use that information to improve our efforts.

In 2006, Unterföhring saved 11.9 million liters of drinking water thanks to its state-of-the-art rainwater facilities.

Climate Change

Temperatures are rising, glaciers are melting rapidly, and water is becoming scarce in many parts of the world. Climate change is real. As an international financial services provider, we feel it is our responsibility to help our customers mitigate potential climate change risks and to embrace opportunities such as renewable energy development. To achieve this, we have carried out extensive research to help understand climate change risk. Our goal is to become a thought leader on climate change and an industry leader on related products and services.

Our Group's long-term strategy on addressing climate change risks and opportunities



- May 2007**
- Allianz Climate Solutions**
 established by the Group Executive Board to offer customers "green" products and services
- January 2006**
- Climate Change Strategy**
 developed to create the framework and necessary steps for addressing climate change
- October 2005**
- Allianz Climate Core Group**
 established to co-ordinate and initiate emerging climate activities

Climate Change Strategy

Our Climate Change Strategy is focused on converting our global economy to low-carbon technologies, and includes the following areas:

1. Reducing our Carbon Emissions by 20% by 2012*

We are improving our management and monitoring of our environmental footprint through our Environmental Management System (EMS), which we intend to cover 80% of our employees by 2008.

2. Product and Service Development

In May 2007, we formed the Allianz Climate Solutions GmbH (100% subsidiary) to focus on developing tailor-made climate change-related products and services (refer to page 12).

3. Risk Management

Climate change-related risks are being integrated into our internal governance procedures and policies for each business segment (banking, insurance and asset management).

4. Research

We will continue to contribute to climate change research and analysis. We have partnered with the World Wildlife Fund (WWF) on climate change strategy and research. Our recent studies include climate change risks in the US and the Russian carbon market.

5. Communication

We participate in several international climate change initiatives such as the Climate Group and the Global Roundtable on Climate Change (see page 12 for a complete list), and we are currently chairing the UNEP FI Climate Change Working Group. This allows us to learn, grow, support and commit to the principles of Sustainable Development.

*based on 2000 levels

Key Achievements and Goals

- > Partnership with WWF on climate change
- > Allianz Climate Solutions GmbH (100% subsidiary) formed to develop climate change products
- > Inclusion into the Carbon Disclosure Project 5 Climate Index
- > EMS to cover 80% of employees by 2008
- > 20% reduction in CO₂ by 2012*

*based on 2000 levels



40%

of insured losses are due to natural catastrophes such as storms and floods

The financial industry plays a pivotal role in mitigating climate change risks and encouraging the move to a clean-energy, low-carbon world.

Managing Risk and Opportunity

Climate Change and Insurance

The insurance sector is changing its risk assessment from one based on historical data to one accounting for future weather-related risks. Currently 40% of insured losses are due to natural catastrophes such as storms and floods. The effect on insurance could include premium increases in areas of higher weather-related risks, as well as increasing demand for products related to climate change. One of our key challenges in this area is to upgrade our risk assessment methodologies, such as the identification of potential liabilities from carbon emissions, and adapt due diligence processes.

Climate Change and Sustainable Banking

The effect of climate change on the banking industry includes factoring climate change issues into a company's repayment risk profile as well as determining stock market reactions to natural disasters. In November 2006, the European Carbon Investors and Services (ECIS) was founded by 18 carbon market leaders, including Dresdner Bank, to represent the market perspective on emissions trading and climate investments.

Climate Change and Sustainable Investment

Understanding how, and to what extent, climate change will impact or enhance the value of our business is crucial to protecting and developing our relationship with shareholders. For equities, climate change is an issue that is rooted in weather impacts, regulation, and reputation, and must be examined on a company-by-company basis. Our key methods for this include engaging with company management to understand how its business is affected by climate change, evaluating client portfolios and potential changes in policy and legislation related to climate change, and seeking research that can be integrated into mainstream analysis and investment decisions.

