

Sustainability Report



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Cover image

On 17 March 2012, we kicked off Allianz' 10th Anniversary in Malaysia. The morning began with a work-out session to warm up for the day. Employees set up stalls where they sold food and other items to raise funds to support five charitable organisations.

About this report

This report covers the operations of Allianz Malaysia Berhad and its subsidiaries ("Allianz"). It gives a broad overview of our sustainability performance in 2011.

All contents are accurate as at 30 April 2012.

allianz4good@allianz.com.my

Strategy and Management

Dear Stakeholders,

Welcome to our first Sustainability Report. The release of this report coincides with our 10th Anniversary, which we have started to celebrate on 17 March 2012 and will continue celebrating with events throughout the year in our regional offices and branches all over the country.

KEY FIGURE

94%
of our employees are proud to say: I work for Allianz

Some people may say that the mere fact that Allianz is in the country for 10 years is proof of its sustainable development as a company. Yet this does not give the whole picture. A proven business model alone is no guarantee for growth. Instead, sustainable development at Allianz means combining long-term economic value creation with a holistic approach to environmental stewardship, social responsibility and corporate governance. But how does Allianz score in these dimensions?

Creating transparency by reporting on Allianz' non-financial performance is the aim of this Sustainability Report. It is part of our commitment to be a reliable partner for customers, agents, business partners, employees and the general public. To sustain this trust, Allianz set up a dedicated corporate responsibility ("CR") department called Allianz4Good in 2011.

Rather than integrating CR in one of the existing company functions, it was decided to create a new department with a direct reporting line to the CEO. This underscores our conviction that CR is a topic that concerns the whole company and not only a few professionals. In fact, Allianz4Good is more than a name. It is a strategic approach to integrate sustainability into our corporate culture.

As this Sustainability Report shows, we have started to raise awareness for economic, environmental, social and governance topics in many engaging ways. Internally, our employees, agents and business partners are participating eagerly in our volunteering programmes and their feedback is mainly positive. Externally, Allianz is reaching out to the communities we work and live in, to engage in long-lasting partnerships. Keeping this high momentum and engagement throughout the years will be crucial for our future activities. Alongside, our reporting efforts will be enhanced to satisfy increasing demand for transparency from all our stakeholders. Their interest and feedback is highly welcome.

Transforming a corporate culture is a long-term goal. Global issues such as Access to Finance, Climate Change or Demographic Change may sometimes seem distant from a local perspective but will become increasingly important to Allianz' business in Malaysia over time. Together with Allianz Group companies around the world we will do our best to manage these issues responsibly and as opportunities to ensure our sustainable and profitable growth in all our lines of business.

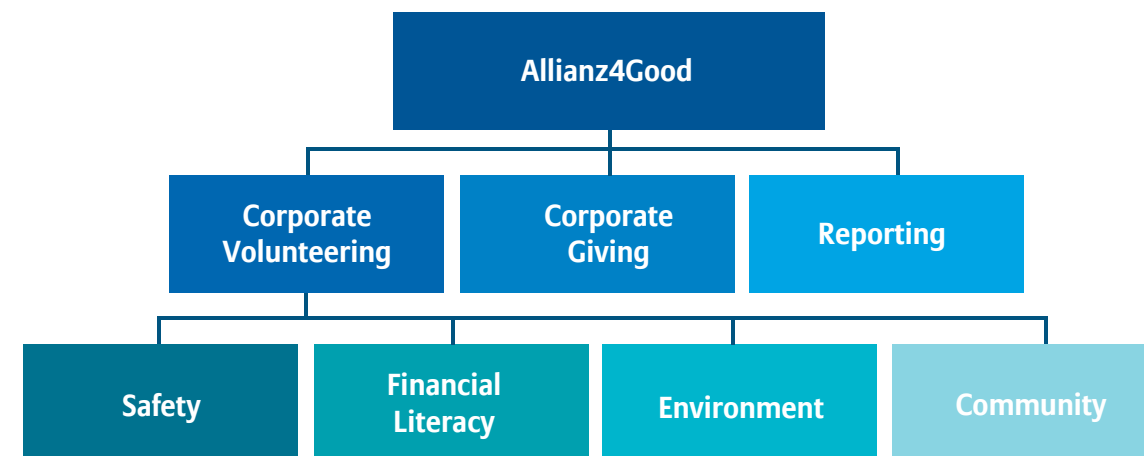
Jens Reisch
Chief Executive Officer

Allianz4Good Setup

Allianz4Good is our new CR brand which outlines and positions Allianz' engagement as a responsible corporate citizen. This engagement encompasses our corporate volunteering activities, our philanthropic support via corporate giving and our commitment to transparency and accountability through responsible reporting.

