Our sustainability journey

Allianz Group

Sustainability Report 2014

Content

Allianz Sustainability at a glance

		2014	2013	2012	More details on page
Company					37
Number of customers		85mn	83mn	78mn	
Net Promoter Score - Allianz entities that achieved loyalty leadership in local markets[1]	%	32	27	30	
Brand value[2]	USD	7.7bn	6.7bn	6.2bn	
Direct GHG emissions (scope 1)	metric tons	65,887	63,801[3]	81,456[3]	
Indirect GHG emissions (scope 2)	metric tons	135,003	159,308[3]	151,227[3]	
Other indirect GHG emissions (scope 3)	metric tons	121,639	125,553[3]	112,044[3]	
GHG emissions total (Scope 1-3)	metric tons	322,529	348,661[3]	344,776[3]	
CO_2 reduction per employee against the 2006 baseline	%	41.3	36.1	35.6	
Carbon credits generated from own projects[4]		4.57mn	4.57mn	1.57mn	
Total energy consumption	GJ	2,596,317	3,084,601[3]	3,079,897	
Energy reduction per employee against the 2010 baseline	%	27.2	18.1	8.3	
Green energy as a share of total energy sourced	%	40.0	38.9[3]	39.2	
Paper consumption, total	metric tons	19,774	18,255[3]	20,193	
Paper consumption, per employee	kg	135	125[3]	141	
km traveled, total	tkm	963,958	967,210	931,356	
km traveled, per employee	tkm	6,568	6,637	6,498	
Total water consumption	m³	1,965,612	1,738,547[3]	2,105,701	
Total waste production	metric tons	22,277	26,280[3]	28,695	
Corporate citizen					50
Corporate Giving	€	20.9mn	18.6mn	20.4mn	
No. of pupils reached through My Finance Coach in Germany		219,070	150,171	105,328	
Employer					59
Total no. of employees[5]		147,425	147,627	144,094	
Share of women[5]	%	52.5	52.4	52.1	
Share of men[5]	%	47.5	47.6	47.9	
Women in executive positions[6]	%	23.1	21.2	19.4	
Female managers[6]	%	36.2	35.5	33.9	
Total expenses for employee training[6]	€	91.4mn	85.7mn	93.4mn	
Training expenses per employee[6]	€	668.5	629.3	707.5[3]	
Average training days, staff	Days	3.0	3.0	2.6	
Employees undergoing at least one training session, staff	%	63.8	67.1	64.2	
Employee turnover[6]	%	16.1	14.9	14.7	
Tenure, staff[6]	Years	10.6	10.4	10.4	
Tenure, managers[6]	Years	13.3	13.2	13.1	
Insurer					67
Number of green solutions[7]		156	150	130	
Revenue from green solutions	€	1.3bn	1.2bn	-	
No. of insured for microinsurance[8]		44.6mn	26.1mn	17.1mn	
Revenues from microinsurance[8]	€	113.7mn	86.1mn	78.6mn	
Investor					74
Total investments in renewable energy projects[9]	€	2.0bn	1.7bn	1.3bn	
No. of invested renewable energy projects[9]		55	42	40	
Sustainable and Responsible Investments, total AuM	€	117.4bn	95.8bn	64.4bn	
Global ESG screening					23
ESG cases screened		150	-	-	

[1] NPS is a measurement of customers' willingness to recommend Allianz and is our key global metric for customer loyalty. Figures only include the results of the "Top-down approach", meaning it follows global cross-industry standards and allows benchmarking against local competitors.
[2] Source: 2014 Best Global Brands Interbrand.
[3] Figures have been restated due to error corrections.
[4] From investments in high-quality carbon reduction projects
[5] Total number of employees with an employment contract of all affiliated companies (core and non-core business).
[6] Figures based on the number of employees in Allianz's core business.
[7] Includes numbers & revenues from our asset management business.
[8] Figures include non-consolidated entities (i.e. India).
[9] Figures from investment of own assets.

CEO Statement

In 2015, Allianz looks back on its 125-year history. From this, we learn that the impact of technological and social innovations is accelerating. The knowledge and understanding of these developments has increased even more so – and with them, our responsibility. As an insurer and investor, we must identify such trends early and develop suitable financial solutions. Only then can we successfully protect our future and that of our customers.

Long-term and holistic risk management characterize our approach. Our goal is to make environmental protection, social responsibility and good corporate governance an integral part of our business. Dialogues with stakeholders help us to prioritize the topics with which we can generate sustainable value for our customers and for society.

Through such dialogues, we also recognize that our stakeholders see us from different perspectives: some see us as an insurer or investor, for others we are an international company or a global employer. Above all, we are a part of society. In our latest Sustainability Report, we describe how we carry out our responsibilities in these different roles.

As before, three global issues are central for our customers and our business: demographic change, climate change and access to financial services. In 2014, we have made the following progress:

We address demographic change and the continuing low-interest rate environment through the prudent and long-term investment of our customers' pensions. Internally, we focus on programs that support work-life balance, strengthen teamwork and help deal with stress. Furthermore, we want to develop more female leaders and, at the end of 2014, 36.2% of managers were women.

Climate change helps drive the expansion of our investments in renewable energy as well as a variety of green solutions. We have also reduced our own CO_2 emissions (by 41.3% compared to 2006). Playing an important role in this is energy consumption, which we were able to reduce by 27.2% compared to 2010. Our remaining carbon footprint is offset through direct investments in climate protection projects, making us carbon neutral since 2012.

Allianz offers access to financial services to over 44 million people with low incomes in eleven countries in Asia, Africa and South America. Microinsurance provides protection against the risks in life and enables prosperity. We also promote financial literacy. In 2014, 720 voluntary Allianz "My Finance Coaches" helped to teach over 219,000 students about financial basics.

By signing the United Nations Principles for Responsible Investment (PRI) and Principles for Sustainable Insurance (PSI), we have committed to also encourage sustainable practices with our customers, business partners and competitors. We are therefore engaged in pilot projects and dialogues with policy makers and representatives of civil society.

The satisfaction of our customers, shareholders and employees, as well as sustainable, profitable growth, remain the measures for our success in 2015. External recognition of our efforts from the leading sustainability ratings further motivates us: Allianz has maintained leading positions in the Dow Jones Sustainability Index since its establishment 15 years ago.

As important as it is to prepare for the future, we gladly share the experiences of our past. I invite you to visit www.allianz.com/sustainability and am delighted if you continue to actively follow us.

Michael Diekmann
Chairman of the Board of Management
Allianz SE

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Global Issues

A proactive approach to global issues – now and in the future

As a global financial services provider operating in around 70 markets, the success of our business is heavily affected by a variety of global and long-term issues.

To ensure our sustainable and profitable growth, we place a high priority on monitoring, analyzing and responding to the challenges and opportunities these issues present in the short-, medium- and long-term. Insurers, by the very nature of their business, pursue a longer-term perspective so they can uphold the promises they make to customers well into the future. Investors like Allianz must consider the ongoing impact of the investment decisions we make today. Our business strategy is based on an in-depth understanding of existing and emerging risks and opportunities facing us both today and in the future.

We systematically develop future-focused insights and anticipate emerging developments, and this practice is supported by our materiality process. Our focus is on the longer-term challenges, risks and opportunities that Allianz will face over the next two decades. The aim here is to generate a view of the future that provides a valid basis for discussing Allianz's future global positioning. This trend research and evaluation is based on a wide-ranging approach that uses scenario planning to consider alternative future states. We also look at the impact and interdependencies of topics, such as customer behavior, digitalization, urbanization, demography and natural disasters. These trends cannot be viewed in isolation, as they are frequently inter-connected.

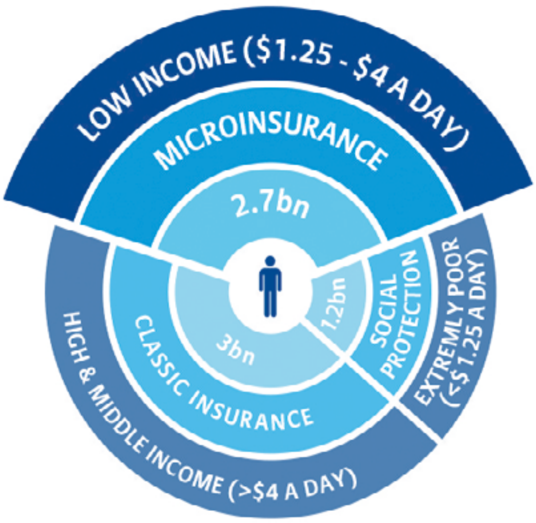
The three global issues most relevant to our business are: access to finance, climate change and demographic change. On the following pages we look at these topics from a financial services provider's perspective and outline our approach to them.

Access to Finance

Towards financial inclusion

Access to finance is the availability of financial services to individuals or enterprises. Financial exclusion refers to having no or limited access to financial services. Financial exclusion affects around 2.3 billion working-age adults, worldwide.[1] In some areas a large proportion of the population is excluded from financial services, whilst other countries have specific groups that are impacted. These could be, among others, women, those living in remote areas, minorities and low-income people. An estimated 2.7 billion people live on an income of between US $1.25 and US $4.00 a day.[2]

World population by income



Source: World Bank Povcalnet (2014); World Bank Population Dataset (2014); Income measured at Purchasing Power Parity (PPP) per capita per day.

The reasons for exclusion are many and varied. Supply can be restricted due to regulatory constraints, geographical barriers and a lack of appropriate financial products. Demand for financial services can also be constrained due to low levels of basic literacy and financial literacy, physical or psychological disabilities, and language barriers.

1 Atkinson, A. and F. Messy (2013), Promoting Financial Inclusion through Financial Education: OECD/INFE Evidence, Policies and Practice, OECD Working Papers on Finance, Insurance and Private Pensions No.34, p.7

2 Swiss Re, 2010, Sigma No 6/2010, 'Microinsurance – Risk protection for 4 billion people'

Improving access to financial services – financial inclusion – is critical, both to safeguard vulnerable people and to support economic development. Financial inclusion facilitates economic growth and protects people against economic uncertainties, from illness and accidents to theft and unemployment.

Access to financial products

There must also be suitable and accessible financial products, including insurance, available to those who are financially excluded, in particular low-income people in developing countries. Only a fraction of the world's low-income people have access to comprehensive state or private sector insurance schemes. This leaves the vast majority unprotected and extremely vulnerable in the event of natural disasters, accidents or illness.

This situation is exacerbated by the fact that developing economies are particularly affected by challenges such as natural catastrophes, demographic shifts and food insecurity. Poorer people have limited assets, which means that they are less able to cope with losses, so unforeseen events can easily pull them into poverty.

As a sustainable insurer, Allianz is developing products and services that make insurance more accessible to people at risk from financial exclusion.

Microinsurance offers affordable protection and helps low-income people in developing countries to better manage the risks they face. We currently offer microinsurance to over 44 million people.

We also offer other products for special groups. In developing countries, childbirth is still a major risk for women. Allianz Colombia has a microinsurance product offers that mothers financial protection against risks associated with pregnancy and childbirth, for the equivalent of just €2 per month.

Allianz works with specialist organizations to provide insurance for vulnerable groups such as those with severe health risks, and disabled people.
For example Allianz France supports people with serious health problems, who might otherwise be refused

insurance or have to pay a surcharge. Tailor-made health insurance products are offered at fair rates. This approach has been developed in partnership with patient associations such as the French Federation for Diabetics. Allianz France has also partnered with the association Vivre Avec in order to improve access to bank loan insurance for patients.

The Swiss branch of Allianz Global Assistance, in partnership with MyHandicap, has developed a range of services and products specifically tailored to the needs of disabled people. Products range from special travel insurance to home care insurance and wheelchair insurance. The partnership with MyHandicap started in 2011 when Allianz employees helped the German branch of MyHandicap to improve its organization and work processes as part of the Social OPEX Program (SOPEX). This is the first time that support of a social initiative has resulted in a business arrangement through the Allianz SOPEX program.

Digitalization has made financial services considerably more accessible, regardless of the geographical location, time zone or physical capabilities of the customer. We have made it quick and easy for customers to get quotes for a whole range of products and services via digital media.

Improving financial literacy

Financial inclusion is not simply a matter of providing access to banking services or insurance schemes; it is also about improving financial literacy. At a basic level, financial literacy can be defined as understanding how money works in the world – how individuals earn, manage and invest it and how to protect against losses e.g. through insurance. More specifically, it refers to the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources. Financial literacy is an important issue in both developing and developed economies, and policy makers are becoming increasingly aware of its significance.

Education to improve levels of financial literacy will reap benefits for more than just the individual. Well-informed financial decisions can have positive spill-over effects on financial markets and the economy as a whole. In fact, since the recent financial crisis, financial literacy has been globally acknowledged as a key life skill and an important element of economic and financial stability and development.[1]

With household debt climbing to a record high of €32.4 trillion worldwide in 2012[2], increased financial literacy also has a role to play in improving debt management[3] and asset building[4]. For the individual, there is now a greater need than ever before to understand and plan financial affairs for later in life. In particular, with employers moving to defined-contribution pension schemes and away from defined-benefit plans, which guarantee a retirement income, investment and longevity risks are becoming the responsibility of the individual.

1 INFE, Financial education and the crisis: Analytical note and recommendation, 2009.
2 Allianz Global Wealth Report 2013, p.9
3 Gerardi, et al., "Financial Literacy and Subprime Mortgage Delinquency: Evidence from a Survey Matched to Administrative Data". Federal Reserve Bank of Atlanta, 2010
4 Mitchell, O. and Annamaria Lusardi, Financial Literacy: Implications for Retirement Security and the Financial Marketplace, 2011

Financial education

Financial expertise is our core competency, and so we are committed to improving financial literacy through financial education in all age groups in the markets we serve. One of the main barriers to financial inclusion is a lack of understanding of financial products that are often perceived as complex. We see financial literacy as the bridge to financial inclusion and that is why financial education is so important to Allianz's vision of building the strongest financial community.

Here are some examples of how we are addressing financial literacy:

Community engagement programs

Our employees are contributing to their local communities by helping to develop and deliver financial education, for example through the My Finance Coach foundation, the financial literacy program in the U.S. and the adult financial literacy program in Indonesia. Allianz also offers a range of innovative services such as mobile phone applications which help younger people in particular to understand and undertake financial planning. The 'Moneymanager' app has been developed as part of the My Finance Coach program in Germany, in order to help teenagers to track their expenses.

Innovative products and services

We have offered the Allianz Retirement Calculator App in Asia since 2011. Users answer simple questions in order to estimate their probable income gap in retirement. This is calculated by a mathematical insurance model developed by Allianz. The App has the option of connecting to an Allianz website or contacting Allianz financial consultants so that users can seek professional advice.

Research

We help to enhance personal financial capabilities by sharing our expertise and knowledge through a number of channels. Examples include Project M, a stakeholder magazine on asset management and international pensions, and the Center for Behavioral Finance set up by Allianz Global Investors. The Center for Behavioral Finance promotes dialogue between business, government and academia, and provides insights into the interface of behavioral finance and investment decisions.

Climate Change

Climate change and the financial services sector

Climate change from an insurer's perspective

Global warming is most probably causing an increase in extreme weather events around the world, such as heat waves, droughts, floods and tropical storms. As an insurer, our exposure to climate change-related physical risks is mostly indirectly through the risks we accept for our insurance clients.

In 2013, the ten most costly insured catastrophe losses were all weather-related. Typhoon Haiyan in November 2013 was one of the strongest tropical cyclones ever recorded and caused devastation in the Philippines.

The costs associated with these events are also rising. Insurers have paid out US $70 billion for damages from extreme weather events globally every year for the last three years alone. In the 1980s, US $15 billion a year was paid out for such claims.[1] Over 40% of claims for damages in our commercial insurance business are due to storms and floods.[2]

This rise can be attributed in part to a greater number of insured assets worldwide - a trend that is expected to continue. In addition, socio-economic factors are increasing losses, as economies and populations in areas prone to natural disasters are growing, and so the density of insured assets is increasing.
Insurers contribute to risk reduction measures that minimize damages and offer financial compensation after extreme events. However, more frequent and/or severe weather extremes may pose risks to the affordability and availability of insurance coverage. Furthermore, the complexity of the global economy needs to be considered in understanding climate change risks.

High-risk regions

With global population growth and rapid urbanization, particularly in emerging economies, more and more people are settling in higher-risk areas such as coastal zones and other regions at risk of flooding. Greater value in these high-risk regions means more insured assets are threatened. Today, approximately 10% of the world's population lives in areas along the coast that are less than ten meters above sea level, the so-called Low Elevation Coastal Zones. Whilst these areas account for only 2% of the world's land area, the population densities of these regions are higher than the global average.[3]

Globally, sea levels have risen by 19 cm since 1901, and this is accelerating. If emissions continue to increase at current rates, we can expect a further rise of between 45cm and 82cm by the end of the century, exposing 70% of the world's coastlines to higher seas and greater flood risk.[4]

The benefits of protecting against increased coastal flooding and land loss are greater than the costs of inaction. Protecting against flooding and erosion is considered economically sound for most developed coastlines in many countries.

Interlinked economies

Globalization connects economies around the world through increased mobility and technology and by creating sophisticated international supply chains. This characterizes today's economy, and it is against this backdrop that we are experiencing natural disasters. The result is not only major local damage, but chain reactions are set off in global supply chains, which have an impact on companies around the world.

Business interruption caused by adverse weather is a reality. The threat posed by natural catastrophes remains the second top risk in the 2014 edition of the Allianz Risk Barometer. Allianz Global Corporate & Specialty (AGCS) estimates that business interruption and supply chain-related losses typically account for

1 Allianz, 2014, 'Allianz Risk Barometer on Business Risks 2014'.
2 Allianz.
3 McGranahan et al., 2007, The rising tide: assessing the risks of climate change and human settlements in low elevation coastal zones.
4 IPCC, AR5, Synthesis Report, 2014.

50% to 70% of insured property catastrophe losses, totaling as much as US $26 billion a year.[1] Examples such as the 2011 flooding in Thailand highlight the impact of a local natural disaster on the world economy. Electronics manufacturers located thousands of miles from Thailand suffered significant losses as a result of disruptions to their supply chain caused by the flooding.

While insurance is an important risk management tool for companies with complex supply chains, insurers want –and need– a better understanding of supply chain risk. Companies are being encouraged to provide further information about their critical suppliers and risk management approaches.[2]

Understanding climate change as an investor

Investors play a role in financing the transition to a low-carbon economy. Investment in low-carbon energy can both strengthen economic growth and cut carbon emissions. Mobilizing capital presents a challenge, however, because a low-carbon transition means dealing with new and sometimes unfamiliar assets and policies. Furthermore low-carbon policies can also impact the value of existing assets.

Investing for a low-carbon future

A high-profile expert panel recently concluded in the New Climate Economy Report that investment decisions made in three areas over the course of the next 15 years – namely, cities, land use and energy systems – will be of critical importance to achieve the climate targets.

The world will have to invest around US $90 trillion by 2030 to keep its existing infrastructure intact and to expand it to cope with population growth, urbanization and economic development. However, the additional amount of investment needed to keep global warming below the target of two degrees centigrade is remarkably low. If these “climate investments” are made early enough, the total additional investment needed globally would be only US $4 trillion by 2030, or US $270 billion a year.

Since much of the new, low-carbon infrastructure is more efficient, operating costs would be lower, so at least some of the new infrastructure would pay for itself. Such green investments also bring additional benefits including cleaner air, improved health, better protection of plants and animals and increased energy security.

Allianz, together with 349 other institutional investors from around the world, is using the Global Investor Statement to call for swift progress in setting the political framework to facilitate those investments.

Future-proof investing

Regulatory and technological developments will also have a crucial impact on the competitiveness of CO_2-intensive sectors. These include the establishment of more stringent regulation and carbon pricing, the considerable reduction in costs associated with renewable energy, and the increase in exploration costs for fossil fuels.

Investment assets can be affected by these developments. Moreover, the physical impact of climate change can have repercussions on economic activity and the profitability of certain sectors. Therefore, scientific information about climate change and medium- to long-term regulatory prospects are important and need to be taken into consideration in the investment process.

To include such considerations in the investment process, climate risks and opportunities need to be quantifiable and predictable.

1 AGCS calculation based on preliminary natural catastrophe insured losses in 2013 of US $38 billion, according to Swiss Re.
2 For more information please see our 2013 white paper on ‘Managing Disruptions: An insurer’s perspective on supply chain risks’ and our report ‘The Weather Business – How Companies Can Protect Against Increasing Weather Volatility’.

Researching climate change

In order to successfully manage climate-related risk, financial services providers need to generate and interpret climate change data at a suitable level of detail. Allianz invests in research to identify, quantify, price and mitigate the risks involved, but also to assess opportunities related to clean investments and product innovations. Below is a selection of our research undertakings:

Climate tools for investors

Assets can be affected by climate change, for example if certain areas of the economy are subject to more stringent regulation, or if the physical impact of climate change has an impact on economic activity.

A research project is now aiming to turn these risks into measurable cost and investment factors. It collects information on climate change so that it can be used for strategic asset allocation in asset classes such as bonds, equities or real estate. The project was unveiled on September 23, 2014, at the annual conference of the UN Principles for Responsible Investment, to which Allianz is also a signatory. It involves several institutional investors from across the globe, accounting for combined assets under management of US $1,500 billion. Allianz contributes our perspective as an investor and financial services provider to this research, and aims to apply the findings to our business.

Furthermore, Allianz commissioned the 2° Investing Initiative to examine the extent to which mainstream stock indices – like FTSE or DAX – are exposed to sectors which are affected by climate protection regulation, specifically the oil and gas, utilities, and automotive sectors. As institutional investors like Allianz often use these indices as a benchmark for their portfolio composition, the expected upcoming changes to these sectors will be crucial for their future performance.

The future costs of power generation in Germany

Industrial and retail electricity customers are increasingly concerned that the energy transition drives higher costs. A study commissioned by the NGO Germanwatch and Allianz Climate Solutions, shows that a consistent energy transition towards renewable energies is not particularly more expensive and can, under certain circumstances, even be cheaper than sticking to fossil fuels. This holds especially true when Germany wants to achieve its long-term targets for climate protection.

Green Cities

Cities account for 70% of global greenhouse gas emissions and this is rising.[1] Based on various studies, we estimate that global investment of US $ 2 trillion per year over the next 20 years is needed to upgrade urban infrastructure and make it more sustainable. Public budgets are strained almost everywhere, and so private institutional investors, including insurers, can help to bridge the investment gap. However, although institutional investors are looking to diversify their investments, the amounts flowing into sustainable urban infrastructure have so far been limited.

A research report from Allianz, "Investing in green cities: Mind the gap," published in February 2014, looks at what can be done to encourage private investment in sustainable urban infrastructure. The report outlines how such investment could be a win-win-win for cities, the global climate and institutional investors looking for stable returns over long periods.

Agricultural insurance in Asia

Rice is the most important human food, eaten by more than half of the world's population every day. In Asia, where 90% of rice is consumed, ensuring there is enough affordable rice for everyone, or rice security, is equivalent to food security.[2] Allianz Re is a founding partner of RIICE (Remote sensing based Information and Insurance for Crops in Emerging economies)

1 Insight: Urbanization, KPMG International, September 2011
2 International Rice Research Institute, 2014

along with the German development agency (GIZ), the International Rice Research Institute, the Swiss Agency for Development and Cooperation, and sarmap (the Swiss software developer). This multi-stakeholder partnership aims to provide governments and NGOs with better information on rice crop growth to help devise more robust food security policies and to develop new, and enhance existing, crop insurance programs in South-East Asia.

Radar images provided by the European Space Agency satellites determine how crops are developing, and Allianz uses this to develop insurance solutions for farmers. Governments also benefit as they will be provided with sufficient advance warning that crop yields may be less than that needed to feed the population, and can therefore make the necessary preparations. RIICE is currently implemented in Bangladesh, Cambodia, India, Indonesia, Philippines, Thailand and Vietnam.

Energy efficiency insurance for small and medium enterprises

Energy efficiency should be at the center of all energy policies yet society and companies often fail to reap the benefits of it. The Global Innovation Lab for Climate Finance aims to overcome this by developing – amongst other climate finance projects – an insurance concept guaranteeing the financial savings of energy

efficiency measures. If the cost savings through energy efficiency measures were not to materialize as planned, an insurance payout would provide assurance that the customer still benefits financially from the implemented energy efficiency projects. Allianz is involved on both the Board and at the working level of the Lab.

Risk modelling for rainfall in Italy

Extreme rainfall is expected to cause increasing damage within Europe in the future. To understand this risk more accurately, we worked with the UK's Met Office and the World Wide Fund for Nature (WWF) Germany, to improve our risk modelling for heavy rainfall in Northern Italy. The project, which was completed in 2011, has delivered risk modeling to an unprecedented level of quality and detail.

Maintaining an ongoing dialogue with academia

Allianz has teamed up with the University of Cologne for a joint research project to improve understanding of European wind storms. This helps to predict the likelihood of seasons with an extreme number of winter storm events, and their potential effect on the Allianz portfolio.

Allianz has also played an active role in the German Insurance Association's (GDV) climate change working group, by sponsoring climate research streams at different academic institutions across Germany, including the Potsdam Institute for Climate Impact Research, the University of Berlin, and University of Cologne.

Allianz Climate Solutions is planning several further research projects looking into climate change from a business perspective.

Demographic Change

Demographic trends and economic challenges

Aging populations, shrinking workforces, burgeoning urban populations, social security systems under pressure: demographic change is creating both challenges and opportunities for financial services providers. Allianz is tackling them with a broad range of strategic, integrated business solutions.

Global demographic trends

Societies all over the world face challenges relating to demographic change – from aging and shrinking populations in Western industrialized countries caused by already low or falling fertility rates and increasing life expectancy, to growing populations in large parts of Africa and Asia.

These demographic trends have different impacts, and the pace of change is defining the coping mechanisms of different regions. The complexity of this global issue can be examined with an interactive tool that has been developed by Allianz, called 'demographic insight'.

Japan is the most aged society in the world, followed by Germany and Italy. They all have shrinking and aging populations, worsening the ratio between working age and older, retired people. As a result, in Western industrialized economies, pay-as-you-go social security systems are under pressure, and there is a growing need for additional retirement savings.

Initially, there is an upside to demographic change. More rapid economic growth and rising life expectancy characterize the period directly after birth rates start to fall, as currently experienced in parts of Asia. This period of time – usually 20 to 30 years – is known as the 'demographic dividend'. Falling fertility rates and rising life expectancy combine to increase the relative size of the working-age population. With a higher share of productive workers supporting a shrinking number of dependents (fewer children and still a low number of retirees), workers have more purchasing power and financial freedom to invest and save.

However, over time these benefits start to fade. With fertility rates remaining low over a number of decades, the opposite effect of the demographic dividend begins to appear. The ratio of older dependents begins to increase and, combined with longer life expectancy, this scenario places the informal system of family support as well as the formal pension provision systems under pressure.

Aging workforces

Demographic change poses a number of challenges to both employers and employees, including shrinking workforces and longer working lives. These challenges need intelligent, flexible solutions that allow both employees and employers to meet their respective needs.

In many developed societies, the main demographic trend is that of aging societies, resulting in more people spending more time in retirement. As a consequence, governments are gradually increasing the statutory retirement age in order to cope with the pressure on public pension systems. For both employers and employees it is now crucial to find solutions that extend the careers of older workers or provide opportunities to retire that are more flexible than the statutory retirement age foresees.

Migration

Migration, as a result of destabilizing factors such as natural catastrophes, economic and political instability and resource scarcity, adds to the changing demographic make-up of countries and cities. Whilst migration could contribute to solve the issue of decreasing workforces, societies' capacities to integrate significant numbers of migrants is sometimes limited. Even though not all migrants are poor, they often face difficulties to access and/or use financial services. As a result, the need for formal pension provision systems is growing, which becomes critical if they intend to remain.

Urbanization

In 2008, for the first time in history, the majority of the world's population resided in urban areas. Since then, the urban population has increased year-on-year and is expected to continue to rise. By 2030, an estimated 60% of the world's population will live in cities, and this is predicted to grow to 80% in Europe by 2050.[1] With the concentration of people and insured assets growing in cities, the exposure to natural catastrophes is increasing in those areas (read the sections „Climate change and the financial services sector", on page 11 for more information on the implications of urbanization and climate change.) Moreover, the world's industrialized nations are reliant on infrastructure that is around 30 to 50 years old, and yet public-sector investments in this area have been on the decline across the board. In order to upgrade this aging infrastructure to be able to service a growing population, trillions of Euros are required per year – figures that most governments are not able to cover, especially considering the increase in social security spending due to demographic effects.[2]

Mobile Technology

Adding to these developments, the digital evolution is also creating new dimensions in the way we interact and ultimately make purchasing decisions. Customers can buy our products almost everywhere - in their "pocket" via smart phones, at home, in the office and at agencies. The boundaries between buying online and offline are quickly fading, and companies need to meet the changing expectations of customers in a seamless and transparent way. Furthermore, mobile technology is also enabling access to financial products and services in locations that were previously difficult to reach. For example, in Burkina Faso, microinsurance can also be purchased via mobile devices.

Implications for financial services

The impact of these demographic trends on the financial services sector is significant. Firstly, there is a growing worldwide demand for formal and private-sector pension schemes and healthcare solutions. Secondly, we are seeing a greater need for the skillful management of longevity risks. In particular, employers are moving to defined-contribution pension schemes and away from defined-benefit plans, which guarantee a retirement income, and so investment and longevity risks are shifting to the individual. There is therefore a greater need to manage the 'decumulation' process, where assets accumulated during an individual's working life are converted into retirement income. Given the trend toward individual responsibility and the complexity of the financial product spectrum, financial advisors play an increasingly important role in guiding people in their investment and retirement decisions.

Economic challenges

Europe's sovereign debt crisis is having a significant impact on private assets and savings, and also therefore on preparation for old age. All-time-low interest rates have put debtors at an advantage over savers. Insurers are also earning less on their investments, negatively impacting returns for our customers.

Under current conditions people need to save even more in order to maintain a desired living standard in retirement. It is therefore unfortunate that the current low-interest environment incentivizes people to spend today rather than save for the long-term. In addition to these circumstances for individuals, huge levels of debt are limiting governments' ability to support overburdened state pension and other entitlement schemes, which further shifts responsibility onto individuals.

1 UN World Urbanization Prospects – 2014 Revision: https://esa.un.org/unpd/wup/default.aspx

2 Read more on funding alternatives for expensive infrastructure projects in an article by Michael Diekmann, chairman of the Board of Management of Allianz SE (CEO) under: https://projectm-online.com/#/global-agenda/investing/funding-alternatives-for-expensive-infrastructure-projects

Building and sharing our expertise

Research and Development

Extensive research and trend studies influence strategic decisions throughout the Allianz Group, driving product innovation and helping us to raise awareness of key demographic impacts, both on our business and society as a whole. Globally, as well as locally, our business lines and subsidiaries have established research capabilities to contribute to the development of products and services that will meet emerging needs.

We regularly publish our leading thinking on demographic change through our Demographic Pulse newsletter, on our global Open Knowledge site and through Project M, our magazine on asset management and international pensions. We also use our research to assist our business partners. One example is the Center for Behavioral Finance in the U.S.A. This institute turns research insights into actionable ideas and practical tools for financial advisors, plan sponsors and investors.

We also engage in demography-related debates and founded the Berlin Demography Forum in 2011 to bring together leading experts from politics, business, academia and civil society to discuss demographic issues and identify sustainable solutions to the challenges. As a global platform, the Forum's aim is to provide impetus for change at both national and international levels. For more information about our political engagement activities, please read our Company chapter on page 37.

Allianz's integrated response

Alongside fostering debate and conducting research in the area of demographic change, we focus on providing long-term products and solutions for our customers and employees.

One of our strengths is the ability to manage customers' financial needs throughout their lifetime. We also cover the whole value chain, from research and product development to customer service. As an integrated financial services provider, we are well positioned to combine our asset management and insurance expertise across the Group to offer tailored pension and healthcare solutions for changing societies.

We regularly develop new products and services, ranging from more traditional life insurance to hybrid solutions that combine asset management and insurance options, as well as microinsurance in developing countries and offering services in multiple languages for migrants. For more information about the sustainability aspects of our products and services, please visit our Insurer chapter on page 67 and Investor chapter on page 74.

