

ClimateWise

Second Year Report

Allianz 



Introduction



Andrew Torrance, CEO, Allianz Insurance Plc.

Climate change is undoubtedly one of the most significant threats facing the world today. There is scientific consensus that human behaviour is exaggerating the Earth's natural climate cycle.

The insurance industry is at the forefront of the climate change threat. Changing weather patterns and more frequent extreme weather events are already increasing the volume of insurance claims for damaged infrastructure, property and possessions. This is predicted to grow at an ever-faster rate. The political landscape is changing, with new legislation and regulations aimed at reducing the volumes of greenhouse gases (the principal cause of climate change) emitted into the Earth's atmosphere. Many businesses are also changing to cope with the future threats of a changed climate and resource scarcity – and, indeed, new businesses are emerging to try to tackle the problem.

The insurance industry recognises the role it can play – as a risk manager and a financial solutions provider – in, not only addressing the threats posed by climate change, but also, capitalising on the opportunities.

The ClimateWise Principles embody the industry response to climate change. As a member of ClimateWise, Allianz Insurance Plc. is committed to complying with each of the requirements of the six Principles and their sub-components. We explain the reasons for any areas of non-compliance or describe what processes or plans are in place to address those issues in the future.

The ClimateWise Principles commit us to:

- Lead in risk analysis;
- Inform public policy making
- Support climate awareness amongst our customers;
- Incorporate climate change into our investment strategies;
- Reduce the environmental impact of our business; and
- Report and be accountable.

It is in relation to the final Principle – and in the interests of credibility of the initiative – that we publish our second annual statement detailing the actions that have been taken on the ClimateWise Principles at Allianz Insurance.

Following the first year review, new Guidance for Reporting was published in February 2009. Allianz Insurance welcomes the new guidance and has prepared this report according to its requirements. In doing so we recognise our report should:

- provide sufficient detail to enable effective assessment of our compliance with the Principles;
- show continuing progress; and
- explore any barriers to compliance so that they can be addressed.

This report documents the performance of Allianz Insurance Plc against the six ClimateWise Principles during the period January to December 2008, unless otherwise stated.



ClimateWise

Allianz Insurance Implementation of the ClimateWise Principles

Principle 1 Lead in risk analysis

- a) Support and undertake research on climate change to inform our business strategies and help to protect our customers' and other stakeholders' interests.
- Allianz has partnered with the World Wildlife Fund (WWF) to undertake research into climate change and the implications for the insurance industry. Over the past couple of years, numerous reports have been published¹ on the role the insurance industry can play in helping society at large mitigate future climate change by changing behaviour; and adapt to the effects of climate change that we are already locked in to.
 - In 2008, Allianz and the WWF undertook a study to identify whether there is a link between sustainable behaviour of customers and their risk profile. The study confirms that there is a real correlation between sustainability and lower risk. While the report, due out in the latter half of 2009, is not a blue-print for developing sustainable insurance products it is a very useful and substantiated starting point which goes beyond assumption. It is hoped the report will be a stimulus for the potential development of climate-compliant products across the Allianz Group.
 - In 2008, Allianz worked with the Tyndall Centre for climate research on a report to analyse climate 'tipping points'. The report investigates five different scenarios that would tip the earth's climate over the brink into an irreversible state of change. The scenarios include the disappearance of Arctic ice sheets and Amazonian rainforests. The research findings have internal relevance for informing business strategies of different Allianz operating companies, e.g. re-insurance.
 - Through payment of an annual licence fee Allianz Insurance supports climate-risk modelling undertaken by Risk Management Solutions (RMS), a leading provider of catastrophe models.
- In particular, the principal climate-related topics we are concerned with are flooding (tidal, fluvial and pluvial) windstorms and sea surge.
 - The catastrophe models are one of a suite of tools used to determine overall risk. The output data from the models is used to inform our pricing levels, capital reserves and how much re-insurance we purchase.
 - Through better risk management we are able to provide customers with insurance cover that is more tailored to their level or risk. We are also able to provide greater information to customers on how they can manage their own risk.
 - By pricing insurance cover according to robust assessment of all risks we are able to manage our capital reserves to cover premium liabilities and deliver value to our shareholder, Allianz SE.
- b) Support more accurate national and regional forecasting of future weather and catastrophe patterns affected by changes in the earth's climate.
- Through a corporate sustainability initiative launched in mid-2008, we have been building internal capacity for postcode peril modelling within underwriting. This project takes regional risk forecasting and translates it down to the postcode level, therefore providing much greater accuracy in predicting risks and added value for the customer.
 - Allianz Insurance has been active in the review process following the 2007 flooding events. Much of the damage was due to the sheer volume of rainwater and this meant that the floods went well beyond any risk models in use at the time and resulted in an extraordinary volume of claims. Following these events, in 2008, Allianz Insurance provided RMS with claims data from the 2007 floods in order to inform and improve the accuracy of catastrophe modelling at the regional level.
 - Through more accurate forecasting of flooding events, we are able to inform customers of their level of risk and provide insurance cover that reflects that risk.
- c) Use research and improve data quality to inform levels of pricing, capital and reserves to match changing risks.
- The catastrophe risk models produced by RMS are one of the tools Allianz Insurance uses to inform commercial and retail acceptance of risk, underwriting, price and terms/conditions and how