Allianz4Good identified four pillars where we want to advance social, economic and environmental well-being and raise awareness: Safety, Financial Literacy, Environment and Community. To facilitate this agenda, Allianz focuses strongly on employee engagement via Corporate Volunteering activities. Since 2011, our employees have the chance to volunteer as Road Safety Ambassadors under our 3-year cooperation with the Road Safety Department of Malaysia, followed by the roll-out of the My Finance Coach programme in 2012.

In addition, CR liaison persons have been selected in all Allianz branches to coordinate these initiatives on-site as well as drive local projects and align them with the Allianz4Good approach.



Economic

Our sustainable and profitable growth is based on our commitment to be the most reliable financial services provider. This commitment encompasses the thorough care of our customers as well as continuous engagement for financial inclusion.

KEY FIGURES

92%
of our employees
would recommend
Allianz' products to a
friend or colleague

1,203
customers
surveyed for
feedback

Customer Focus

A strong customer focus is at the heart of the overall Allianz strategy. We recognise that to position ourselves as the most reliable partner, customer feedback is vital for us to monitor customer satisfaction and to ensure ongoing improvement in our products to meet customer expectations, reduce the number of complaints and cancellation rates. Satisfied customers are more likely to renew their policies and refer friends and family members to us.

In 2010, the Market Management department was formed to ensure that Allianz is continuously improving its customer and market orientation in a sustainable way.

We are embarking on Customer Focus initiatives to assess and improve products and services. The Net Promoter Score ("NPS"), a regular measurement of a customer's willingness to recommend Allianz, has been established within the Allianz SE Group ("Allianz Group") as the key metrics to measure customer loyalty. NPS is applied on two segments: Top-Down and Bottom-Up.

Top-Down NPS is measured on an annual basis and benchmarks Allianz against relevant local peers while Bottom-Up NPS is used to measure customer satisfaction at various touch-points, such as claims management and sales processes. Bottom-Up NPS enables us to gain valuable insight into the experience of our customers and to better understand their expectations.



The Allianz Arena, our flagship customer service centre, located near our head office in KL Sentral.

Service Transformation

At Allianz, we integrate Customer Focus behaviour in the DNA of our employees by embarking on service transformation initiatives. These include:

- Customer focused training for all levels of staff in 2012. A series of post training evaluation and follow-up via mystery calls will be carried out to assess the effectiveness of the training.
- Mystery shopping will be conducted by our Senior Management team to experience the level of customer service provided by employees at sales and services touch points, with the aim of improving the quality of information and advice provided to customers.
- Service calls are made to our customers and agents to assess their level of satisfaction with our products and services and to gather feedback to drive organisational change.

- In line with the requirements of the Treating Customers Fairly Framework of the Life Insurance Association of Malaysia, welcome calls are made to new life insurance policy holders, to confirm their understanding on the policy benefits and satisfaction of the services received.
- The Customer Service Charter setting out the standard of our service delivery and the response timeline is published on our website.
- A well defined and documented complaint management process is in place to ensure all complaints are monitored, managed, escalated and reported within the stipulated turnaround time. Complaints and resolutions are further presented to Senior Management to drive service improvement.



Allianz customers are now able to communicate directly with us via the Allianz Facebook page.

Digitization

Allianz is constantly reviewing its customer service infrastructure to offer a high standard of service delivery and to reflect consumer trends and behaviours.

With the increasing trend of internet-based and mobile-based services, customers expect information and services to be made available at any point in time. In order to provide adequate and fast response, we have embarked on various digitization projects that focus on increasing our service quality and modernising our communication channels. This includes the implementation of more automated processes or web-based applications at different customer touch-points; e-submissions and e-claims, for example.