Furthermore, Allianz is at the forefront of finding solutions for the long term that bridge the public sector infrastructure investment gap and provide profitable retirement provisions. But still more needs to be done in the political sphere to make this investment environment more stable and transparent for institutional investors such as Allianz.

Last but not least, we respond to the demographic challenges in our own business. For example, we are developing solutions to align the availability and skills of employees with our long-term business needs through our Strategic Workforce Planning program. For more information about our HR management, please read our Employer chapter on page 59 and digitalization on page 85.

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C Sustainability Strategy

Principles and Commitments

Sustainability is an inherent part of our insurance and asset management business. The concept of sustainability encompasses long-term thinking and decision-making. Similarly, by the nature of our business as an insurer and investor, we pursue a long-term perspective to uphold the promises we make to our customers today.

We have not just discovered sustainability in recent years. We are building on foundations developed over the past 125 years, and have systems and processes in place that enable us to do business in a sustainable way. To us, Sustainable Development means combining long-term economic value-creation with a forward-thinking approach to corporate governance, environmental stewardship and social responsibility.

We nurture a corporate culture in which global challenges such as demographic change or climate change are managed effectively – not only in terms of the risks they pose, but also because of the opportunities they present to contribute to the company's sustainable and profitable growth.

Principles for Sustainable Development

Our Principles for Sustainable Development guide Group-wide activities and provide orientation for our global business.

- **Incorporating sustainable business practices into Allianz's products and services, and finding innovative solutions that address local and global challenges** – We integrate sustainability into our core business processes, and employ sustainable approaches to product development, underwriting and investment/asset management by considering environmental, social and governance (ESG) aspects.
- **Striving to safeguard natural resources in all internal operations and thereby contributing to and promoting the development of a low-carbon economy** – Employees must strive to safeguard natural resources, and we aim to reduce the potential negative environmental impact of our operations as much as possible.
- **Developing long-term and mutually-beneficial partnerships with stakeholders through activities and dialogues** – We proactively engage with our stakeholders on ESG issues to gain a deeper understanding of their needs and requirements, and to help us to build long-term relationships.
- **Aiming to be fully transparent about Allianz's sustainability performance** – We report annually on our sustainability performance and meet internationally-accepted sustainability reporting standards. We submit data to sustainability ratings organizations, enabling our stakeholders to benchmark our performance against our peers and give us independent feedback on potential improvement areas.

Our Group-wide commitments

Our approach to sustainability is governed by a Group policy framework, with policies and segment-specific standards for underwriting, investments and asset management, in addition to functional rules and the Allianz Code of Conduct.[1]

We are also fully aware of international guidelines and standards around the topic of sustainability, and are committed to applying the relevant ones in our business. The following are a selection of our international commitments:

Principles for Sustainable Insurance

In early 2014, Allianz became a signatory to the United Nations (UN) Principles for Sustainable Insurance (PSI). This initiative encourages an insurance industry-wide commitment to ESG integration and works with partners to accelerate positive action.

We aim to contribute to the initiative as a leading global insurer, and to encourage others in the insurance industry to further develop their approach to ESG issues. We believe that by extending analysis and understanding of risk, whilst also developing skills in risk management relating to ESG issues, the insurance

1 More information on our corporate governance structures can be found on www.allianz.com/en/about_us/management/corporate_governance/index.html

industry can play an even more valuable role in economies and in society.

As a signatory to the PSI, there is a fundamental requirement for an annual disclosure of the progress Allianz makes in implementing the Principles. Our first disclosure can be found in our download center.

Principles for Responsible Investment

Allianz SE, as an asset owner, and PIMCO and Allianz Global Investors, as asset managers, are signatories to the UN Principles for Responsible Investment (PRI). The PRI is a network of international investors representing more than US $45 trillion of assets under management, which is working to put the six Principles for Responsible Investment into practice. These Principles reflect the view that ESG issues can affect the performance of investment portfolios and must therefore be given appropriate consideration by investors if they are to fulfill their fiduciary duty. This commitment covers 100% of the total assets under management by Allianz.

German Sustainability Code

Allianz has supported the German Sustainability Code since its launch in 2011 and we were one of the first companies to report in accordance with its principles. We have adapted our processes to comply with the requirements of this Code. The principle of transparency, which is a core element of this Code, is something we take very seriously and it is also one of our Principles of Sustainable Development.

UN Global Compact

We have been a participant in the UN Global Compact (UNGC) since 2002. Our Code of Conduct makes reference to the UNGC, and its Principles are included as an Appendix. We communicate our progress in implementing the Ten Principles of the UNGC in the fields of human rights, labor standards, environmental protection and anti-corruption annually.

Climate Change Strategy

Proactive support for a low-carbon economy

Our climate change strategy commits Allianz to playing a leading role in supporting the development of a low-carbon economy. We use our position as a leading global financial services provider and investor to finance low-carbon solutions and raise awareness of the risks and opportunities arising from climate change. We also work to reduce our direct carbon footprint as a company, and develop and offer customers green products and services to mitigate the negative effects of climate change.

We strive to be a thought- and action-leader on climate change. We take part in international climate negotiations, and engage in public dialogues and debates. We are also active in major industry initiatives linked to climate change, such as the United Nations Environment Programme's Finance Initiative (UNEP FI) Climate Change Working Group, Munich Climate Insurance Initiative (MCII) and ClimateWise – a global insurance sector climate initiative. As a result, we have built up expertise on mitigating and adapting to climate change.

Activities as a company

We are continually reducing our carbon footprint and have been a carbon-neutral business since 2012. We have a target to reduce our carbon emissions per employee by 35% by 2015, compared to 2006. To achieve this, we are avoiding and reducing emissions as well as substituting emission sources with lower-carbon alternatives. Our focus is on the three factors that contribute to over 98% of our carbon footprint – energy use, business travel and paper use. We offset any remaining emissions through direct investment in carbon projects. Read the Environmental management chapter on page 40 for more details on our activities to reduce our carbon footprint.

Activities as an investor

Private investors account for 86% of global investment and financial flows.[1] As large institutional investors, insurance companies and asset managers are important financiers of a low-carbon economy. For a successful transition to a low-carbon economy, considerably more private capital needs to be mobilized to finance climate-friendly infrastructure. We are gradually expanding our own investments in the renewable energy sector with a planned investment volume of around € 400 million per year. Fortunately, climate-related investments, such as renewable energies, are an attractive growth market as they contribute to greater portfolio diversification, which spreads risks, and provide sound and stable long-term returns that are generally not linked to the ups and downs of the financial markets. This fits well with our investment strategy for life insurance premiums, which calls for manageable risks and attractive returns for a duration of 20 years or more.

In addition, Allianz Global Investors launched the Allianz Renewable Energy Fund (AREF), the first closed-end renewable energy fund for its institutional investors, at the end of 2012 with a volume of €150 million.

Activities as a financial services provider

We offer our private and commercial customers an increasing number of green products and services that mitigate the negative physical or economic effects of climate change, or take its environmental impact into account. This is a growing part of our product strategy and we offer "green solutions" in all of our business segments, including insurance and investment products, services, as well as in processes. Our comprehensive, Group-wide definition for green solutions gives transparency on how they contribute to our overall financial performance. Read the green solutions section on page 69 for more detail.

1 UNFCCC, Investment and financial flows relevant to the development of an effective and appropriate international response to Climate Change, 2008, https://unfccc.int/cooperation_and_support/financial_mechanism/items/4053.php

Centers of competence on climate change

Allianz Climate Solutions

Allianz Climate Solutions (ACS) is our Group-wide center of competence on climate change, with a focus on renewable energy. Established in 2007, ACS is responsible for climate-related strategy development for the Allianz Group, and provides insurance solutions and advisory services on financing renewable energy projects to both external clients and Allianz entities. Please read Researching Climate Change on page 13 for more details.

Allianz Reinsurance

Global warming is most probably causing an increase in extreme weather events, such as heat waves, droughts, floods and tropical storms, which affect the insurance industry through payments for loss and damage. With a steep rise in claims over the last decade, it has become a fundamental part of our business to continually improve our understanding of damages related to natural catastrophes. Allianz Reinsurance (Allianz Re) has been working on catastrophe risk management since 2000 to better understand potential losses on single events. Additionally, a limit framework for natural catastrophe risk, such as from hurricanes or floods, is reported bi-annually and ensures a close monitoring of changing risk due to climate change and changing business.

Flooding is one of the most common natural catastrophes, and we manage this risk by continually enhancing our flood scenario risk models and simulations. Allianz has acquired a global data set of flood maps, which allows for better flood assessments and in-house flood tool developments. This risk management and catastrophe modeling expertise has been used to develop business opportunities. Since 2007, we have successfully issued NatCat bonds as an alternative to traditional catastrophe reinsurance. Allianz Re also works with the independent reporting agency, PERILS, to provide rapid flood maps after significant events, which allows immediate impact assessment by insurance companies and other interested parties. This enables a flood's footprint to be quickly gauged, even while the flood is still developing, so that measures to mitigate damage can be implemented. Read the Priorities and Achievements 2014 section on page 34 for more details on our activities this year.

Our ESG approach

Committed to responsible insurance and investment

As a global insurer and asset manager, understanding environmental, social and governance (ESG) issues presents a major opportunity to reduce risks in underwriting, claims and investment portfolios. Our focus on ESG issues supports our core business strategy and ensures we live up to our values, demonstrating responsibility in our decision-making and interactions with stakeholders in society.

By scrutinizing investments and insurance projects from an ESG perspective, we can identify risks and opportunities that may not be reflected in current market prices, and capitalize on them for the benefit of our shareholders, customers and other stakeholders. This is especially relevant to Allianz, because as an insurance company we manage and carry risks that range from one year to decades.

We integrate ESG factors into the investment of our own assets and the management of third-party assets. The investment of our own assets[1] is steered by Allianz Investment Management SE (AIM), while third-party asset management is delivered by Allianz Asset Management (AAM) through its subsidiaries, Allianz Global Investors (AllianzGI) and PIMCO.

To underline our commitment to ESG integration, we are a signatory to and supporter of a range of international standards on ESG issues. For more information on our commitments read the Principles and Commitments section on page 19.

Global ESG screening

Our global ESG business screening process was developed in 2013, through dialogue with NGOs and an ongoing internal stakeholder engagement process. The process identifies sensitive business areas for both underwriting and investments, where we have significant risk across regions and lines of business.

Our intention is that no business is excluded by default, but each risk is analyzed on a case-by-case basis to see how and if the risk can be mitigated. Through this process we aim to achieve improved risk management for our customers on ESG issues. For each sensitive business area, a respective guideline highlights the key ESG issues.

Our approach to sensitive business is intended to be a dynamic, continuous process. Proposed changes or additions to ESG guidelines are regularly reviewed by an internal ESG Working Group and approved at Board level.

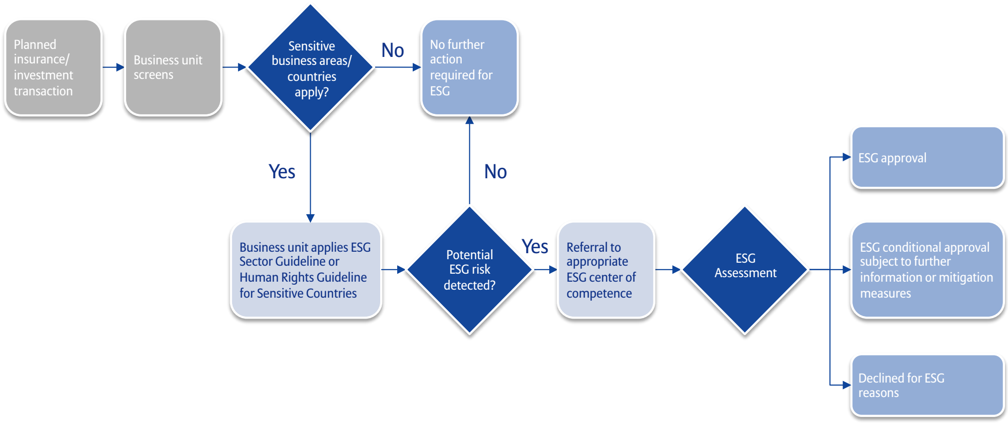
In 2014 Allianz also developed a watch list for sensitive countries where systematic human rights violations occur. Our criteria are based on a range of international human rights country-level assessments ranging from conflict zones to corruption levels. A general human rights guideline is applied to any business in those countries, unless restricted by sanctions that are already in place. More information on human rights is available on page 96.

Integrating ESG considerations within existing core processes allows for quicker implementation and adoption by our underwriters and investment managers. During 2014 we integrated our sensitive business areas and sensitive countries list into the core underwriting and investment standards for direct investments of own assets, as well as our risk management framework.

When an ESG risk is detected in one of the sensitive business areas during due diligence, a mandatory referral process is triggered. This ensures ESG experts review the detected risks and that informed decisions are being made on a local and/or at the Group level. A critical part of embedding ESG standards into core processes has been interpreting international ESG best practice standards into a language that is easy to understand for our underwriters and investment professionals.

1 Own assets include insurance investment portfolios, into which premiums collected from insurance customers flow into. Third-party assets on the other hand are invested on behalf of our asset management customers.

ESG screening process



The following table provides an overview of the sensitive business areas and examples for respective key ESG issues.

Overview of the sensitive business areas and examples for respective key ESG issues

Sensitive business areas	Example key issues from our guidelines
Agriculture	• Child labor • Inappropriate use of fertilizers, pesticides and other chemicals • Deforestation, illegal logging • Impact on protected sites and species • Physical commodity investments
Animal testing	• Unnecessary procedures and suffering • Poor care conditions • Use of great apes
Animal welfare	• Poor confinement and transportation conditions • Routine mutilation • Inappropriate use of chemicals and medicines
Betting and gambling	• Crime and money laundering • Insufficient/no protection of vulnerable people
Clinical trials	• Participation of vulnerable people • Insufficient ethical and scientific reviews • Insufficient evidence of willing consent
Defense	• Violation of international conventions • Weapons to/in high-tension areas
Human Rights	• Child/forced labor • Forced resettlement • Poor working conditions
Hydro-electric power	• Forced resettlement • Violation of land/water rights • Absent or inappropriate assessment and management of up/downstream impacts
Infrastructure	• Forced resettlement • Inappropriate management of water use and discharge • Poor working conditions • Anti-competitive behavior and corruption
Mining	• Forced resettlement • Insufficient health impact assessment and management • Impact on protected sites and species • Poor working conditions
Nuclear energy	• Insufficient waste management • No adherence to International Atomic Energy Agency (IAEA) standards • Exposure to natural catastrophes • No plans for decommissioning/end-of-life
Oil and gas	• Inappropriate spill management, response and remediation plans • Bribery and corruption • Activities in Polar regions, impact on protected areas/species • Absence of comprehensive environmental impact assessment
Sex industry	• Human trafficking • Child labor • Forced labor

Key figures 2014

Throughout 2014, Allianz assessed a wide range of sensitive business for ESG considerations. Overall, 150 transactions were reviewed across our insurance and investment business. 81% of the transactions were approved, 10% were given conditional approval subject to further information or mitigating actions being taken and 9% were declined[1].

Results of ESG assessment 2014

Sensitive Area	Approved [%]	Approved subject to conditions [%]	Declined [%][1]
Agriculture	87.5	12.5	0
Animal testing	100	0	0
Animal welfare	100	0	0
Betting & gambling	0	100	0
Clinical trials	100	0	0
Defense	92	0	8
Human rights	90	0	10
Hydro-electric power	89	11	0
Infrastructure	84.6	7.7	7.7
Mining	78	11	11
Nuclear energy	100	0	0
Oil & gas	55	25	20
Sex industry	100	0	0
Other	57	29	14

For more information on the ESG integration in our insurance and investment activities, please read ESG in Underwriting on page 67, Sustainability in our own investments on page 74, Sustainability in real estate on page 79, and ESG in third-party asset management on page 81.

1 Transactions declined for ESG reasons or as part of the overall risk evaluation.

Management and Governance

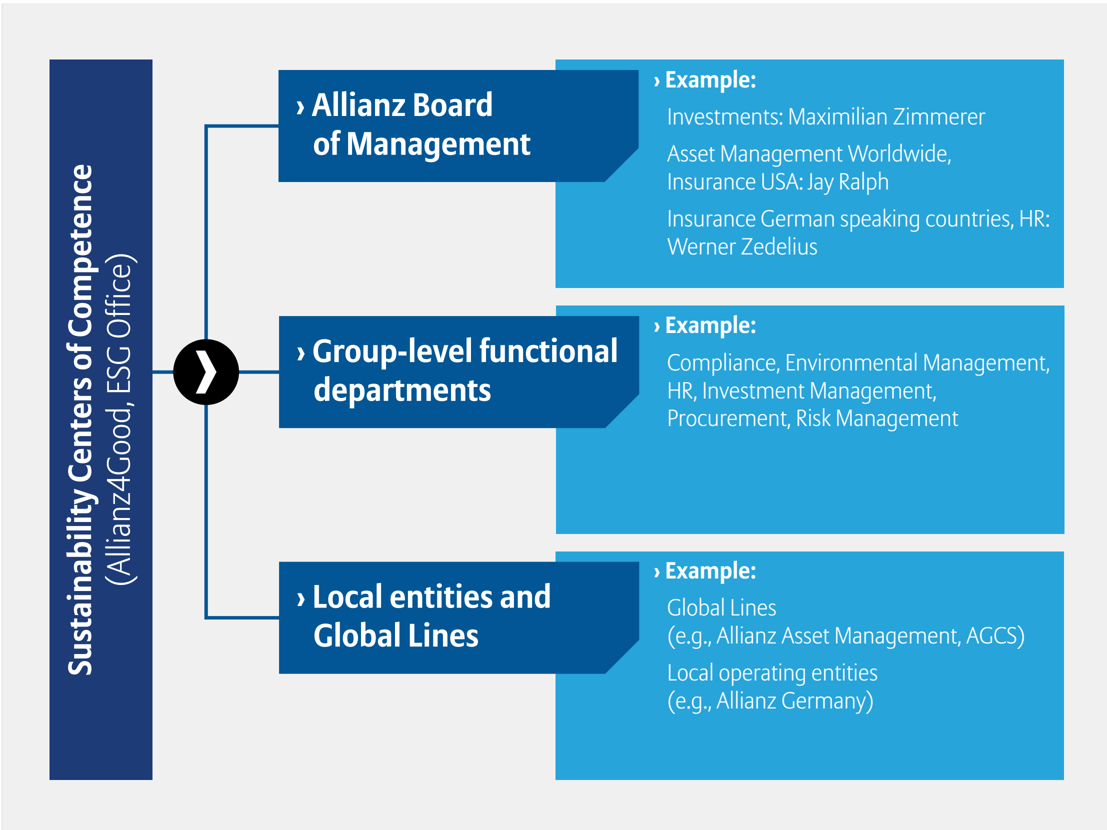
Sustainability is a continuously evolving strategic business issue. We therefore continually adapt our organizational structures, governance set-up and the way we manage sustainability issues.

Our Group-level sustainability management deals largely with new and emerging issues, in close cooperation with specific functional departments. Our goal is to hand the ongoing management and monitoring of issues to the relevant business function once they have been sufficiently tested and matured. This approach fosters internal collaboration and ensures that issues are accepted and integrated into the business.

Integrating sustainability

We take an integrated approach to managing sustainability. We are strengthening sustainability across the Group by initiating pilot projects, stimulating internal debate, driving stakeholder engagement and being an incubator for new business opportunities. And, more importantly, we promote and integrate sustainability in our core business processes. We support functional departments such as Human Resources, Risk Management and Procurement, and our subsidiaries in their operational responsibility for sustainability.

Sustainability governance at Allianz



Group ESG Board

The Group ESG Board, established in 2012, holds ultimate accountability for environmental, social and governance (ESG) issues within Allianz. The ESG Board is chaired by Jay Ralph, Allianz SE Board member for Asset Management Worldwide and Insurance USA , and is responsible for integrating and strengthening ESG aspects within our insurance and investing activities. This helps to promote ESG issues within our Group corporate governance. The ESG Board meets quarterly and reports to the Group Finance and Risk Committee for decision-making.

Board Committees

In addition to the designated ESG Board, several committees with Board member leadership play an important role in our decision-making processes.

- **Group Finance and Risk Committee:** establishes and oversees the Group-wide risk management and monitoring, including sustainability risk. The Committee is also the decision-making body for ESG-related topics, based on analysis and deliberations within the ESG Board.
- **Group Underwriting Committee:** monitors the underwriting business and its risk management, as well as developing the underwriting policy and strategy.
- **Group Investment Committee:** monitors the Group's investment policy, among other tasks.

Several Board members also assume responsibility for specific sustainability topics, and functional departments provide regular updates on sustainability issues directly to the Board.

Managing sustainability

Our Group-level sustainability function is made up of two centers of competence – Allianz4Good and the ESG Office. The head of Allianz4Good reports directly to Dr. Maximilian Zimmerer, Board member responsible for Investments and ESG Board member. The head of the ESG Office reports directly to Jay Ralph, Board member responsible for Management Worldwide and Insurance USA and chair of the ESG Board. The responsibilities of Group-level sustainability management include:

- Managing the strategic framework for Group-wide sustainability activities; developing and introducing relevant policies; and supporting operating entities in integrating the Group's strategic approach and policies.
- Coordinating the main sustainability activities between subsidiaries, strategic functions and the Allianz Board of Management.
- Further integrating sustainability aspects into existing business processes and operations.
- Acting as a knowledge hub and facilitating best practice exchange across the Group.

Existing business processes, such as our Risk Management Framework and well-established Compliance System, are utilized to introduce minimum sustainability standards and monitor compliance.

Allianz4Good

Allianz4Good is directly responsible for:

- **Strategy and management:** Further developing the Group's sustainability strategy and supporting functional departments and operating entities with the integration of sustainability in their day-to-day business.
- **Community engagement:** Managing and coordinating community engagement at a Group level; developing and implementing global programs that draw on our core competencies to build solutions that meet critical community needs; and providing effective tools and guidance for Allianz companies.
- **Environmental management:** Further developing the carbon reduction strategy and goals for our operations; running the Group-wide environmental management system to monitor the Group's environmental impact; steering Allianz operating entities' environmental activities; and educating and enhancing awareness of environmentally-friendly behavior.
- **Sustainability ratings and reporting:** Managing our submissions to global sustainability ratings; dialogue and engagement with sustainability-oriented investors, analysts and other stakeholders; com-

municating progress in sustainable development through various channels – most importantly our Sustainable Development and Annual Reports – and striving for full transparency.

- **Governance support:** Regularly informing the Board on progress, and supporting the Board on strategic decisions relating to sustainability topics.
- **Process and integration:** Fostering and steering the internal global network, which implements Group-wide sustainability activities and enables global best practice sharing.

ESG Office

The ESG Office is responsible for integrating environmental, social and governance (ESG) aspects into core investment and insurance activities. This involves, among others:

- **Strategy and management:** Developing viewpoints on selected ESG topics and creating as well as continuously updating ESG guidelines.
- **Governance support:** Implementing guidelines and decisions taken by the ESG Board, and regularly informing the Board on progress about all ESG relevant topics.
- **Process and integration:** Supporting the alignment and monitoring of ESG implementation in business lines (insurance and investments); supporting Group functions such as Risk, Compliance and Legal, in integrating ESG considerations into existing processes.
- **Dialogue and transparency:** Steering dialogues with internal and external stakeholders; increasing the transparency on ESG activities and exposure within the Group.

Stakeholder Engagement and Materiality

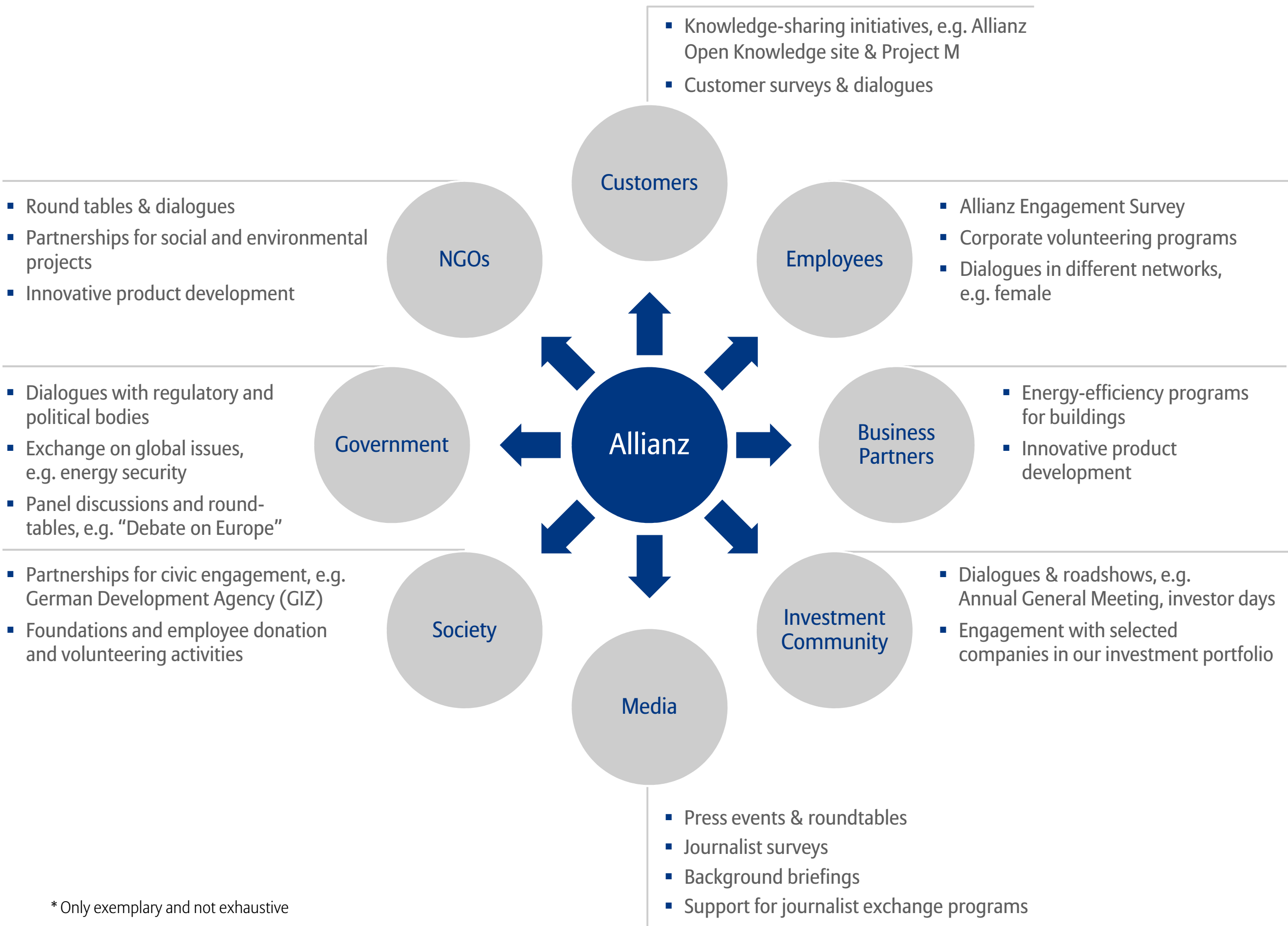
A systematic approach to stakeholder engagement

Stakeholder trust is of particular importance in the financial services industry. We engage with our broad spectrum of stakeholders in a variety of ways, in order to build and strengthen trust-based relationships.

At Allianz, we have many different stakeholder groups – customers, business partners, employees, the global investment community, governments, non-governmental organizations (NGOs), society and suppliers. We foster stakeholder relationships at both Group- and local-levels through regular and systematic forms of dialogue, such as meetings, conferences, workshops, road shows and surveys. By listening to stakeholders' needs, engaging in serious discussions, and striving for honesty, integrity and transparency in all our dealings, we aim to build lasting relationships based on trust.

Our overriding goal is to intensify stakeholder dialogue, with the aim of gathering specific opinions, expectations and ideas, and considering these in relation to our business operations. We also want a better understanding of the impacts of current or future global challenges on our stakeholders, and to help to manage these by finding and developing effective solutions.

Stakeholder engagement at Allianz*



* Only exemplary and not exhaustive

Group-level engagement

We conduct Group-level multi-stakeholder dialogues to discover stakeholder opinions and the most relevant topics for key stakeholder groups. This is in addition to the stakeholder-specific dialogues mentioned overleaf, and engagement activities conducted by our operating entities in their local markets. These Group-level activities include:

- The global Stakeholder Expectations Survey, conducted every two years, takes various stakeholder perspectives into account to identify the economic, environmental, social, and governance topics that are material to our sustainability strategy and our business success. The Survey targets politicians, the media, NGOs, scientists, corporations and our own management staff. The most recent survey took place in 2014.
- At the biannual Global Issues Forum, invited experts analyze and discuss developments and trends that have an impact on our business now, or potentially in the future. The Forum provides us with insights that supplement our systematic efforts to monitor risks and opportunities that are relevant to our business.
- The annual Berlin Demography Forum, founded by Allianz in 2011, brings together leading experts from politics, business, academia and civil society to discuss demographic issues and identifies sustainable solutions to these challenges. The Forum aims to provide impetus for change at both national and international levels.
- Our ESG dialogue format, which regularly engages a group of NGOs to create an evidence-based dialogue, is built on trust and mutual understanding. This allows our NGO partners to directly address us with their concerns and gives us the opportunity to listen and understand their different perspectives. We can also tap into their expertise when formulating ESG positions and guidelines, incorporating their direct, on-the-ground experience with various topics. Our ESG Dialogue is part of our Group ESG Framework.

An active role in promoting sustainability

We see a range of benefits from taking an active role in sustainability-related associations, initiatives and alliances at national and international levels. We engage in debates on specific topics, such as climate change, and take part in broader platforms that promote dialogue and discussion on sustainability. Key objectives from these types of engagement include:

- Exchange best practices and organizational learning.
- Support in creating awareness and promoting sustainability.
- Work on sector-specific and cross-sectorial standards to further promote sustainability in our own and other industries.
- Develop strategic partnerships that provide effective solutions to social challenges.

Allianz's most important external commitments are listed below:

International commitments and memberships

- CDP (Carbon Disclosure Project)
- CRO (Chief Risk Officer) Forum
- ClimateWise
- Geneva Association
- Microinsurance Network
- Munich Climate Insurance Initiative (MCII)
- Sustainable Stock Exchange Initiative
- Transparency International
- United Nations Environment Program - Finance Initiative (UNEP FI)
- United Nations Global Compact
- UN Principles for Responsible Investment (PRI)
- UN Principles for Sustainable Insurance (PSI)
- London Benchmarking Group

National commitments and memberships

- Deutscher Nachhaltigkeitskodex (German Sustainability Code)
- Forum Nachhaltige Entwicklung der Deutschen Wirtschaft, also known as econsense (Forum for the Sustainable Development of the German Economy)
- UK Stewardship Code

Partnerships

- Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) (German Society for International Cooperation): the first public-private partnership for microinsurance activities (2011-2017)
- International Red Cross and Red Crescent Movement: global partnership in disaster response since 2011
- Volans: cooperation as part of the Social OPEX program since 2009. Volans is a future-focused consultancy working at the interface of the sustainability, entrepreneurship and innovation movements
- International Paralympics Committee (IPC) partner since 2006 and the first IPC "International Partner" since 2011

Materiality

Allianz as a multi-faceted business

During the second half of 2014, we carried out a systematic stakeholder consultation to learn how our stakeholders perceive Allianz's sustainability reporting. The feedback was gathered across three channels: face-to-face interviews across different (internal) business units, a competitor and peer review, and an online user survey.

The feedback confirmed that Allianz is a multi-faceted company, which plays different roles and faces a range of sustainability-related opportunities and challenges depending on the role. From this, we identified five major roles Allianz plays: Company, Corporate Citizen, Employer, Insurer and Investor. As a major structural change, we made the decision to build our 2014 Sustainability Report around these five roles in order to show our stakeholders how we address sustainability issues from their perspectives.

Material sustainability issues

Our sustainability activities address issues that are of material importance for our business and our stakeholders. We use a wide variety of stakeholder dialogues and information sources to determine these issues.

The material sustainability issues are identified by our business model as a global insurer, institutional investor and asset manager, and also by our stakeholders' expectations. Central Group functions and operating entities regularly engage with stakeholder groups at global and local levels to understand their interests and concerns. More details are provided in the stakeholder engagement section on page 29 of this chapter. Most importantly, our comprehensive Group-wide risk management process identifies material issues for our business.