¹Allianz Climate Change publications are available at: http://www.allianz.com/en/about_allianz/sustainability/studies/climate_change/index.html

much re-insurance to purchase. Capital required to support changing risks is assessed on a regular basis and takes into account the modelled effects of catastrophic weather events.

- The data is used to inform component-based pricing, to give individual perils, such as flooding; sea surge; or windstorm, greater prominence within the overall risk assessment.
 - The greater granularity afforded by translating regional risk data into postcode peril modelling, enables more accurate risk assessment, which allows us to price products according to the level of risk involved.
- d) Evaluate the risks associated with new technologies for tackling climate change so that new insurance products can be considered in parallel with technological developments.
- Renewable energy, particularly wind, demands are expected to increase significantly over the next 20 years. As well as increasing investment in the renewable energy sector there is a need for insurers to provide cover to support this growth. Allianz Insurance is exploring UK based on-shore inspection and insurance opportunities within the wind power generation sector.
 - Allianz Insurance has assessed the market for wind energy generation. However, competition in insurance for large, on-shore wind installations is fierce and, given current rates, we do not consider it would be economic for us to pursue this portion of the market. Insurance for large installations is often absorbed into power or utility companies global or European packages at better terms than one would perhaps wish to give to a bespoke offering.
 - We have also assessed the off-shore wind market. Allianz Insurance does not intend entering this market, as this is currently excluded under the latest Group Minimum Standards for Underwriting (MSU) guidelines due to the installation risk and perils of the sea being issues we are not currently equipped to underwrite or re-insure.
 - Allianz Insurance provided products for a number of smaller wind turbine installations in 2008 – primarily small, land-based single turbines. The typical installations insured have involved turbines that are operated by Local Authorities in the grounds of schools/hospitals etc.
- Insurance cover included construction (all risks, including delayed generation) as well as operation of the turbines (all risks, including loss of revenue due to breakdown).
 - Internationally, Allianz Climate Solutions (ACS), a subsidiary of the Allianz Private Equity division, undertakes risk analysis of all kinds of renewable energy technologies regarding financing and insurance solutions. A member of Allianz Insurance's Commercial Division is an active contributor to the work of this specialist group. ACS works in co-operation with local Allianz operating companies to enlarge the scope and geographical reach of available insurance.
- e) Share our research with scientists, society, business, governments and NGOs through an appropriate forum.
- Allianz Insurance representatives attend and often deliver presentations at conferences held by the Association of British Insurers and the Chartered Institute of Insurers. In particular, Allianz's Commercial Property Manager is a member of the ABI's Property Committee and actively contributed to the ABI papers on resilient building design and the UK draft Floods and Water Bill.
 - Allianz Climate Solutions sponsored the Renewable Energy Finance Forum (REFF) in London in September 2008, together with Allianz Specialised Investments (ASI). The conference brought together investors with project developers and senior executives from across the renewable energy and technology sectors, to provide delegates with cutting-edge insight as well as networking opportunities.
 - ACS was also a Sponsor at the Carbon Expo, which took place in Cologne from 7 - 9 May 2008. ACS shared a stand with Dresdner Kleinwort Investment Bank (formerly part of the Allianz Group) and Carbon Trade & Finance. This event has established itself as the world's leading global event for stakeholders in the Carbon Market. The event was an opportunity to present the broad spectrum of Allianz products and services surrounding the carbon market. The Carbon Expo is the primary platform for emissions trading, carbon abatement solutions and new technologies – a meeting point for learning, sharing experience and knowledge, as well as business matching opportunities.

Principle 2

Inform public policy making

a) Work with policy makers nationally and internationally to help them develop and maintain an economy that is resilient to climate risk.