In 2011, we launched the local Allianz Facebook page which acts as a new social media platform to communicate with our customers and stakeholders in a more engaging and interactive manner. Our corporate website has also been revamped in order to make relevant information more accessible.

To ensure the viability of our future digitization activities, we are proactively engaging our customers to ensure that their personal contact details are updated.



The Retirement Calculator was launched to help Malaysians with their financial planning and is available at www.allianz.com.my.

KEY FIGURES

170,000
new entry-level
customers

100,000
households
under 1AZAM
insurance
scheme

Access to Finance

Allianz Group identified Access to Finance as a key global issue for its sustainable development. From a local context, this could be achieved via developing products and providing services that are both affordable and beneficial for people at the lower end of the income pyramid.

Accordingly, 2011 saw the launch of the Allianz Motorcyclist Personal Accident cover which has been a great success, especially in rural areas of Malaysia where insurance penetration is still low but the accident rate is high. Via our wide-reaching distribution channels, insurance protection is made possible at a lower cost to an underserved and hitherto unprotected target group.

Allianz was able to grow its total customer base to 2.2 million by 31 December 2011.



In 2011 alone, 176,756 customers purchased the Motorcycle Personal Accident policy, ensuring that they receive affordable insurance cover whenever they are on the road.

**Building a strong financial community**

The insurance industry in Malaysia is expanding at a fast pace, with consistent market growth over the past years. However, millions remain either uninsured or underinsured.

With a comprehensive range of Life and General insurance solutions, Allianz aims to make insurance accessible and inclusive for all Malaysians at every stage of life.

Find out more:
www.allianz.com.my

Financial Literacy

Having a solid grasp of financial knowledge enables people to make sound financial decisions and reduce risks. At Allianz, we believe in knowledge sharing and since financial expertise is our core competency, we leverage on this to roll out our financial literacy initiatives.

We regard educating underserved communities on their financial options and teaching young people basic financial management skills as part of our corporate responsibility.

1AZAM Financial Literacy

A Memorandum of Understanding was signed between the National Welfare Foundation and Allianz on 14 March 2011. Through the Memorandum of Understanding, Allianz covered 100,000 low income households registered under the e-Kasih database for one year, paying out claims in the case of natural or accidental death or permanent disability of up to 6 members per household. Spearheaded by the Ministry of Women, Family and Community Development, the scheme benefited more than 500,000 low income people with 1,048 claims processed as at 30 April 2012.

Realising that this was a unique opportunity to engage with an underserved community, Allianz not only served as the insurance provider but also developed a multimedia presentation that was shown to beneficiaries of the policy to share basic money management advice.

This multimedia presentation is currently in use by Bank Negara Malaysia to share with the audience under its LINK Programme.

My Finance Coach

My Finance Coach is a financial literacy programme which aims to improve financial understanding among young people (11-18 years). Familiarizing this age group with financial issues will help them to make sound financial decisions now and in future. While established in Germany, the programme is new in Malaysia. It relies on the strength of employee volunteers trained as Finance Coaches who teach students and young people from schools and non-profit organisations.

The My Finance Coach syllabus is developed by the non-profit My Finance Coach Foundation based in Germany with the guidance of a leading schoolbook publisher and the advice of a board consisting of economics and education experts. Moreover, the German UNESCO Committee has declared My Finance Coach to be an official project of the UN Decade of Education for Sustainable Development.

In the 4 months since launching the programme in Malaysia, we have trained 37 employee volunteers as Finance Coaches and reached 70 students.



Pak Ali and Mak Minah are the friendly characters in the 3-minute long animation who advise viewers to "Plan and use your money wisely".



Our employees' children were invited to participate in the pilot class of My Finance Coach in Malaysia. Members of the Senior Management such as our CEO Jens Reisch (pictured), actively engage in the programme as Finance Coaches too.

Environment

Climate change is a serious risk faced by the insurance industry, with disaster-related claims increasing in recent years. Allianz Group contributes to a low-carbon economy by developing relevant products and services, financing investments and reducing its carbon footprint.

KEY FIGURES

-40%
CO₂ emissions
per employee
since 2006

-49%
less energy
consumed

-44%
reduction in
paper use

The Climate Change Strategy of Allianz Group deals with the impact of climate change on both customers and its own business.