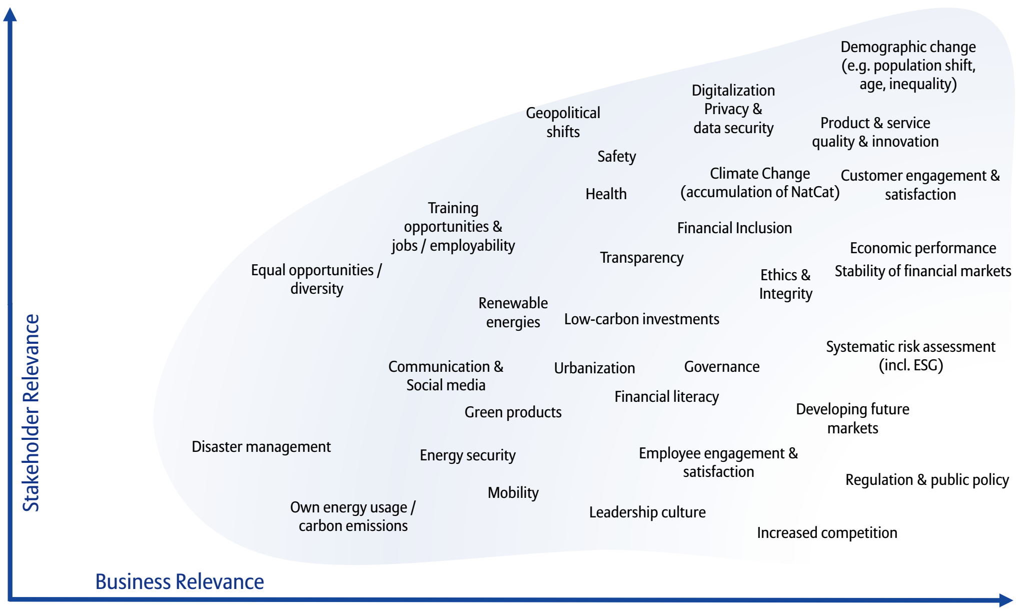
Our understanding of materiality is informed by following voluntary international standards and guidelines for sustainability, such as the Global Reporting Initiative (GRI), sustainability benchmarking initiatives – specifically sustainability ratings, and through our engagement in expert working groups such as the UNEP Finance Initiative.

Topics identified via these various engagements and central processes are consolidated and then validated at Group-level by the respective sustainability centers of competence and the ESG Board.

In 2014, we involved our local operating entities directly in the overall Group materiality process by asking them to prioritize and consolidate defined material issues around economic, social and environmental sustainability in their local businesses. At Group level we conducted the same survey with relevant business units. These results were combined with output from the Stakeholder Expectations Survey, and discussed during an internal sustainability expert workshop.

This systematic materiality process resulted in an update of our materiality matrix. Typically, it shows the business relevance on the x-axis and the stakeholder relevance on the y-axis. The most important topics for both business and stakeholders are shown in the upper-right corner.

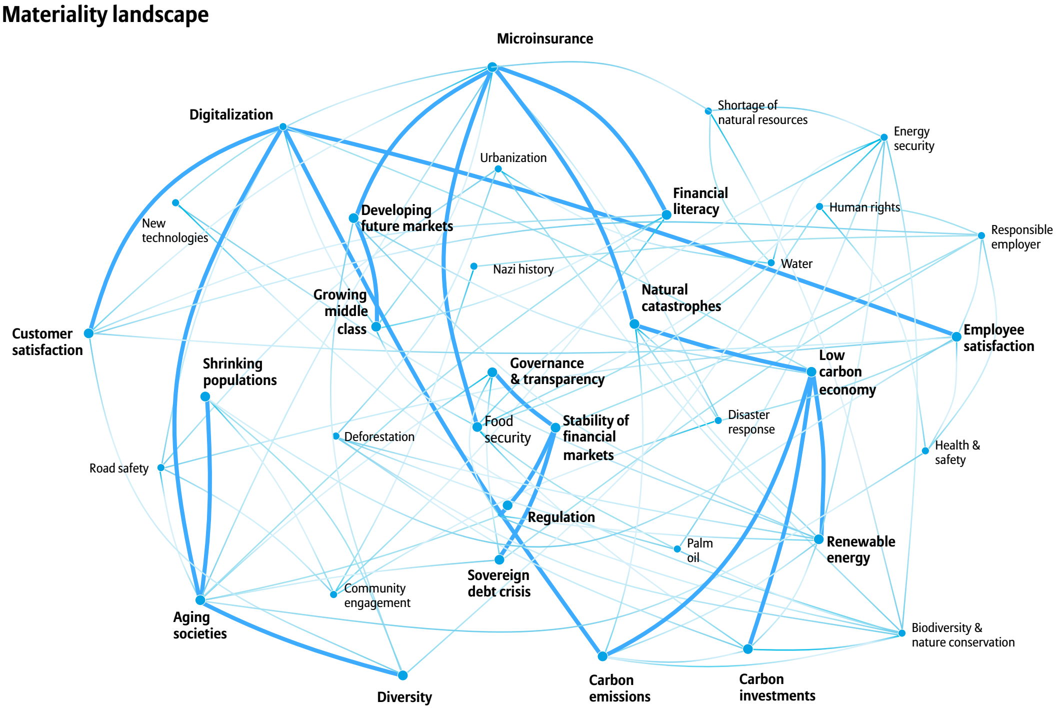
Materiality matrix



At Allianz, we know that sustainability issues cannot be treated in isolation as they are often directly or indirectly linked. These connections between issues can make them extremely complex. To show these interconnections, we developed a materiality landscape. By presenting materiality in this way, we can not only show those sustainability issues that are important to our business and stakeholders, but how the issues are connected to one another. In doing so, we aim to better understand and represent the complexity of issues and interconnections between them, and therefore improve our ability to consider them from multiple viewpoints and, ultimately, to address them.

We regularly identify issues of material importance and prioritize and validate them. We also communicate in a transparent way to our stakeholders how the issues impact on our business and our activities, and our response to them.

Materiality landscape



Priorities and Achievements 2014

Sustainability is a broad concept covering a wide range of topics. To provide clarity and enable us to prioritize, we focus our activities on issues of material importance. Based on these issues, we have defined a set of sustainability priorities for Allianz and grouped them to reflect our five roles – Company, Corporate Citizen, Employer, Insurer and Investor. Our priorities and achievements in 2014 are as follows.

Company

Sustainability priorities	Achievements 2014
Maintaining high integrity standards	Allianz continued to further strengthen the effectiveness of its compliance management system. Allianz applies its general operational risk management approach to assess corruption and fraud risks. Additional assessments and onsite reviews are combined with the new Compliance Quality Assurance Program. In 2014, we focused our efforts on programs and processes in the areas of Sales Compliance, Data Privacy as well as on Sanctions and Embargoes. Read more under Compliance on page 37.
Profitable customer growth	At the end of 2014, we insured over 85 million customers worldwide. Meeting our customers' needs through relevant products and services and earning their trust is vital for our sustainable growth. The Net Promoter Score (NPS) is our key global metric for customer loyalty and measures customers' willingness to recommend Allianz. In 2014, 47% of Allianz businesses significantly outperformed their local peer average and 32% achieved loyalty leadership in their market. Read more under Customer relationship management on page 46.
Reducing our carbon footprint by 35% per employee by 2015	In 2014, we further reduced the Group's carbon footprint, taking the overall CO_2 reduction since 2006 to 41.3% per employee. As our current target period will end in 2015, we are in the process of developing post-2015 environmental targets. Read more under Environmental management on page 40.
Reducing our energy consumption by 10% per employee by 2015	We have reduced our energy consumption across the business by 27.2 % since 2010. As our current target period will end in 2015, we are in the process of developing the post-2015 environmental targets. Read more under Environmental management on page 40.
Being carbon neutral from 2012	We have made a commitment to be a carbon-neutral business from 2012 onwards. However, instead of simply buying credits on the carbon market, we invest directly in high-quality carbon projects that generate credits which we can then use to offset our remaining carbon footprint. In 2014, 322,529 credits, each accounting for one metric ton of carbon avoided, were retired from our own projects. Read more on page 43.

Corporate citizen

Sustainability priorities	Achievements 2014
Furthering public awareness and understanding	Research and advocacy: In 2014, we issued several publications concerning global issues such as demographic change and climate change. For example, "Investing in green cities: Mind the gap", "The future costs of power generation in Germany" and other Project M articles on pension and investment topics.[1] Awareness raising: We seek to raise awareness among the general public by providing background information, facts and news on topics such as climate, energy, health, demographic change and mobility via our global Allianz Open Knowledge website, as well as engaging with our stakeholders on those topics by making use of social media.
Promoting dialogues with policy-makers and related institutions	Our ongoing management of political issues involves proposing, developing, coordinating and reviewing our policy positions. We engage in regular discussions with political, academic and societal circles on fundamental developments that have a strategic impact on the Allianz's business. The key discussion topics in 2014 included regulatory and supervisory issues relating to Solvency II and a new set of regulatory measures for the Global Systemically Important Insurers (GSIIs). Read more under Political management on page 50.
Strengthening social engagement in the Group	Corporate giving: We donate money to address social, environmental and cultural issues relevant to Allianz and the societies in which we operate. In 2014, we donated €20.9 million to support local communities. We also offer our employees the possibility to donate in the event of natural catastrophes. Furthermore, we have an international network of 14 Allianz-affiliated corporate foundations. Read more under Community engagement on page 55. Corporate volunteering: We offer a number of employee volunteering opportunities in local communities. For example through the "My Finance Coach" Foundation, which aims to foster financial literacy among youth, together with our partners we reached 219,070 students in Germany alone in 2014. Read more under Community engagement on page 55.

[1] Research reports are available for download on our website www.allianz.com/sustainability.

Employer

Sustainability priorities	Achievements 2014
Increasing the number of women in leadership positions	Our global target is to have at least 30% women in our Group-wide talent pool for executive positions. At the end of 2014, women accounted for 23.1% of managers in executive positions below the Board of Management and 36.2% of managers at all levels. Read more under Diversity on page 61.
Fostering the health and well-being of our employees	We contribute to the well-being of our employees by creating a productive and health-promoting workplace. In 2014, we launched the Work Well Program to ensure that the most common root causes of stress are addressed. Read more under Health, safety, work-life balance on page 63.

Insurer

Sustainability priorities	Achievements 2014
Furthering the integration of sustainability in products and services	We have a range of "green" solutions that help mitigate climate change or take its environmental impact into account. In 2014 we offered 156 such solutions ranging from asset management to insurance and services. Furthermore we continue to integrate environmental, social and governance (ESG) aspects into our underwriting processes. Read more under Green Solutions on page 69 and ESG in Underwriting on page 67.
Improving access to financial services	2014 has seen strong growth in both the number of people insured and gross written premium. We now insure 44.6 million people with revenues of €113.7 million. Read more under Microinsurance on page 70.
Improving our understanding of damages related to natural catastrophes	External research: Allianz has teamed up with the University of Cologne for a joint research project to improve understanding of European wind storms. This helps to predict the likelihood of seasons with an extreme number of winter-storm events, and hence their potential effect on our customers and our business. Internal research: Allianz Re carried out extensive analyses of flood claims following the 2013 flooding in Germany and the floods in the UK during the winter of 2013/2014. This has enabled us to better assess how vulnerable properties are to flooding, and fine-tune the models that reflect our exposure. Allianz has also acquired a global data set of flood maps, which allows, for example, better flood assessments. Read more under Researching climate change on page 13.

Investor

Sustainability priorities	Achievements 2014
Furthering the integration of sustainability in products and services	We have a range of "green" solutions that help mitigate climate change or take its environmental impact into account. In 2014 we offered 156 such solutions ranging from asset management to insurance and services. What is more, at the end of 2014, the assets we managed in Sustainable and Responsible Investment (SRI) funds amounted to €117.4 billion. Read more under ESG in third-party asset management on page 81.
Furthering sustainability in own investments	The total sum of our direct investments in renewable energy projects stood at over € 2billion at the end of 2014. Our renewable energy portfolio includes 48 wind and seven solar parks in France, Germany, Italy and Sweden. Furthermore we continue to integrate environmental, social and governance (ESG) aspects into our investment processes. Read more under Low-carbon investments on 77.

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D Management and Performance in our Roles

Trusted Company

In our role as a company, we aim for transparency in business activities and treat customers, employees and partners with integrity and honesty. We are committed to minimizing our environmental impact and are constantly working to achieve low-carbon operations.

Compliance

Allianz's Compliance Management System aims to ensure compliance with internationally recognized laws, rules and regulations, and to promote a culture of integrity in order to safeguard the company's reputation. Allianz has taken a leading role in compliance organizations, including the German Institute for Compliance (DICO e.V.) and the Roundtable for Compliance Officers of Multinational Insurance Corporations. We are recognized as being one of the world's most transparent multinational companies. In 2014, we continued with measures to further strengthen the effectiveness of compliance management by enhancing quality assurance, global reporting on compliance risks and independent reviews of key elements of our compliance program.

Compliance Quality Assurance

The Group-wide Compliance Quality Assurance Program verifies the effectiveness of the local design and the implementation of the Allianz compliance management system across the Group. The program monitors performance through self-assessments, onsite reviews and local spot checks, creating transparency on the status of our local compliance functions and laying the foundations for taking the necessary steps to further improve and strengthen compliance.

Compliance case reporting tool

The intranet-based Compliance Case Reporting Tool (CCRT) supports Group Legal & Compliance in maintaining an overview of all reported compliance cases (including whistleblowing), and monitoring the progress of local investigations. Since its Group-wide introduction in 2011, the reporting of cases has become more consistent and standardized. The CCRT helps to identify certain trends (for example, case type, communication channels, etc.), risk areas or hotspots per business type, operating entity, region or Global Line. Results are regularly reported to the Audit Committee and Integrity Committee, and a report to the external auditors or regulators is produced in case it is required. Cases are analyzed on an individual basis, incorporated into our risk analysis framework and included in training modules for employees. More information can be found in the Allianz Group Annual Report.

Whistleblowing

All employees have access to local or Group-wide whistleblowing channels so that they are able to raise concerns anonymously (unless local legal restrictions apply). Allianz has a strict non-retaliation policy and does not tolerate retaliation against any employee who reports concerns in good faith. A Whistleblowing Guideline provides technical guidance for compliance officers and senior management to ensure incoming reports are treated appropriately. Whistleblowing is promoted on a regular basis via Group-wide campaigns such as the International Fraud Awareness Week or the International Anti-Corruption Day.

Anti-Corruption Program

Allianz has a zero tolerance principle on fraud and corruption. We comply fully with local and international anti-corruption and anti-bribery laws, and maintain effective and robust anti-corruption systems, procedures and controls. The Allianz Anti-Corruption Program has been running since 2009 and sets out the Allianz Group's minimum anti-corruption and anti-bribery standards. Appropriate portions are also applied to Representatives, Joint Ventures and Outsourcing Partners (as defined in the Anti-Corruption Policy).

The program prohibits the offer, acceptance, payment or authorization of any bribes and any other form of corruption, whether in the private sector or given to a local or foreign government official. Allianz demands transparency and integrity in all business dealings on all levels, to avoid any improper advantage or the appearance of questionable conduct by employees or third parties with whom we do business.

Business units analyzed for corruption-related risks

Our general operational risk management approach assesses corruption and fraud risks. All operating entities are required to perform an annual anti-corruption and anti-fraud risk assessment. Additional assessments, onsite reviews and follow-ups on results are combined with our Compliance Quality Assurance Program. All risks identified for all entities globally are uploaded to and tracked by a Compliance Issue Tracking Tool.

Employee training in anti-corruption policies

All employees undergo regular compliance training, which offers practical guidance for making decisions and avoiding potential conflicts of interest such as the acceptance of gifts and invitations from business partners. Since 2010 Allianz has conducted anti-corruption training courses that are compulsory for all employees. These take the form of online and in-class trainings, which provide information about the main anti-corruption and anti-fraud principles in more than 20 languages. In 2013, we conducted training for more than 65,000 employees and successfully continued this process in 2014.

Sales Compliance Program

Allianz has successfully implemented a global Sales Compliance program for its insurance business. The vast majority of entities covered by the program have completed implementation. The program embeds more controls in the product development phase, expects that businesses manage conflicts of interests in their remuneration practices and requires adequate care when external distributors are contracted. One key initiative in 2014 was the enhancement of product development oversight and analysis with regards to compliance related topics.

Implementation of the Allianz Data Protection and Privacy Standard

A new Allianz Standard for Data Protection and Privacy was published in 2013. The Standard defines the rules and principles for the collection and processing of personal data within the Allianz Group. A high standard of data privacy has been established throughout the Group in order to protect the individual's right to privacy, as well as the Group's reputation as a trustworthy partner. There are six privacy principles: due care, purpose specification, reasonable limitation, transparency and openness, choice and consent as well as privacy by design.

Throughout 2014, the Group Data Protection function supported subsidiaries in implementing the new Standard and establishing appropriate data privacy management systems by providing awareness materials, risk assessment templates and various other tools. The most important step is the initial assessment of all the processes that collect and manage personal data, in order to check their legal feasibility as well as the necessity for specific privacy controls. The effectiveness of these controls will be tested and checked regularly as a major aspect of the plans for the upcoming year.

Sanctions and embargoes

Allianz complies with all applicable economic sanctions within all jurisdictions that we operate – including those imposed by the United Nations, the European Union and the United States. In addition to complying with applicable sanctions regimes, Allianz entities world-wide have additional restrictions on business related to Iran, Sudan, Syria and North Korea. These restrictions are implemented through a global compliance program, with economic sanctions that include ongoing counterparty screening and enhanced due diligence on relevant processes such as underwriting and claims.

It is important to note that Allianz may provide insurance coverage to international clients that have incidental business related to sanctioned countries if this business complies with all applicable sanctions (for example, insurance for humanitarian goods). Even then, any such business is subject to enhanced due diligence and a special approval process.

Foreign Account Tax Compliance Act

Allianz is committed to complying with global regulations on the prevention of international tax evasion in all countries where it operates. In this context, we have established Group-wide policies and procedures for compliance with the Foreign Account Tax Compliance Act (FATCA) and, where applicable, with related national laws and regulations. FATCA is a regulation enacted by the U.S. Congress aimed at enhancing tax compliance by U.S. persons holding assets with financial institutions registered outside the United States. Starting 1 July 2014, FATCA obliges non-U.S. financial institutions to identify and disclose their U.S. account holders to the U.S. Internal Revenue Service (IRS) either directly or through national tax authorities. Moreover, all Allianz Group entities in-scope of FATCA and which are required to register were successfully registered with the IRS in 2014.

Antitrust program

The Allianz Antitrust Program consists of (i) a Minimum Standard for Antitrust Compliance, outlining the compliance measures to be adopted locally and (ii) a set of core behavioral rules (Allianz Antitrust Code), explaining relevant antitrust risk areas and describing the rules of conduct to be observed by employees when dealing with competitors, customers, business partners or attending trade association meetings or conferences. Principles set-out in the Code are explored in local training sessions and a global e-learning tool. In 2014, the global e-learning tool was rolled out to approx. 37,000 employees from Allianz insurance entities worldwide and classroom trainings took place on a local level.

Environmental management

Taking environmental responsibility seriously

The Allianz Climate Change Strategy encompasses our activities as a financial services provider and investor, as well as our internal operations. It commits us to playing a lead role in supporting the development of a low-carbon economy, including being a carbon-neutral business. However, our environmental responsibility extends beyond our Climate Change Strategy. For example, we also promote and improve environmental standards in our supply chain management and in our investment and insurance business processes.

We have a Group-wide Environmental Management System (EMS) that is coordinated centrally by Allianz-4Good, the Group-level department for sustainability. Operational responsibility lies with the Group Environmental Officer, whilst Board-level responsibility is with Maximilian Zimmerer, the Board member responsible for investments.

The Group-wide EMS covers more than 89% of our global employee base. It supports systematic environmental data collection and control, and transparent reporting of our performance.

We have identified the key environmental impacts from our operations.

- Energy we use to operate our buildings and IT equipment
- Business travel by air, car and train
- Paper used
- Waste generated from our day-to-day operations
- Water used in our buildings

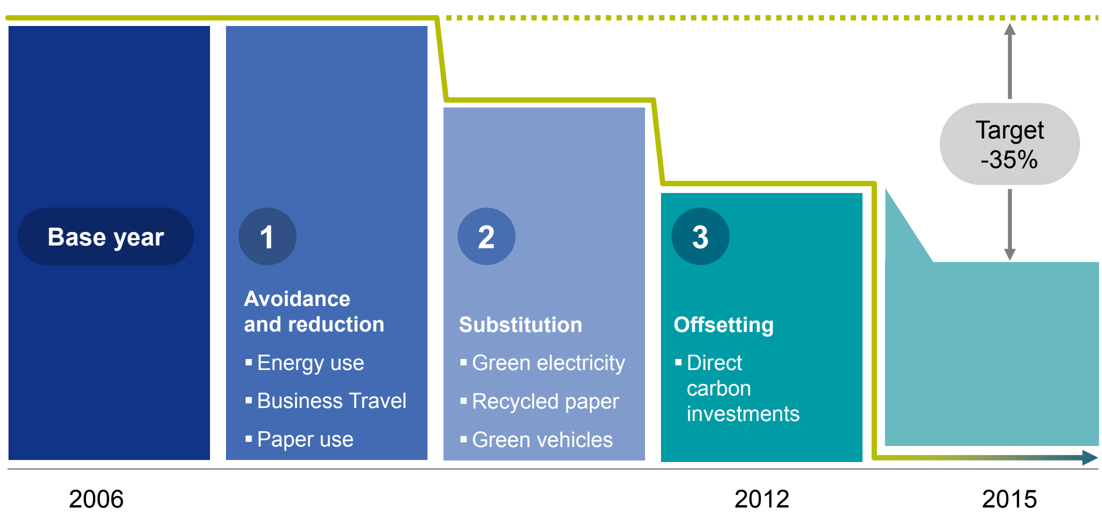
As part of the EMS, we manage and monitor progress across these five key indicators to minimize resource use and reduce our environmental footprint.

Carbon reduction strategy

Our long-established carbon reduction strategy is based on a holistic approach: first, to avoid and reduce our emissions, second to substitute with lower-carbon alternatives, such as buying renewable energy and using fuel-efficient vehicles; and finally to offset our remaining emissions through direct investments in carbon projects – a distinctive and unique feature of our carbon reduction strategy to being carbon neutral.

We have a target to reduce our carbon emissions per employee by 35% by 2015, against a 2006 baseline.

Three levers of our carbon reduction strategy



Because energy use is the largest contributor to our carbon footprint, we have also set ourselves a specific energy target to support our overall carbon reduction target. By 2015, we aim to reduce the energy consumption per employee by 10% measured against a 2010 baseline. More than 98% of the Group's emissions is generated by energy, travel and paper, and so we focus our activities on these three areas:

- Through our green IT hardware purchasing policy, we purchase energy-efficient devices and use the "Energy Star" and Electronic Product Environmental Assessment Tool (EPEAT) as Group-wide standards for all IT purchases. A major focus of our activities in recent years has been the consolidation of our server infrastructure in order to deliver energy-efficiency gains. We also review the energy performance of Allianz buildings to determine their energy-efficiency and the potential for carbon reduction.
- Our global travel regulation sets minimum standards for employee business travel, to help reduce unnecessary travel and promote lower-carbon forms of transport where appropriate. It promotes, for example, video conferencing and rail travel as alternatives to air travel in order to reduce emissions, cut costs and save time.
- Our global print policy cuts overall paper consumption and reduces costs.

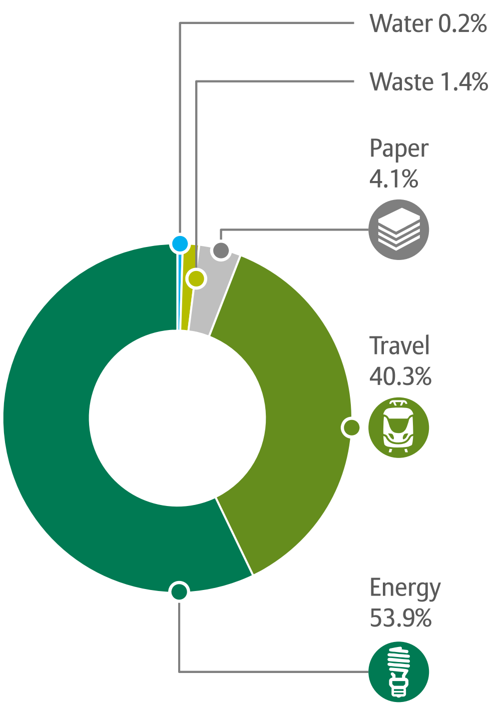
Engaging employees

Employees across the Group are engaged in activities to reduce our carbon footprint, with some focusing on functional responsibilities and others on awareness-raising and effecting individual change and action. For example, we run campaigns aiming to raise awareness of climate change as a critical issue for our business by providing employees with background information on climate change and stimulating discussion on what can be done to tackle the problem and the implications for Allianz.

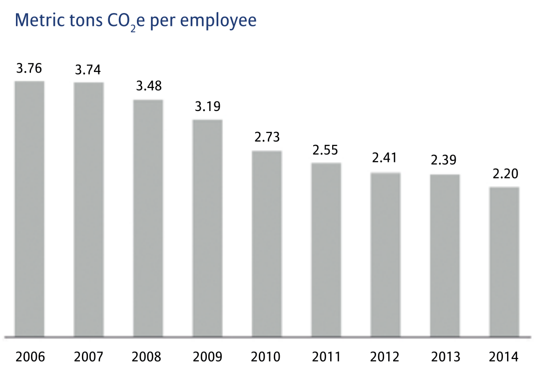
Achievements 2014

During 2014, Allianz continued to reduce its carbon footprint, cutting CO_2 emissions per employee from business operations by a further 8.1% compared to 2013. Our overall CO_2 reduction per employee since 2006 now stands at 41.3%. We have also reduced our energy use per employee by 27.2% since 2010.

Breakdown of CO_2 emissions 2014



CO_2 emissions per employee 2006-2014



Although we have already reached our 2015 CO_2 reduction target (a 35% reduction in CO_2 emissions per employee between 2006 and 2015), and our energy reduction target (a 10% reduction in energy use per employee between 2010 and 2015), as the economy continues to improve, the challenge for Allianz will be in reducing our energy consumption and CO_2 emissions over business cycles.

Trends 2014

- CO_2 per employee decreased to 2.2 metric tons, with the reduction primarily driven by lower energy consumption.
- Energy remained the primary contributor to our carbon reduction, while emissions from business travel and paper use increased.
- Our total energy consumption decreased significantly by 15.8% against 2013, which is reflected also in a 14.2% reduction in our emissions associated with energy use.

Since over 98% of our emissions come from energy consumption, travel, and paper use, the focus of our carbon reduction activities is on these areas. Investments in our buildings, and particularly the inclusion of sustainability considerations such as energy efficiency for office relocations, played an important role in driving down our energy use. Examples include the office relocations in Switzerland, including a move to a new building in Wallisellen, which has achieved the demanding Swiss Minergie certificate. Altogether, energy use across the estate of Allianz Switzerland halved in 2014 against the previous year.

The new Allianz Global Investors office building in Frankfurt, Triton-Haus, is another example of our efforts to achieve an environmentally-sustainable office building portfolio. The building achieved a "Gold" rating from the DGNB (Deutsche Gesellschaft für Nachhaltiges Bauen - German Sustainable Building Council) and the energy efficiency gains in 2014 have been impressive.

2014 also saw a mild winter and moderate summer in much of Europe, which accounts for a significant part of our workforce and related offices. Less reliance on energy-intensive heating in the winter and cooling in the summer contributed to the significant absolute reduction in our energy use against 2013.

The share of energy from renewable sources within our energy mix remained broadly stable at 40%. Our renewable energy continues to primarily come from hydro-generated power plants and now nearly half (46%) of our entities globally (by headcount) source a portion of their electricity from renewable sources.

The growing internationalization of our business is reflected by our travel needs. Whilst the distance travelled per employee dropped slightly in 2014 against 2013 (-1%), the longer-term trend against 2006 continues to show a 4% increase to 2014. Car travel remains the most significant mode of transport (by total distance travelled) with a 48.4% share followed by air travel (44.4%) and train (7.1%).

Whilst the carbon intensity of our business travel is at the three-year average across all our modes of transport (0.135gCO_2e/km, 2012-2014), the long-term trend against 2006 shows an improvement of 20%, driven by our increasingly more efficient car fleet.

Alternatives to travel through IT-based solutions such as video-conferencing continue to play a key role in our efforts to balance client needs, business travel and our commitments to addressing climate change. For example, Allianz Germany more than tripled the number of participants of booked video conferences between 2013 – 2014 through a number of measures including increase in video conferencing suites and the implementation of a new booking tool.

Our paper consumption remained stable at the five-year average (135kg per employee in 2014). The importance of certified sustainable paper continues to grow and FSC-certified paper now makes up nearly a third (32.2%) of all paper sourced across the Group. We will continue to focus on reducing the absolute amount of paper required, supported by our digitalization agenda.

Carbon neutralization

Allianz became a carbon-neutral business in 2012. In addition to our carbon reduction target (see overleaf), being a carbon-neutral business is one of our commitments and contributions to supporting a low-carbon economy. Instead of simply buying credits on the carbon market to offset our carbon footprint (following carbon reduction activities in our operations), we invest directly in high-quality carbon reduction projects, which generate credits that we can then use to offset our remaining carbon footprint. In 2014, 322,529 credits, each accounting for one metric ton of carbon avoided, were retired from our own projects.

Assured (KPMG Independent Assurance Report)

Outlook

In 2015 we will develop our environment targets for the period after 2015 (the end of our current formal target year). We will also continue to improve the quality of our environmental data and further automate reporting processes. Better data quality will be the basis for future decision-making on environmental activities and targets.

Brand management

The Allianz brand plays a key role in driving the growth of our business in the long term. In countries where our brand is well established, we are perceived as a trusted partner in our customers' lives, helping them to make the right decisions, to progress and achieve their goals. In newer markets, we leverage the strength of our brand to grow market share and to stimulate interest in a wider range of products and services. We have a one-brand strategy. Today, 83% of our Group revenues are generated under the Allianz brand.

Our global brand communication concept 'ONE' places the customer at the center of our activities and is based on real people sharing real experiences of their life and business. 'ONE' helps us to establish a consistent global brand message, to foster our positioning as a trusted partner and to convey an authentic brand experience across different regions, cultures and customers' needs.

Monitoring the performance of the Allianz brand is important for understanding the key factors that deliver brand value in our local markets over time.
As part of our global brand management process, we use a standardized market research design to benchmark the performance of the Allianz brand regularly against local competitors. Constant feedback from customers and prospects helps us to better understand local value drivers, identify the strengths and potential of our brand along the buying process and optimize resource allocation as well as brand investments.

Sustainability as integral part of our sponsoring strategy

We have a number of centrally-established sponsoring platforms supporting our global brand. Our sponsorships include the Paralympic Movement, golf at St Andrews Links, Formula 1™, football with our partners FC Bayern München and FC Barcelona, as well as naming rights for a family of stadiums around the world. In the area of arts and culture, we entered a global partnership with Lang Lang and his international music foundation.

Corporate responsibility is a vital component of our strategic sponsoring approach. Through our Formula 1™ partnerships and our Road Safety program, we have been successfully promoting Road Safety around the world for more than 10 years. Through our support of the Paralympic Movement since 2006, the topic of inclusion is widely promoted. As the first and only global partner of St Andrews Links, we contribute to the preservation of the historic Scottish coastline.

When considering stadium naming rights sponsorships, we follow a balanced set of evaluation criteria, including, for example, the state of the art-safety standards and environmental factors of the building itself.

The Allianz Riviera Nice is a best practice example of an eco-aware architectural project. All the techniques and materials in building the stadium meet the High Quality Environmental (Haute Qualité Environnementale, HQE) performance standards. Amongst other sustainable features, the stadium has a translucent silhouette that allows light to enter along with a wooden structure to reduce the carbon footprint. It also has a photovoltaic roof.