Climate Change Research

Much of our progress in climate change develops from our research, not least our extensive work with WWF. Recent research has provided some vital lessons:

- The extent and frequency of natural catastrophes will increase due to the effects of climate change. The potential damage must be incorporated into today's insurance risk models
- The financial industry must systematically screen for climate change risks across their service lines
- Market opportunities will be created, such as carbon trading markets
- The financial industry plays a pivotal role in mitigating climate change risks and encouraging the move to a clean-energy, low-carbon world.

The Future

As our understanding of climate change grows, the key issues change; not only about its impact, but also about how best to deal with the challenges we face. Our research has helped in furthering our knowledge and our climate change strategy clearly shows that we know there is still much more to learn. Our commitment to climate change studies is ongoing in countries such as the USA and Russia, and a major Asian study is planned for 2008. We will also continue to develop "green" products and services for customers in the insurance and banking sectors, and aim to reduce CO₂ emissions to meet the 20% target by 2012*. We have a responsibility to our stakeholders – including employees, shareholders and business partners – and of course the world at large, to continue to learn and adapt our strategies and services to help mitigate potential effects of climate change.

* based on 2000 levels

External Affiliations – Climate Change



Partnership with WWF on Climate Change Research and Strategy



UN Environment Program
UNEP FI Climate Change Program
Chairing the UNEP FI Climate Change Working Group



Global Roundtable on Climate Change – Call to Congress



2 Degrees German Businesses for Climate Protection



Group Member



Inclusion in the CDP5 Climate Index

Climate Change Sustainable Products and Services

Our sustainable products and services include the following:



Green Bond Dresdner Kleinwort and Dresdner Bank, <i>Europe</i>	A five-year European bond where returns are linked to the performance of a new index of companies investing in renewable energy and energy efficiency projects.
Emissions Trading and Advisory Dresdner Kleinwort, <i>Global</i>	Provides emission trading certificates and related advisory services to customers. An exchange service for companies to buy and sell emission permits. It transacted the first trade in CO ₂ certificates according to the guidelines of the International Swaps and Derivatives Association (ISDA) in June 2004.
Certified Emission Reduction Insurance AGF, <i>France</i>	For companies that have reduced their CO ₂ emissions and are able to sell their emissions certificates. AGF offers insurance coverage in the event that damage or loss occurs which prevents the ability to sell their CO ₂ pollution certificates as planned. AGF is among the very first insurers to become active in this new and innovative market.
Renewable Energy Project Financing Dresdner Bank, <i>Global</i>	Provides project financing for renewable energy development.
Emission Offsetting for Cars Allianz, <i>Germany</i>	Customers can offset their car emissions when purchasing insurance. The service is offered through 3C, a consulting company specialized in carbon neutralization projects via investment into worldwide emission reduction projects such as renewable energy.
Eco bonus Allianz Elementar, <i>Austria</i>	10% discount on annual car insurance for customers that hold an annual public transportation pass.
Certified Green Buildings Insurance Fireman's Fund Insurance Company, <i>USA</i>	A 5% discount on property insurance for insuring certified green buildings. Fireman's Fund is the only US insurance company to offer coverage specifically for green commercial buildings and address the unique risks that are acquired with sustainable building practices. Editors at <i>Builders Magazine</i> rated the Fireman's Fund Certified Green Replacement and Green Upgrade coverage as one of its Top 100 Products.
Wind Energy Consulting Services AZT Risk & Technology GmbH, <i>Global</i>	Offers consulting services around the development of wind energy stations from due diligence to project management to technical consulting.



Microinsurance Policy Holders

Our microinsurance policy holders in 2006/07

- > Indonesia – 40,000
- > India – 200,000
- > Egypt – 30,000

Microinsurance

The tragedy of 2004’s tsunami starkly illuminated how precarious many people’s livelihoods are, particularly in the face of natural disasters. It prompted us to search even harder for ways of providing developing communities with viable insurance options that fit their needs and help to establish a social safety net and an effective way of reducing poverty. One such option is microinsurance – risk protection designed specifically for low-income households.

What is Microinsurance?