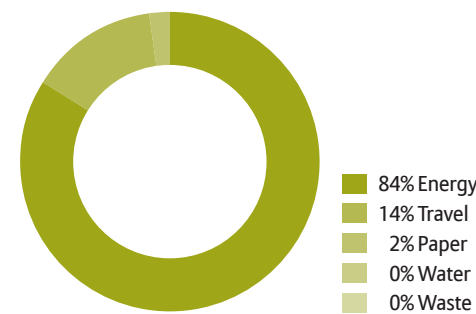
Locally, we support this strategy, avoiding or reducing emissions and substituting resources with lower-carbon alternatives. Guidelines have been set in place to encourage a more sustainable attitude to the environment; for example, the Global Print Policy aims to reduce paper consumption; the Global Travel Regulation aims to avoid unnecessary business travel and promotes the use of lower-carbon alternatives and the Global IT Sourcing and Procurement Policy advocates the purchase of energy-efficient IT hardware.

Local Carbon Reduction Strategy

Allianz is escalating its national efforts to “go green”. In 2011, we have embarked on the following initiatives:

- Reduction of paper consumption through the digitization of processes. For example, only soft copies of meeting papers are disseminated to our Board and Senior Management team for their reference during meetings. In addition, we have increased the use of email and web-based correspondence with our customers, agents and other stakeholders.
- Using “climate-friendly” alternatives for necessary business activities, for example, energy-efficient refitting at our branches which includes switching to energy-saving light-bulbs and eco-friendly air-conditioning systems.

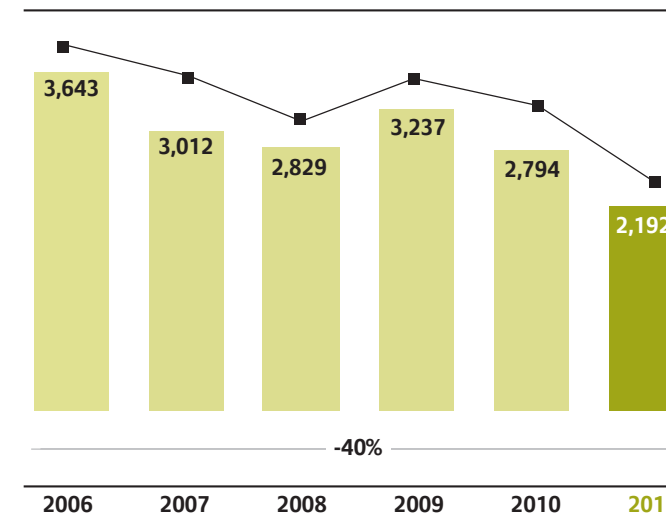
Allocation of CO₂ emissions in 2011



The allocations of our CO₂ emissions in 2011 show that energy consumption and business travel are the main levers for reducing Allianz carbon footprint further.



Relative CO₂ emissions (kg per employee) 2006-2011



New Allianz Group Target

In 2008, Allianz Group set the target of reducing its carbon footprint by 20% of 2006 levels by 2012. This target was achieved two years ahead of schedule. In response to this, Allianz Group set itself a new carbon reduction target to be achieved by 2015: a further 10% reduction on its remaining 2010 footprint, which translates into an overall target of approximately 35% reduction compared to its 2006 base year. Additionally, Allianz Group will compensate for all remaining emissions stemming from our local business operations through direct investments in carbon projects and will be carbon neutral from 2012.

In Malaysia, since 2006, we have monitored and reported our energy, paper and water consumption as well as our business travel via the Group-wide Environmental Management System (“EMS”), a system introduced by Allianz Group to ensure transparency in environmental performance and support systematic environmental data collection and control. This helps us to track our carbon emission levels and in 2011, we have recorded our 5th year of carbon reduction with a 40% reduction in carbon emissions per employee as compared to 2006 levels.



Low Carbon Economy

Renewable energy projects have represented an important part of the global Allianz Group investment strategy since 2005.

In 2011, Allianz Group’s total direct investments in renewables topped the € 1.3 billion mark, and the portfolio now includes some 38 wind and solar parks in Germany, France and Italy.