Supporting young people in the area of education and inter-cultural dialogue is another aspect we consider in our dedicated youth programs such as the Allianz Junior Football Camp with FC Bayern München, the Allianz Golf Camp at St Andrews Links and the Junior Music Camp with Lang Lang.

We also promote women's sport. Through our brand ambassador, Beatriz Recari, a professional golf player on the LPGA tour, and as a global partner of the 2015 Solheim Cup, the female equivalent of the Ryder Cup, we want to raise the profile of women's golf and inspire young girls to start playing. In football, we are also one of the main partners of the FC Bayern München women's team.

Compliance policies

Most of our sponsoring platforms, both on a global and local level, include unique opportunities to offer hospitality to clients and business partners. Hospitality to clients and business partners has to be conducted in a manner that is transparent, legal and ethical.

Any conflict, or the appearance of a conflict, between an Allianz representative and their responsibility to clients and business partners, must be managed appropriately. This is why we have mandatory compliance regulations for all global and local sponsoring activities.

For example, we have a specific compliance guidance on "Sponsoring and Hospitality" relating to the Allianz Group Gifts and Entertainment Policy. Offering hospitality must also be in accordance with the Allianz Code of Conduct, Allianz Anti-corruption Policy, as well as applicable local policies and laws. This key compliance-related information is distributed as part of our binding global Sponsoring Guidelines.

For more information on our compliance activities, please read page 37.

Achievements 2014

Brand value

Allianz remains one of the strongest growing financial services brands in the Interbrand ranking of the 100 Best Global Brands. In 2014, the value of our brand has grown again, increasing by 15% to approximately US $7.7 billion. This places Allianz 55th among the world's top 100 brands, up eight spots from last year's ranking.

Sustainability award winner

The Allianz Park in London, the home of the Saracens Rugby Club, won the Sustainability Award at The StadiumBusiness Awards 2014. These awards recognize leadership, innovation and achievement in the delivery, operation and management of sports facilities globally.

Customer relationship management

Creating a customer-centric organization

Our customers' needs and how we meet them are central to our ambition to build the strongest financial community, and our aim to be the most trusted partner within our core business of insurance and investments.

Societal changes such as increasing digitalization and urbanization are influencing consumer attitudes, and how they access our products and services. We aim to accompany our customers through their life, so it is vital that we identify their changing needs and adapt our business accordingly.

The functional set-up of Market Management ensures that our market and customer-focused approach is organized and continually improved. Market Management is responsible for developing and evolving the local market strategy, linking clear objectives with customer, distribution channel, product, service and brand strategies, based on in-depth market and customer insights.

Establishing loyal customer relationships

The loyalty of our customers is a key factor for sustainable growth. Constant feedback from our customers is vital to ensure that we improve our products, services and processes. We use tools such as the Net Promoter Score (NPS) to gather customer feedback. These tools help us listen to our customers, identify their needs and learn from them so that we improve our products, services and processes.

NPS is a measurement of customers' willingness to recommend Allianz and is our key global metric for customer loyalty. We regularly measure NPS in around 40 Allianz companies worldwide, representing approximately 90% of gross premiums written.

- Top-down NPS is measured annually by our local companies. The research is conducted by external institutes to ensure impartiality and credibility. It follows global cross-industry standards and allows benchmarking against local competitors.
- Bottom-up NPS is a certified tool used to measure customer loyalty following key interactions with Allianz, such as claims handling or sales. By asking for direct feedback after important customer interactions, we are able to better understand customer expectations, as well as monitor how our improvement measures are working and whether we are meeting our defined service levels.

In addition to NPS we use different feedback sources to receive further insights how to deliver a superior customer service. These sources include complaint management, mystery shopping, social media management and exit surveys - when a customer decides to cancel a policy.

Past experience has shown that employees who are also customers can offer unique feedback, for example they can provide insights how to turn a negative customer experience into a positive one. They are also able to contribute to improvements as they experience our products and services themselves.

To further strengthen and foster the relationship with our customers, an increasing number of markets offer Loyalty Reward Programs that give various benefits to our customers such as discounts, gifts and the possibility to win exclusive events.

Offering affordable, easy-to-understand and adaptable solutions

Customer requirements and feedback are integrated into product design - from concept development through to product testing, pricing and assessing customer benefits. We also involve customers in a range of product research and development tools including co-creation, digitally-supported crowd-sourcing and panels.

We place ourselves in the shoes of our customers so that we can offer solutions that meet specific needs, including old age provision, car and home safety.
We also link our products to certain life stages and situations, such as tailor-made solutions for families or young people.

Technology is utilized to offer flexible and needs-based solutions. This flexibility enables us to provide either a modular catalogue of coverage where customers can assemble their desired product packages at the respective price, or pre-packaged insurance solutions with basic, medium or premium protection.

Besides measuring official and industry-specific quality metrics from independent testing institutes in our local markets, we benchmark customer-related performance indicators, such as perceived quality of products, value for money, fairness and transparency. This helps us to improve over time and to identify best practice to share across our global operations.

Responsible sales

Allianz's reputation is based on the trust that customers, shareholders, employees and the general public have in our integrity. For more information on our compliance program for responsible sales see page 68.

Our achievements 2014

In 2014, 47% of Allianz businesses significantly outperformed their local peer average and 32% achieved loyalty leadership in their market. While we did improve our performance in many markets, so too did our local peers. In 2015, by leveraging successful customer experience initiatives among our local entities, we expect that more Allianz companies will outperform their local peer average with their NPS performance.

Sustainable supply chain management

For many years, Allianz has been committed to the twin goals of transparency and integrity in our dealings with all business partners. This is the driving force behind our efforts to promote and improve sustainability standards in our supply chain management. Although, by the nature of our business, the risks associated with our suppliers are limited, our goal is to continually promote sustainability standards in our supply chain. Our Global Sourcing and Procurement department, plays a key role in promoting sustainability standards with current and potential suppliers.

In practice, this means ensuring that all suppliers abide by the Environmental, Social and Governance (ESG) standards outlined in the Allianz Code of Conduct and our Purchasing Principles. Both the Code and the Principles are aligned with International Labor Organization (ILO) standards and the principles of the United Nations Global Compact, which cover human rights, labor standards, environmental protection and anti-corruption.

Assessing supplier risk

Allianz has an integrated risk management process that is applied consistently across the Group to ensure that risks are identified and assessed using a standard process. Supply chain risks are covered as part of this process and the results of our Group-wide risk assessment show that supply chain risks are limited. Although supply chain risks are not among the top risks for our business, there are risks within our supply chain that have been identified and are managed as part of our supply chain management depending on their potential impact.

Our supply chain largely includes suppliers from the following sectors: IT hardware and software, office supplies, facility management, consulting, and travel including airlines and hotels.

Managing our supply chain

The task of supervising supplier compliance with our sustainability standards is split between global and local departments. Our Group procurement department covers globally-sourced products and services and our subsidiaries' purchasing units cover those sourced locally. These units ensure that all suppliers comply with our sustainability standards for all purchasing activities. Our global guidelines for IT, non-IT and core business procurement define principles of procurement as well as the cooperation between local procurement and Group procurement.

Our process for screening suppliers

We have a two-tier process to ensure suppliers comply with our sustainability standards:

- The Supplier Selection Process for global suppliers controls the environmental and social standards of potential suppliers. These suppliers are sent a sustainability questionnaire tailored to the potential risks associated with a supplier's respective sector.
- The Vendor Integrity Screening is part of the general Supplier Selection Process and controls the governance and compliance performance of vendors and ensures comprehensive due diligence is completed before a supplier is engaged. In addition, we conduct our own independent research to validate a potential vendor's integrity and ensure comprehensive screening. Local purchasing departments carry out this process with the support of the respective Allianz compliance departments.

The Vendor Integrity Screening and sustainability questionnaires are part of our requests for proposal as well as contract renewals.[1] Since the average supply contract term is three years, this ensures suppliers are regularly monitored. We also require suppliers to keep us informed of any business relationships conflicting with the Allianz Code of Conduct.

To assist our procurement departments globally in understanding the risks associated with suppliers, we

1 For all global suppliers and all local suppliers with a contract value over a certain threshold (set locally) according to the Allianz Group Standard for Procurement.

maintain a global database listing all suppliers that have been assessed by the Vendor Integrity Screening. Established in 2011, the database is accessible by all procurement departments and shows supplier ratings for specific risks in low, medium and high categories.

Once a supplier has been approved, all contracts between Allianz and suppliers contain a clause committing them to comply with Allianz's sustainability standards. If a supplier (or its employees or subcontractors) is found to be in breach of the contractual obligations to comply with Allianz's sustainability standards, we will enter into a dialogue with that supplier to determine the type and extent of the breach and its seriousness. The outcome of this dialogue will result in the contract either being terminated, suspended pending further investigation or subjected to the provision that the supplier has to implement remedial measures to ensure the breach will not happen again.

Minimum standards for responsible sourcing

Allianz is currently defining a Code of Conduct for Suppliers, which will oblige suppliers to adhere to certain requirements set by Allianz Group. It covers topics such as the responsible usage of Allianz assets, data privacy, prevention of bribery/corruption, money laundering, terrorist financing, sanction breaches, respect for human rights and non-discrimination, fair-labor practices and environmental protection. Once published, the Supplier Code of Conduct will be implemented throughout the Group and will replace the current requirement to comply with Allianz's (internal) Code of Conduct for Business Ethics and Compliance for new contracts and renewals. Roll out is planned for late 2015.

Sourcing energy efficiency

Energy use is the largest contributor to our carbon footprint accounting for more than 50%. We therefore have a specific focus on reducing the amount of energy we consume.

- A Green IT Hardware Purchasing Policy came into force in 2011, covers all new IT equipment and ensures that we only source energy efficient devices. As a result, "Energy Star" and Electronic Product Environmental Assessment Tool (EPEAT) are the minimum standards for all IT products sourced globally.
- In 2014, we negotiated a new Group contract that provides all Allianz entities with the opportunity to find potential improvements in local energy consumption for their offices. This contract is with Siemens Building Technology, who are specialists in site infrastructure energy efficiency and offer this service globally.

Committed Corporate Citizen

Allianz aspires to be a committed corporate citizen by contributing to the communities in which we operate. We strive to advance local social well-being and support informed decision-making at a governmental level as part of our vision to build the strongest financial community.

Political engagement

Cultivating ongoing political dialogues

We have ongoing dialogue with governments and related institutions on key economic, governmental, and societal issues, and we are working to create a political environment that supports Allianz's development and that of all of our stakeholders.

We are living in a time of multiple economic and political challenges, such as over-indebtedness of sovereign states and a financial crisis in the Eurozone that has not yet been overcome. Extremely low interest rates combined with market insecurity and volatility remain critical factors for our business and particularly for our customers. The main goal of our political engagement is to find and contribute to solutions for these issues and to create a stable political and economic landscape that will benefit our customers and all other stakeholders over the long term.

Fostering government relations

Our Group Public Policy (GPP) department is responsible for working with political institutions worldwide. GPP listens to what politicians require of the financial services industry and voices an expert opinion on legislative proposals and their implementation.

The GPP Headquarters is in Munich, with representative offices in Beijing, Berlin[1], Brussels, Rome, and Washington D.C. In other Allianz subsidiaries, GPP engages through its political contacts – designated colleagues within our local companies – who seek their company's views on specific European or G20 issues and support our Group-level positions with local legislators.

1 As of 1 January 2015, the Berlin Representative Office is placed under the responsibility of the CEO of Allianz Deutschland.

The role of GPP is to monitor regulatory and legislative activities, organize any necessary internal opinions and formal responses, and provide the Group – up to Board level – with the expertise needed to engage on the most important political and economic issues. As our main gateway to political institutions, GPP also organizes presentations, meetings and joint letters by industry associations and other corporate groups on matters of particular relevance for Allianz.

Management of political issues

We identify, monitor and prioritize issues that are relevant to Allianz and our stakeholders, so that we can engage on key political and economic issues at an early stage. We track legislative developments at a global, European and national level. Our ongoing management of political issues not only involves reviewing, maintaining and creating new policy positions, but also setting up conferences and events focusing on issues of major societal importance, such as energy security, demographic developments and climate change. We also hold regular discussions with political decision-making bodies, academia and civil society on fundamental societal developments that could have a strategic impact on our business and our stakeholders.

Lobbying and political networking

Lobbying is often misunderstood. Political lobbying sometimes has a negative image because of a perception that companies use it to gain influence with policymakers and lawmakers. People also believe lobbying is used to change or weaken policy for the benefit of company interests regardless of the wider social or environmental implications.

However, in actual fact, relationships between governments and businesses represent a democratic necessity in a highly specialized world, and are never a one-way street.

Governments, parliaments and regulators can only work effectively and efficiently by considering a broad range of perspectives and expert advice on policy development. The world of business is one source of expert advice. At Allianz, we can add value in the public policy arena by providing expert opinions on the complex regulatory issues affecting the financial services industry. Our policy advice does not purely focus on our financial business interests, but also considers the interests of broader society in the long run, which is a simple reflection of our stakeholders.

All of our lobbying and political networking engagements are conducted in line with the Allianz Lobbying Code of Conduct, which is based on a strict set of values to ensure a high level of integrity in all of our interactions with political bodies, parties and organizations.

We are also committed to full transparency in our lobbying activities and have voluntarily registered under the European Union Transparency Register. By registering we have also signed the Transparency Register Code of Conduct. Our profile can be found on the European Union website.

Our positions[1]

The following subjects were of prime interest for us in 2014.

Relevant regulatory initiatives

Banking vs. Insurance Regulation: Regulation tends not to make a distinction between banking and insurance activities, despite the fact that regulatory measures targeted at the banking sector are not readily transferable to the insurance sector.

Allianz supports the development of global regulatory standards to increase global financial stability and protect the real economy. However, insurers and banks have very different business models and these standards need to acknowledge the differences between banking and insurance if they are to mitigate financial distress in the global financial system.

Banks operate the payment and credit system and are highly interconnected. Insurers take over risks from policyholders, which are then pooled in large portfolios, but are in no way interconnected with each other.

Banks typically accept short-term deposits which are then invested long-term, which makes them susceptible to liquidity shortages when deposits are withdrawn on a large scale and at short notice. Insurance companies receive premiums that are paid upfront and invested in line with the maturity of the insurance liabilities. Furthermore, non-life insurance risks are not correlated to financial market risks and corresponding financial crisis situations.

Advanced prudential supervision protects policyholders by ensuring companies hold enough capital to satisfy their obligations in all circumstances. Other security mechanisms assure the ability of insurance companies to always meet their financial obligations.

The European Banking Union was launched in 2014 to supervise the highly-connected banking sector. However, we believe that a European insurance union is neither viable nor necessary.

Global Regulatory Developments – Global Financial Regulation: In 2009, the Financial Stability Board (FSB) developed a coordinated approach to regulation, supervision and other financial sector policies, to promote international financial stability. As part of this, the FSB analyzed the impact of the insurance sector on the stability of the global financial system. Many of the regulatory concepts designed for the banking industry reappear as proposals for regulating the insurance sector and (third-party) asset management.

In 2014 the FSB designated nine insurance groups[2] as "Global Systemically Important Insurers" (GSII), including Allianz. This designation results in three new requirements:

1 For details on our positions, please visit our online report at www.allianz.com/sustainability

2 Allianz, AIG, Generali, Aviva, Axa, MetLife, Ping An, Prudential Financial, Prudential plc.

- Enhanced Supervision
- Effective Resolution
- Capital Requirements

Substantial progress on major aspects is required by the end of 2015; supervisory reporting will start in 2015 and public disclosure is planned to start in 2019.

These requirements need to take into account the specifics of the insurance industry and should provide the right incentives for insurers to systematically reduce risky activities where necessary. Further systemic regulation focusing on third-party asset management is expected to be developed during 2015.

Solvency II will be launched in Europe in 2016 and will introduce solvency requirements based on the actual individual risk profile of each insurance company. A similar policy needs to be created on a global level and the work being done by the International Association of Insurance Supervisors is an important step in this direction.

Insurers are facing a continued low-interest rate environment, which creates a need for alternative investments. Insurers are also looking for investment opportunities that support their obligations for effective risk management. However, effective and material investment hinges on conditions such as sufficient legal certainty for private investors, easy access to investable assets, and an attractive project pipeline.

Consumer Protection in Insurance and Asset Management: There are a number of EU initiatives to protect consumers by ensuring a true and fair sales process, avoiding any misrepresentations and making sure that products meet expectations.

Allianz is in principle supportive of the legislative agenda, particularly moves to enhance the quality of advice and appropriate cost transparency for consumers. We have already taken steps to ensure that our sales force consistently delivers high-quality service. Further examples of Allianz's commitment to the consumer include:

- We actively promote consumer education and are a founding member of the My Finance Coach initiative.
- We support the distribution of the Code of Conduct of the German Insurance Association as well as the German Insurance Industry's Advanced Training Initiative "Consulting Better".
- The annual Allianz Customer Report has become the industry benchmark.

Although Allianz promotes customer protection, we do have some concerns that current EU initiatives might go too far while not being effective for the consumer. In general, we believe that consumer regulation should be based on an average and reasonable consumer as a benchmark.

Facilitating investment in a low-carbon economy

Tackling climate change requires a fundamental shift to a global low-carbon economy. According to the Organisation for Economic Co-operation and Development (OECD), there will be a US $1 trillion investment gap per year up to 2035 for 'greening' infrastructure in line with globally agreed climate targets.[1] A large proportion of this investment will need to come from the private sector. Funding is required for clean power generation, upgraded (and smarter) power networks, the development of sufficiently large and flexible storage technology, raising resource and energy efficiency, building sustainable infrastructure and stimulating innovation.[2]

We are already a significant investor in renewable energy generation with €2 billion invested in solar and wind energy projects since 2005. Investing in this type of regulated infrastructure, which is supported by state guarantees on the price paid per unit of electricity, can help to deliver attractive returns to our customers due to their stability over the long term.

With this in mind, it is very important that regulatory frameworks for such projects remain predictable and retroactive changes that might affect existing investments are avoided. We strongly believe that reliable

1 OECD 2013, Institutional Investors and Green Infrastructure Investments. Selected Case Studies
2 New Climate Economy 2014, Better Growth, Better Climate

and stable regulatory frameworks can help provide access to larger pools of capital at lower cost due to lower regulatory risk. This applies particularly in relation to Europe, where an integrated European approach to energy infrastructure could help to reduce the costs associated with the shift to a low-carbon economy.

Dealing with demographic change

During the 21st century, the global population will grow and age further. A continued increase in life expectancy will lead to 10 billion people in 2065 (2013: 7.2 billion people), there of 1.7 billion people aged 65 and older. Such population growth and associated profound changes in the age structure offer opportunities and require preparation. While there is strong population growth in Africa and India, most industrialized countries are currently ageing societies. In order to maintain the level of wealth and the personal living standards of such ageing societies, sustainable social protection systems and increased private savings are imperative.

The Berlin Demography Forum (BDF) – initiated in 2011 by Allianz SE and the German Federal Ministry of Family Affairs, Senior Citizens, Women and Youth – provides a meeting, discussion and learning platform to seek long-terms solutions for such demographic challenges. Around 250 high-ranking representatives from 20 countries, from politics, international organisations, academia, business, civil society and media identify, compare and discuss innovative approaches.

Over the years, the BDF has successfully developed a number of functions for the international discussion on demography. The BDF established an international demographic community and it added some unique elements to the discussion to broaden the perspective. These include the voice of the young generation aged 20-30, ethical dimensions of demographic change and local consequences of demographic trends. Overall, the BDF continues to facilitate the discussion on one of the defining trends of the 21st century.

Supporting political engagement

Memberships in industry associations and bodies

We maintain dialogue with policymakers at national and international levels through various memberships such as Insurance Europe (IE, formerly the European Insurance and Reinsurance Federation, CEA); the European Fund and Asset Management Association (EFAMA); the Geneva Association; and the International Insurance Society (IIS), among others. We also regularly participate in committee hearings at the European Parliament. At the same time, GPP liaises with colleagues representing us in their local insurance associations within various EU member states, and we also participate at the various corresponding U.S. industry associations through our U.S. subsidiaries.

Allianz Forum Berlin

Launched in 2011, the Allianz Forum in Berlin is an initiative that shows our commitment to collaborating with foundations, cooperation partners and other relevant organizations on sustainability issues. The Allianz Forum provides opportunity for interdisciplinary dialogues and focuses on the challenges of the 21st century. Together with a range of civil society organizations, 30 of which share the building with us on a rental basis, we search for answers to pressing questions of our time, such as:

- Demography (aging, health, migration, diversity)
- Environment and climate protection
- Sustainable growth (protecting natural resources, fair trade, war on poverty)
- Intercultural dialogue and the future of Europe

Dialogues at national and international level

Major government relations and public policy activities in 2014 included several events at our Allianz Forum Berlin enabling the ‘Berlin Discussions on Europe’. A selection is described below:

- Allianz, in partnership with the European Commission, organized the Berlin Forum “Energy transition from investors’ perspective” in February 2014, where the status of the transition to a low-carbon energy infrastructure and possible catalysts for further investments were discussed. Keynote speakers were Rainer Baake, Deputy Minister for Economics in Germany, and Jos Delbeke, EU Director General for Climate Action.
- In March 2014, we organized the conference “A Soul of Europe” with Martin Schulz (President of the European Parliament), Jean-Claude Juncker (Pre-

sident of the European Commission) and Manuel Barroso (former President of the European Commission), where artists and intellectuals, among others, discussed how Europe could grow together politically and at other levels.
- The Allianz Cultural Foundation, Allianz Real Estate and Allianz Digital Accelerator established a "European Startup Initiative" in March 2014, identifying bureaucracy and missing venture capital as the main barriers for European startups.
- In cooperation with the Jewish Museum Berlin, we sponsored the reception of the Defiant Requiem in March 2014 in memory of the Holocaust survivors with presence of Ambassador Stu Eizenstat, State Secretary Monika Gütters of the Ministry of Culture and many others.
- The Allianz Cultural Foundation together with the Academy of Berlin-Brandenburg held a workshop on "Democratic Understanding in Europe and the World" in June 2014 with Professor Norbert Lammert, President of the Bundestag, as keynote speaker.
- The Vignoni Lectures, dedicated to fostering the Italian-German relationships and with the vision of further European integration, held a meeting in July 2014 in accompaniment of German Finance Minister Wolfgang Schäuble and Italian Ambassador Elio Menzione.
- "Allianz Distinguished Visitor", Professor Jeremy Rifkin, and the American Academy hosted an event in September 2014 to start the "Vision Summit". The U.S. economist argued that traditional capitalism will be replaced by the so called "shared economy" and invited public policy to adapt regulatory requirements accordingly.

Political donations

As a company headquartered in Germany, Allianz has a significant role to play as a German corporate citizen. We are committed to the country's vibrant democracy, which has brought prosperity, freedom and justice to the German people for 70 years. For this reason, Allianz has contributed for many years to democratic political parties that support the social market economy.

In 2014, as in the previous year, we contributed equal amounts to political parties in Germany representing a variety of views within the political spectrum: the Green Party (Bündnis 90/Die Grünen), Christian Democrats (CDU), Christian Social Union (CSU), Liberals (FDP) and Social Democrats (SPD). To support their activities during the European Parliament elections in May 2014, these parties received a donation of €20,000. We also donated €10,000 to each of the junior organizations of the Green Party (Green Youth), CDU (Young Union), CSU (Young Union in Bavaria), the FDP (JuLis) and SPD (Young Socialists). As usual, our policy for 2015 will be communicated before the middle of the year.

We believe that full transparency remains the prime responsibility in the relationship between business and politics. To deliver this level of transparency, as we donate below the German Bundestag reporting threshold of €50,000, we publish a press release outlining our political donations.

As regards to other countries, any donations to political parties by Allianz companies are insignificant, but do comply with the respective national legislation or conventions.

Community engagement

A committed corporate citizen

As a global company with a presence in more than 70 countries, we take our role in society as a good corporate citizen very seriously. We do not only fulfill this role by making donations but also offering the skills and time of our employees to advance social wellbeing in our local communities. At the same time, we are supporting our company's vision to build the strongest financial community and thereby becoming an integral part of society.

For Allianz, community engagement is an important part of our corporate responsibility. By sharing our know-how, skills, experience and time, we want to:

- Give employees the opportunity to personally contribute to addressing societal needs and other good causes together with Allianz.
- Bring benefits to local communities and support them in tackling social and environmental issues.
- Support Allianz in being a responsible corporate citizen, which in turn supports our aim to be the most trusted partner.

We are convinced that engagement is needed to resolve the social and environmental challenges facing society. We therefore partner both locally and globally with non-profit organizations such as Volans, Phineo, and the Red Cross, to create interdisciplinary teams that extend and amplify our efforts.

Our community engagement activities include employee volunteering, donations (including disaster management) and our network of foundations. Each type of activity is supported by partnerships with external experts in the field.

Corporate volunteering

Employee volunteering

Through employee volunteering, we aim to develop and strengthen links with local communities by sharing our employees' experience and know-how. At an individual level, volunteering helps to build skills that can be brought back into the workplace. Supporting good causes also helps motivate employees, improve teamwork, and provide inspiration through the mutual exchange of knowledge and experiences with people working in different sectors. Volunteering is always a personal choice, and so employees can choose from different volunteering initiatives. In addition to Group-run programs, our subsidiaries worldwide offer their own programs to suit local requirements and community needs.

To encourage employee volunteering, we will launch our Community Engagement Platform in 2015, starting with a pilot in Germany. This will increase the visibility of and access to our initiatives for Allianz employees, with the long-term goal to foster inter-organizational engagement opportunities and broaden our Community Engagement portfolio.

My Finance Coach – Financial education for young people

'My Finance Coach' (MFC) is a non-profit initiative that aims to improve financial literacy among 10 to 16 year-olds in three ways: through classroom visits by corporate volunteers, teacher trainings and extracurricular activities. It is run by, among others, Allianz, Deutsche Börse AG, Deutsche Kreditbank, Giesecke & Devrient Stiftung, KPMG, McKinsey, Volkswagen Financial Services. Altogether, more than 60 companies and organizations are supporting and working with MFC in different areas.

During 2014, MFC reached about 219,000 pupils all over Germany. Employee volunteers from the supporting companies completed more than 1,660 class visits in more than 300 schools.

In 2014, Ludwig-Maximilians-Universität, Munich evaluated the initiative's effectiveness for the third year in a row and reaffirmed the positive effect of the work that is being done. The study analyzed the effect of the MFC initiative on pupils' financial knowledge and focused on investigating the effectiveness of financial education methods in the medium term. The final results of the study from 2014 are expected during 2015.

Some of the supporting activities that were further developed during 2014, include:

- The teacher training section supplemented the existing partnerships with Klett MINT through a new cooperation with another big school book publisher, Cornelsen, and entered new collaborations with federal agencies and universities for prospective teachers.
- Interactive elements and games are particularly popular with children and teenagers, and so MFC has developed a second smartphone app in addition to the "MFC-Geldmanager", called the "MFC-QuizMaster." The quiz app tests young people's knowledge in 13 different categories by challenging them to answer as many questions correctly as possible.
- The project week "We'll get you fit for work" took place for the second time in 2014. This was again co-financed by the European Social Fund in Bavaria and provided theoretical and practical training on choosing a career, to pupils aged 14 to 16, at an intermediate secondary school (Realschule Gauting).
- The National Finance Competition (Bundeswettbewerb Finanzen), initiated in 2011 by MFC, continued its success story, with more than 2,000 applicants from all over Germany in 2014, of which 48 pupils were invited to the final round in Berlin in June. The competition aims to generate enthusiasm for finance, to highlight the benefits of diverse teams through group work and to develop public-speaking skills and self-confidence. In addition, the competition endeavors to make the participants informed citizens of a market economy.

Internationally, MFC is growing further, reaching more than 10,000 pupils during 285 class visits in ten countries in 2014. In addition to Argentina, Brazil, Indonesia, Ireland, Malaysia, Poland, Thailand and the United Kingdom, MFC is now also active in Sri Lanka and Singapore, and further countries are expected to follow.

Class visits with finance coaches are not the only way that MFC expanded internationally in 2014. The teacher training activities also became more global with the introduction of the first bilingual training. This training blended approaches and materials from MFC and one of the partners, Aflatoun, in order to reach an audience of bilingual teachers in Berlin. This joint approach enabled MFC to target a wider group of teachers who, in turn, will convey that knowledge to a broader group of pupils.

My Finance Coach[1]

	2014	2013	2012
Number of Allianz volunteers	723	772	549[2]
Number of schools supported	306	304	208[2]
Number of people reached			
Number of students reached	219,070	155,171	102,530[2]
Number of teachers reached	692	781	590

[1] Figures only include Germany
[2] Correction after consolidated calculation

Social OPEX

Social OPEX is Allianz's strategic leadership and social impact program, which aims to share our employees' business know-how with socially-committed organizations. The unique format supports talent development by offering our employees the opportunity to gain valuable out-of-company experience while exchanging core skills and expertise with the social sector.

In 2014, 48 employees from 12 Allianz subsidiaries volunteered for 21 Social OPEX projects. Overall Allianz invested over 4,000 hours in preparation of participants and on-site project support.

A scientific study conducted in collaboration with the University of Hamburg proved the impact on the engagement and development of participants, as they were found to have significantly increased their job satisfaction, job commitment and ethical behavior on the job.

Social OPEX[1]

	2014	2013	2012
Number of Allianz volunteers	48	59	49
Number of projects supported	21	28	16

[1] Figures include non-consolidated entities (i.e. India) in 2013 and 2014

Corporate Giving

Donations, Charitable Memberships and Foundation Grants

We see corporate giving as part of being a good corporate citizen. We make sure that our corporate giving is transparent and based on uniform principles – namely the Allianz Group Guidance for Donations and Charitable Memberships (Corporate Giving), supplemented by the Principles for Community Engagement. In a broader context, grants made by our 14 foundations also contribute to our corporate giving total, which is published on an annual basis. The collection of corporate giving data is done through our financial accounting system.

In 2014, our corporate giving totaled €20.9 million (compared to €18.6 million in 2013). In addition, we are increasingly providing in-kind support such as soft-skills, time and the expertise of our employees through our employee volunteering programs to support a positive impact on society. We are also actively engaged in partnerships and sponsoring activities, which are not accounted for under corporate giving. We are continuously expanding transparency and reporting beyond corporate giving. This allowed us in 2014 for the first time to report group figures to the London Benchmarking Group, a network of companies that is the leading standard for measuring and benchmarking community engagement. Our cooperation with LBG enables us to better assess our own performance and to compare with peers.

Disaster management

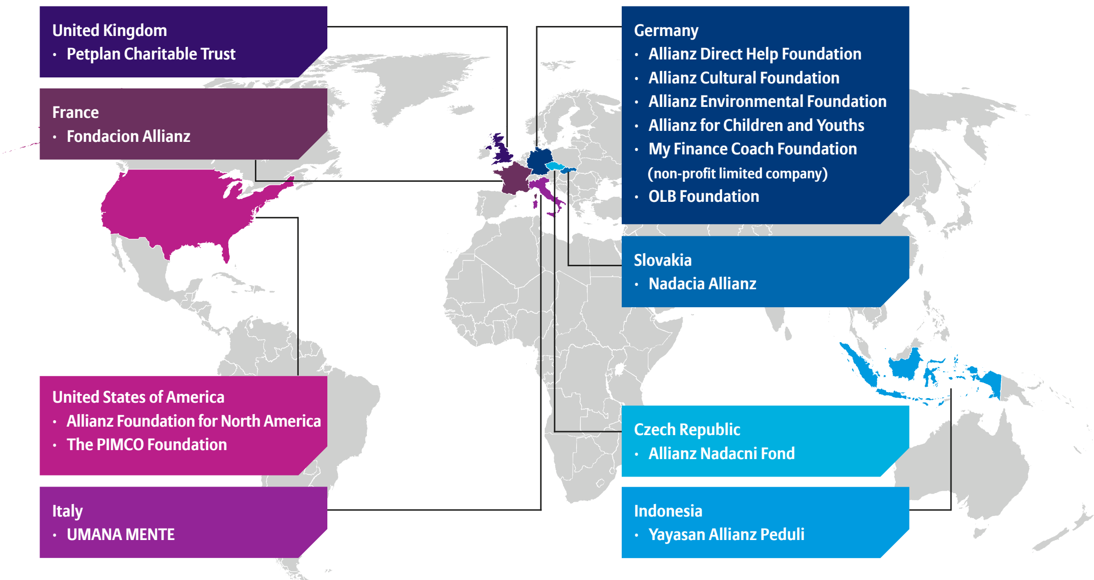
Disaster management is one of our areas for donations, and many of our employees express a desire to help when natural disasters occur. Again in 2014, we offered employee donation programs and made company donations to support long-term projects in affected areas. This was supported by our international partner, the International Federation of Red Cross and Red Crescent Societies.