“In the wake of a devastating event like the tsunami, a major part of helping rebuild people’s lives in the long term is to help them feel more secure.”
 Geoffrey Dennis,
 Chief Executive,
 CARE International

Microinsurance is seen as a critical tool which helps eliminate poverty, by helping people climb the economic ladder by providing a means to protect themselves and their families against risk. There are a number of reasons why so few people in poor and developing countries have adequate insurance, not least the fact that few relevant packages are available and that insurance is not common in many traditional cultures. We hope to raise awareness about insurance and offer accessible packages to large numbers of people who previously either did not have access to affordable insurance or were not aware of the benefits of risk protection.

Micro-loans are often not the answer, as many households run the risk of falling into debt because they are not able to pay back loans. Allianz works closely with NGOs (Non-Governmental Organizations) and microfinance institutions, which are better placed (both geographically and in terms of building trust with local communities) to oversee the administrative process. Microinsurance is about having expertise in insurance, but skillfully adapting to suit the needs of what is still a relatively new market.

Meeting the demand for microinsurance has challenged us to rethink a number of assumptions about insurance, including changing the model to prioritize the sustainability of the product ahead of immediate profit. But microinsurance is inherently a long-term venture, and its combination of social awareness and financial creativity speaks for what Allianz is all about.

Allianz and Microinsurance in Practice


To simplify the process of insurance, one contract is used to cover thousands of customers, and the key to making microinsurance easy to implement is the use of intermediary bodies. A good example of our dedication to partnership is our work in North Africa. In Egypt, we have worked in collaboration with Planet Finance, Surety Fund, and a number of European re-insurers to develop a pilot project offering death and disability insurance to more than 30,000 customers. This type of insurance was previously not readily available to these communities. As part of the program, financial literacy training is made available to the non-governmental sector in Egypt.

Allianz works closely with NGOs and microfinance institutions, which are better placed to oversee the administrative process.

“If the products are customer-oriented, and the customers understand the critical value that insurance adds to the quality of life, they would definitely pay the premium,” says Vipin Sharma, *Director of microfinance at CARE India.*

Case study: India Bajaj Allianz

India was the initial focus for Allianz microinsurance ventures. Bajaj Allianz launched its first microinsurance product in 2003, and went on to cover more than 100,000 customers. The humanitarian crisis which followed the tsunami in 2004 prompted Allianz to team up with CARE International, an organization with extensive experience in microfinance in India. Our life insurance product in southern India charges just US\$0.87 per year, and pays US\$370 in the event of an accidental or natural death.



Case study: Allianz Indonesia

In 2005, we teamed up with German Technical Cooperation (GTZ), which has more than 20 years experience in the region, to research the potential for microinsurance support in Indonesia. Only 5 million out of 238 million Indonesians had individual life insurance. These findings formed the foundations of our microinsurance pilot product for Indonesia, and under *Paying Keluarga* life insurance was made available for as little as US\$0.66 per year.




Photo: Martin Hintz of Allianz Indonesia with microinsurance policy holder Mr Ortiba and his family.

Changing Demographics

The world’s population is changing – medical advances are helping people live longer while fertility rates are in decline. These changes are causing unprecedented pressure on our social security systems. It is still unclear how much these shifts will affect society, but what is clear is that as an international financial services provider we play a pivotal role in creating a sustainable future.

 **76m**
in annual global population

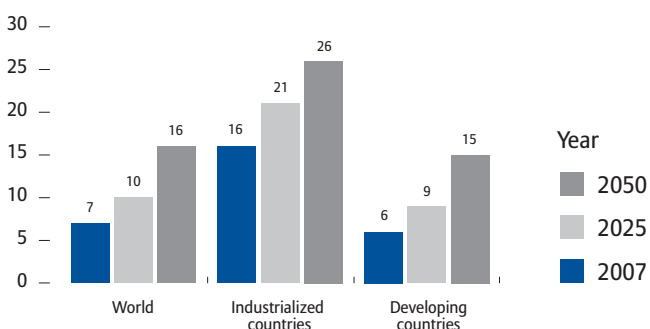
 **16%**
in population aged 65 and older in 2050

An Aging Population – Demographic Trends

In 2007, there were 464 million people over the age of 65; by 2050¹, that figure is expected to reach over a billion, with Asia and Europe (see graph below) being the primary concentration centers.

Western Europe is experiencing particularly low fertility rates that could lead to population decline, while the majority of the world’s population lives in countries where high birth rates will lead to rapid population growth.