Find out more:
www.allianz.com/responsibility

Social

Our People

Our sustainable success as a company depends on the commitment and skills of our staff. Talent attraction and retention as well as continuous learning and development play a crucial role when it comes to growing together as a company.

KEY FIGURES

92%
of our employees are satisfied with the actions Allianz is taking to be socially responsible

92%
of our employees attended at least one training session

64%
share of women in overall workforce

Allianz Engagement Survey

A key talent retention factor is strong employee engagement. Through the annual Allianz Engagement Survey, employees are encouraged to provide open and honest feedback on factors that affect their level of engagement with the company. These factors include various dimensions such as leadership behaviour, employer attractiveness, performance and compensation and customer focus.

A local participation rate of 99% in the 2011 Allianz Engagement Survey shows that our employees are increasingly interested in providing feedback to the management on its managerial quality and areas for improvement. To make sure that voices get heard and issues are taken seriously, all Heads of Department and Branch Managers are required to develop action plans to address the findings of the survey. Overall, 82% of our employees responded favourably to the leadership culture at Allianz.

Career Development

The introduction of the Career Development Manual ("CDM") in 2011 reaffirmed our commitment to building a culture of high performance. The CDM provides our employees with a better understanding of the expectations and requirements for each job and function at Allianz. It is designed to show career growth opportunities within the same or across different job families as well as the technical and behavioural competencies required for career development at each stage. The aim of the CDM is to establish a more transparent and structured process for managing career development.



In 2011, 72 employees successfully graduated from the Business Development Managers training programme.

Training

Allianz aims to equip employees with the relevant knowledge, skills and competencies required for their roles through structured training and personal development programs. These include a combination of classroom training, on-the-job attachments and project assignments. In addition, for employees who decide to pursue further education or seek professional accreditation, reimbursement on the examination fees will be provided upon their successful graduation. In 2011, 92% of our employees attended at least one training session.

Talent Management

To support a holistic approach towards talent development and management, Allianz has deployed various HR tools which enable us to identify talent and provide the relevant development actions; for example, the standardising of a global definition of potential and common understanding of high performance.

In addition, the talent management framework supports a systematic approach of succession planning for key positions.

A great place to work

At Allianz, it is our responsibility to provide a healthy and safe work environment for our employees. In 2011, we embarked on various initiatives with the aim of promoting employees' health and well being.

We successfully created a running community in Allianz last year which aims to promote a healthy lifestyle amongst our employees. In 2011, over 750 of our employees and agents participated in the Allianz Penang Bridge International Marathon and the Standard Chartered KL Marathon. As an additional incentive for our employees and agents, all entrance fees for the said marathons were borne by Allianz.

The Safety and Health Committee was set up in head office and at branches to ensure employee safety at the workplace. Since 2010, the Allianz Medical Card was introduced, offering free health screens at panel clinics and hospitals to our employees as well as Inpatient and Outpatient coverage to our employees and their dependants in need of medical treatment.

To further strengthen the work-life balance of our employees, we introduced a new Flexi-Hour work arrangement in 2011. The initiative aims to provide flexibility to our employees in managing rush hour traffic as well as their personal or family needs.

Allianz does not tolerate discrimination or harassment in the workplace based on criteria such as age, disability, ethnic origin, gender, race, political attitude or workers' representative activities, religion or sexual orientation.

Furthermore, we offer equal opportunities for both men and women. Over half of our workforce is female, with 14.8% of management positions being filled with women. A lower staff turnover rate (8%) as compared to previous years (12% in 2010 and 13% in 2009), indicates that we are increasingly successful in offering a good workplace environment and also in retaining our skilled staff.



The Allianz Penang Bridge International Marathon 2011 saw the participation of 27,500 runners from all over the world; among them, 763 Allianz employees and agents.



Allianz employees undergoing free health tests provided by Columbia Asia Hospital Setapak at our 10th Anniversary celebration for Klang Valley.

Allianz as a responsible Corporate Citizen

We take our responsibility to society seriously and strive to engage with the communities that we live and work in. Our support entails financial contributions, transfer of knowledge and sharing of expertise.