One example for disaster management is a joint project that Allianz is supporting together with the University of Aachen. The aim is to develop a seismic vulnerability assessment tool for building stock in Istanbul. Insurance clients will be able to enter information about their buildings into the tool and obtain a vulnerability assessment. Allianz will also benefit by receiving detailed information about the exposure and its seismic vulnerability for proper risk assessment.

Foundations

Foundations of all kinds have played an essential role in society for many years, especially in times of financial uncertainty and growing social needs. Our

International network of Allianz foundations



international network of 14 Allianz-affiliated corporate foundations supports our role as a responsible corporate citizen. Although they operate independently from the company, these foundations are linked to Allianz subsidiaries all over the world. The map overleaf shows where these foundations operate.

Our foundations all have the goal to advance social wellbeing and address social, environmental or cultural issues in local communities, as determined by each foundation's particular purpose.

Managing community engagement

Allianz Principles for Community Engagement

Our Principles for Community Engagement guide our community activities. The Principles are based on the premise that these endeavors should not exist separately from our business activities. We align our community engagement activities with social and environmental issues that support both Group strategy and local business strategies of Allianz companies around the world.

Transparency and impact measurement

We aim for accurate and complete reporting of all community activities at every level of our business. There is already transparency for most donation and foundation activities at Group level. In order to improve the transparency and reporting for activities such as employee volunteering, the Allianz Group is a member of the London Benchmarking Group (LBG). The LBG framework offers an approach to increase the transparency of community engagement and helps us understand the real value and impact of community engagement on society, employees and business. Based on this framework and the 'iooi' methodology (input, output, outcome, impact), we started to increase the transparency of community engagement across the Allianz Group.

Measuring the outcome and impact of our community engagement activities is thereby still one of the biggest challenges we face. We therefore regularly analyze the impact of our activities on society. For example, in Germany, we assessed the effectiveness of our community engagement through the following activities:

- The third evaluation of My Finance Coach by Ludwig-Maximilian University Munich measured the medium-term impact of My Finance Coach class visits, where first results indicate significant mid-term improvements.
- Further studies by the University of Hamburg focusing on our volunteering programs proved the positive impact within our business and on our employees' development, engagement and satisfaction.

Actively seeking an open dialogue with other companies further helps us to maintain transparency and continuously improve our community engagement approach. We discuss sustainability matters with other German companies in quarterly workshops with Phineo, a consultancy supporting civic engagement for the purpose of common welfare.

Attractive Employer

Our human resource (HR) management aims to attract, retain and nurture talent. We invest in employee engagement, strong leadership and technical expertise among an increasingly diverse workforce. We are also developing long-term HR solutions to meet the Group's future need for skilled employees who will support our ongoing business success.

Human Resource management

Globally, we employ over 147,000 people in over 70 countries. Our business strategy requires us to have the best people in place in order to deliver success today and over the long term. Our aim is to create a consistent approach to HR management across the Group and we do this by providing Allianz companies with strategic HR frameworks, principles and tools covering key areas such as talent management, rewards and performance, employee engagement and diversity.

The Group Chief HR Officer is responsible for Group-wide HR activities and reports directly to the Allianz Board of Management.

Corporate values

In early 2015, we launched global values, which provide our employees and all other stakeholders with a sense of what Allianz Group stands for. In the context of our 125th anniversary in 2015, throughout the year we will communicate more about how our values are lived within our daily activities. The corporate values are:

- Responsible
- Caring
- Connected
- Excellent

Talent management

Our Group Talent Management takes a common and systematic approach to developing talent across all Allianz companies. To ensure the quality and performance of our employees, we focus on four areas:

1. Managing talents and careers

A development review offers managers and employees the opportunity for regular dialogue, which we believe is essential for nurturing talent. It provides a platform for discussing an individual's competency, skills, experience, performance and potential, and also establishes development measures and targets that will help an employee achieve professional excellence in their current or future job. Achieving quantitative, measurable targets is a part of the company's own definition of success, but it is also important to focus on qualitative components such as the leadership and role model function of executives. Moreover, we particularly emphasize feedback, since it helps increase employee loyalty and creates a sustainable performance culture.

All executives (whether in a managerial or expert position) at all Allianz companies must have a personal development plan. As part of the talent development of these senior employees, we hold annual Career Development Conferences (CDCs) at Allianz companies and at Group level. At these CDCs, business leaders discuss team members' performance, potential and development needs, and identify appropriate actions for each individual.

The CDCs systematically identify candidates who are able to take on roles at the next management or expert level, and help to foster global, cross-company and cross-functional career planning. This supports succession planning for key positions, and helps to identify the skills and competencies that our people need in order to successfully implement the company's business strategy.

We develop our employees through a range of activities such as on-the-job-learning, mentoring or coaching, or classroom training workshops, or e-learning.

More than half of our employees worldwide take part in at least one targeted training session each year.

EMPLOYEE TRAINING

	2014	2013	2012
Total expenses for employee training [€m]	91.4	85.7	93.4
Training expenses per employee[1] [€]	668.5	629.3	707.5[2]
Average training days			
Staff	3.0	3.0	2.6
Managers	3.0	3.2	2.8
Employees undergoing at least one training session			
Staff [%]	63.8	67.1	64.2
Managers [%]	73.1	83.9	70.0

[1] Figures based on the number of employees in Allianz's core business
[2] Corrected figures for 2012

2. Developing leadership skills

The Allianz Management Institute (AMI) is our corporate university. It aims to develop the leadership skills of executives throughout the Group, and offers campus programs on key strategic topics. We also have local AMI Academies in several countries, which offer functional and specialist training and open-enrollment programs with other learning institutions.

We also encourage employees to use their leadership skills in volunteering schemes such as Social OPEX. The success of these schemes shows that leadership development and employee volunteering can be mutually beneficial.

3. Focusing on functions

The financial services industry faces a shortage of skilled employees in certain critical functions. To tackle this issue, we have programs that focus on recruiting and training specialists. For example, our Global Actuarial and Risk Development Program is aimed at senior actuaries and risk managers. It gives participants an opportunity to deep dive into a number of areas beside risk and actuarial topics, including project management and communication skills, and also do a rotation in one of the other central teams in this area. In addition, we also have programs to develop talent and leadership in areas such as Finance, Communications, Market Management and Operations.

4. Meeting future staff needs

Demographic change, international competition, and new business developments demand high flexibility from both companies and employees. Companies need to adapt their structures if they are to continue to succeed under changing circumstances, whilst staff members need to strengthen and expand their competencies, and thereby improve their own employability.

We are raising awareness among both management and employees of the necessity for lifelong learning. In 2012, the Allianz Board of Management and the European SE Works Council signed a pan-European agreement on guidelines for lifelong learning, which apply to all Allianz companies in the EU Member States, the contracting states of the European Economic Area and Switzerland.

Our long-term success relies on having people with the right skills in the right positions at the right time. Our Strategic Workforce Planning (SWFP) unit, launched in 2009, matches the size and skills profile of our workforce with our current and future business needs. By supplying medium- and long-term scenarios on economic, demographic and socio-cultural trends, SWFP proactively supports strategic HR decision-making.

Diversity

Allianz recognizes the importance of having a diverse, inclusive workforce that is made up of employees from different backgrounds. We understand that promoting diversity is necessary to be successful as a global company.

The Allianz Board of Management is committed to diversity. The Global Diversity Council, which was founded in 2007, is chaired by Werner Zedelius, Allianz SE Board Member responsible for German-speaking Insurance Entities and Human Resources. The Diversity Council, along with the Global Diversity Office, is responsible for driving the success of our diversity strategy.

To accomplish this, we have implemented a number of initiatives, including those focused on gender, ethnicity, age, religion, sexual orientation, disability, education and nationality. Consistent with our Code of Conduct, we have a zero-tolerance policy for discrimination and harassment in the workplace.

Women in management

In 2008, we set a global target of increasing the share of women in the talent pool for executive positions to 30 percent by 2015. To drive this change, we have implemented a range of global, regional and local initiatives, including, for example a top management sponsorship program for women and expanded flexible work-life programs, such as part-time employment or job sharing. We also offer mentoring opportunities and networks for women to increase exchange and dialogue. We maintain our commitment to having 30% of management positions in Germany held by women by the end of 2015.

Management diversity[1]

	2014	2013	2012
Women in executive positions[2] [%]	23.1	21.2	19.4
Female managers[3] [%]	36.2	35.5	33.9
Share of women [%]	52.9	52.8	52.5
Nationalities represented in executive positions[4]	62	57	54

[1] Figures based on the number of employees in Allianz's core business
[2] Including women at all executive positions below the Board of Management
[3] Including women functionally responsible for other staff, regardless of level, e.g. division, department and team managers
[4] Figure calculated by including all executive positions below the Board of Management

Disability

We continue to facilitate the integration of employees with disabilities into the workplace. Group-wide guidelines ensure that buildings, workstations and websites are accessible to wheelchair users, the blind and visually impaired. A number of our subsidiaries actively recruit graduates with disabilities for underwriter positions, for example, and others hire visually-impaired call-center operators who have been shown to provide excellent customer service and increase overall call-center productivity.

Selected measures in 2014

- Mentoring programs for women at companies such as Allianz SE, Allianz Global Corporate & Specialty (AGCS), Allianz Global Investors, Euler Hermes and Allianz France.
- Networking initiatives for women, including Allianz Women in Dialogue, Allianz U.S. Women Resource Group, Leadership Excellence at Allianz (LEA) Network, and Euler Hermes Women's Network.
- In Germany, we fully support 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 e.g. new crèches launched in Munich.
- Allianz France and Allianz Germany proactively manage parental leave to support employees before and during their leave, as well as re-entry. At Allianz SE we have a parental leave toolkit containing information and tools to help the transition from parental leave to returning to the workplace, and promote a positive experience for the employee, manager and peers.

- Unconscious Bias awareness training for HR leaders and managers has been introduced at companies including Allianz SE, AIM SE, Allianz France, and Allianz UK.
- Allianz Italy actively recruits disabled graduates for underwriter positions, and both Allianz Global Assistance Italy and Allianz Hungary made accessibility improvements at call centers to encourage disabled recruits.
- At Allianz Global Assistance in Brazil and Italy, visually-impaired call-center operators have proven to be particularly focused. By providing excellent customer service, they have helped to increase the productivity of call centers.
- Lesbian, gay, bisexual and transgender (LGBT) network "AllDive" has conducted a number of events and activities to create greater LGBT awareness in Germany.
- In Allianz SE the AllAbility initiative was launched in 2014. Formed of people from across the business, the objective of this network is to promote inclusion of people with disabilities.

Proactive measures to promote inclusion at Allianz companies in Spain, Italy, Croatia, and Australia have resulted in awards and external recognition. Our workforce profile, including demographic indicators such as age and gender, is shown in Key Employee Figures on page 104.

Health, safety and work-life balance

Most of our employees have desk-based jobs that are not so often associated with occupational safety risks. We are, however, fully aware of potential workplace health issues and have a comprehensive approach that addresses both the physical and mental health of our employees. We aim to contribute to the well-being of our employees by creating both a productive and a health-promoting workplace.

Well-being and stress management

The health and well-being of our employees have always been a central concern for Allianz. In 2011, the Allianz Board of Management and the European SE Works Council signed a pan-European agreement on guidelines concerning work-related stress. The guidelines apply to all Allianz companies in the EU Member States, the contracting states of the European Economic Area and Switzerland.

The management teams in our European subsidiaries are responsible for implementing the guidelines. Two years after signing, more than 20 entities, including four global lines, reported the implementation of several kinds of tools such as risk assessments, local safety committees, stress prevention-related policies, employee help lines, counseling, education, training, and support in rehabilitation and reintegration after a serious illness.

Throughout the Group, we offer a variety of activities, tools and materials (workshops, trainings, seminars, brochures, health-promoting activities, etc.) to support employees with health maintenance and stress prevention. Activities of this kind take place in nearly all companies and are managed locally in line with local customs and requirements. To ensure that the topic is deep-rooted in the organization's culture, a central "Work Well" program was launched in 2014.

Within this program, a set of ten minimum actions have been defined to ensure that the most common root causes of stress are addressed. For example, flexible working is an important tool in our effort to help employees meet the demands of family life and strike a good work-life balance.

Occupational health and safety

Although Allianz is a large and diverse organization, we have a common Allianz Operating Model that is implemented across the Group. Within the operating model, the human resources function of each subsidiary ensures local health and safety management. This includes compliance with the company's health, safety and environment (HSE) plan, as well as design and implementation of project-specific HSE programs.

Sickness-related absenteeism [average days per employee][1]

	2014	2013	2012
Group.	7.4	7.0[2]	7.3
per region			
Asia Pacific	3.9	3.5	3.4
Eastern Europe	5.5	5.6[2]	6.6[2]
Germany	11.3	8.6	8.3
Middle East & Africa	4.0	4.0	4.1
North America	1.2	3.8	3.9
Rest of Europe	7.4	8.1	8.6
South America	2.3	2.5	2.9

[1] Figures based on the number of employees in Allianz's core business
[2] Figures have been restated due to error corrections.

Average sick days per employee in 2014 remained largely stable compared to 2013. An increase in Germany is only apparent due to the inclusion of sales representatives in 2014 (sales representatives were not included in 2013 and 2012).

Sustainable value approach to remuneration

Our remuneration and incentive structures are designed to encourage sustainable value creation and are guided by clear frameworks that promote strong governance. Our remuneration system is based on the following principles:

- Provide a transparent, fair and integrated offering to attract, motivate and retain highly qualified employees.
- Deliver total rewards that are competitive in the relevant markets.
- Align remuneration with the performance of the individual and the achievement of Allianz's financial and strategic goal "pay for performance."
- Operate effectively in different performance scenarios and business circumstances.
- Reward risk control and avoid inappropriate risk taking.

Within the boundaries of these principles, we use an appropriate mix of monetary and non-monetary rewards for our workforce, taking into account the particular role of an employee, business activities and local remuneration and regulatory environments. Depending on the level of seniority, including all risk takers and board members, employees at Allianz may receive long-term compensation plans. They are able to participate in the Allianz Equity Incentive plan and be awarded Allianz notional shares which vest five years after the relevant performance period had started, which additionally supports sustainability-orientated decisions.

In 2014, Allianz again offered an employee stock-purchase plan in many markets in order to strengthen employees' commitment to the company and raise their awareness of the corporate strategy and business results. Furthermore, many employees participate in various company pension plans, insurance arrangements, deferred compensation plans, flexible working and other employee benefit arrangements. Further information on remuneration can be found in the Annual Report.

Remuneration [€ billion][1]

	2014
Salaries and wages	9.0
Social security contributions and employee assistance	1.3
Expenses for pensions and other post-retirement benefits	1.2
Total	11.5

[1] Total number of employees with an employment contract of all affiliated companies (core and non-core business)

The Allianz Group paid a total of €9.0 billion to its employees worldwide in 2014. Of this, approximately 29% was for performance-related (variable) remuneration elements. € 2.5 billion was spent on social security contributions, pensions and other social benefits.

Furthering employees' rights

We strive to apply core human rights principles based on the Universal Declaration of Human Rights throughout our worldwide operations. We are a participant of the United Nations Global Compact (UNGC) and have integrated its ten principles into our globally-binding Code of Conduct. We also respect the Organization for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises.

To support employee rights, we were one of the first companies to create pan-European worker participation standards and establish a European SE Works Council under the legislation for Societas Europaea (SE) companies.

We are also a signatory to the International Labour Organization's (ILO) Declaration on Fundamental Rights and Principles at Work, including the ILO declaration on the freedom of association and the right to collective bargaining.

In countries where local law prohibits formalized unions and works councils, we respect local law but do not obstruct parallel means of association and bargaining. In addition, we strive to act in the spirit of the UNGC principles.

Employee engagement

Financial services is a "people business." This means that engaged employees bring competitive benefits such as an improved performance culture, greater integrity and better customer focus. The Group-wide Allianz Engagement Survey (AES) gathers employee feedback on a range of relevant issues, including factors identified as promoting a high-performance culture within Allianz.

The Employee Engagement Index (EEI) is a key measure of employee satisfaction, loyalty, advocacy and pride within their organizations.

In response to AES results, Allianz companies globally have launched initiatives to help drive employee engagement. Some examples of these activities include: Employee Engagement Day at the Allianz SE Munich Head Office, Employee Day for the Benelux countries, Business Talks with all employees and the CEO at Allianz Korea, plus an Engagement Week in Romania, which focused on well-being issues. A summary guidance booklet of engagement activities worldwide has also been developed, which is used by AES coordinators to share ideas and information globally.

It is equally important that managers and employees discuss the annual survey results and jointly decide on actions to address areas for improvement.

The results of the AES are directly linked to the performance objectives of the Group's Board of Management. This strengthens support for the survey and guarantees that findings are consistently acted upon.

Employee Engagement Index

	2014	2013	2012
Employee Engagement Index	72	73	70

Allianz annually collects feedback from employees, managers and board members to measure the overall level of engagement and identify its drivers through the AES. In 2014, 120,964 employees from 67 Allianz companies were invited to participate. The global response rate of 84% was in line with 2013.

Employee turnover[1]

	2014	2013	2012
Total external recruitment	21,961	23,477	21,324
External recruitment by gender [%]			
Male	43.2	43.1	42.2
Female	56.8	56.9	57.8
External recruitment by region [%]			
Asia Pacific	16.5	13.4	15.1
Eastern Europe	15.6	18.1	21.1
Germany	12.7	14.4	13.4
Middle East & Africa	1.9	1.0	0.7
North America	5.5	5.1	4.8
Rest of Europe	45.5	45.8	41.9
South America	2.3	2.2	3.0
Total external leavers[2]	22,912	21,115	19,815
External leavers by gender [%]			
Male	42.7	43.7	43.0
Female	57.3	56.3	57.0
External leavers by region [%]			
Asia Pacific	15.0	13.2	13.8
Eastern Europe	25.6	20.7	26.1
Germany	11.6	13.6	13.3
Middle East & Africa	0.3	0.6	0.7
North America	5.6	5.0	5.7
Rest of Europe	40.0	45.0	38.3
South America	1.9	1.9	2.1
Turnover rate [%]	16.1	14.9	14.7

1 Figures based on the number of employees in Allianz's core business
2 Number of employees who left the Allianz Group during the reporting period

There are always different developments across the regions, but on a global basis, turnover figures remained generally stable in 2014.

Tenure [years][1]

	2014	2013	2012
Group	11.0	10.8	10.5
Managers	13.3	13.2	13.1
Staff	10.6	10.4	10.4

[1] Figures based on the number of employees in Allianz's core business

Tenure by region [years][1]

	2014
Asia Pacific	6.4
Eastern Europe	6.8
Germany	14.4
Middle East and Africa	6.2
North America	8.3
Rest of Europe	11.8
South America	6.7
Allianz Group	11.0

[1] Figures based on the number of employees in Allianz's core business

Sustainable Insurer

We are one of the world's leading industrial insurers and our product portfolio includes a wide range of Property & Casualty and Life/Health insurance products for corporate as well as private customers. As a sustainable insurer, we understand that integrating environmental, social and governance issues in our risk analysis presents a major opportunity to reduce risks in underwriting – for us and our customers. We offer a selection of products and services that enable economic development, support a low-carbon economy and foster financial inclusion.

ESG in underwriting

We are one of the world's leading industrial insurers, and our product portfolio includes a wide range of Property & Casualty and Life/Health insurance products for corporate customers. We understand that the prudent management of environmental, social and governance (ESG) issues presents a major opportunity to reduce risks in underwriting for us and our customers, and that effective research and risk management are crucial to understanding and mitigating ESG risks.

Our ESG Guidelines on Sensitive Business areas apply to all insurance businesses globally. They are relevant to all contracts, whether we act as lead insurer or as part of a panel, whether it's for single projects, multi-site risks, or supporting complex global insurance client needs. For the list of sensitive business areas see page 24.

In line with our commitment to the United Nations Environment Programme Finance Initiative (UNEP FI) Principles for Sustainable Insurance (PSI), we are developing a strategy to engage corporate customers on ESG issues. This is particularly relevant for customers where we see the opportunity to improve ESG practices, or where we can provide support with our risk management expertise. This engagement strategy takes us beyond simple screening and desk research on companies and will build closer relationships with customers and improve our understanding of current and emerging risks. Looking forward, our objective in 2015 is to build an engagement approach that leverages the strengths of both our insurance and investment business, as Allianz is often both an investor in and insurer of a company. It will enable more dialogues in the areas of risk. This approach will also enable Allianz to support our business partners on further ESG integration and to engage more effectively on thematic issues such as climate change.

Achievements in 2014

In 2014 we set up a dedicated function within the underwriting division of Allianz Global Corporate & Specialty (AGCS) to determine if Property & Casualty insurance business requires Group review on sensitive business areas. The unit offers ESG support for Property & Casualty insurance transactions and acts as a center of competence, as well as providing proactive screening of ESG risks in portfolios and engagement with clients.

Training is a key part of implementing a successful ESG approach. In 2014 we integrated the requirements for escalating ESG risks into global training modules for underwriters, and delivered a range of internal training to our global engineering and liability underwriters. Additional guidance has been issued through risk management and communication channels relating to sensitive business areas in Group processes.

Responsible sales

Responsibility in all customer dealings

Allianz's reputation is based on the trust that customers, shareholders, employees and the general public have in our integrity. This trust depends on the quality of our products, the way we inform and advise customers, and on the personal conduct and capability of our sales employees and representatives.

We have policies and procedures in place that guide employees in their dealings with customers. The globally-binding Allianz Code of Conduct for Business Ethics and Compliance specifically addresses customer information and advice in the following ways:

- Employees of Allianz Group must not, either by their action or statements, seek to mislead the market or customers.
- When establishing a customer relationship or providing financial services to a client, appropriate care shall be taken to ensure that the customer receives information that is necessary for a reasonable decision to be taken by the customer. This applies to information as part of a product or that provided by an intermediary advisor or producer.
- The Allianz Group must deal promptly and fairly with complaints from all current or former customers, and in accordance with applicable laws and regulations.

By the very nature of their business, insurers pursue a long-term perspective so they can uphold the promises made to customers. Our long-term business strategy commits us to provide clear benefits for our customers and Allianz. Satisfied customers are loyal customers and are more willing to recommend Allianz. This is measured via the Net Promoter Score (NPS), which helps to rate all major Allianz services to customers. We view this as the most sustainable incentive system.

Our customers' interests take priority whenever they seek advice from us and exemplary sales practices are of particular importance.

Global Minimum Standards for Sales Compliance have been implemented to regulate product development, claims management, incentive structures, sales force selection and training as well as customer advice in our insurance business. The Allianz Broker Remuneration Principles were approved in 2013, making Allianz one of the first multinational companies to introduce such principles. We use the Sales Compliance Program to apply adequate and effective processes and controls that ensure these standards are implemented, communicated, monitored and audited.

Complaints are also an important source of customer feedback and we analyze them to identify potential improvements. We have internally certified our companies to ensure that Group-wide quality standards for handling complaints are met and that customers are treated fairly.

Green solutions

As part of our Climate Change Strategy, we are continuing to introduce more green solutions to our customer offerings worldwide. These help customers prepare for the negative effects of climate change or mitigate associated risks, protect the environment and overall support the transition to a low-carbon economy.

On the commercial side, this includes tailor-made insurance products for large-scale renewable energy projects, and green building insurance to cover facilities or offices that have been built or refurbished to be more energy-efficient. For retail customers, examples include special discounts on car insurance for drivers with fuel-efficient vehicles, property insurance for roof-mounted solar panels, and investment products such as our EcoTrends Fund, which allows customers to invest their money in clean technologies.

We define green solutions using a rating tool that scores them according to three core elements:

- Facilitating a technology, development or market focusing on climate and the environment, and reducing clients' exposure to financial and regulatory risks;
- Focusing on conservation of the environment and mitigation of climate change, and;
- Protecting from environmental risks and helping to adapt to climate change impacts through managing clients' risks or fostering risk awareness, and incentivizing reduced risk exposure.

Our comprehensive Group-wide definition helps to provide transparency on the contribution they make to our overall financial performance, as well as customer reach.

Achievements 2014

Green solutions[1] are slowly evolving from their niche position and becoming more mainstream, globally. As part of this evolution, we launched several new solutions in various countries in 2014 such as:

- Allianz Netherlands' Electric Van Insurance: offered to commercial clients, the product covers motor third-party liability insurance, roadside assistance and damage to private charging stations.
- Allianz Mexico's Green Home Insurance: the product covers clean energy generation systems on retail homes such as photovoltaic systems and is only available as a paperless policy.

Overall, we offered 156 green solutions in 2014, a 4% increase from 2013, and reached more than 4.7 million customers. Revenues generated by green solutions totaled more than €1.3 billion up from €1.2 billion in 2013.

Green Solutions

	2014	2013	2012
Number of Green Solutions	156	150	130
Revenue generated from Green Solutions [€bn]	1.3	1.2[1]	n.a.
Number of customers reached [mn]	4.7	4.3	n.a.

[1] 2013 figure was adjusted for error corrections.

1 Concrete examples of our green solutions can be found in the Factsheet available under www.allianz.com/sustainabiltiy

Microinsurance

The people most vulnerable to risks associated with natural disasters, accidents and illness are those with low-incomes, living in developing countries. Microinsurance offers an affordable way of protecting against these risks, with premiums that start from as low as €1 a year.

Although the global market for microinsurance is still immature, it has an estimated premium potential of US $40 billion a year.[1] Allianz already provides millions of people with microinsurance, but we anticipate that demand will continue to grow, and so we are expanding our business in this area. We currently cover more than 44 million people, mostly in Asia, but increasingly also in Africa and Latin America. We design our product portfolio to offer genuine added value by addressing the risks our clients actually face, with products ranging from life insurance and savings plans to crop insurance.

Microinsurance delivers financial and social returns

Microinsurance delivers a so-called 'double bottom line' – providing both financial and social returns. Social returns include protecting vulnerable people, especially those on low incomes, and expanding financial inclusion. Market research conducted in 2013 with our microinsurance customers in the Ivory Coast, India and Indonesia shows that for 75% of these customers their microinsurance policy is their first insurance ever.

Allianz is proactively pursuing a 'growing with the customer' approach. For example, we offer additional voluntary options to the often mandatory basic life insurance policies that come bundled with third-party credit or savings products. Our optional coverages insure against such things as the risk of hospitalization costs or accidents.

Although financial returns from microinsurance are lower than from traditional products, we believe that satisfied policyholders will bring a mid- to long-term pay-off, as many of them move up the economic ladder and are able to purchase regular Allianz products. The global middle class is estimated to grow from 1.8 billion in 2009 to around five billion by 2030, with growth mostly in our primary microinsurance markets of Asia, South America and Africa.[2]

The challenges of microinsurance

Microinsurance has a number of challenges which we systematically address to unlock its full potential.

- **Profitability:** The low premiums paid for a microinsurance policy mean that we need to manage our microinsurance business carefully in order to generate adequate financial returns. It also means microinsurance can only be profitable if large quantities of standardized products are sold through uniform processes.

  Therefore, we only offer microinsurance in markets with efficient distribution partners and an Allianz subsidiary to manage and administer the business locally. We currently offer microinsurance products in 11 countries. The Group-wide approach to microinsurance is coordinated by our head office in Germany, which provides consultancy services and shares best practices. We also work closely with specialist organizations that have a large outreach among low-income populations, and have built trust in these areas. These organizations include large microfinance institutions, commercial banks, telecommunication operators, retail chains and cooperatives.

  We have an important partnership with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), a German federal enterprise with expertise in sustainable development. This public-private partnership was established in 2010 and supports our overall approach to microinsurance. The focus of the partnership up to 2017 will be on market development, building better global databases, and financial literacy.

1 Swiss Re, 2010, Sigma 6/2010 „Microinsurance Risk protection for 4 billion people"

2 OECD 2010, Working Paper No.285 „The emerging middle class in developing countries"

- **Financial literacy:** Illiteracy, especially financial illiteracy, and a broad lack of understanding of how insurance works, are common in countries with the highest microinsurance potential. We are investing in financial education to help overcome the challenge of financial illiteracy. Examples include demonstrating the value of insurance to illiterate and low-income people through public claim payment ceremonies, insurance simulation games, comic strips and videos. We also have financial education programs linked to microinsurance that not only help to enhance financial knowledge around insurance, but also other financial topics such as savings and budgeting. These initiatives help to build trust, and thereby strengthen the foundations for our microinsurance business.

- **Awareness:** In addition to low general awareness of how insurance works, our market research shows that only 73% of our microinsurance policyholders are aware that they are insured. This is because most of our microinsurance products are sold as a mandatory add-on to the microcredits that are provided by our microfinance distribution partners. The credit is naturally the main focus of the customer and therefore the bundled insurance is often not fully understood and appreciated. Significantly fewer customers, just 8%, are aware that their insurance provider is called Allianz. Most customers actually think the insurance comes directly from the distribution partner. This is not surprising when our main distribution model is through such third parties. Our customer awareness videos, created in 2013, highlight these issues.

  We are working to launch more voluntary products that require microinsurance customers to consider the pros and cons of insurance and thereby make a conscious purchasing decision. This process aims to help increase the awareness of insurance and the benefits it can bring.

- **Risk assessment:** Risk assessment for insurers in the low-income market remains difficult, as reliable historical data is limited. This needs to be improved through increased market research that will deliver a better understanding of local markets and customer needs. Life insurance is the easiest type of microinsurance to adapt to meet local requirements, however microinsurance covering health, crop, property and catastrophe risks requires significant local knowledge to ensure products are tailored to local needs, efficient to monitor and administer, and costs for insurers are kept low.

  As our microinsurance business grows, our experience and the availability of real-life data also increases, which leads to improved products and more accurate pricing. Working with highly experienced partners, such as GIZ, helps with our understanding of risk. We also coordinate closely with our distribution partners, who sell our products and have a day-to-day relationship with our customers.

Microinsurance values

The knowledge and experience offered by GIZ helped us to develop our four guiding values for microinsurance. These values call on us to deliver:

1. passion to serve the low-income market segment;
2. quality in products and processes;
3. fairness in pricing and customer treatment; and
4. transparency of our microinsurance approach, both to policyholders and the general public.

We want to apply these values to all of our microinsurance products and regularly conduct assessments on whether our products comply.

Defining microinsurance and assessing our products

Together with GIZ we published an industry-first operational definition for microinsurance in early 2012. The definition, consisting of four criteria that a microinsurance product must fulfill, allows us to clearly identify and report on these products in a consistent and transparent way. Using this definition, we launched an assessment tool, based on seven quality criteria, that shows to what extent a microinsurance product complies with our microinsurance values.

We annually screen all relevant markets with this tool to identify and then assess our microinsurance products. Details on all assessments are made available on our website. Through this process, we can identify which products work well, and also take action on those that do not meet expectations.

Measuring social and financial performance

Through our partnership with GIZ we also developed and started to monitor a set of KPIs to measure and better control the financial and social performance of microinsurance. For example, we use the claims ratio of microinsurance products as an indicator, which shows the percentage of premiums collected for a product that is returned to customers in the form of claims payments.

A claims ratio of 50-60% – the average figure for our microinsurance products – is generally considered to indicate good customer value while leaving an adequate return for the company. The higher the claims ratio, the better the customer value. A claims ratio above 100% is too high and signals that the product is not profitable.

There is always more work that can be done to establish a fuller picture of our microinsurance performance. This includes systematic documentation of service levels to our policyholders, such as how fast claims are paid, and customer education measures, such as how many customers have benefitted from comprehensive customer education, by which methods and with what effect. We also need to understand better how our microinsurance business is growing in relation to the socioeconomic growth of our customer base, in order to take advantage of the business opportunites that arise as and when they are able to become regular insurance customers.