- Allianz Insurance's main contribution to public policy has been through the ABI Property Committee, which is attended quarterly by our Commercial Property Manager. In particular, the work in 2008 focused on raising standards for property construction, through building regulations.
- In practical terms, the 'manifestations' of this have really been more apparent in 2009 through the launch of the ABI papers on resilient building design and our input into the draft Floods and Water Bill. Our Commercial Property Manager attended both of these launch events and was the insurance industry 'panel member' for ABI at the former.

b) Promote and actively engage in public debate on climate change and the need for action.

- Allianz SE is a signatory investor of the Carbon Disclosure Project (CDP) and has been included in the Carbon Disclosure Leadership Index since 2005. Allianz SE discloses information on the management of carbon dioxide (CO₂) emissions to the CDP on behalf of the Allianz Group.
- Allianz Insurance, along with other companies in the Allianz Group, discloses data on its environmental impacts to Allianz SE, via the Allianz Group Environmental Management System (EMS). From this data, Allianz SE calculates the total CO₂ emissions generated and discloses this to the CDP, on behalf of the Group.
- Allianz SE is a signatory to the UN Environment Programme's Finance Initiative (UNEP FI) and actively engages in the activities of this collaborative initiative on behalf of the Group.
- ClimateWise, on behalf of all members, published a statement on the United Nations Framework Convention on Climate Change (UNFCCC) process in advance of the Conference of Party's meeting in Poznan, Poland, in November 2008. The statement called for measures to strengthen climate change adaptation frameworks so that insurers can play as full a role as possible in reducing the climate risks faced by people around the world.

c) Support work to set and achieve national and global emissions reduction targets.

- Allianz and the World Wildlife Fund (WWF) commissioned the G8 Climate Scorecards 2008 report, which was released in July 2008. The report examined the progress of each of the G8 countries toward addressing climate change and gives a transparent

account of the climate profile of the leading industrialized countries. The report was intended to contribute to productive international climate debate and urges the United States Government to take more appropriate action to address climate change by improving energy efficiency and increasing research and development funding for energy programs. It also examined the climate and energy policies of five emerging economies: China, India, Brazil, Mexico and South Africa. Allianz and the WWF commissioned the next instalment of the G8 Climate Scorecards in 2008, which will be released around mid-2009.

- Another research project, undertaken in 2008 by Allianz and the WWF, takes a macro-economic view at the cost of different climate change policies. The report, which follows the work of the Stern Review, is designed to inform the international negotiations at Copenhagen at the end of 2009 by allowing comparison between different climate policies, based on the cost to the global economy.
- Allianz is a member of the Global Roundtable on Climate Change initiative, which brings together key international organizations to discuss scientific, technological, and economic issues critical to shaping public policies on climate change.
- Allianz is a member of the United Nations Environment Programme Finance Initiative (UNEPFI) Climate Change Program, which works toward new ways of trading carbon and financing sustainable energy initiatives.
- Allianz was one of a group of 12 companies – including HP, Sony and Nokia – to sign the Tokyo Declaration at the WWF's Climate Savers Summit 2008 in Tokyo. The declaration highlights that the world's greenhouse gas emissions must be reduced by more than 50% by 2050.
- Allianz not only supports the setting of national and global targets for emissions reductions but leads by example by setting internal targets for action. Allianz has set a group-wide target and strategy to reduce its CO₂ emissions by 20% by 2012 (based on 2006 levels). In the UK, Allianz Insurance's contribution to the Group target is to reduce its emissions by 25% over the same time period.
- The Allianz Group target takes into account Global targets and goes beyond the requirements of the Kyoto Protocol.
- The UK target is in line with at least meeting the requirements of the UK Climate Change Act 2008, which sets targets for GHG emission reductions through action in the UK and abroad of at least 80% by 2050, and reductions in CO₂ emissions of at least 26% by 2020, against a 1990 baseline.

- Our strategy to reduce CO₂ emissions to achieve the target is based on the hierarchy of:
 - **Avoid** – cut energy consumption by encouraging employees to switch-off office equipment when not in use; optimise Building Management Systems settings; and avoid travel where possible.
 - **Reduce** – improve the energy efficiency of electrical equipment (through purchasing); and reduce the average emissions of its car fleet by purchasing lower-emission vehicles.
 - **Substitute** – purchase electricity from renewable sources in UK offices.
- d) Support Government action, including regulation that will enhance the resilience and reduce the environmental impact of infrastructure and communities.
 - Allianz Insurance has supported work on improving standards through building regulations to enhance the resilience of buildings to flood damage and the use of less environmentally harmful materials in the construction industry, provided the use of such materials does not materially alter the risk of other perils (e.g. fire).
 - Allianz Insurance contributed to the ABI's strategy to prepare the UK for climate change – *Building for the Future: Adapting to Climate Change today* - and the ABI's guidance on property insurance for new developments. This new strategy to prepare the UK for climate change sets out the actions that the insurance industry intends to deliver during 2009 to help improve the understanding of current and future risks and to help protect people, homes, businesses and communities from climate risks by promoting industry initiatives, improving building resistance to extreme weather and securing Government policy reforms.
- e) Work effectively with emergency services and others in the event of a major climate-related disaster.
 - In 2008, whilst it wasn't a year of extreme weather events, Allianz Insurance did participate in some post-event review forums, hosted by the Client Advisory Board (CAB), for property claims during the 2007 floods, storms etc.
 - The forum included loss adjusters, suppliers, emergency services, insurers, government agencies, Met Office for forecasting etc.
 - The forum looked at the reality of climate change and what that means in terms of future flood events in the UK; the resilience of UK infrastructure to flooding events and what measures could be taken to increase that resilience; and what we, as insurers, can do to deal with claims more effectively in the future.