KEY FIGURES

248

Road Safety
Ambassadors
trained

19

Road Safety
Campaigns held
nationwide

930

Motorcycle
helmets
distributed

CORPORATE VOLUNTEERING

The engagement of our employees, agents and business partners in social projects is a key component of our corporate responsibility. Corporate volunteering provides an opportunity for us to give back to society and at the same time help to create awareness for societal issues among our employees. Thus, they are strongly encouraged to participate in social projects embarked by Allianz.



Staff members are encouraged to become Road Safety Ambassadors to practise safe driving behaviour and advocate this at our nationwide campaigns.



Road Safety

Safety is at the heart of our business as an insurance company. Being one of the top motor insurers in the local market, we believe it is important for us to educate the public on road safety and play a role in creating safety awareness.

Allianz signed a 3-year Memorandum of Understanding with the Road Safety Department of Malaysia ("JKJR") in 2011 to jointly advocate road safety among Malaysians. We support JKJR's Zero Fatality Vision to reduce the national road accident fatality rate, which currently stands at 3.21 people per 10,000 registered vehicles.

As part of this cooperation, Allianz employees are trained as Road Safety Ambassadors by JKJR, a total of 248 so far. In the training, they are taught about the most common causes of road accidents and are given advice on safe driving behaviour and how can they play a role by reporting bad road conditions as well as how to respond to road accidents. They are expected to lead by example and be safe on the road as well as contribute actively to our Road Safety Advocacy Campaigns.

Road Safety Advocacy Campaigns are held jointly by JKJR and Allianz throughout the country with a focus on motorcyclists, who record the highest road fatality rate. At these campaigns, our volunteers and relevant road safety authorities engage with passing motorists by advising them on proper road safety behaviour.



Specially designed reflective stickers are stuck on to motorcycles as research has shown that these stickers can increase the night visibility of motorcyclists up to a distance of 300 metres. Additionally, buckle-up reminder stickers are given out to stress the importance of using securely fastened helmets. Unsafe helmets that are too old or do not conform to safety standards are exchanged with new ones for free during the course of the advocacy campaign.

By the end of April 2012, over 30,000 reflective stickers and 930 helmets were distributed at 19 Road Safety Advocacy Campaigns across Malaysia.

In 2012, to promote child safety while travelling in a vehicle, child safety booster seats were distributed to our employees and to the public during Road Safety Advocacy Campaigns. The seat will boost the child's sitting height so that the safety belt does not restrain the neck of the child. The booster seat will thus help secure a child while travelling in a vehicle seat equipped with a 3-point seat belt.



The child safety booster seats were distributed to the public for the first time at our Road Safety Advocacy Campaign in Klang.

Social OPEX

Social OPEX is an Allianz Group leadership development and employee volunteering program which combines Allianz Group's internal quality approach – namely OPEX (Operational EXcellence) – with employee engagement in the social sector. It aims to share our know-how and business skills with socially committed organisations.

In 2011, Allianz carried out a Social OPEX project in Persatuan Mobiliti Selangor & Kuala Lumpur ("MOBILITI"). Under the said project, the Allianz Social OPEX team worked together with MOBILITI to identify their specific organisational and operational challenges and provide practical solutions to address challenges identified.

In 2012, the first Social OPEX training solely for participants from Allianz companies in Asia will be held in Malaysia, going one step further in expanding the programme and introducing Social OPEX to social entrepreneurs in the region.



The Social OPEX team worked together with MOBILITI to formalise their fund management processes.

KEY FIGURES

RM428,739donated in
Disaster Response**RM243,987**raised at
10th Anniversary
celebrations

CORPORATE GIVING

Corporate Giving plays an important part in community development and our role in civil society. We are guided by Allianz Group's Global Donation Guideline and Principles of Social Engagement when considering Corporate Giving activities to ensure that such activities are carried out in a transparent manner and are able to generate long term sustainable value to the society and our stakeholders.

Integrity Check for Non-Profits and Donation Guideline

In 2011, we streamlined our corporate giving processes to strengthen our profile as a responsible Corporate Citizen.

Similar to the Vendor Integrity Screening (*refer* 'Governance'), the Allianz4Good Department applies an "Integrity Check for Non-Profit/Non-Governmental Organisations" to all potential partners from the social sector. The overall aim is to ensure that Allianz' social commitments are on par with the high ethical and legal standards of our business dealings.