Percent of persons aged 65 and older



This trend has led to anxiety about people’s long-term financial security. Social security systems’ ability to cope with changing demographics has come into question.

¹ C. Haub, 2007 World Population Data Sheet, and United Nations Population Division

Key highlights

- > The global population is approximately 6.7 billion and is currently increasing by an annual rate of about 76 million people per year and is estimated to be 9.2–11.8 billion by 2050
- > Demographic change could potentially leave European businesses short of skilled workers
- > The Golden World Financial Services Sector award was received by Allianz Life Germany for raising awareness about aging populations and the effect on social security systems



We research and evaluate global trends in demographics to determine the risks and opportunities that these trends present for Allianz and our customers.

Our current “double aging effect” of aging populations and declining birth rates means that innovative pension strategies are more important than ever.

An aging Population – Demographic Trends

Pension schemes often operate on a system where retirees are supported by those still working and making contributions. This system is not sustainable due to our current “double aging effect” of aging populations and declining birth rates; thus innovative pension strategies are more important than ever.

Allianz and Demographic Change


In 2006, we established a Demographic Working Group to evaluate global trends in demographics and determine the risks and opportunities that these trends present for Allianz. We also held a “Living Longer Forum” for politicians, academics and the public to discuss old-age provision, assets, healthcare, and real estate. We concluded that:

- A dramatic increase in the proportion of old-age and healthcare provision secured by capital investment is needed, and
- Old-age provision must provide guaranteed life-long pension plans.

A Changing World – Demand for Demographic Products and Services

In the next few years, demand for new products and services tailored to the needs of senior citizens will significantly change the face of business. One example is the growing necessity of new services that provide help in the home and medical care in order to enable people to stay in their own homes when they become older.

Gerhard Creutz, head of Allianz Dresdner Bauspar, is leading an effort to investigate what practical and logistical challenges arise with aging populations, explaining that “we’ve been able to engage several renowned urban planners and architects to share their insights.” Knowing what tools people need to live comfortably and safely is vital for a company leading the field of insurance and financial services.

Demographic Change Products and Services 	
Senior Emergency Alert Device – Radio Finger Mondial Assistance, <i>France</i>	A rapid response system for emergency services. The device can be worn around the neck for quick access.
Accident 60 active Mondial Assistance Group	Personal accident insurance for people over 60. Designed to meet their specific needs such as homecare assistance including laundry, cleaning, and grocery shopping services.
Allianz Income Management Services (AIMS) Allianz of America, <i>USA</i>	Offers products exclusively to the retired income segment.
Grandchildren’s Policy Allianz, <i>Germany</i>	A fund paid for by grandparents to help with their grandchildren’s future.
Senior Extended Insurance Allianz, <i>Germany</i>	Extensive care and aid for seniors who want to be cared for at home after an accident or illness.



Key highlights

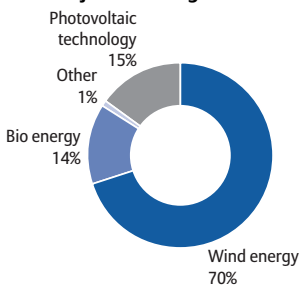
- > We are aiming to reduce CO₂ emissions by 20% by 2012*
- > Allianz will invest €300–500 million in renewable energy from 2005 to 2010
- > We have so far invested over €150 million in wind farms in Italy and Germany

*based on 2000 levels

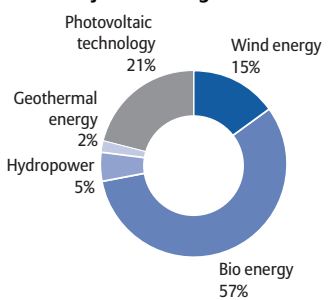
Sustainable Energy

Sustainable energy is “energy which is replenishable within a human lifetime and which causes no long-term damages to the environment.”² As an insurance, finance and risk management company, Allianz has a responsibility to stay both well-informed about sustainable energy, and active in shaping its future success. To minimize our contribution to climate change we must demand energy sources that minimize CO₂ emissions.