Principle 3

Support climate awareness amongst our customers

- a) Inform our customers of climate risk and provide support and tools so that they can assess their own levels of risk.
 - Allianz Insurance will inform commercial and retail property policy holders on the flood risk to their properties. In the event of flood damage we will advise policy holders on making more flood-resilient repairs, such as positioning ground-floor electrical sockets higher up; and using more flood resilient (e.g. less absorbent) materials.
 - We will also advise commercial clients on their business continuity plans – primarily on how to avoid interruptions to their business by flooding in the first place. For instance we can advise businesses on measures such as installing flood barriers, or applying special coatings for materials/surfaces to minimise water damage. We also work closely with specialists who can provide these products and services.
 - Buildings are responsible for almost 50 per cent of the UK's energy consumption and carbon emissions, but by improving the energy efficiency of buildings, this could be significantly reduced. **Allianz Engineering Energy Services (AEES)** has developed a range of services intended to directly support the property market to deliver quality solutions meeting the requirements of the Energy Performance of Buildings Regulations (whilst simultaneously offering bespoke energy management programmes for reducing carbon emissions. See table below for services offered.
- b) Encourage our customers to adapt to climate change and reduce their greenhouse gas emissions through insurance products and services.
 - AEES prescribe Energy Performance Certificates (EPC), which are a requirement of the new regulations affecting the domestic and commercial sectors of the property market. The EPC shows the theoretical energy efficiency of a building, against comparative benchmarks. The certificate and efficiency rating of the building is accompanied by a recommendation report providing measures on how to improve the energy rating.
 - The Energy Audit and Report service provided by AEES involves a detailed assessment of the building, its energy supply and usage. The resulting detailed report provides recommendations for immediate and economically feasible longer term energy performance improvements. The recommendations provide the following benefits:
 - Reduced building running costs (through lower energy usage);