To help us measure and control the financial and social performance of microinsurance, we monitor two KPIs:

- Number of insureds
- Gross written premiums

We are transparent with our performance in these areas, and in addition publish the indicators half-yearly on our website.[1]

Microinsurance

As of December 31, 2014	2014	2013	2012[1]
Gross Written Premiums [€mn]	113.7	86.1	78.6
Thereof from non-consolidated entities (i.e. India)	89.3	62.5	55.2
No. of in-force insured people [mn]	44.6	26.1[2]	17.1
Thereof from non-consolidated entities (i.e. India)	39.8	22.7[2]	14.6

[1] KPMG AG Wirtschaftsprüfungsgesellschaft has provided limited assurance on the 2012 microinsurance performance information as well as the following indicators: number of in-force insured people and Gross Written Premiums. Allianz undertook data assurance on microinsurance to see how our reporting would measure up against external checks. We have not conducted data assurance on our microinsurance data since then; however our reporting processes follow the same and partly improved internal standards. For more information on our microinsurance data, please read the explanatory notes.
[2] 2013 figures were adjusted for error corrections. After the revamp of the group term life product in India in July 2013, new enrollments under the old product that was still running were not included in the number of insured count until year end. For 2014, this error has been corrected. Premium volumes have not been affected and remain unchanged.

Achievements 2014

2014 was another year of strong growth for our microinsurance business. Whilst we continued to offer microinsurance in 11 countries in Asia, Africa and South America, the number of people insured grew by 70% to 44.6 million and gross written premiums (GWP) increased by 32% to €113.7 million. Growth in the number of people insured outgrew GWP for two reasons. Firstly, growth in number of insured was strongest in the group term life category, which carries particularly low premiums of around €1 per year. Secondly, one product in India that combined savings and insurance has been phasing out since in 2013 due to regulatory changes. This product, which has a five-year policy-term, carries relatively high average premiums of €25 per year. Due to the phase-out, renewal premiums from this product have been gradually declining. The number of microinsurance products we offer remained stable at 18. Two new products were introduced: weather-based index

1 https://www.allianz.com/en/products_solutions/sustainable_solutions/microinsurance.html

insurance in India and mobile term life in Burkina Faso and Madagascar, and two products were stopped (personal accident in Colombia and mobile personal accident in Madagascar).

Regions in detail

Asia: India has again been our biggest growth market, with the number of people insured growing by 75% to 39.8 million. Premiums also saw a strong increase from €62.5 million to €89.3 million. This increase was almost exclusively driven by the introduction of a new weather-based index product as part of the government-subsidized Weather Based Crop Insurance Scheme (WBCIS).

Indonesia also experienced strong growth, with the number of insureds growing 46% to 3.8 million. In Malaysia, business development through our only distribution partner, Malaysia Post, was again challenged by increasing competition. This led to a drop in the number of personal accident insureds from 250,000 to 150,000. However, as the main premium driver in Malaysia is motor third-party liability, which continued with strong sales, the overall GWP in Malaysia slightly increased from €9.8 million to €10.0 million.

Africa: Overall, Africa showed a healthy growth in the number of insureds from 350,000 to 560,000. This growth was mainly driven by the launch of a new mobile term life insurance scheme in Burkina Faso and Madagascar, with over 120,000 people registering in the first six months. However, the African GWP decreased slightly from €3.7 million to €3.6 million, mainly due to the slowdown of a major distribution cooperation in the Ivory Coast.

South America: Colombia saw a slight increase in premiums from €9.1 million to €9.3 million and in the number of insureds, from 260,000 to 290,000 insured, due to organic growth.

Key activities in 2014

To learn more about our 44.6 million microinsurance customers, in 2014 Allianz launched the "Life Stories Awards." In this project, teams of journalists and photographers selected Allianz microinsurance customers to create biographic portraits. A jury then chose the best three portraits for the first-ever "Allianz Microinsurance Life Stories" Awards.[1]

As part of our commitment to evaluate the social value-add of microinsurance, we conducted two reviews of customer claims experience in 2014 - one on agricultural index-insurance in Burkina Faso, and another on credit life insurance with extra funeral payouts in Indonesia. Both studies were supported by GIZ and executed by the Microinsurance Centre.

The review in Indonesia showed that the beneficiaries of credit life insurance payouts were better off than the families of borrowers who left their debt behind uninsured. It also showed that when insuring female microloan borrowers, there was greater social impact when their husbands were also insured, especially since men are still the main breadwinners in Indonesia. Allianz Indonesia is now developing a voluntary term life product with which female microloan borrowers can insure their husbands.

The review in Burkina Faso showed that following a drought in 2012 insured farmers suffered from greater financial distress than uninsured farmers. While this was both surprising and disappointing for Allianz, the independent researchers came to the conclusion that this was due to a number of factors: high complexity of the product and lack of product awareness resulting in unrealistic expectations of the payout. The latter led insured farmers to not diversify their risks in comparison to the uninsured farmers, making them more vulnerable in the case of a drought.

Based on these findings, Allianz now aims to sell these more complex products to aggregator organizations such as cooperatives or banks, rather than to farmers directly. Aggregator organizations can use such complex products more efficiently, for example, to protect their entire loan portfolio against weather risks. In case of farmer loan defaults due to droughts, money would quickly be at hand for loan renewals and emergency loans.[2]

1 More details are available at www.allianz.com/LifeStories
2 Both reports are available for download on the Microinsurance Center "MILK project".

Responsible Investor

Our responsibilities as an investor are two-fold: firstly, we invest our own assets, which include premiums collected from our insurance customers. We systematically integrate environment, social and governance issues into our own investment processes. Secondly, in our third-party asset management business, we invest on behalf of asset management customers. We aim to tailor products, solutions and distribution that best meet our clients' needs, and further strengthen the brand of our asset management subsidiaries, Allianz Global Investors and PIMCO, and offer a growing number of Sustainable and Responsible Investment products.

Sustainability in our own investments

Investment management is an integral of the insurance business, as the premiums of Allianz clients are invested to meet long-term liabilities. Our worldwide investment activities are pooled in Allianz Investment Management SE (AIM). We have own assets of over €600 billion across a range of asset classes, sectors and countries. As a result, we are directly and indirectly connected with other businesses, sectors and economies, and are therefore an integral part of the global economy.

Our activities

We strive to invest sustainably across all asset classes. In order to keep up with our ambition, we incorporate environmental, social and governance (ESG) factors into our investment processes, for example, through our exclusion policy, research, corporate and country analysis, asset manager selection, monitoring and risk management. We firmly believe that considering ESG factors in investment management is not a short-term trend, but will change business.

Group-wide Exclusions

We enforce a Group-wide exclusion policy relating to banned weapons[1] on insurance business and investment activities for own assets. We take these exclusions very seriously, but the ability to apply this exclusion policy varies for some types of investments. For example, when restricted companies are listed on major stock exchange indices, or when they are part of an investment fund managed by other organizations. In order to further develop our ESG ambitions for index-based investments, we are in dialogue with index providers on how to integrate ESG into mainstream index-related products.

ESG Directive for Investments

We rolled out an ESG Directive for Investments in 2014. According to this Directive, asset managers who are acting on behalf of Allianz are required to integrate ESG considerations as an integral part of their investment processes (e.g. for fixed income or equity investments). This requirement was formally integrated into our standard investment guidelines as of Q2 2014 and is being implemented. ESG factors are also considered in investment processes for alternative investments, such as renewable energy, infrastructure investments, and real estate. For more information read the ESG screening process on page 23.

Due to the range of asset classes we invest in around the world, the Directive does not provide a "one-size fits all" solution or standardized approach to ESG.

1 Weapons that fall under the scope of the following international conventions:
- Ottawa Convention (anti-personnel landmines)
- Convention on Cluster Munitions (cluster ammunition/-bombs; Oslo Process)
- Biological and Toxin Weapons Convention (biological weapons)
- Chemical Weapons Convention (chemical weapons)

Especially, as we believe that differences in regional aspects, asset class characteristics and investment philosophies are best addressed in individual, tailor-made ESG approaches. Therefore, the responsibility for defining the best or most suitable ESG approach for a specific investment portfolio primarily rests with the respective asset manager.[1]

Key developments in 2014

- **ESG Directive for Investment:** In 2014 we rolled out an ESG Directive for Investments. See page 74 for more details.
- **Asset manager selection:** By way of the ESG Directive for Investments, ESG became a substantial part of the asset manager selection process for Allianz's proprietary assets. This enforces the requirement that an asset manager who is mandated with Allianz insurance investment portfolios must have an appropriate ESG policy in place.

  This does not only count for new mandates but also requires updates to existing ones. Where no policy is in place, a commitment must be made to develop one over a pre-defined period of time.
  Our first global analysis conducted in 2014 shows that 92% of our own assets are managed by asset managers who are compliant with the requirements outlined in the ESG Directive for Investments. The vast majority of which are managed by internal asset managers. For the remaining 8%, Allianz is continuously requesting the formal inclusion of ESG considerations.
- **ESG training and communication:** Quarterly ESG calls were held with Investment Managers in AIM in order to support and drive the implementation of the ESG Directive. For the same purpose, meetings and conference-calls also took place with our internal asset managers throughout the year.
- **Annual Review:** ESG-related topics have have become an inherent part of regular annual asset manager reviews. In addition, annual reviews with Allianz's asset managers (PIMCO, Allianz Global Investors, Allianz Capital Partners, Allianz Real Estate), which exclusively focused on ESG, were conducted for the first time in 2014. These meetings were used to assess the ESG policies, their application and related processes of the asset managers.

1 For further details see the PRI Transparency Report of Allianz SE available on www.allianz.com/sustainability as well as on UN PRI website.

Investment dilemmas

Some of our investment activities are perceived to be controversial by a range of stakeholders, and we are aware of this criticism. By their nature, these "controversial" topics are complex and subjective, and can be influenced by culture and specific experiences. They are also often interconnected with other issues. Therefore, establishing a single or simple viewpoint on such topics can be difficult, which feeds their controversial nature.

As a large institutional investor, we aim to diversify our portfolio across many different regions, sectors and companies. Although some of these sectors are fundamental to economic progress, they are also prone to negative ESG impacts. A typical example relates to fossil fuels. The rising global energy demand cannot be met without energy generated from fossil fuels, and so their use will continue for the foreseeable future. Renewable energy generation can be intermittent, so there is still a need for a flexible back-up from conventional energy sources.

We recognize the ESG impacts of fossil fuels; however we do not have a position to avoid such sectors as a general principle. As a result, and even though it might be perceived as contradictory, we invest in both renewable and non-renewable sources of energy. We see both sides of the argument – the need to contribute to global energy security and to economic development that relies on energy use, while also maintaining our commitment to contribute to a low-carbon economy.

Nevertheless, it is also clear that energy generation – in particular from coal and other fossil fuels – can be associated with a wide range of ESG impacts. In light of such climate and energy related risks, Allianz CEO Michael Diekmann announced during the Annual General Meeting in May 2014 the development of a holistic energy position, which combines criteria for climate and environmental risks, as well as energy supply security and the financing of sustainable economic growth. The development of this position is still ongoing at the time of reporting.

For further information read the sections Energy security on page 87, Food security on page 91, Palm oil on page 94, and Human rights on page 96.

Engagement

We see it as our responsibility to promote sustainable business practices within the companies we invest in. Our approach is to seek dialogue to understand and overcome any challenges to sustainability they face.

In this area, we are in the process of further developing a formal ESG engagement framework to strengthen and standardize our approach to engagement with companies. Various aspects of this framework include:

- The already existing ESG-engagement efforts carried out by Allianz Global Investors on behalf of its asset management clients, including Allianz SE.[1]
- Our engagement activities through industry initiatives (e.g. PRI, UNEP FI). For examples of such collaborative engagement see page 29.
- Addressing systematic hurdles to ESG integration with peers, regulators and other market participants. For instance, engagement is particularly important for asset classes or investments where we cannot avoid indirect exposure to issues that could be considered controversial. For example, due to our size we rely on broad indices with high liquidity as benchmarks for our large-scale investments. While we need such instruments for diversification and hedging purposes, we have no influence on their composition. We therefore look to initiate, and take part in, dialogue with providers of such indices to determine how ESG issues can be integrated.

Key ESG engagements in 2014

In October 2014 we initiated a panel discussion with leading index providers during the UN Principles for Responsible Investment (PRI) Germany Network meeting. We have had detailed discussions with UN PRI to initiate an industry-wide debate on the issue, however to date there have been no clear outcomes.
Allianz participated in an industry-wide engagement with the International Organization of Securities Commissions (IOSCO) on global ESG disclosure standards. This took the form of a letter, which was also signed by Allianz GI and PIMCO.

In September 2014, 360 investors, including Allianz Group and Allianz GI, with US $24 trillion assets under management, published a statement which shows possible contributions of asset managers to decarbonization and climate-resilient investments, such as policy support, low-carbon investments, climate risk assessment. It also calls on governments to develop an ambitious global agreement on climate change by the end of 2015.

In 2014 we partnered with several research institutions and investor groups to get a better understanding of how climate change can affect the performance of different assets. For more information read the section Researching climate change on page 13.

1 For further details see the PRI Transparency Report of Allianz Global Investors available on www.allianz.com/sustainability as well as on UNPRI website.

Low-carbon investments

Growing concern about climate change, combined with the low-interest rate environment has also given rise to interesting alternative asset classes, especially in the fields of renewable energy and carbon. Allianz has been an early investor in these new asset classes and we have used this valuable experience to benefit from the opportunities they offer. This fits well with our Climate Change Strategy, in which we commit to supporting the development of a low-carbon economy.

Below are a few examples of how we are showing that commitment in different asset categories:

Renewable energy investments

Allianz has been making direct investments in renewable energy projects since 2005. Allianz Capital Partners, the Allianz Group's in-house investment platform for alternative investments, is already one of the world's leading investors in renewable energy, with a growing portfolio for wind energy and solar power. Not only do renewables present an attractive risk-return profile, but they also provide sound long-term returns. We are therefore expanding our investment in renewable energy projects to take advantage of the opportunities they present, and as an important element of Allianz's long-term investment strategy.

Our total investment in renewable energy by the end of 2014 was over €2 billion. Our renewable energy portfolio includes 48 wind and seven solar parks in Germany, France, Italy and Sweden, with a total asset base of over 1,200 megawatt (MW) of generating capacity. In 2014 we acquired a number of wind parks: "Calau II D" and "Cottbuser See" in Germany (31 and 24 MW, respectively),"Forterre" and "Porte de la Cote d'Or" in France (28 and 54 MW, respectively) and "Satravallen" in Sweden (52 MW).

Carbon investments

Allianz has been operating on a carbon-neutral basis since 2012, which means that the net greenhouse gas emissions from our global operations is zero. We achieve this by continually working to reduce emissions from our own operations and by being an early investor in carbon projects, such as REDD (Reducing Emissions from Deforestation and Degradation) projects. These projects generate CO_2 certificates, which we use to offset our carbon footprint, and surplus certificates can be sold to generate a financial return. For more information see page 40.

Our projects in detail

Wildlife Works Carbon LLC (WWC): In 2011 we acquired a 10% share in WWC, the world's leading developer of REDD projects. Through this investment, we are supporting forest protection in Kenya. WWC projects meet strict sustainability criteria and were the first of their kind to generate CO_2 certificates. By investing in WWC, we have identified REDD projects as an attractive investment option, since they combine a high level of social and ecological responsibility with competitive returns. The project in Kenya will generate an average of 2.7 million tons of carbon certificates per year over the 30-year life of the project.

During 2014, activities were extended to the Democratic Republic of Congo (DRC), with a REDD+ project on nearly 300,000 hectares of tropical forest that was due to be logged. The local community of around 50,000 people benefit directly from the project income, which funds community-selected initiatives, such as construction of schools and mobile clinics. Following the success of the first project in DRC, in September 2014 WWC announced a groundbreaking REDD+ project to protect a further nine million hectares of Congo Basin rainforest. The project in the DRC will generate over 5 million carbon certificates per year over the the 30-year life of the project.

C-Quest Capital LLC (CQC): Since 2012 we are financing an energy-efficiency program implemented by CQC in India. The program replaced incandescent light bulbs in private households with more energy-efficient and long-lasting compact fluorescent lamps (CFLs). This allows private households to purchase

CFLs at a greatly discounted price, which enables them to lower their energy bills, and improves energy efficiency in a country that frequently experiences energy shortages. Over a period of ten years, 3.73 million tons of CO_2 will be avoided through this project.

Rimba Raya: We invested in the Rimba Raya (translated as 'eternal forest') REDD project in Borneo, Indonesia, in 2013. As a result, Allianz is helping to prevent the deforestation of 64,000 hectares of rain forest, avoiding the release of 90 million tons of CO_2 over a 30-year lifetime. The project also creates a safe border for the nearby Tanjung Putting National Park, which houses a world-renowned rehabilitation center for the endangered Borneo Orangutan. The Rimba Raya carbon project generates enough carbon credits to offset our carbon footprint for the coming years.

During its first year, two pilot projects – one to deliver clean water filters, the other to provide fuel-efficient smokeless stoves – were successfully completed and have now been extended to cover the entire population of more than 2,500 households. Another project has been launched to promote the reintroduction and sustainable farming of rare and high-value essential oil plants and botanicals, which are endemic to Borneo. This provides sustainable income streams for local forest-dependent communities, thanks to a purchase agreement with an international retailer and supplier of personal care products.

Sustainability in real estate

Allianz is one of the world's largest investors and requires a well-diversified investment portfolio to ensure adequate risk profile and relatively stable returns. Real estate is an important part of our portfolio, which provides such returns over the long-term.

As an institutional investor, Allianz has around €33 billion invested in real estate (including direct and indirect property equity investments and lending). This figure is expected to rise to approximately €40 billion over the next few years. The whole real estate portfolio is managed by Allianz Real Estate (ARE).

Sustainability is not just another trend, but will deeply impact the real estate business over the long term. As such, ARE started a comprehensive Sustainability Program in 2010 to support the commitment of the Allianz Group to significantly reduce its carbon emissions on the one hand, and to meet market demand for sustainable real estate on the other hand. Sustainable properties have not yet really influenced the current value of real estate. However, we predict that increasing regulatory requirements and changing market demand, especially on the tenant side, will force real estate owners to improve the environmental and social performance of their portfolios in the future.

In 2014 an ESG (Environmental, Social, Governance) Policy for Real Estate was introduced to further strengthen ARE's Sustainability Program. The focus of this Policy is to define and implement ESG principles for our real estate portfolio, in alignment with the Allianz Group ESG Directive for Investments and the Group's commitment to the UN Principles for Responsible Investment. The Policy will help to further integrate ESG considerations into existing and new investments across the ARE portfolio.

Sustainability program

The ARE Sustainability Program concentrates on our core processes, and creates a baseline and standards to assess the sustainability performance of our real estate portfolio. The main focus is on environmental factors, such as energy consumption and carbon emissions. This not only supports our sustainability performance but also helps to reduce operating cost for tenants, many of whom are Allianz companies.

The main activities of the program are:

1. Create transparency through reporting
- Introduce common metrics for real estate sustainability.
- Measure property-related consumption and assess the sustainability performance of ARE's real estate portfolio in a standardized way, using the Green Rating method, green building certification and other similar tools.
- Include sustainability dimensions in ARE's portfolio reporting.

2. Investment management
- Include ESG criteria in the investment decision-making process.
- Check the sustainability performance of new real estate investments and potential improvement measures as part of the acquisition process.
- Include energy efficiency and other sustainability topics in the due diligence process.
- Mandatory green building (pre-)certification for new or refurbished assets (e.g. BREEAM, DGNB, LEED or HQE).

3. Asset management
- Improve communication between ARE and tenants to improve sustainability performance.
- Include property-specific sustainability strategies into asset business plans.
- Include energy efficiency into target setting with property and facility managers.
- Assess individual properties' sustainability status using the Green Rating method (see over).

4. Property management
- Measure, collect and report building information according to sustainability metrics.
- Implement specific improvement measures in property planning.
- Proactively suggest measures to further optimize the sustainability performance of buildings.

Environmental performance of existing buildings

ARE is a founding member of the Green Rating Alliance (GRA), a European association of real estate owners and investors, auditors, industry bodies, measurement organizations and technology providers. GRA has developed the Green Rating system, which provides a consistent approach to assessing, benchmarking and improving the environmental performance of existing buildings. The rating covers six core areas: energy, carbon, water, transport, wellbeing and waste. ARE uses the Green Rating system to assess not just all new investments, but also many of the existing commercial properties under management.

Achievements 2014

In 2014 ARE started a pilot project to track sustainability indicators in order to evaluate the progress of our Sustainability Program. In France, where the pilot project first took place, six buildings representing 65,000m^2 or 7.8% of rental space in our commercial portfolio, received a "green certification for renovation works,"[1] and five buildings representing 130,000m^2 or 15.6 % of rental space in our commercial portfolio, received a "green certification for buildings in operation."[2] Our 2015-2016 target for France is to double the number of certified commercial spaces.

1 "Green certifications for renovation works" are defined as compliant to HQE, or BREEAM, or LEED or DGNB environmental certification schemes.

2 "Green certifications for buildings in operation" are defined as compliant to HQE Exploitation, or BREEAM In Use, or LEED Ebom environmental certification schemes.

ESG in third-party asset management

Allianz Asset Management (AAM) is one of the world's top five asset managers, and is responsible for our third-party asset management business in addition to managing the majority of the investments of our own assets. AAM is home to two asset managers: Allianz Global Investors (AllianzGI) and PIMCO, a multi-asset global solutions provider.

These two subsidiaries have different regional focuses and investment strategies. However, embedding environment, social and governance (ESG) issues into asset management, and offering corresponding products and services, is common practice in both. Building strong ESG research capabilities, engaging with the companies they invest in and pursuing active share ownership through proxy voting, are at the heart of their ESG strategies.

Allianz Global Investors

AllianzGI seeks to be a leader in integrating ESG across the investment value chain by:

1. Participating in multi-stakeholder initiatives to improve market governance (upstream);
2. Integrating ESG factors in investment decisions; and
3. encouraging improved governance and ESG performance of investee companies (downstream).

AllianzGI has a dedicated and fully integrated global ESG team that is responsible for ESG research, engagement and proxy voting, and ESG advisory services. These services are utilized across our global investment platform for use and consideration in mainstream investments, not just for our sustainable and responsible investment (SRI) portfolios.

To support knowledge transfer and training, portfolio managers have full access to our ESG research through our interactive research database and, in some cases, ESG research will contribute to the investment case for a stock. Our ESG team also collaborates with portfolio managers on engagement strategies for specific companies and will attend the same company management meetings as part of the research process. This means there is an expectation that our portfolio managers be fully conversant with a company's ESG issues, especially where they have the potential to materially impact a stock's performance.

ESG research

Research is the cornerstone of our investment process at AllianzGI, and ESG research is an important component of this. We conduct proprietary, in-house qualitative and quantitative ESG analysis on a global span of companies, sovereigns, covered bonds, government linked entities (agencies) and supranationals. We apply both a quantitative and qualitative approach to identify potential ESG risks and rate companies in terms of their ESG performance. In addition, our proprietary research is also informed, but not governed, by external research.

Corporate governance – proxy voting and engagement

AllianzGI considers the use of engagement and proxy voting to be a key part of the fiduciary responsibility that we have to our clients. Where we have voting authority for our clients' proxies, it is our policy to use our influence consistently with the best interests of our clients, by promoting long-term shareholder value and reducing material ESG risks for investee companies.

As such, we have developed the Allianz Global Investors Proxy Voting Guidelines and Principles. These are reviewed periodically in order to ensure they meet our fiduciary duties and global best practice. As a signatory to the UN PRI (Principles for Responsible Investment), our proxy voting guidelines also ensure that ESG-related issues are embedded in our approach.

Engagement at AllianzGI involves two-way interaction with a company, whether that be through presenting a viewpoint, seeking change or monitoring and documenting results. We see that company engagement can improve ESG performance and reduce material ESG risks in investee companies.

Beyond engagement with individual companies, other areas of ESG commitment include public policy initiatives and collective investor and multi-stakeholder engagement. We feel that by selectively engaging with public policymakers on regulatory issues, it is possible to have real influence on listed companies and other issuers. It is increasingly necessary to contribute to investor and multi-stakeholder initiatives that are seeking more sustainable government policies, capital markets and corporate practices.[1]

PIMCO

PIMCO's mission as an asset manager is to manage risk and deliver returns for our clients. We believe that a thorough assessment of investment risks should include analysis of ESG factors to support sound investment strategies and decision-making. As an allocator of capital, we need to understand how sustainability is linked to economic growth and the long-term health and effectiveness of capital markets and innovation. This is the foundation of our approach to investing responsibly.

ESG issues should be considered as integral investment risk factors. We believe they have the potential to materially affect the value and trajectory of securities, both stocks and bonds, issued by companies or governments. PIMCO systematically integrates ESG risk evaluations into both our top-down and bottom-up investment processes.

Our top-down perspective acknowledges the importance of ESG trends over time in a global macroeconomic setting, allowing us to identify forward-looking investments. We combine this backdrop with rigorous bottom-up analysis, which identifies the most compelling individual sectors and securities in today's market.

With early identification and rigorous incorporation of ESG risk factors into our credit, equity, and sovereign research processes, we can potentially minimize value deterioration in securities that are negatively affected by ESG developments. We can also identify opportunities to generate alpha by investing in sectors that are likely to benefit from ESG trends.

PIMCO's credit analysts also frequently engage with senior management at companies to discuss ESG factors that impact their long-term sustainability and profitability.

Training is fundamental to building knowledge and awareness of ESG issues and how they can be integrated into the business. The induction training for new and recently-hired employees includes a session that focuses on PIMCO's approach to ESG. In addition, ad hoc "Teach-Ins," provide a forum for discussions with ESG industry experts and organizations, and a regular newsletter educates employees on important ESG market trends and internal developments. Informal training also takes place with members of the ESG working group, who are champions of the topic within their respective business areas [2].

Sustainable and responsible investments

We manage a growing portfolio of Sustainable and Responsible Investments (SRI). The largest share of AAM's total SRI assets under management are managed by PIMCO, which totaled €95.4 billion (2013: €78.2 billion) at the end of 2014. In addition AllianzGI managed €22.0 billion (2013: €17.5 billion) of SRI investments.

A number of factors have driven this increase: general market appreciation and inflows of new assets from our third-party clients (including new clients), especially into fixed-income and multi-assets SRI products; supported by a more favorable EUR/USD exchange rate in 2014 compared to 2013 and 2012. At the end of 2014, the total SRI managed by AAM amounted to €117.4 billion, corresponding to 7% of AAM's total assets under management.

1 For more information about AllianzGI's approach, please read AllianzGI ESG Policy Statement on www.allianz.com/sustainability.

2 For more information about PIMCO's approach, please read PIMCO ESG Investment Policy Statement on www.allianz.com/sustainability.

Sustainable and responsible investments

As of 31 December		2014	2013	2012
Total SRI assets under management, AAM	€ bn	117.4	95.8	64.4
AllianzGI: SRI assets under management	€ bn	22.0	17.5	15.3
PIMCO: SRI assets under management	€ bn	95.4	78.2	49.1

Key ESG engagements in 2014

Throughout 2014, our two asset management subsidiaries continued to be active in a number of industry initiatives on ESG issues.

For example AllianzGI has been a Board member of the Extractive Industries Transparency Initiative since 2013, is a member of the Investor Working Group on Sustainable Palm Oil (PRI IWG) as well as the Sustainable Stock Exchange Initiative (SSE Initiative).

AllianzGI and PIMCO continue to participate in the Sustainability Accounting Standards Board (SASB) to shape best practices for integrated reporting in the financial sector.

Furthermore AllianzGI, PIMCO and Allianz SE participated in an industry-wide engagement with the International Organization of Securities Commissions (IOSCO) on global ESG disclosure standards.

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E Topics of Special Interest

Digitalization

Digitalization is one of our key strategic topics and affects all areas of Allianz, including our employees, customers and partners. Our initiatives span everything from the design of new modular products and new forms of access, to servicing existing customers in a better way. We are developing web-based and multi-access customer interaction tools to address changing customer behaviors. On the operational side, we are harmonizing systems across the Group to reduce complexity and improve efficiency.

Accessing our products and services - anywhere, anytime

The digital revolution has completely changed the way our customers make purchasing decisions and buy insurance products. The boundaries between buying online and offline are quickly fading.

Our customers can buy our products almost everywhere - in their "pocket" via smart phones, at home, in the office and at agencies. They expect a seamless environment and experience, shifting easily between the digital and the physical "point of sale," and a high degree of consistency in price, products and service-quality. As a result, we aim for real-time customer interaction and invest in corresponding technology to stay connected to consumers and improve our customer service, while paying the utmost attention to data privacy and security.

Simplified, modular and digitally integrated products

One particular focus in our retail business is on making Allianz products and services easy to find and easy to purchase, be it from Allianz agents and partners or online.

In more and more markets, our customers can get an insurance offer simply and decide to buy directly online or finalize their purchase at an agency. This has only been possible with a simplification of products and an agile product development process. Our innovative 'FastQuote' process highlights a change in thinking for commodity products in the insurance industry.

We are also creating flexible solutions that fit to our customers' changing needs. "Allianz1" from Allianz Italy, for example, offers insurance modules to families and allows them to tailor a package to their individual requirements for a price within their personal budget.

The investment in digital integrated and modular products also addresses new target groups and opens new fields of business. One example is "Insurance against cyber risks", which Allianz Global Corporate and Specialty (AGCS) has offered since 2013. Another example is the prevention of risks with the help of smart devices. In particular car telematics is an interesting field, where Allianz does not only provide real-time roadside assistance services, but also develops pay-how-you-drive insurance solutions to reward customers for careful driving.

Social and digital media

Social media is an important channel for us to engage with our existing and future customers. In an increasing number of markets, we offer customers both service and support via our social media profiles. On Twitter or Facebook for example, customers can ask general questions about Allianz, our products and services, or can enquire about a recent claim or make a complaint. In order to increase efficiency and create synergies for our employees dealing with social media, we have started to set up a global social media management tool across our markets. Better connected employees are able to provide an improved, tailor-made service to our customers.

Digital media enable us to intensify our contact with customers so as to provide them with knowledge and services, when and where it is most relevant for them. An example of this is "Meine Allianz" in Germany, an online customer portal with self-service functionalities, which offers services including claims status, a document safe and risk prevention check-ups. These services require end-to-end digitally-integrated processes and a data management system that puts the customer perspective first.

In other markets, such as France, we offer mobile customer portal apps that allow customers fast access to their insurance via smart phones. These apps offer a broad range of services from quick contact options, step-by step support in case of emergency, claims reporting and status functionalities to car telematics features.

Digital interaction with our customers and partners across all channels bridges geographies, time spans and organizational frontiers. The switch from paper to digital customer portals reduces response times as well as our environmental footprint. By combining digitally-integrated and automated processes we sustainably lower the actual cost of interaction.

IT and Big Data: Security and usability

Digitalization has created an increased amount of data, which needs to be handled in an efficient and responsible way. Allianz uses "Big Data" technologies like "predictive modelling" or "machine learning" technologies. The increased analytical capabilities support business decisions in an agile environment, steer automated processes and enable real-time customer data management.

Data privacy is crucial in all our customer dealings throughout the Allianz Group and has gained in importance with increasing digitalization. Launched in 2013, the Allianz Standard for Data Protection and Privacy defines our global rules and principles for the collection and processing of personal data within the Allianz Group. With Allianz oneWeb, our global online platform, we deliver the same level of technology, design, usability and functionality for every local Allianz website, while complying with the highest security and data privacy standards.

Allianz is currently investing in globally-shared and common IT architecture, network and business platforms. Hosted in five strategic Data Centers worldwide, they operate under the highest data security standards. The consolidation of systems, together with integrated, automated and scalable processes, significantly reduces complexity and increases our operational profitability. It is crucial for us to invest in our digital effectiveness, making our architecture and processes scalable to suit new business opportunities and allow for a global exchange of the digital assets we created.

Digitalization in the workplace

Digitalization is fundamentally changing the way we work together. Digital channels of communication open up new possibilities for connecting with colleagues around the world, which not only reduces travelling and, subsequently, our carbon footprint, but also improves efficiency for employees who work in the international sphere. Webinars and video conference calls, for example, have become commonplace at Allianz. Social media also supports globalization and diversity in the workforce. Tools such as the Allianz Social Network (ASN) have been developed to allow international colleagues to connect with greater speed and ease. The ASN is a digital platform that supports networking and collaboration between colleagues by providing a means for exchanging ideas, know-how and information.