Current Demand for Renewable Project Financing



Predicted Future Demand for Renewable Project Financing



Finding sustainable energy

Fossil fuels are still the most widely used energy sources, but their supply is non-renewable and running out – at the current rate of consumption, supplies are predicted to last approximately 60 more years.

This is not our only challenge. The global distribution of oil is concentrated in a few regions, which creates political challenges, and there is a booming demand for energy supply in countries such as India and China.

Energy supply companies are inevitably trying to satisfy the increasing consumption of energy through new developments in both energy sources and increases in efficiencies of current energy supply.

Renewable energy sources need to be assessed and evaluated in a holistic manner. At the current state, energy derived from biomass and waste represents a small but growing segment of the renewable energy market. CO₂ emissions from biomass-derived fuel combustion are classified as greenhouse gas neutral, but their performance is far from ideal. The potential of wind, wave, tidal, and solar power is still heavily reliant on government support, and will be for some time. They all lack the reliability of fossil fuels, and demand major investment in distribution, back-up and storage.

² JSDN Sustainable Energy <http://www.jsdnp.org.jm/susEnergy.htm>

The estimated market for renewable energy in 2020 is US\$1.9 trillion, by which time the EU wants 20% of its energy to come from renewable sources.

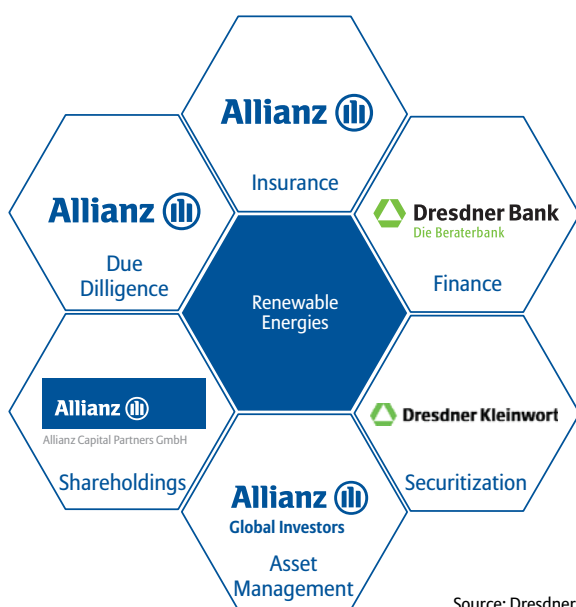
We are constantly looking to learn as much as we can about renewable energy, and to design products and services that support the work of others in the field.

Allianz Engagement in Sustainable Energy

At Allianz we strive to be an environmentally progressive and responsible company. We are constantly looking to learn as much as we can about renewable energy, and to design products and services that support the work of others in the field.

In June 2007, the AZT Risk & Technology GmbH hosted a two-day event – “Energy and Climate: Technical Solutions For Low CO₂ Energy Production” – drawing together various scientists, economists, and policy makers from around the world to discuss benefits of different energy sources and the safety questions surrounding renewable energy. AZT Risk & Technology GmbH is providing key research for the development of insurance, banking and asset management services and pushing Allianz to the forefront of renewable energy research. Our renewable energy products and services are diverse as depicted in the diagram below.

Allianz Group Renewable Energy Products and Services ▶



Source: Dresdner Bank

Case Study: Electricity – The Dangers of Over-reliance

A recent report by AZT Risk & Technology GmbH (AZT) discusses society’s dependency on electricity. “In many areas of modern society the availability of public power supply is a numbing normality. Energy suppliers and energy consumers are all behaving as if high energy use is a legitimate, natural and coercive element of civilization.” Dr. Kreutzer, *Head of the Center of Competence for Risk Management, AZT Risk & Technology GmbH*

Consequences of black-outs can be catastrophic to communities and are expected to increase in the future. Power plants and grids are operating near capacity levels in many communities across Europe and North America as evidenced by large power failures, and we face a serious risk that these failures will become more frequent in the future.



G3 Summary Table

2007 marks the first year Allianz Group has reported to the Global Reporting Initiative's (GRI) new G3 indicators. We are committed to the GRI principles of reporting and our goal for 2008 is to attain assurance from GRI on our performance. *We have self-declared our reporting against the framework as a B rating.* The table below gives a description of the G3 application levels.