- Improved efficiency of building stock;
 - Increased marketability of building;
 - Possible improvement on the EPC rating;
 - Alignment with company's Corporate Social Responsibility policies – to reduce carbon footprint.
- As mentioned under Principle 1d); Allianz Insurance has also provided insurance cover for the construction and operation of a number of small land-based wind turbine installations in 2008. Whilst cover for renewable technology is not offered as standard within property insurance, we do have the capability to offer this as a bespoke product.
- c) Increase the proportion of repairs that are carried out in a sustainable way through dialogue with suppliers and developers and manage waste material appropriately.
- Our approach to sustainable claims is business-led and follows the three basic requirements of a claims function.
 - Improved customer service
 - Greater efficiency and reduced operating costs
 - Reduced claims spend.
 - We have two major sustainability initiatives within Claims:
 - 1) Mobile Motor Vehicle Repairs
 - We can repair minor accident damage by using a mobile service provider, at customers' choice of location. From a sustainability point of view, the advantage of this is that it saves energy in three ways:
 - in the repair process itself because the vehicle is not repaired in a factory using machinery;
 - the collection and delivery are eliminated, and
 - a courtesy car is not used.
 Additional benefits are that the services fits in with customers routine, giving them choices; and it reduces claims costs.
 - 2) Re-cycled Parts for Vehicle Repairs
 - Allianz Insurance uses fewer new parts per motor claim than other UK insurers by offering customers the use of re-cycled parts at claim notification and point of repair.
 - This service has multiple benefits:
 - The automated process is efficient, quick and energy efficient;
 - Reduced repair/claims costs;
 - Better profit margin for repairer encourages use; and
 - Avoids needless total loss settlement where damage is "cosmetic"; which reduces waste.
 - Our objective is to work with companies in our Claims supply chain to embed and demonstrate our CSR principles in their own business and in the way they serve our customers and handle their claims.
- We are pursuing a staged approach with all main suppliers e.g. loss adjusters, motor repairers, electrical household goods and motor salvage buyers:
 1. establish an agreed CSR policy with each supplier;
 2. define this into specific deliverables that can be measured;
 3. include these measures into our contracts, Service Level Agreements and Key Performance Indicators, reward mechanisms;
 4. monitor and regularly report on delivery; and
 5. innovate and improve the CSR by regular reviews.
- d) Consider how we can use our expertise to assist the developing world to understand and respond to climate change.
- The Allianz Group teamed up with CARE International, following the Tsunami in December 2004, in a partnership to design micro-insurance products for communities affected by the tsunami in southern.
 - In March 2008, Bajaj Allianz (in India) and CARE International launched a series of tailor-made micro-insurance products for poor communities living in high risk coastal areas of Tamil Nadu in southern India. These vulnerable communities are exposed to risks but often can't afford to pay for insurance cover or are not even aware of how insurance could offer protection against the effects of extreme weather events or natural disasters.
 - The insurance products constitute a mixture of life and non-life insurance products for fishermen and farm workers in high-risk coastal areas.
 - By the end of 2008 the project had reached around 100,000 people with life and general insurance. The project continues to attract interest from peers in the microfinance sector and it is now being reviewed to evaluate how to evolve the products and the delivery channels to allow significant upscale.
 - The project has been successful in:
 - Increasing the preparedness of clients towards risk management
 - Increasing awareness of and access to micro-insurance
 - Sustainable distribution channels for mediating micro-insurance
 - Integrating a model of micro-finance and micro-insurance.
 - Allianz Insurance has considered how it might use its expertise to assist in providing micro-insurance cover for vulnerable people in Tamil Nadu. However, at this stage, no product has yet been launched.
 - In the UK, Allianz Insurance has selected CARE UK as their chosen emergency disaster partner and, in 2008, raised over £4,000 for the Darfur Appeal.

Principle 4

Incorporate climate change into our investment strategies

a) Consider the implications of climate change for company performance and shareholder value, and incorporate this information into our investment decision-making process.

- The investment division at Allianz Holdings Plc (which owns the principal insurance operations of Allianz SE in Great Britain) has been building its knowledge and understanding of how climate change can impact company performance in order to take this into consideration and incorporate this in its investment strategy.
- Allianz Holdings uses data on company's climate change disclosures – most commonly from the Carbon Disclosure Project (CDP), which holds the largest database of corporate climate change information in the world – to assess company's climate change exposures. This information is incorporated in the investment decision-making process. Our analysts reflect climate change themes in valuations based on:
 - **Existing liabilities** – within the EU carbon trading applies a direct cost of emissions on regulated companies – power generators have been most affected to date. Existing liability therefore is equal to the permit price multiplied by the volume of emissions.
 - **Expected liabilities** – within the EU emissions liabilities will apply to a wider range of sectors from 2012 (aviation) and 2013 (heavy industry). We therefore consider scenarios of potential impact on earnings in anticipation of regulation.
 - **Solution providers** – this is an area we have seen significant market growth and in the long term we see a strong rationale for investing in emissions abatement solutions.
- We began constructing portfolio of 'environmental' stocks through 2008 and, by the end of the year, this comprised 6.7% of the total portfolio of UK equities. The portfolio exposures are detailed in the table below:

Stock exposure	Proportion of Equity Portfolio
Wind power generation	29%
Biofuels	7%
CO ₂ Sequestration	9%
Plant technology	8%
Recycling	10%
Clean Technologies	16%
Energy Efficiency	21%

b) Encourage appropriate disclosure on climate change from the companies in which we invest.

- Allianz Holdings Plc recognises that a company's carbon liability can have a material impact on its financial performance, thereby affecting investment returns. Accordingly, Allianz Holdings seeks disclosure on climate change from the companies in which it invests to ensure that investments are made in the best financial interests of the beneficiaries.

- If the appropriate disclosure on a company's climate change impact is not available – either in the CDP database or in publicly available information (e.g. website, CSR Report) – Allianz Holdings will seek disclosure directly. In disclosing information on climate change, Allianz Holdings looks for companies to provide information on:
 - Annual emissions of carbon dioxide (CO₂)
 - The company's strategy to manage its emissions.
 - Quantitative information on targets to reduce emissions and descriptions of the measures in place to achieve targets.

c) Encourage improvements in the energy-efficiency and climate resilience of our investment property portfolio.