Disaster Response

A disaster is an unforeseen and often sudden event that causes great damage, destruction and human suffering. As an insurance company we are not only well aware of the economic implications of such events but also the social repercussions arising from them.

In 2011, Allianz responded to two major disasters by initiating donation drives among our directors, staff, agents and business partners, to raise funds for the survivors of the tsunami catastrophe in Japan and the floods in neighbouring Thailand. We then either matched or topped up the funds collected. A total of RM428,739 was channelled via the Malaysian Red Crescent Society, Allianz Group's global partner in disaster response, to fund relief and reconstruction efforts.

**An exemplary partnership – MOBILITI**

MOBILITI is a charitable organisation that was set up to provide door-to-door transport for wheelchair users within the Klang Valley and has been sponsored by Allianz since 2006. In 2011, Allianz increased the sponsorship from 3 vans to 4 vans and continues to sponsor MOBILITI in 2012.

More than 1,000 passengers are registered with MOBILITI. In 2011, MOBILITI helped Malaysians make about 4,000 trips to visit family and friends, hospitals and clinics or shopping centres around the Klang Valley. Currently there are 4 vans on the road and demand from the community remains high.

MOBILITI is also one of the charitable organisations benefiting from our 10th Anniversary Fundraiser.



Selangor Cheshire Home provides residential care for residents of all races and religious backgrounds who are permanently disabled and without means or resources. It also provides rehabilitation and training, and advocates for the integration of its residents into the community.

10th Anniversary Fundraiser

In 2012, we celebrate a big milestone in our modest history – Allianz' 10th anniversary in Malaysia.

To commemorate our decade in Malaysia, a series of charity fund raising events are organised nationwide throughout 2012. The spirit of the event is that as Allianz has been in Malaysia for 10 years, we would like to give back to the society that we are living and working in. At the same time, we formally introduced Allianz4Good, our new CR brand, which strongly encourages employee engagement in corporate responsibility activities.

As at 30 April 2012, a total of RM243,987 was collected via a series of fund raising events, organised by the head office and various branches located at Central Region, Northern Region, East Coast Region, and Southern Region. The funds raised have been channelled to charitable organisations, some of which are featured on this page.

Similar events will subsequently be held in other branches of Allianz throughout 2012.



The Community Service Centre for the Deaf was set up to address the need for education amongst Deaf/Hard of Hearing children and youths as a means of gaining self-sufficiency. As part of their Teenage Entrepreneur Development programme, they established the Silent Teddies Bakery.



The Malaysian Association for the Blind was set up to help visually impaired persons gain independence through vocational training, rehabilitation services and public awareness. For example, MAB trains their members in foot reflexology, thus enabling them to generate their own income.



Yayasan Chow Kit aims to protect the rights of all at-risk children and youth and provide them opportunities to reach their full potential. As part of Allianz' support, the children are invited to participate in the My Finance Coach programme.

Governance

We believe that corporate governance is essential for sustainable business performance. Various corporate governance practices have been implemented in Allianz to ensure that our business is conducted in a transparent manner with full accountability and integrity.

KEY FIGURES

1,594

employees who completed Compliance and Anti-Corruption training

25

suppliers actively screened for Integrity

3

years Memorandum of Understanding with JKJR

We comply with all the prescriptive requirements of, and adopt management practices that are consistent with the best practices prescribed under, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Prudential Framework of Corporate Governance for Insurers issued by Bank Negara Malaysia as well as the Malaysian Code on Corporate Governance.

For detailed information in relation to our compliance with the above requirements, please refer to the Statement on Corporate Governance on page 75 to 88.

Internal Control System

We recognise the importance of sound internal controls in safeguarding our assets and shareholders' investments. We have accordingly established various internal controls in the areas of risk management, finance, operations and compliance.

For further information in relation to our internal control system, please refer to our Statement on Internal Controls on page 89.

Business Ethics

Integrity is one of our core values and we are committed to practising the highest ethical standards in the conduct of our business.