This report is checked to Application Level B

Report Application Level		C	C+	B	B+	A	A+
Standard Disclosures	G3 Profile Disclosures OUTPUT	Report on: 1.1 2.1 - 2.10 3.1 - 3.8, 3.10 - 3.12 4.1 - 4.4, 4.14 - 4.15	Report Externally Assured	Report on all criteria listed for Level C plus: 1.2 3.9, 3.13 4.5 - 4.13, 4.16 - 4.17	Report Externally Assured	Same as requirement for Level B	Report Externally Assured
	G3 Management Approach Disclosures OUTPUT	Not Required		Management Approach Disclosures for each Indicator Category		Management Approach Disclosures for each Indicator Category	
	G3 Performance Indicators & Sector Supplement Performance Indicators OUTPUT	Report on a minimum of 10 Performance Indicators, including at least one from each of: Economic, Social and Environmental.		Report on a minimum of 20 Performance Indicators, at least one from each of Economic, Environmental, Human rights, Labor, Society, Product Responsibility.		Report on each core G3 and Sector Supplement* Indicator with due regard to the Materiality Principle by either: a) reporting on the Indicator or b) explaining the reason for its omission.	

*Sector supplement in final version

We are an international financial services company with locations in more than 70 countries throughout Western, Central and Eastern Europe, the Americas and Asia Pacific. Allianz Group is covered in its entirety in this report including all major Allianz companies: AGF, Allianz UK, Dresdner Bank, Fireman's Fund, Euler Hermes and RAS.

The operational environmental data covers all of Allianz Group's major companies, approximately 61% of employees and 65% by revenue. Specific operational entities are included as examples and referenced throughout the report. The financial data and personnel data relate to all consolidated companies worldwide.

The report content was determined through an internal materiality analysis that used input from our stakeholders including our work with the World Business Council for Sustainable Development (WBCSD), the Carbon Disclosure Project and our partnership with WWF.

The reporting period is September 2006 to September 2007. The financial data and personnel data relate to all consolidated companies worldwide. The operational environmental data covers all of Allianz Group's major companies, approximately 61% of employees and 65% by revenue. Specific operational entities are included as examples and referenced throughout the report.

Global Reporting Initiative – G3

The table below is a sample of indicators we have reported against. A description of our comprehensive reporting of the G3 indicators can be found on our website.

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

For a complete list visit our [G3 description and reference table on the Internet.](#) 

Indicators of the Allianz Group	2003	2004	2005	2006
Economic Development**				
Total revenues (€ billion)	93.7	96.9	100.9	101.0
Operating profit (€ million)	3,982	6,839	7,743	10,386
Net income (€ million)	2,691	2,266	4,380	7,021
Return on equity after taxes (%)	11.0	7.8	12.6	15.6
Basic earnings per share (€)	7.96	6.19	11.24	17.09
Direct Economic value generated and distributed (€ billion)	-	-	100.8	101.1
Charitable Contributions (€ million)	-	-	40.0	53.0
Economic value added (€ billion)	-	-	-	3.5
Social Issues				
Employees (number)	173,750	162,180	177,625	172,065
Employees undergoing training (number)	6,063	4,906	4,023	3,955
Training per employee (days)	4.9	4.3	4.1	4.2
Fluctuation rate (%)	13.3	13.0	12.9	11.9
Proportion of women in middle and senior management (%)	25.2	26.2	25.4	28.4
Environmental Performance				
Percentage of employees subject to environmental management (% of employees)	61	61	56	61
Energy consumption (MJ/employee/year)	29,171	30,296	33,670	35,000
Business travel (km/employee/year)	2,832	3,356	3,992	4,302
Direct and indirect CO ₂ emissions (kg/employee/year)	3,612	3,990	3,908	2,761
Water consumption (liters/employee/year)	15,178	14,243	17,013	17,990
Paper consumption (kg/employee/year)	241	199	245	204
Recycled paper consumption (percentage of total paper consumption)	-	-	2.3	10.3
Amount of waste (kg/employee/year)	333	299	328	282

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