- Allianz Holdings recognises that energy efficiency and climate resilience has a material impact on the property sale and rental values; and thus returns on investment. When considering whether to invest in new property, Allianz Holdings will take into account the property's energy efficiency rating and overall climate resilience in the investment decision-making process.
- It has not been common practice to date for Allianz Holdings to engage with landlords of existing properties in our portfolio to encourage improvements in energy efficiency and climate resilience due to the size of our investment property portfolio and the capacity of the investment team in this area. However, we recognise that, regardless of the size of our portfolio, this is a material issue and we seek to build capacity in this area in the future.

d) Communicate our investment beliefs and strategy on climate change to our customers and shareholders.

- We regularly communicate our investment beliefs and strategy, including that relating to climate change, to our shareholder, Allianz SE. Specifically, portfolio managers are required to confirm that, in their view, adverse or controversial business practices do not predominate in the operations of any individual company whose shares are held. In particular,

investment in sensitive areas as defined in the Group Risk Minimum Standards statement for Insurance Businesses is subject to further scrutiny of the investment rationale.

- Allianz Holdings has a Socially Responsible Investment (SRI) statement, which explains its investment beliefs and strategy on climate change and other SRI issues. However, this document is not currently publicly available as the company has not, to date, publicly reported its wider environmental and social performance in a Corporate Social Responsibility or Sustainability (or similar) report. Following the appointment of a new CSR Manager, late in 2008, and implementation of a new CSR Strategy, Allianz Insurance Plc., will begin reporting in 2009. Communication of investment strategy on climate change will form part of the reporting process.
- e) Share our assessment of the impacts of climate change with our pension fund trustees.
- There were no direct communications between Allianz Holdings and its pension fund trustees on the impacts of climate change in 2008.
 - Following the appointment a new CSR manager in November 2008 and implementation of a new CSR Strategy, communications of our assessment of the impacts of climate change with our pension fund trustees are planned in 2009.

Principle 5 Reduce the environmental impact of our business

- a) Encourage our suppliers to improve the sustainability of their products and services.
- As mentioned in Section 3.c), we are working with all main suppliers in our Claims supply chain e.g. loss adjusters, motor repairers, electrical household goods and motor salvage buyers, to:
 1. Establish an agreed CSR policy with each supplier;
 2. Define this into specific deliverables that can be measured;
 3. Include these measures into our contracts, SLAs and KPIs, reward mechanisms;
 4. Monitor and regularly report on delivery; and
 5. Innovate and improve the CSR by regular reviews.
 - Formal 'sustainable procurement guidelines' for Corporate Procurement are currently under development at Allianz Group and, when finalised, they will be implemented at Allianz Insurance as appropriate.

- However, sustainability considerations have been included in the procurement of a number of our significant products and services. For example:
 - In our major UK offices, we purchase electricity from renewable, hydro-electrical sources.
 - 100% of the paper purchased for office use is FSC-certified; 51% is post-consumer recycled and 49% is new fibres (ECF + TCF)
 - The EU has set a target of limiting average CO₂ emissions from vehicles to 120g CO₂ / km by 2012. In 2008, Allianz Insurance reviewed its employee company car policy with the aim of providing more efficient, lower emission vehicles. The average emissions of the new vehicles, introduced in January 2009, are 109g CO₂ / km (Ford Focus 1.6TDCi), which will reduce the average emissions of the employee vehicle fleet by 13%. (The changes will take three years to work through because of the vehicle replacement policy).
 - In October 2008 Allianz Insurance awarded a new catering contract for its restaurant and café at Head Office in Guildford. The decision was, in part, based on the company's ability to demonstrate their experience and expertise to minimise the environmental impact across their operations.

- b) Measure and seek to reduce the environmental impact of the internal operations and physical assets under our control.
- Allianz Insurance measures and seeks to reduce the significant environmental impact associated with its operations.
 - Allianz Insurance is covered by the Allianz Group Environmental Management System, which records the principle environmental impacts of our operations, including:
 - **Energy** consumed in our offices (including electricity and fossil fuels consumed on-site) is recorded from our utility bills.
 - **Business travel** by private vehicle or air is captured by the expense system (travel by rail is not currently captured by this system).
 - **Paper** is recorded by source, e.g. FSC certified, ECF, TCF, from our corporate procurement system.
 - **Water** consumption is recorded from our utility bills.
 - **Waste**, including the proportion recycled, incinerated, disposed (i.e. landfill), is recorded by our refuse collector.
 - A summary of our environmental data from 2007 and 2008 is given overleaf:

Summary of Environmental Data 2007-2008

	Indicators	% Change from previous year	2008	2007
I N T E R N A L E N E R G Y	Total internal energy consumption (MJ)	-9.0	80,384,627	88,320,430
	Electricity (MJ)	-9.7	60,396,781	66,890,178
	Hydroelectric power	40.0	30,044,691	21,463,193
	Wind power		0	0
	Photovoltaic power		0	0
	Gas-fired power		0	0
	Oil-fired power		0	0
	Coal-fired power		0	0
	Nuclear power		0	0
	Average market mix	-33.2	30,352,090	45,426,985
	Fossil fuels (MJ)	-6.7	19,987,846	21,430,251
	Natural gas	-6.7	19,987,846	21,430,251
	Heating oil		0	0
	Fuels for emergency power units (petrol, diesel)		0	0
	Coal		0	0
	Other energy (MJ)		0	0
	Renewable heating energy (solar, bioorganic, etc.)		0	0
	District heating		0	0
B U S I N E S S T R A V E L	Total business travel (km)	-8.9	22,167,292	24,321,150
	Road travel	-6.4	17,592,092	18,802,150
	Short-haul air travel	-38.1	1,039,200	1,679,000
	Short-haul air travel	-7.9	3,536,000	3,840,000
	Rail travel		No Data	No Data
P A P E R	Total Paper consumption (tons)	-15.3	933.00	1,102.00
	FSC-labelled paper	214.1	933.00	297.00
	Post-consumer recycled	-28.4	472.00	659.00
	New fibres ECF + TCF	4.1	461.00	443.00
	New fibres chlorine bleached		0.00	0.00
W A T E R	Total water consumption (m ³)	-5.7	41,608	44,134
	Drinking water	-5.7	41,608	44,134
	Rain water		0	0
	Natural water		0	0
W A S T E	Total waste (tons)		No Data	No Data
	Valuable materials separated and recycled	577.8	2,423.32	357.53
	Incinerated		0.00	0.00
	Disposed in landfills		No Data	No Data
	Special waste treatment		0.00	0.00

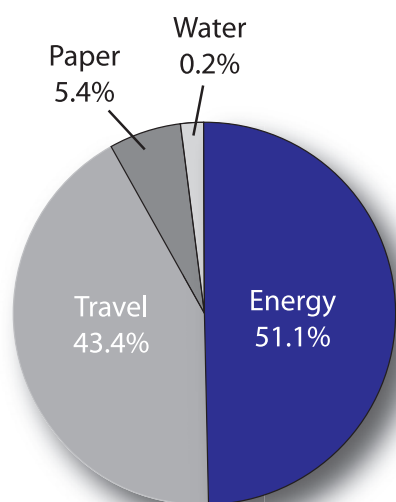
- In 2008, Allianz worked with Global Action Plan and The Carbon Trust on a number of measures to minimise energy usage:
 - Electricity consumption is monitored and externally benchmarked.
 - Equipment installed during refurbishment of Guildford Head Office (GHO) is 12% more energy-efficient.
 - Optimisation of Building Management System (BMS) controls regulating heating, humidity and air handling, substantially reducing consumption.
 - Movement sensors are being installed to turn lights off in meeting rooms and toilets and greater use is being made of energy-efficient lighting.
- Waste disposal is strictly controlled throughout Allianz and every effort is made to re-use or recycle wherever possible:
 - All company literature is printed on FSC-certified paper containing 55% – 80% recycled content.
 - All office photocopying and printing is on FSC-certified recycled paper.
 - Toner and printer cartridges are recycled and proceeds passed to local charities, raising £25,000 since 1998.
 - Following refurbishments, surplus furniture and office equipment is donated to local schools and charities.
 - Allianz recycles plastic cups from drinks machines to be reused by a non-profit making company.
 - Allianz has pioneered using recycled parts in motor repairs, taking the principle of waste reduction into its claims handling business.
- Allianz is committed to reducing the impact of its business travel and is taking steps to eliminating unnecessary journeys and reducing car fleet emissions:
 - Fuel consumption in company cars is monitored and (when appropriate) guidance is given on fuel efficient driving.
 - In 2008, the company car policy was repositioned towards lower emission vehicles. Once fully implemented, this will reduce CO₂ average emissions of the fleet by 13%, in addition to saving road tax and fuel costs.
 - Two hybrid cars are being trialled.
 - Allianz has installed additional showers at its offices to encourage more people to walk or cycle to work.

- Video and tele-conference usage is encouraged and teleconference phones are now available in all our offices.
- New technologies allow more home and mobile working.
- Our caterers source local produce wherever possible.

- c) Disclose our direct emissions of greenhouse gases using a globally recognised standard.
- A summary of our greenhouse gas emissions data in 2008 is given below. All GHG emissions have been calculated using the GHG Protocol standard.