Mobile work opportunities provide greater flexibility, with employees more and more able to work in different locations or with a different working pattern thanks to new technological solutions and equipment such as the Allianz Private Cloud and with their own devices. However, conversely, digitalization and the related IT solutions that are used for day-to-day work can also create stress. At Allianz we are proactively addressing the possible negative impact of change related to digitalization through the "Work Well" initiative, which was launched in 2014. Digitalization means change: Employees need to adapt to the new technology. To support this, Allianz offers training possibilities to build skills for the digital age.

Energy Security

Energy is the engine that drives modern societies. Worldwide demand for energy is projected to grow by more than one-third by 2035.[1] As a result, a secure energy supply will remain a key concern in the future. Energy security is often referred to as the 'uninterrupted availability of energy at an affordable price', however, we see it as more multifaceted than this, comprising aspects as diverse as:

- Security of energy sources and production capacity,
- Security of transport of fuels via shipping routes and of electricity via grids, and
- Considering the impact on the environment and climate change.

Global energy mix and its implications

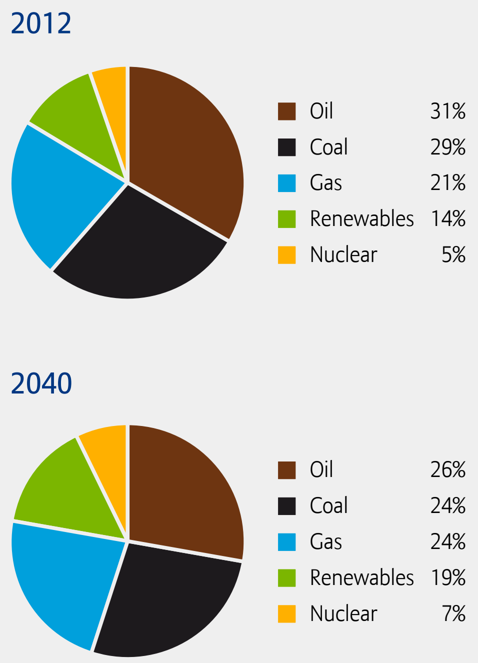
Historically, fossil fuels such as coal and oil have been abundant, cheap and available in many countries. Alternative forms of energy generation cannot fully meet current levels of demand yet, so fossil fuels remain an important part of the global energy mix and will continue to do so for the foreseeable future. This is despite the expected decline in oil production, risks related to transportation via shipping or pipelines, and the growth of renewable energy.

Coal: Coal beds are globally widespread and relatively easy to extract. Despite the fact that coal mining and combustion have major environmental impacts and are the biggest source of carbon emissions, with carbon currently lacking an adequate pricing globally coal will remain an attractive fuel for many countries. As a result, demand in developing countries is expected to increase by one-third by 2035.[2]

Shale gas and oil: The discovery and large-scale extraction of shale gas and oil, through horizontal drilling combined with hydraulic fracturing ('fracking') has radically changed the energy landscape in the U.S. The U.S. could become a major net gas exporter, if liquefied natural gas (LNG) terminals are built quickly enough. These would allow the transportation of gas via vessels and would have significant consequences for the global gas market, which at the moment consists of several regional markets with diverging price levels. The current boom in supply, however, is expected to be maintained for about a decade only.

Fracking has displaced local electricity production from coal. The domestic coal production is now exported, adding to oversupply in global coal markets. Shale gas has also significantly decreased the need for imports of oil and gas, bringing down energy costs and boosting competitiveness in energy-intensive industries in the U.S. But the trade-offs are grave environmental and climate risks. Locking continued economic development to high-carbon fossil fuels reduces incentives for investing in low-carbon energy sources and infrastructure, and loses the benefits of cost savings from efficiency improvements.

Fuel shares in world primary energy demand in the New Policies Scenario



Source: International Energy Agency, World Energy Outlook 2014

Nuclear power: Nuclear power is a low-carbon energy source, but the legacy of long-lived nuclear waste has still seen no resolution. Furthermore, the

1 International Energy Agency (IEA), World Energy Outlook 2014, November 2015.
2 Ibid.

risks of accidents, as witnessed in 2011 in Fukushima, Japan, as well as vulnerability to terrorist attacks are factors that need to be carefully considered and managed. Government responses are widely divergent on this matter: some are determined to phase out this technology but the majority view it as a strategic part of their energy mix and are looking at increasing investment in nuclear power.

Renewable energy: Due to ongoing technological progress and economies of scale, costs for renewable energy technologies like wind and solar power dropped dramatically over the last few years. They are now starting to compete on an equal footing with conventional energy forms in locations that provide good wind and solar conditions. Generally, renewable energies offer a locally-produced, low-carbon alternative and also provide an electricity supply for remote communities that are not connected to regional power grids.

Energy efficiency: There remains ample opportunity to improve energy efficiency in the power sector (in generation, transmission and consumption), in heating especially in the housing sector, and in industrial processes. Advances in these areas will lead to more efficient resource use, increase competitiveness, and enhance energy security in all dimensions.

Challenges to energy security

One of the most significant challenges is how to reconcile the growing demand for energy with the need to combat climate change. Fossil fuel extraction and combustion is the single largest source of greenhouse gas emissions, accounting for more than 80% of man-made emissions.[1]

However, half of the expected growth in primary energy consumption will be met by renewable energy sources according to the IEA. Many OECD countries are already successfully decoupling carbon emissions from economic growth, yet many countries will continue to be highly reliant on fossil fuels, and in particular coal, to meet their energy demand.

The scientifically recommended upper limit for global warming is 2°C above pre-industrial levels. To achieve this, the transition to a low-carbon economy will have to accelerate and capital needs to be channeled away from fossil fuel investments and into low-carbon investments. A range of policies have been put in place to facilitate this. Carbon pricing exists in an increasing number of regions: for example in the EU, California and Chinese states and provinces. Furthermore, there are emission performance standards, for example, in the U.S. the EU, and the UK. Eventually, the European Investment Bank and the World Bank are phasing out export finance to developing countries for high-carbon assets.

In addition, there are policies in place that set targets for renewable energy generation and provide the subsidies needed to bring these new technologies to market. However, these policies pose new challenges to energy security. On the one hand, legislation raises the cost of high-emission fossil fuels, thus deterring their use. But there is not enough financial, regulatory, and technical capability for renewable energy to completely meet the current energy demand yet. For instance, power generation from wind and solar can be intermittent, so it still needs a flexible back up from conventional energy sources.

Addressing the challenges

There are two immediate actions that will help to tackle these challenges.

Firstly, global capital markets need to finance clean, rather than conventional, sources of energy. This could be through the design of new financial instruments such as 'green bonds' and rethinking benchmarks that are currently tilted towards carbon-intensive assets.

Secondly, infrastructure need to be improved to better integrate new energy forms, including more flexible demand management, extending high performance grids, and developing cheaper and more powerful forms of storage.

1 International Panel on Climate Change (IPCC), WG1 Fifth Assessment Report, September 2013.

Looking ahead, there are new challenges that will have to be addressed in order to achieve energy security:

- Fuel and energy price volatility and the trend towards long-term price increases, which poses a challenge for affordability.
- Political leverage and influence from fossil fuel exporting countries, in particular over net energy importing countries.
- Regulatory uncertainty, which acts as a barrier to long-term investment and research and development in technology.
- Damaging effects of natural catastrophes and extreme weather events to power generation facilities or supply lines.
- Local environmental pollution, water scarcity, landscape conservation or competition for land for agricultural production, which all generate local resistance to energy projects.
- Terrorist attacks (including cyber-attacks) on power generation facilities or supply lines.

Our activities

Allianz supports the transition to a low-carbon economy and we see ourselves as a facilitator in this process. We are actively supporting the scale-up of renewable energy, clean-tech and green infrastructure to promote low-carbon energy supply.

As an investor, renewable energies are an attractive growth market for Allianz because they contribute to greater portfolio diversification, which spreads risks. They also provide sound and stable long-term returns, fitting well with our investment strategy, which calls for manageable risks and longevity. Allianz is one of the world's largest investors in wind and solar power with more than €2 billion invested since 2005. More details are provided in the Low carbon investment section on page 77.

As a committed corporate citizen, we also recognize the need to address the gap in infrastructure systems. We are a member of several associations working at the intersection between finance and climate change and we actively contribute to the debate on the mobilization of capital markets towards a low-carbon economy.

In February 2014, Allianz, in partnership with the European Commission, organized the "Energy Infrastructure Forum" in Berlin. Participants from industry and government discussed the status quo of the transition to a low-carbon energy infrastructure and possible catalysts for further investments. The keynote speakers were Rainer Baake, the German Deputy Minister for Economics, and Jos Delbeke, EU Director General for Climate Action.[1]

In light of the economic crisis in Europe and constrained public budgets around the world, private sector investment is essential to modernize power generation facilities and network infrastructure. The current European anti-monopoly legislation, however, limits investing both in power generation and power infrastructure at the same time. While we are not against the anti-monopoly legislation, which intends to prevent energy generating companies creating a monopoly over energy generation and supply, its current form does not distinguish between energy generators and investors. As a result it is preventing investors from being able to invest in both renewable generation and energy infrastructure and distribution projects.

Within this context, regulatory and technological developments – for example, the establishment of more stringent regulation and carbon pricing, the considerable reduction in costs associated with renewable energy, and the increase in exploration costs for fossil fuels – will also have a crucial impact on the competitiveness of CO_2-intensive sectors. Investment assets can be affected by these developments. The outcome of a joint research project by Allianz, CO-Firm and WWF allows investors to assess the issuer- and industry-level financial impact of existing and expected energy and climate regulation in selected industries and key countries of their production, taking into account potential mitigation responses by issuers and industries. It can easily be integrated into traditional financial modelling processes and thus provide the basis for investors' scenario analyses, the selection of mitigation mechanisms for their arising risk and "smart" investing.

1 Full report is available for download at www.acs.allianz.com

As a sustainable insurer, we are helping the transition to a low-carbon economy through our product offerings.[1] We offer services to our private customers such as energy efficiency advice on reducing energy consumption in clients' households, including implementing energy efficiency measures. For our corporate customers, we provide solutions for renewable energy projects, from construction through to operational phases. We offer insurance for power generators and infrastructure projects to secure energy supply, since blackouts or service interruptions – be they for milliseconds or hours – are critical scenarios for modern economies.

We are also active in research and development that supports the transition to a low-carbon economy. The Allianz Center for Technology works with research institutions and industry bodies to support the development and assessment of technologies that will be necessary to meet energy demands in a low-carbon world. As risk management is our core competence, we conduct research on a wide variety of topics including energy issues and make research outputs available to the public, for example through the Global Risk Dialogue magazine from Allianz Global Corporate and Specialty and the Allianz Open Knowledge site.

Energy security remains a critical issue and we will continue to work to find solutions as a risk management expert and large institutional investor.[2]

1 For more information on Green Solutions read page 69.
2 Please read our online version to access the full reading list at www.allianz.com/sustainability.

Food Security

The World Health Organization defines 'food security' as "when all people at all times have access to sufficient, safe, nutritious food to maintain a healthy and active life" [1]. This is built on three pillars:

1. **Availability:** referring to the overall abundance of food.
2. **Access:** having sufficient economic and physical resources to obtain appropriate foods.
3. **Utilization:** appropriate use of food based on knowledge of basic nutrition and care as well as adequate water and sanitation.

Food security is a complex issue that highlights inequality in both socio-economic standing and food distribution. There is significant debate around it as it connects to issues ranging from population growth and climate change, to infrastructure.

Food prices and poverty

In recent years, rising and volatile food prices have increased the profile of food security as an issue of global concern. With poor people spending as much as four-fifths of their income on food [2], even short-lived price spikes can significantly hinder access to food, potentially pushing millions into poverty and hunger.

In 2007/2008, the world witnessed unprecedented food commodity [3] prices, with prices several hundred percent higher than the 2005 average. A second price spike between mid-2010 and early-2011 pushed another 44 million people into poverty.[4]

Many factors contribute to increases in food prices, including: the impact on harvests from more frequent droughts or floods; higher oil prices which affect transport and fertilizer costs; increased demand for land and crops for biofuels; increasing demand due to population growth; changing diets, particularly in India and China where a growing middle-class is moving to a more protein-rich diet including more meat and dairy.

While there are a growing number of research and thought papers on this subject, no consensus has been reached among a broad range of expert stakeholders on how much each factor contributes to increases in food prices. There is a claim that the increasing number of institutional investors active on commodity futures markets is creating an imbalance in commodity pricing which is contributing to higher food prices.

Food security and financial services

Commodity futures exchanges exist to safeguard against price fluctuations. This is very helpful for farmers, who sell food commodities, and buyers of raw materials, as each party is guaranteed a certain price. The system offers a mechanism to manage the risks associated with price fluctuations. For instance, through buying a commodity future, a corn farmer can lock in a price for his crops months before they are even harvested. This process increases business survival among farmers and the exchanges always make sure there is a buyer for every seller, provided their prices meet.

The deregulation of commodity derivative exchanges in the EU and U.S. in 2000 has contributed to an increase in the presence of financial institutions in commodity markets. This trend has continued to grow following the global financial crisis, as investors look for alternative investment opportunities away from traditional asset classes, such as bonds and equities. Commodities provide an attractive alternative market and are generally not linked to the ups and downs of the equity and bond markets, which were exceptionally volatile during the financial crisis.

Allianz and other institutional investors, such as hedge funds, pension funds and investment banks, have been targeted with the claim that their increased presence in commodity markets, driven purely by self-interested financial gain, is driving food price hikes and thus increased hunger among the world's poor.

1 World Food Summit, 1996.
2 O. De Schutter, 2010, "Food Commodities Speculation and Food Price Crises: Regulation to reduce the risks of price volatility", UN Special Rapporteur on the Right to Food.
3 A commodity is a physical substance, such as food, grains, and metals, which is interchangeable with another product of the same type, and which investors buy or sell, usually through futures contracts. The price of the commodity is subject to supply and demand. (Source: www.investorwords.com).
4 M. Ivanic, W. Martin and H. Zaman, 2011, "Estimating the short-run poverty impacts of the 2010 -11 surge in food prices", World Bank.

Our position and response

As a responsible investor, we take this claim very seriously and are engaging with NGOs and other organizations to better understand their concerns and expectations of financial institutions and to outline our own position. Alongside dialogues with these NGOs, we conduct internal investigations to fully understand our impact in this area.

We have no insurance assets invested in agricultural commodities directly or in commodity index funds. Allianz customers are able to invest in shares of commodities producers and in commodity index funds [1] in our asset management business. It is important to stress that our asset management products also do not directly invest in physical agricultural commodities and we do not buy or warehouse commodities or keep them off the market. These funds are not designed to create food shortages, neither in their structure nor in their management. In fact, they provide liquidity to the commodities market, which is necessary in order to secure the food production for the rapidly growing global population. Investments in commodity futures[2] are used to protect the producers and buyers of commodities against the risk of fluctuating prices. Without this security, farmers would produce fewer agricultural goods and invest less in their production facilities, as they would not be able to count on a guaranteed future income. The development of the price index for agricultural commodities is based on the expected evolution of real commodity prices and not vice versa.

Our investment strategy, investment conduct, and our investment volume are not intended to, or able to, influence prices on commodity future markets. Our clients desire a sustainable and stable investment return in this market. They tend to invest anti-cyclically, meaning they invest when commodity prices fall and divest when prices rise. Commodity index funds do not just benefit from rising prices. Investors may also profit from falling prices and, conversely, lose money from falling or rising prices, depending on their position.

Commodity futures positions are also closed well before the expiration of the contract since this precludes us from being in the position of having to accept or make physical delivery of the actual commodities. We sell futures 30 days before the expiration of the contract by exchanging them for longer-term futures. As a result, our investment strategy does not influence the price volatility that tends to arise in the last month of futures contracts when prices are set in the physical market. Supply and demand for goods determine their price. We see that the gap in supply and demand for food commodities is largely driven by population growth, rising consumption in emerging countries, the growing use of agricultural land for biofuel production, trade barriers, extreme weather events, rising energy prices, water shortages and areas of inefficiency in the agricultural sector.

Contributing to food security

Agriculture remains the primary engine for rural growth and poverty reduction, and will continue to be so if it can meet the growing demand for food under greater environmental and market risks. We are active in offering products that mitigate risks to farmers, such as drought and floods, so that they can remain viable. We already provide millions of low-income people in Asia, Africa and South America with microinsurance as a means of managing the risks associated with natural disasters, accidents and illnesses, helping them maintain sufficient economic resources to obtain food and secure their livelihoods. We also provide crop insurance to safeguard against extreme weather by covering related crop losses, for example from increased drought or floods. For more information, see our Microinsurance section on page 70.

Cattle and livestock insurance: Farmers in India are compensated if their cattle and other livestock, such as sheep and goats, die. There is an additional option to insure against failure to produce milk or to breed due to certain illnesses. Cattle rearing is central to the

1 A commodity index fund is a fund whose assets are invested in financial instruments based on or linked to a commodity price index (e.g. future contracts, swaps). A commodity price index is a fixed-weight index or (weighted) average of selected commodity prices, which may be based on spot or futures prices. It is designed to be representative of the broad commodity asset class or a specific subset of commodities, such as energy or metals.

2 In finance, a futures contract (more colloquially, futures) is a standardized contract between two parties to buy or sell a specified asset of standardized quantity and quality for a price agreed upon today with delivery and payment occurring at a specified future date.

livelihoods of a significant portion of India's poorest population. In the event of a loss, this product enables the farmer to buy new cattle so that he can resume earning by producing dairy products for sale. Launched in 2005, there are currently over 25,000 insured animals.

Agricultural (rice) crop insurance: Allianz Re is a founding partner of RIICE (Remote sensing based Information and Insurance for Crops in Emerging economies) along with the German development agency GIZ, the International Rice Research Institute, the Swiss Agency for Development and Cooperation, and sarmap (the Swiss software developer). This multi-stakeholder partnership aims to provide governments and NGOs with better information on rice crop growth to help devise more robust food security policies and to develop new, and enhance existing, crop insurance programs in South-East Asia. Radar images provided by the European Space Agency satellites determine how crops are developing, and Allianz uses them to develop insurance solutions for farmers. Governments also benefit as they are provided with sufficient advance warning that crop yields may be less than that needed to feed the population and can therefore make the necessary preparations. RIICE is currently implemented in Bangladesh, Cambodia, India, Indonesia, Philippines, Thailand and Vietnam.

Multiperil crop (and livestock) insurance: Allianz Re, together with local insurance companies and governments, provides over 125 million low-income farmers with insurance coverage through public sector agro-insurance schemes. Available since 2009, Multiperil Crop Insurance covers over 25 million farmers against crop losses in India, and Multiperil Crop and Livestock Insurance covers over 100 million farmers in China. In 2014 BajajAllianz General Insurance joined a parametric weather insurance program against crop failure that is run by the Indian government. This subsidizes up to 70% of premiums, depending on the state and district. During 2014, BajajAllianz covered 2.4 million smallholder farmers under this scheme, generating a premium of €42 million.[1]

1 For 950,000 farmers, government premium subsidies amounted to 50% or less, and are included in our microinsurance reporting (as our Allianz microinsurance definition allows for maximum 50% premium subsidies). For the remainder, government subsidies were higher than 50%, sometimes amounting to up to 75%. This business is excluded from our microinsurance reporting.

Palm Oil

Palm oil is an important agricultural commodity that is used today as an ingredient in food products such as cooking oils, margarine, pastry, ice cream and chocolate confectionary. It is also used extensively in soap, detergent and cosmetics, and increasingly as a biofuel. However, because palm oil is generally labeled as 'vegetable oil' on consumer products, it is often not easily identifiable.

Palm oil production has doubled over the last decade and is expected to double again by 2020. Currently, almost 90% of production is in Malaysia and Indonesia, but production in other Asian, African and South American countries is increasing.[1]

As with most major commodities, there are a range of benefits and impacts associated with the production and use of palm oil.

Benefits

Palm oil is highly versatile as it is price competitive, with year-round supply and the highest yield per acre compared to other edible oil crops, such as coconut, rapeseed (canola), and sunflower. As a result there is high global demand for palm oil, and it is a major source of income for producer nations, which are predominantly developing countries.

Palm oil is a nutritionally important food product and a high source of dietary energy and vitamins A and E. It is also cholesterol-free and contains a balanced composition of fatty acids. Although not 'healthy' in its own right, it is a healthier alternative to trans fats, and many products are substituting trans fats with palm oil as health consciousness around processed food grows and labeling requirements become more stringent.

Impacts

The exponential growth in demand for palm oil has been accompanied by large-scale deforestation. Large tracts of forests, which often have high conservation value because they are home to indigenous plant and animal species, have been cleared and continue to be cleared to provide land for oil palm plantations. This deforestation wipes out habitats for a wide range of species, including rare and endangered animals such as the orangutan and Sumatran tiger. Furthermore, deforestation has an impact on global warming, accounting for approximately 20% of global greenhouse gas emissions. The forests cleared in Malaysia and Indonesia are often on peat bogs, which release large quantities of carbon when the trees are felled. Between 2000 and 2010, forest clearing for palm plantations accounted for more than 50% of Indonesia's total deforestation.[2] The slash-and-burn methods used to clear forests have also resulted in air pollution in South-East Asia which is a health hazard.

Palm oil growers and producers have been criticized for their overuse of fertilizers and insecticides, leading to surface and groundwater pollution. The industry has also been accused of low pay and worker abuse, and of ignoring the rights of local communities and indigenous peoples. Furthermore, due to the profitability of the palm oil industry, especially in developing countries, the potential for corruption is high.

Sustainable palm oil

With the growth of the industry in recent decades, awareness of the problems and often-controversial practices associated with palm oil has increased. This has been accompanied by high profile campaigns from NGOs and increasing activity by large buyers and users wanting to sustain the viability of palm oil so as to continue benefiting from its many advantages.

The Roundtable on Sustainable Palm Oil, a multi-stakeholder not-for-profit association, was established in 2004 to promote the production and use of sustainable palm oil. Through improvements in knowledge and practices in recent years, it is now widely accepted that sustainable palm oil production is feasible. Large buyers are setting targets to source 100% certified sustainable palm oil. There is still, however, a gap between supply and demand for sustainable palm oil. Only 18% of total palm oil production was certified as

1 Center for International Forestry Research, 2014, "Palms of controversies. Oil palm and development challenges".

2 Carlson et al., 2012 "Carbon emissions from forest conversion by Kalimantan oil palm plantations", Nature Climate Change.

sustainable as of June 2014.[1] In 2014 several major producers have made strong public commitments to sustainable sourcing practices based on the tripartite "no deforestation", "no development on peat", "no exploration of land and communities".

Palm oil and financial services

Financial institutions are involved in the palm oil industry as investors and insurers. Criticism of financial services companies relates to large-scale investments in the palm oil industry and their indirect contribution to the destruction of virgin forests in Indonesia and Malaysia. Investors have been criticized for not including rigorous enough assessments of environmental, social and governance (ESG) risks associated with their investments or having adequate safeguards or incentives in place to uphold high environmental and social standards.

Our position

As part of our overall approach to integrating ESG considerations into our investments and underwriting, Allianz has identified the agricultural sector as a sensitive business area (for more information see Our ESG approach on page 23). Our ESG Guideline for agriculture specifically covers the ESG risks associated with palm oil production, such as slash-and-burn deforestation and loss of endangered species.

As a responsible investor, Allianz is actively engaged in discussions on the development of a sustainable palm oil industry. Specifically, Allianz Global Investors is a member of the Investor Working Group on Sustainable Palm Oil run by the UN Principles for Responsible Investment, to which Allianz is a signatory. The Group has two goals: firstly, to expand investor interest in this important issue and provide a coherent and unified investor perspective in support of the development of a sustainable palm oil industry. Secondly, members agree to engage directly with investee companies to encourage adherence to practices that are consistent with the development of a sustainable palm oil industry.

As well as focusing on sustainable palm oil investments, we are also closely involved in forest conservation activities. We are a leading corporate investor in the United Nations REDD program (Reducing Emissions from Deforestation and forest Degradation), which puts a price on forests and their ability to store carbon. This program helps prevent forest destruction, including that carried out for palm oil cultivation. REDD projects also have social and economic benefits, such as creating job opportunities for local populations.

In 2013, we stepped up our climate protection investments by investing in the Rimba Raya REDD Project in Borneo, Indonesia. Through this investment, we are helping to protect an area of 64,000 hectares of tropical forest from industrial clearance for palm oil production. For more information see the Low-carbon Investment section on page 77, which includes more information on the Rimba Raya project.

1 Roundtable on Sustainable Palm Oil (RSPO), 2014: "Impact Report 2014"

Human Rights

'Human Rights' is not a modern concept. In 539 B.C. Cyrus the Great, the first king of ancient Persia, freed all slaves in the conquered city of Babylon, established racial equality and declared that all people had the right to choose their own religion.

Since then, there have been many official documents supporting the rights of individuals, including the Magna Carta (1215), the Petition of Right (1628), the US Constitution (1787), the French Declaration of the Rights of Man and of the Citizen (1789), and the US Bill of Rights (1791).

Human rights and business

The modern understanding of this topic has been defined by the International Bill of Human Rights and the International Labor Organization, which together provide the most authoritative list of internationally-recognized human rights.

The International Bill of Human Rights consists of the Universal Declaration of Human Rights, the International Covenant on Economic, Social and Cultural Rights, and the International Covenant on Civil and Political Rights and its two Optional Protocols.

The International Labor Organization identified eight core conventions, covering the subjects that are considered as fundamental principles and rights at work.

In addition, there are materials in place that provide guidance for organizations in defining their human rights approach.

The UN Guiding Principles on Business and Human Rights, also known as the Ruggie Framework, assist states and companies in implementing the UN's "Protect, Respect and Remedy" Framework. The Principles explicitly and clearly set out the responsibilities of businesses to respect human rights alongside the obligations of states to protect human rights. This provides a framework of responsibilities for respecting human rights in a business context, setting out clear requirements for businesses to develop:

- A policy commitment to respect human rights;
- Due diligence processes to identify, prevent, mitigate and account for human rights impacts; and
- Processes to enable the remediation of any adverse human rights impacts.

Drawing upon these Guiding Principles, in 2011 Ministers from the Organization for Economic Co-Operation and Development (OECD) updated the Guidelines for Multinational Enterprises, to include new recommendations addressing human rights.

Thus, respecting human rights is not just an issue for states and governments today. Companies from all industries have an increasing responsibility to incorporate human rights issues into their business standards, wherever and however they operate.

Risks and impacts for the financial services industry

Corporations are not only expected to take into consideration the human rights impacts directly caused by their own activities and operations, but also those linked to a business relationship with business partners. The latter makes the determination of the appropriate action more complex, as the link is only through the business relationship. Corporations must look at human rights not only from a business risk perspective, but also from the perspective of the people impacted, i.e. the "rights-holders".

Many of the direct human rights risks and issues faced by the finance sector are generic to all businesses, such as the treatment of its own employees. But as an investor into public and private entities and an insurer of multinational corporations from various sectors, the insurance industry also plays an active role in the global economy. Through its business relationships it has many links to potential human rights violations. Examples include the provision of construction insurance to a company allegedly involved in forced resettlement of local communities, or holding shares in a textile company implicated in child labor in its factories.

Failure to respect human rights exposes the insurance industry to reputational, legal and transactional risk. Stakeholders, including civil society and policy makers, have rising expectations of how companies should be approaching the topic and their responsibility. For example, operating in locations prone to human rights violations may invite criticism from non-governmental organizations (NGOs), as well as employees and customers. Human rights standards are increasingly being built into international agreements and local regulations. Furthermore, there is often a strong correlation between respecting human rights and the quality of the insured risks. Also on the investment side, it can be observed that investors who take environmental, social and governance (ESG) considerations into account in their investment decisions, experience improved risk-adjusted investment returns in the long term[1] .

The financial services industry began to address human rights concerns some time ago. The industry started this process through voluntary initiatives such as the United Nations Global Compact, launched in 2000, followed by the Principles for Responsible Investment in 2006 and the Principles for Sustainable Insurance in 2012.

Our position

Allianz recognizes the importance of human rights, as both a value-based and a business issue. We have been a participant in the UN Global Compact since 2002 and communicate on the progress we make in implementing the ten principles every year.

We have a responsibility to respect human rights in our various roles - as an insurer and investor, an employer, a company as well as a corporate citizen. For these dimensions we have different processes in place. However, we and the rest of the industry are still learning about this important topic, and we will continue to work on ways to incorporate it into our business.

1 More details on human rights risks and impacts in the insurance industry can be found in the CRO Forum Paper "Human rights and corporate insurance", to which Allianz has contributed. The paper was published in November 2014 and can be read on the CRO Forum website.

Integrating human rights into core business

As corporate insurer and investor, we have developed a human rights due diligence process as part of our overall ESG approach, which is integrated into the broader risk management system to ensure a quick and rigorous implementation. For our due diligence we use a combination of a sector- and country approach. Allianz has developed thirteen ESG guidelines for sensitive business sectors, which include sector-specific human rights aspects, e.g. child labor in the manufacturing sector or forced labor in the mining sector. Thus, relevant human rights aspects are checked as part of the overall risk assessment for any insurance and alternative investment transaction in the respective sector.

In addition, Allianz has developed a watch list for sensitive countries where systematic human rights violations occur. For any business in those countries, a general human rights guideline is being applied. When a human rights risk is identified by an underwriter/ investment manager by applying the sector guideline or the overall human rights guideline, a mandatory referral process starts for further due diligence by ESG experts and the involvement of central units such as the risk and communication departments. Where an issue is detected and the (re)insurer has leverage (i.e. in a lead position or with good contact with the client/ broker/ investee company), engagement is encouraged to address and mitigate the human rights risk. If no mitigation measures exist or if leverage cannot be increased, the risk might be unacceptable. Factors which may influence this decision include the severity of the human rights violation, the significance of the business relationship as well as own values. For further information on how we integrate ESG aspects into our business see page 23.

Respecting human rights as an employer

As an employer we respect international human rights standards for our own workforce. We apply the Universal Declaration of Human Rights throughout our worldwide operations. We are a participant in the UN Global Compact and have integrated its ten principles into our globally-binding Code of Conduct.

We also respect the OECD Guidelines for Multinational Enterprises. To support employee rights, we were one of the first companies to create pan-European worker participation standards and establish a European SE Works Council under the legislation for Societas Europaea (SE) companies.

We are also a signatory to the International Labor Organization's (ILO) Declaration on Fundamental Rights and Principles at Work, including the ILO declaration on the freedom of association and the right to collective bargaining. In countries where local law prohibits formalized unions and works councils, we respect local law but do not obstruct parallel means of association and bargaining, and we strive to act in the spirit of the UN Global Compact principles.

Respecting human rights in our operations

As a company, we respect and apply international human rights standards for the workforce of our suppliers and promote sustainability standards in our supply chain. Our Global Sourcing and Procurement department works with current and potential suppliers. In practice, this means ensuring that all suppliers abide by the environmental, social and governance (ESG) standards outlined in the Allianz Code of Conduct and our Purchasing Principles. Both the Code and the Principles are aligned with ILO standards and the principles of the UN Global Compact, which cover human rights, labor standards, environmental protection and anti-corruption.

Fostering human rights as a corporate citizen

As a committed corporate citizen, we also support projects and initiatives that foster human rights. Our international network of 14 Allianz-affiliated corporate foundations look at challenges faced by society, in order to try and safeguard the future. This network includes the Allianz Environmental Foundation, dedicated to responsible environmental management, and the Allianz Cultural Foundation, which, through the arts, works to promote intercultural dialogue and cooperation among young people.

For example, in 2014, the Allianz Cultural Foundation hosted the tenth M100 Sanssouci Colloquium. With an overarching topic of "Media Freedom in the Age of Big Data," this international media conference aimed to foster debate and encourage freedom of speech.

Whilst Allianz is keen to donate to charitable organizations, it is important that recipients uphold our human rights standards. The Allianz Guidance for Donations and Charitable Memberships (Corporate Giving) stipulates that corporate giving can only made to organizations that meet the principles set out in the Allianz Code of Conduct for Business Ethics and Compliance.

F Further Information

Pages 99 – 118

Reporting Parameters

Transparent reporting of our sustainability performance

We strive for our communications on the topic of sustainability to be transparent, engaging and accessible to our stakeholders. We have reported online, through our Group website Allianz.com, for a number of years. Online reporting allows for more dynamic content that can be updated frequently, with connections to additional sustainability communications and other expertise around the Allianz Group.

