

Allianz Climate Change Strategy

Background

Climate change is real. Climates have always been changing. But this time there is one big difference: human activity contributes largely to these changes.

Global warming poses a major risk to the global economy. On the one hand, it affects the wealth of societies, the availability of natural resources, the price of energy and the value of companies. On the other hand, the establishing of a global carbon market provides for the first time a price signal for the reduction of greenhouse gases (GHG), that are causally connected to climate volatility.

Climate change will increase costs also for the financial sector if no action is taken. Banks and investors in particular need a clear regulatory framework on climate policy which they can adapt and base their investment and lending decisions on, while insurers face the prospect of heavy losses.

At the same time, the need to revolutionize the way we use energy opens up a new universe of options for economic development and social benefits. The key solution to climate change is essentially to convert the world's economies to low-carbon technologies, through both alternative energies and more efficient energy conversion.

Climate Change at Allianz Group

Allianz Group as an integrated financial organisation is well aware that climate change could result in a compounding of risks across the entire business spectrum, diluting some of the benefits of diversification. In this respect, Allianz Group has a two-fold responsibility: on the one hand, we need to prepare our company for the negative effects that climate change may have on our business and on our customers. On the other hand, we can significantly help mitigate the economic risks and enter the low-carbon economy by providing appropriate products and services.

Therefore, we adapt internal processes and policies and products and services to meet the challenges our clients face as well as to safeguard our own competitiveness. This includes integrating climate change risk into the internal governance procedures, in line with the existing financial corporate risk identification, controlling and reporting structures and best practice in reporting requirements.

Moreover, Allianz Group will assume a leadership role in the financial services industry by reducing GHG emissions in our value chain. We will contribute to the international debate on carbon research and analysis and will continue building partnerships with governments and stakeholders as well as working on solutions with clients.

Climate Change is a Business Case

Undoubtedly, climate change is a business case and challenge for the insurance, banking and asset management entities of Allianz Group. In each business field we must gain further know-how on climate change related issues and develop new risk management strategies, products and services.

Insurance

Climate change and climate policy affect Allianz Insurance through the risks they accept from clients.

Allianz' Insurance Operational Entities

- gather information on climate change risks and thereby lay the basis to better predict and underwrite climate associated risks.
- increase transparency through integration of climate change exposures into pricing according to specific client climate change contribution.
- control the exposure to natural catastrophes and other climate-related risks by developing adequate dynamic accumulation tools and models and establishing expertise for natural catastrophes across the group.
- develop risk management expertise regarding low-carbon technologies jointly with industrial clients and investigate the potential for new insurance products supportive for low-carbon technology.
- upgrade risk assessment methodologies such as identifying potential new liabilities from carbon emissions or using environmental due diligence screening of a company.

Banking

Dresdner Bank plays an important role in climate-related financing and investment, credit risk management, and the development of new climate risk hedging products. Experience shows, that climate change-related products are well suitable for cross-selling strategies.

Dresdner Bank

- reviews and optimizes its internal carbon risk management and further develops assessment tools applied to carbon risks and carbon risk reduction strategies, e.g. by developing climate change related risk matrices.
- defines clear risk requirements for clients regarding carbon risk reduction and market strategies (e.g. by discussing impacts on rating with clients).
- fosters the development of carbon risk hedging products, e.g. derivatives.
- strengthens the position as top player in European emissions trading and further develops emissions trading advisory services for clients.
- facilitates finance for public programmes that foster the implementation of low-carbon technologies.

Asset Management

Climate change is one of the most financially significant environmental issues facing Allianz Global Investors today. Understanding to what extent and how climate change will impact or enhance the value of investments is crucial if shareholder value is to remain protected.

Allianz Global Investors

- evaluates client portfolios in view of climate change risks and opportunities in order to be able to respond to changes in climate change policy and legislation.
- engages with company management to understand how climate change is impacting their business and what strategies are implemented to minimize risks or maximize opportunities.
- requests and rewards external research providers (e.g. brokers) to produce consistent, quality long-term research, which incorporates issues such as climate change and integrates them into the mainstream analysis and investment decisions (also by utilizing inhouse or external SRI expertise).

Allianz Inhouse

Allianz Group will assess its GHG footprint worldwide and set a goal of 20% reduction by 2012 (from 2000). We will enhance existing environmental management systems to strengthen best practise across our facilities and analyze emission compensation options to further minimize GHG emissions.

Establishing measures and targets

Allianz Group is committed to establish a roadmap for its business, based on the above recommendations stretching over the next five years to prioritise and focus the Group's long term strategy on addressing climate change risks and opportunities.