Indicator	GHG emissions (KG CO ₂)	% of total
TOTAL GHG EMISSIONS	10,237,983	100
Total energy consumption	5,227,342	51.1
Electricity consumed	3,867,104	37.8
hydroelectric	35,152	0.3
average market mix	3,831,951	37.4
Fossil fuels consumed	1,360,238	13.3
Natural gas	1,360,238	13.3
Total business travel	4,446,276	43.4
Road travel	3,870,260	37.8
Short-haul air travel	187,056	1.8
Long-haul air travel	388,960	3.8
Total Paper consumption	548,775	5.4
Post-consumer recycled	185,968	1.8
New fibres ECF + TCF	362,807	3.5
Total water consumption	15,591	0.2
Drinking water	15,591	0.2
Total waste	Not calculated	–

2008 CO² Emissions by Source



d) Engage our employees on our commitment to address climate change, helping them to play their role in meeting this commitment in the workplace and encouraging them to make climate-informed choices outside work.

- We believe firmly that engaging employees on our commitment to addressing climate change is crucial to achieving our objective to reduce the environmental footprint of our operations. Employees are encouraged to play their role in adopting more responsible actions in the workplace, as they would do outside of work.
- Information on the company's commitment to act on climate change is available for all employees on the company intranet site.
- We have a network of 'Environmental Champions' throughout its UK offices. These are committed and enthusiastic individuals at each location working to reduce the company's environmental footprint.
- The Environmental Champions have worked hard, in conjunction with Global Action Plan, to help reduce our environmental footprint by:
 - Measuring aspects of unnecessary energy use, resource consumption and waste generation;
 - Making environmental guidance clear and simple in order to steer colleagues to do 'the right thing'; and
 - Encouraging colleagues to reduce environmentally damaging actions at work and home, through innovative communications.

- In 2008, the Environmental Champions programme was successful in achieving:
 - a total annual waste reduction of 114.6 tonnes. – or the equivalent of a 59kg saving per person per year;
 - increase in recycling to 52% of total waste, compared to 37% previously;
 - total saving of 549,874kWh of energy (or about 5%), 295 tonnes of CO₂ and £65,990 off our energy bills.
- In September 2008, a company-wide CSR survey was undertaken to elicit employees' awareness of Allianz' CSR policies and activities, as well as asking whether employees think we're doing enough to reduce our environmental footprint. The survey received a large response and raised some specific follow-up actions that have been incorporated in the CSR strategy going forward.
- The company's CSR achievements in 2008 were communicated at Allianz's Management Conference in November, which is attended by all of Allianz's (approximately) 400 managers. CSR issues and company activities regularly feature in Allianz's employee monthly magazine.

Principle 6 Report and be accountable

- a) Recognise at Company Board level that climate risk has significant social and economic impacts and incorporate it into our business strategy and planning.
- Allianz Insurance Chief Executive Officer, Andrew Torrance, is Chairman of ClimateWise.
 - The Allianz Insurance Management Board recognises that insurance companies are at the forefront of the climate change challenge. The Board believes that taking action goes beyond reducing the impact of our own operations; and has taken actions to consider climate change within many areas of the business.
 - One such measure is the formation of a new Corporate Social Responsibility (CSR) Steering Committee, comprising senior managers from all divisions of the company, which reports directly to the Management Board. The role of the CSR Steering Committee is to:
 - Ensure that the appropriate policies, standards, systems and people are in place to

meet the company's CSR objectives and that the CSR objectives support and complement company's business strategy.

- Regularly review the focus of the CSR strategy to reflect the changing business and CSR agenda, and to ensure the company continues to address the issues that are material to its business.
- Monitor emerging CSR issues (e.g. tracking CSR issues in the media; engaging with stakeholders; monitoring environmental legislation) to identify future risks and opportunities for the company.

- Responsibility for CSR sits with a member of the Allianz Insurance Management Board and the CSR Strategy has been approved by the Management Board.
- Allianz Insurance Chief Financial Officer is responsible for the company's investments and has established performance targets for the company's Chief Investment Officer to incorporate climate change in the investment strategy.

b) Publish a statement as part of our annual reporting detailing the actions that have been taken on these principles.

- This report details the actions Allianz Insurance has taken against each element of each of the ClimateWise Principles. We will continue to report our performance on an annual basis.

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Allianz Insurance plc is authorised and regulated by the Financial Services Authority. Our registration number is 121849.
This can be checked by visiting the FSA website at www.fsa.gov.uk/register or by contacting the FSA on 0845 606 1234