Our employees are required to adhere to Allianz Group's Code of Conduct for Business Ethics and Compliance which sets the standards for business conduct covering the topics, inter alia, non-discrimination and harassment, dealing with confidential information, insider trading, external communication, conflicts of interest, anti-corruption and bribery, gifts and entertainment and protection of our property and natural resources.



The new Anti-Fraud Policy provides a joint governance structure and a holistic view on both internal and external (claims and underwriting) fraud.

In addition, a Code of Ethics for Senior Financial Professionals is also made compulsory for our Senior Management and certain departments, primarily in the area of finance. It governs ethical and proper conduct in both the private and professional spheres, particularly relating to the handling of conflicts of interest and corporate disclosure.

Employees of our insurance subsidiaries are also required to adhere to the respective Codes of Ethics issued by the Life Insurance Association of Malaysia and the General Insurance Association of Malaysia.

But ethical practices are not just applicable to our employees; we also made it compulsory for our agents to comply with the Sales Policy and Sales Agent Code of Conduct to ensure fair dealing with our customers.

In March 2012, we established Fit and Proper Policy and Procedures to ensure that all key responsible persons are fit and proper to direct and manage our key business activities and functions. This policy will be periodically reviewed to ensure its relevance and alignment with material changes in our business and risk profile and strategies.

Compliance Management System

The compliance management system forms part of our internal control system to ensure compliance with local and internationally recognised laws, rules and regulations to promote a culture of integrity and safeguard our reputation.

As part of the compliance management system, we participated in Allianz Group's Anti-Corruption Program which aims to further enhance internal anti-corruption controls. The following initiatives are implemented locally:

- The introduction of the Anti-Corruption Policy. This policy outlines the existing controls and behavioural guidelines on the risk areas of dealing with government officials, business courtesies, hiring of representatives, political contributions, joint ventures and outsourcing agreements as well as facilitation payments;
- The introduction of the Vendor Integrity Screening process which aims to ensure a proper integrity due diligence before any vendor is engaged. The screening contains a self-assessment section for the potential vendor and a risk evaluation to be completed by the Allianz staff. If the screening does not reveal any negative or adverse findings on the vendor, a contract may be concluded with the said vendor which includes amongst others, an anti-corruption clause;
- The introduction of a Gifts and Entertainment Policy which sets out the minimum standards for gift/entertainment handling to and from clients or business partners. It aims to avoid any issue of conflict of interest or threat to our professional independence; and
- Roll out of an on-line anti-corruption training for all staff.

In addition, the revised Anti-Fraud Policy was introduced in March 2012 to ensure a holistic view on internal and external fraud and to leverage further synergies between the functions of Underwriting, Compliance and Claims. It sets out the minimum standard for all employees, divisions, subsidiaries, branches and departments of Allianz, relating to fraud prevention, detection and response.

Whistleblowing

Our compliance management system provides an avenue for whistleblowing. The whistleblowing system was implemented to enable our employees to confidentially alert the Compliance Department about any irregularities. Having such a system in place promotes transparency and accountability throughout Allianz.



Our road safety partnership with JKJR was formalised with the signing of a 3-year Memorandum of Understanding on 18 July 2011.

Public Partnerships

At Allianz, we are working closely with all our stakeholders as we believe that ongoing dialogue is a key element to good corporate governance. We constantly seek consultation, input from and collaboration with the industry bodies and regulatory authorities as well as members of the media, academia and local communities.

In 2011, Allianz collaborated with the National Welfare Foundation, the Ministry of Women, Family and Community Development, and partnered with JKJR.

The 1AZAM programme was introduced by the Ministry of Women, Family and Community Development to increase the income generation capabilities of the poor through financial assistance and the provision of facilities for starting a business, skills training and motivational courses. Under the 1AZAM insurance scheme, 500,000 low-income people received insurance coverage for natural and accidental death. Allianz also took the opportunity to engage with this underserved community through a financial literacy programme (*refer 'Economic'*).

As part of our road safety initiatives, we have signed a 3-year Memorandum of Understanding with JKJR. Under this partnership, Allianz and JKJR have jointly carried out Road Safety Advocacy Campaigns nationwide. Furthermore, this partnership allows for knowledge sharing and dialogues which help us to develop more effective road safety strategies (*refer 'Social'*).