A major update on our progress in the previous calendar year is completed annually, alongside the Allianz Group Annual Report, for which we also provide extra-financial information. This reflects the importance of communicating our sustainability journey and performance to a broad audience, including the financial community.

Our sustainability communications are targeted at our most relevant stakeholders: customers, employees and the general public on one hand, and analysts, ranking and rating agencies, and NGOs on the other. We aim to provide comprehensive and transparent communication on both our approach to sustainability and our performance in this area.

Reporting in line with international standards

Our Sustainability Report has been prepared according to the Global Reporting Initiative (GRI) Guidelines (version 3.1) and its Financial Services Sector Supplement. Since 2011, the GRI has verified that our Report is prepared according to the GRI Guidelines, at Application Level A+. This indicates that we fulfill the highest requirements of the international sustainability reporting standard and have had parts of the Report externally assured[1]. We are currently in transition to the GRI G4 Guideline.

We were also one of the first companies to Report in accordance with the principles of the German Sustainability Code. The principle of transparency, which is a core element of this Code, is something that we take very seriously - it is one of our Principles of Sustainable Development.

Furthermore, the information in our Report serves as the basis for our annual communication on how far we have progressed with the implementation of the ten Principles of the UN Global Compact in the fields of human rights, labor standards, environmental protection and anti-corruption, as well as the UN Principles for Sustainable Insurance.

Scope of reporting

Our 2014 Sustainability Report relates to the entire Allianz Group. All measures, activities and key figures refer to the 2014 financial year (1 January 2014 to 31 December 2014), unless otherwise stated. This is our 14th annual Sustainability Report. Unless otherwise stated, we take operational control as the boundary for reporting.

An increasing number of Allianz subsidiaries now publish their own sustainability reports, which are available for download on www.allianz.com/sustainability.

Assurance approach

We believe that independent assurance of our sustainability performance adds to the credibility and transparency of our communication. For the financial year 2014, we have engaged KPMG to provide limited assurance on the qualitative claims and quantitative data provided in the environmental management section and environmental performance indicators of this Report and any other sustainability communications.

We warmly invite all our stakeholders to provide feedback and comments on our Sustainability Report.

1 GRI table is accessible under www.allianz.com/sustainability

Sustainability Rating Achievements

Our sustainability performance is regularly assessed by external stakeholders such as rating agencies, and once again they have given us top rankings in 2014. We have been included in the main international sustainability indices and received outstanding rating results. As communication with sustainability-oriented investors and rating agencies grows in importance, our main aims are to strengthen these relationships, engage with mainstream investors on environmental, social and governance (ESG) issues, and uphold our excellent rating positions.

Outstanding scores

We are committed to increased transparency and accountability on sustainability issues. We submit our performance data to a wide variety of rating agencies and indices. As in previous years, the top scores achieved in 2014 represent an objective recognition of the high sustainability standards we set for our business. Below is a selection of our achievements.

CDP (Carbon Disclosure Project)

Allianz Group supports the CDP as a responding company and as an asset owner and asset manager. We were also a founding signatory of the CDP. Allianz has been listed in the global Carbon Disclosure Leadership Index since 2011, and in 2014 we achieved a Disclosure Score of 99 and Performance Band of A-.

Dow Jones Sustainability Index (DJSI)

Allianz has been included in the Dow Jones Sustainability Index since 2000. We were ranked number two in the insurance industry during 2014. We have been recognized particularly for leading the industry in the areas of: Risk Detection (industry-leader since 2012); Financial Inclusion (industry-leader since 2011); Principles for Sustainable Insurance (new question for 2014); Brand Management (industry-leader since 2010) and Stakeholder Engagement (industry-leader since 2009).

FTSE4Good Index

Included since 2001, Allianz is one of the long-standing members of the FTSE4Good index series. In the 2014 assessment, we were placed as the industry leader.

MSCI Rating

In 2014 Allianz once again received AAA rating from MSCI ESG Research. We are leading the insurance sector for our ESG performance.

oekom Corporate Rating

Allianz has once again received "Prime status," which ranks us among the world's best companies. Allianz is also the industry leader.

Sustainalytics Rating

In the 2014 industry rating, Allianz leads as number one in the insurance sector. Allianz is also part of the STOXX ® Global ESG Leaders Index, which represents leading companies from an ESG point of view. The list is based on analyses conducted by Sustainalytics.

Engagement with investors and rating agencies

Numerous meetings and conference calls were arranged in 2014 to engage with investors and rating agencies. We see increasing interest from investors and asset managers in integrating ESG criteria into their investment processes and establishing 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 2015 involves further strengthening stakeholder relationships and enhancing dialogues with investors and rating agencies. For example, engaging with our investors personally at investor conferences and specific ESG road shows. To access our material for our ESG road shows visit the Investor Relations page on www.allianz.com.

Sustainability awards

In addition to achieving top positions in sustainability ratings and sustainability indices, Allianz received a number of awards and external recognition related to our overall sustainability performance, such as the robecoSAM Sustainability Award. For a more comprehensive list visit our awards page on www.allianz.com/sustainability.

Key Environmental and Employee Figures

Key environmental figures

Total greenhouse gas emissions (CO_2e), [metric tons]

	2014	2013[1]	2012[2]
Scope 1 – Direct GHG emissions, total	65,887	63,801	81,456
Scope 2 – Indirect GHG emissions, total	135,003	159,308	151,277
Scope 3 – Other indirect GHG emissions, total	121,639	125,553	112,044
Scope 1-3 GHG emissions, total	322,529	348,661	344,776
Total GHG emissions per employee	2.20	2.39	2.41

Energy consumption

	2014	2013[1]	2012
Total energy consumption [GJ]	2,596,317	3,084,601	3,079,897
Energy consumption per employee [GJ]	17.7	21.2	21.5
Electricity [%]	67.2	65.0	62.7
Fossil fuels [%]	21.3	21.5	23.7
Long-distance heating [%]	11.3	12.7	13.0
Other (energy from own sources including photovoltaic, internal waste heat, fuel cells) [%]	0.3	0.8	0.6

Green energy

	2014	2013[1]	2012
Green energy as a share of total energy sourced [%]	40.0	38.9	39.2

Travel

	2014	2013	2012
Total travel	963,958	967,210	931,356
Travel per employee [km]	6,568	6,637	6,498
Road travel [%]	48.5	47.0	50.5
Air travel [%]	44.4	46.0	42.2
Rail travel [%]	7.1	7.0	7.3

Paper consumption

	2014	2013[1]	2012
Total paper consumption [metric tons]	19,774	18,255	20,193
Paper consumption per employee [kg]	135	125	141
Recycled paper [%]	30.7	31.3	35.5
FSC-labeled paper [%]	32.2	28.3	29.3

Water

	2014	2013[1]	2012
Total water consumption [m^3]	1,965,612	1,738,547	2,105,701
Water consumption per employee [liters]	13,393	11,930	14,691
Drinking water [%]	88.2	88.5	90.1
Rain water [%]	0.4	0.8	0.7
Natural water [%]	11.4	10.7	9.2

Waste output

	2014	2013[1]	2012
Total waste [metric tons]	22,277	26,280	28,695
Waste per employee [kg]	152	180	200
Waste incinerated [%]	35.4	36.9	40.9
Waste recycled [%]	45.2	40.8	46.3
Waste to landfills [%]	18.1	20.9	11.1
Special waste treatment [%]	1.3	1.4	1.7

Assured (see KPMG Independent Assurance Report on page 111)

1 Error corrections were carried out for 2013 data in line with our recalculation policy.
2 Error corrections were carried out for 2012 data in line with our recalculation policy.

Key employee figures

Our human resources data shows an overview of Allianz's workforce profile, and provides a statistical summary of our employees.

Employees by region[1]

	As of December 31, 2014
Asia Pacific [%]	10.0
Eastern Europe [%]	11.5
Germany [%]	28.0
Middle East & Africa [%]	1.2
North America [%]	6.4
Rest of Europe [%]	40.9
South America [%]	2.0
Total	147,425

1 Total number of employees with an employment contract of all affiliated companies (core and non-core business)

Employees by country[1]

	As of December 31, 2014
Germany	40,692
France	17,259
United States	9,124
United Kingdom	7,965
Italy	6,840
Russia	6,085
Australia	4,907
Switzerland	3,608
Spain	3,606
Brazil	3,476
Other countries	43,863

1 Total number of employees with an employment contract of all affiliated companies (core and non-core business)

Employees by gender[1]

	As of December 31, 2014
Men [%]	47.5
Women [%]	52.5

1 Total number of employees with an employment contract of all affiliated companies (core and non-core business)

Employment relationships[1]

	2014	2013	2012
Permanent employees [%]	93.2	93.3	93.5
Temporary employees [%]	6.8	6.7	6.5
Full-time employees [%]	88.2	88.5	87.6
Male [%]	52.3	52.0	52.3
Female [%]	47.7	48.0	47.7
Part-time employees [%]	11.8	11.5	12.4
Male [%]	17.0	17.9	20.2
Female [%]	83.0	82.1	79.8
Trainee[2] ratio [%]	2.3	2.2	2.3

1 Figures based on the number of employees in Allianz's core business, which includes all companies in and related to the insurance and asset management business, including our banking activities in Germany, France, Italy and Central and Eastern Europe. The figures do not include fully consolidated companies that are considered as pure financial investments and companies classified as held for sale.
2 Trainees are employees at the beginning of their career participating in a trainee program, i.e. 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).

Employee qualifications[1]

	2014	2013	2012
University degree [%]	45.1	45.3	44.5
Vocational training [%]	31.8	31.6	31.3
Other[2] [%]	23.1	23.1	24.2

1 Figures based on the number of employees in Allianz's core business
2 Other" excludes higher-level education. Currently we do not track specific local qualifications at a Group level as educational systems vary widely by country.

Age structure [%][1]

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

	2014	2013	2012
24 or under	7.0	7.7	7.6
25-34	27.5	27.5	27.0
35-44	28.4	28.5	29.0
45-54	25.4	25.2	25.6
55-64	11.3	10.6	10.4
65 or over	0.4	0.5	0.4

1 Figures based on the number of employees in Allianz's core business

Explanatory Notes

Environmental management

These explanatory notes refer to the carbon footprint of Allianz Group, reported in CO_2-equivalents, as well as global figures of our five environmental indicators in either consumption of resources or production of waste. In 2014, the Group's carbon footprint and the five Group-level environmental indicators were independently verified by KPMG AG Wirtschaftsprüfungsgesellschaft.

1. Reporting standards

Our reporting on environmental data generally follows the Sustainability Reporting Guidelines (G3.1) of the Global Reporting Initiative. The Group's carbon footprint is oriented towards the Greenhouse Gas (GHG) Protocol's Corporate Accounting and Reporting Standard. For data compilation, Allianz further applies the standards developed by the Association of Financial Institutions for Environmental Management and Sustainability (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstitutionen "VfU") as they are tailored to financial services institutions. Detailed guidance for environmental data compilation is further defined in internal guidelines for environmental reporting.

2. Organizational boundaries

Allianz defines its organizational boundaries applying the operational control approach as defined in the GHG Protocol. Operational control is established when Allianz, or one of its entities, has full authority to introduce and implement its operating policies and thus has operational control of the entity. The emissions of all operations over which Allianz has operational control, all owned and leased facilities that the company occupies and vehicles the company operates, are included in the environmental data either based on measurements or calculations where possible. Where data cannot be determined by measuring or calculating, it is extrapolated based on employee headcount.

Allianz collects environmental data for a significant proportion of the entities over which it has operational control. In 2014, this was 89.5% of the total employee base. To achieve 100% coverage, the indicators are extrapolated based on Group average figures.

3. Methodology updates

a. Continuous improvement

As part of our efforts to continuously improve the quality of our environmental data, we closely follow developments in the GHG Protocol and further develop our systems appropriately. In 2014, we updated the local emission factors for electricity and added a new data category to account for carbon-neutral paper in order to further improve data accuracy.

Our emissions data includes upstream emissions from the production of electricity from renewable sources and from the production of fossil fuels, which was formerly reported under Scope 1 or 2 and is now reported under scope 3.

Systems, processes and internal controls for environmental data collection are subject to regular review and continuous development in order to continuously improve overall data quality at both Allianz Group and entity level.

b. Data coverage updates

Allianz undertakes reasonable efforts to collect relevant environmental data from all its entities and their operations. Within the scope of our environmental reporting boundary are entities that have been part of Allianz for a full reporting year. At Group level, the headcount from entities that do not meet this criteria but for HR purposes are included in the official Group HR figure for the reporting year are subtracted from the Group HR figure. This results in a total Group headcount figure for environmental reporting purposes, which represents 100%. In 2014, 12 entities were first consolidated in Allianz's financial statements with a total headcount of 660 and were outside the reporting boundary and excluded as described below. These entities will be included for the first time in our 2015 environmental reporting.

However, in some instances, not all of the required performance data is available given reasonable efforts (e.g. for small or remote offices). In those instances, data is extrapolated to 100%.

Data is extrapolated for either part of an entity or for entire entities. The basis for these extrapolations is the total headcount of the individual entity or of the Group and, for extrapolating

- Part of an entity, the entity's average values are used
- Entire entities, the Group's average values are used

This enables performance monitoring as well as comparison and benchmarking of entities using comparable system boundaries.

c. Reporting Scopes

In line with the reporting standards, Allianz has developed methods to measure and analyze CO_2-equivalents, differentiating between the three Scopes:

Scope 1 – direct GHG emissions:

emissions from sources that are owned or controlled by Allianz

- Stationary Combustion: gas and oil heating systems, fuel cells at our entity in the USA (since 2011); backup generators. Data is based on meter readings (where available), invoice amounts (where available) and estimations from entities.
- Mobile Combustion: company-owned vehicles. Data is based on expenses data (where available) and estimations from entities.

Scope 2 – indirect GHG emissions:

emissions from the consumption of purchased electricity, heat or steam.

- Electricity - Office and data centers: Data is based on invoice amounts or meter readings (where available) and estimations from entities.
- District heating: Office and data centers: Data is based on invoice amounts or meter readings (where available) and estimations from entities.

Scope 3 – other indirect GHG emissions:

emissions from other sources, including travel, water, waste, paper and upstream emissions from energy use.

Business travel data includes employees travelling by air, rail and car only.

- Air travel: business flights are split into short (<500 km) and long-haul flights (>500 km); extrapolation of CO_2-equivalents is based on the actual distance travelled and/ or the costs. Emission factors applied for air emissions do not account for radiative forcing.
- Train travel: emissions from train travel are calculated based on the actual distance traveled or the cost multiplied by the appropriate CO_2 conversion factor.
- Road travel: emissions from cars are calculated based on the actual distance traveled or the cost multiplied by the appropriate CO_2 conversion factor.
- Water, waste and paper: Data is based on meter readings (where available), invoice amounts (where available) and estimations from entities.
  For details on the greenhouse gas emissions allocated to the three different scopes, please see our Environmental management and Key environmental figures on pages 40 and 103 respectively.
- Upstream emissions from energy use (electricity from renewable sources and fossil fuels) are calculated based on meter readings (where available), invoice amounts (where available) and estimations from entities and multiplied by the appropriate CO_2 conversion factor.

d. Carbon accounting

We use CO_2-equivalents (CO_2e) in our carbon accounting where available, as they are 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.

Our carbon footprint is based on net carbon accounting, i.e. we use the contractual emission factors provided by our suppliers. The Allianz Group's total reported carbon footprint already considers the compensation activities of some of our subsidiaries.

Renewable energy includes electricity from hydro, wind, solar and biomass power plants as well as district heating and energy from renewable sources through own generation.

f. Comparability

The GHG Protocol requires that, in the case of a structural or methodology change, companies adjust historic inventories if the change has a significant effect on reported emissions. Allianz uses a significance threshold for:

- Structural changes: 5% per indicator category of the current year's total emissions
- Methodological changes: 5% on Group level or 10% on entity level per indicator category of current year's total emissions.
- Errors: 5% on Group level or 10% on entity level per indicator category.

That is, a structural change that increases or decreases the total inventory by 5% or more, or a methodology change or aggregate errors that increases or decreases the total inventory by 5% or more on a Group level or 10% on an entity level per indicator category, will trigger an adjustment of historic data. A structural change that increases or decreases the total inventory by less than 5% will be considered only going forward.

As such, historic data for 2013 has been recalculated and restated in 2014 due to corrections.

Assured (KPMG Independent Assurance Report)

4. Carbon neutrality

Allianz became a carbon-neutral business in 2012. Instead of purely buying credits on the carbon market, we are investing directly in high-quality carbon projects that generate credits which we can then use to neutralize our remaining carbon footprint. In 2014, 322,529 credits, each accounting for one metric ton of carbon avoided, were retired from our own projects.

5. Data quality

We will continue to improve and formalize our systems, processes and internal controls for environmental performance reporting on both Group and entity level to continuously improve data quality. As part of our efforts, we seek to include more entities in our data collection and hence increase the scope of data being measured or calculated.

Microinsurance

These explanatory notes relate to the following indicators on Microinsurance, which Allianz Group reports on externally:

- Number of inforce insured
- Gross Written Premiums (GWP)

KPMG Wirtschaftsprüfungsgesellschaft AG has provided limited assurance on the 2012 microinsurance performance information, as well as the performance indicators "number of inforce insured" and" Gross Written Premiums." 2013 and 2014 performance has not been externally assured, but the same methodology for data collecting and analysis as in 2012 has been applied. Reporting processes have even been continually strengthened, for example, with regards to quality control.

Reporting criteria

In the absence of generally-accepted criteria for microinsurance accounting and reporting, Allianz has defined its own criteria which are set out below.

In assessing whether an Allianz product qualifies as a microinsurance product, the following selection criteria must be met:

- **Insurance principles are applied:** These generally-accepted principles define key characteristics of any insurance product: Losses must occur by chance and must be definite in terms of timing and amount. A significant insurable interest must apply, with a predictable rate of loss that must not be catastrophic to the insurer. Premiums must be proportionate to the likelihood and cost of the risk involved under application of the law of large numbers.
- **The product is sold either in a developing country or an emerging market:** In determining what constitutes a developing country or an emerging market, Allianz refers to the World Bank list of developing countries and to Standard & Poor's list of emerging markets respectively. European Union countries are not considered by Allianz even if they are included in the list of developing countries or emerging markets.
- **A great majority of insured persons or assets are from the low-income segment:** In assessing this prerequisite, Allianz applies a threshold of approximately 80%. Allianz presumes that a great majority of insured persons or assets are from the low-income segment when approximately 80% of insured persons or assets belong to the three lowest income quintiles in each developing country/emerging market.
- **No government subsidies of more than 50%:** Insurance programs where a government or a government-related agency subsidizes premiums by more than 50%, so that the policyholder does not pay the majority of premiums, are not considered microinsurance. Such subsidies frequently occur in the area of agricultural smallholder insurance or public-private health insurance schemes. For every product, Allianz regularly verifies the current level of government subsidies (if any) and excludes them according to the 50% threshold.

For further explanations and case studies please refer to the Allianz Microinsurance Definition and Assessment Tool on www.allianz.com/sustainability.

Allianz reports externally on two performance indicators for those products that qualify as microinsurance by meeting all of the selection criteria above. The two performance indicators are defined as follows:

- **Number of inforce insured:** Generally refers to all unique persons who have one or more active microinsurance coverage(s) at the end of a reporting period (cut-off date). If a policy covers several persons, all persons are counted as insured. Further, only coverages for persons, such as for life, accident or health insurance, are counted. Insurance policies for assets, such as livestock, housing or motorcycles are not counted.
- **Gross Written Premium (GWP):** Includes new business and renewal premiums from microinsurance products in a reporting period. "Total gross written premiums" includes premiums from all microinsurance products covering persons and assets.

Organizational boundaries

Allianz generally follows an operational control approach for microinsurance accounting and reporting. Control is established when Allianz, or one of its subsidiaries, has full authority to introduce and implement its operating policies and thus has the operational control of the entity. However, in the light of relevance and the specific circumstances of microinsurance we also include significant Joint Ventures in our reporting. This is in contrast to Allianz financial accounting and reporting, where Joint Ventures are reported at-equity according to Allianz's share instead of being consolidated.

Currently, there are two entities for which microinsurance data is included in the performance indicators but not consolidated in Allianz's financial statements:

- BajajAllianz General Insurance Co. Ltd., India
- BajajAllianz Life Insurance Co. Ltd., India

Data Quality

a. Continuous improvement

Microinsurance accounting and reporting is still in its infancy. There is ample room and need for further improvement. Our criteria, systems, processes and internal controls for microinsurance accounting and reporting are therefore in the process of continuous development in order to increase overall data quality at both Allianz Group and subsidiary level.

In early 2012 Allianz established revised microinsurance selection criteria as outlined overleaf. These are now being applied in regular and systematic screens of relevant markets and products to ensure better reliability of related performance indicators.

b. Remaining challenges

Several key challenges on microinsurance performance accounting and reporting remain:

- **Assessment of the low-income selection criterion:** Allianz cannot systematically collect detailed information on incomes of its microinsurance policyholders, as this causes logistical and data protection challenges. It is therefore difficult to verify beyond doubt that a specific microinsurance product is in the great majority (80%) sold to individuals belonging to the three lowest income quintiles (i.e. the bottom 60% income earners) in the respective country. As a next best solution, Allianz draws on a variety of alternative data sources: (1) samples of income records from distribution partners, (2) proxy data such as the average loan amounts of insured micro-credits, (3) self-statements of distribution partners to have a low-income focus, (4) government regulations such as the restriction of certain distribution channels to the low-income market segment.
- **Double counting of insured:** Double counting can occur in cases where an insured has purchased several non-asset microinsurance products. Applying unique customer identification numbers could eliminate double counting in the future, however to date such systems are difficult to implement in a microinsurance environment where people often do not even hold valid national identity cards. Therefore, we currently rely on a rather manual approach to limit double counting wherever possible. For example, if a distribution partner distributes both life and accident insurance and no unique customer ID is available, only the count of the higher selling product is considered and the other discarded because the chance of overlap of both customer groups is high. This ensures a conservative approach to counting the number of insured people.
- **Unknown number of co-insured:** Some microinsurance products cover the principal insured and a number of other persons, e.g. all under-age children. For efficiency reasons the number and names of children are often not registered upon enrolment. Family relations are only verified at the time of claim. In such cases, only the principal insured is included in "Number of inforce insured," ensuring a conservative approach for this performance indicator.

c. Data coverage

Allianz undertakes reasonable efforts to collect relevant microinsurance data from its subsidiaries and non-consolidated companies in the relevant markets. Because microinsurance is not a separate line of business and therefore has no explicit financial accounting and reporting established on subsidiary level, the possibility remains that the regular microinsurance screening process of Allianz fails to detect some products that may qualify as microinsurance products. However, Allianz does not consider this as causing significant misstatement of microinsurance performance indicators.

d. Comparability

In the case of a structural or methodological change, Allianz adjusts historic microinsurance performance indicators if the change has a significant effect. The same applies in case of identification of microinsurance products that existed in prior reporting periods but were not included in the microinsurance performance indicators.

Allianz applies a significance threshold of 5% for all such changes per microinsurance performance indicator based on annual Group level figures. That is, a structural or methodological change or the identification of a previously unreported microinsurance product will trigger retrospective adjustment if the Group level performance indicator increases or decreases by at least 5%. Any such effect with less than 5% will be considered prospectively only.

Due to considerable data availability constraints for prior periods, retrospective adjustments to microinsurance performance indicators only applies to reporting periods from 2012 onwards. For the 2014 reporting period, there was one performance indicator change for 2013 data. Number of insured in India had to be corrected upward by 1.2 million. After a revamp of the Group Term Life product in India in July 2013, new enrollments under the old product that were still running had not been included in the number of insured. This error has been corrected for 2013 and 2014. Premium volumes were not affected and these figures remain unchanged.

KPMG Independent Assurance Report

INDEPENDENT ASSURANCE REPORT

To the Board of Management of Allianz SE, Munich

We were engaged to provide assurance on selected environmental performance information for the business year 2014 published on the Sustainability web pages of Allianz SE (further 'Allianz'), including the explanatory notes. The Board of Management is responsible for the appropriateness of the preparation and presentation of qualitative claims and the appropriateness of the determination and presentation of quantitative indicators on environmental performance information in accordance with the reporting criteria, including the identification of material issues. Our responsibility is to issue an assurance report on the selected environmental performance information published on Allianz' Sustainability web pages.

Scope

Our assurance engagement was designed to provide limited assurance on whether the qualitative claims and quantitative indicators on environmental performance for the business year 2014, including the explanatory notes, published online at www.allianz.com/sustainability within the sections 'Environmental management' and 'Key environmental figures', are presented, in all material respects, in accordance with the reporting criteria.

The web pages that have been part of the scope of our engagement are marked with:

Procedures performed to obtain a limited level of assurance are aimed at determining the plausibility of information and are less extensive than those for a reasonable level of assurance.

Reporting criteria and assurance standard

Allianz applies the Sustainability Reporting Guidelines G3.1 of the Global Reporting Initiative supported by internal guidelines, as described in the explanatory notes, as reporting criteria for environmental performance information.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information and the International Standard on Assurance Engagements (ISAE) 3410: Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standards Board. Amongst others, these standards require that the assurance team possesses the specific knowledge, skills and professional competencies needed to provide assurance on sustainability information, and that we comply with the requirements of the Code of Ethics for Professional Accountants of the International Federation of Accountants to ensure their independence.

Work undertaken

Our procedures included:

- A risk analysis, including a media search, to identify relevant sustainability aspects for Allianz in the reporting period.
- Interviewing management at the Group level responsible for environmental performance goal setting and monitoring processes.
- Evaluation of the design and implementation of the systems and processes for the collection, processing and control of the environmental performance information, including the consolidation of the data.
- Interviews with relevant staff at Group level responsible for providing the data and information, carrying out internal control procedures and consolidating the data and information, including the explanatory notes.
- An analytical review of the data and trend explanations submitted by all operating entities for consolidation at Group level.
- Visits of locations in Kuala Lumpur (Malaysia), Munich (Germany), Seoul (Korea) and Vienna (Austria) to assess local data collection and reporting processes and the reliability of the reported data for environmental performance indicators.
- Evaluation of internal and external documentation, based on sampling, to determine whether parameters affecting carbon footprint emission factors are supported by sufficient evidence.
- Evaluation of the overall presentation of the information on environmental performance information, including the explanatory notes, on Allianz’ Sustainability web pages.

Conclusion

Based on the procedures performed, as described above, nothing has come to our attention to indicate that the environmental performance information published on Allianz' Sustainability web pages for the business year 2014, including the explanatory notes, are not presented, in all material respects, in accordance with the reporting criteria.

Munich, March 2, 2015

KPMG AG
Wirtschaftsprüfungsgesellschaft

Fischer
Certified Public Accountant
[Wirtschaftsprüferin]

ppa. Gräbsch

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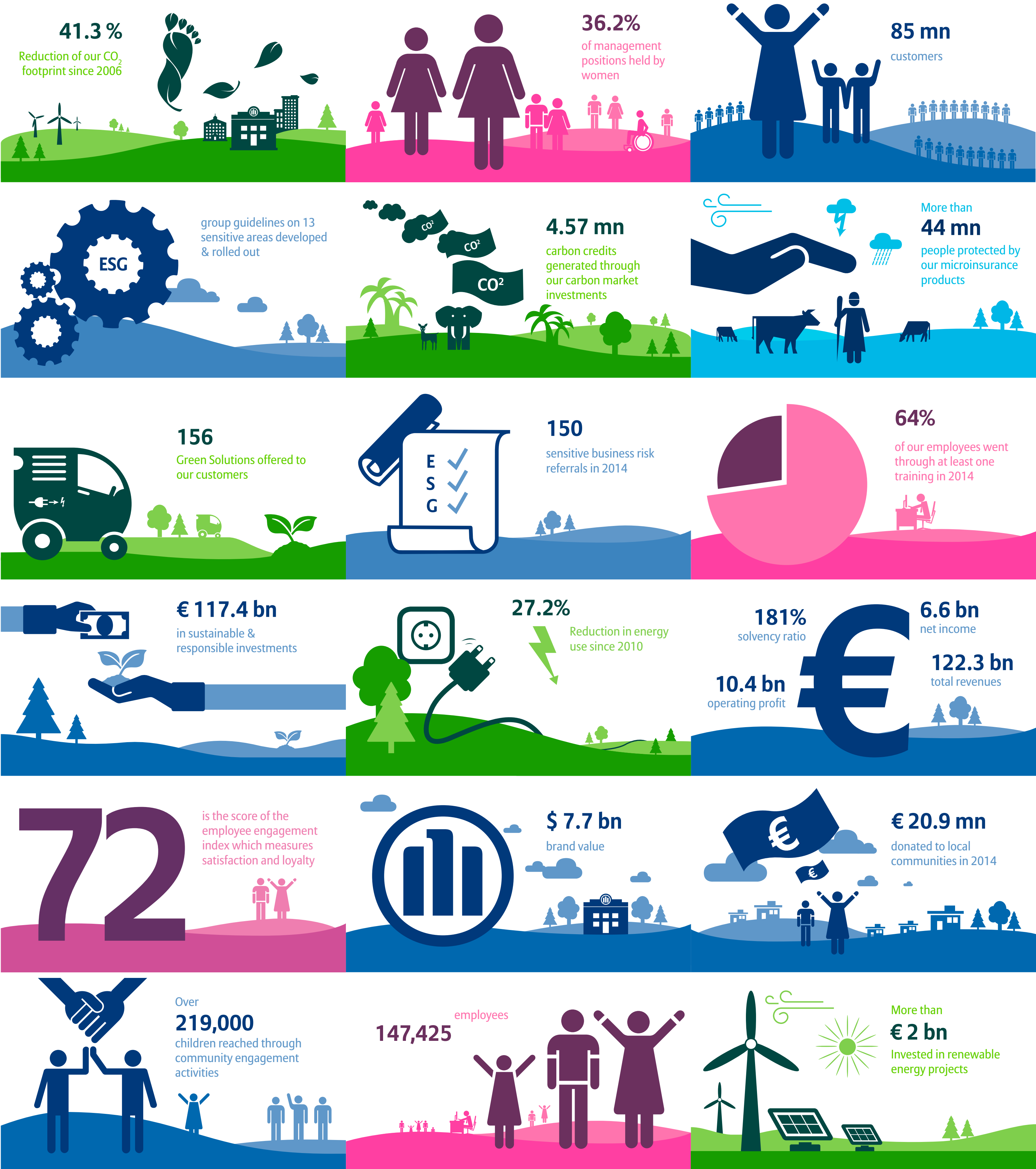
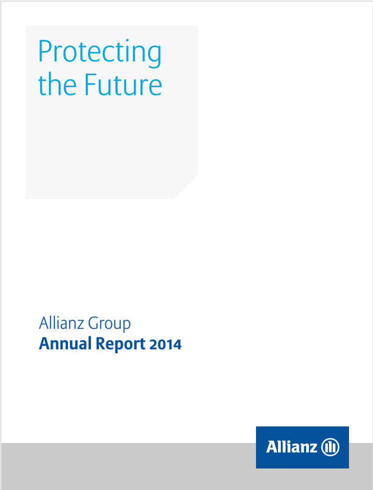
Our Performance



Allianz Group Annual Report 2014



Multichannel reporting

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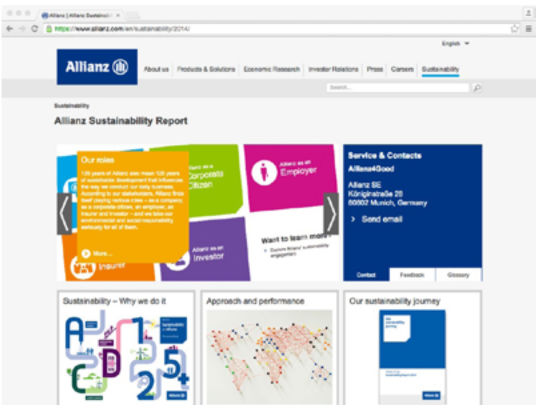
allianz.com/hrfactbook

Allianz Sustainability Website



Further information on sustainability at Allianz can be found at www.allianz.com/sustainability

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Andreas Pohlmann (Chairman of the Board of Management)

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

Cautionary note regarding forward-looking statements
The statements contained herein may include statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. The company assumes no obligation to update any forward-looking statement.

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