

From the Financial Frontline of Climate Change

Dr. Joachim Faber, Allianz AG board member and CEO of Allianz Global Investors, the world's second largest asset manager, talks about climate change, its implications for the financial sector, and Allianz's efforts to mitigate associated risks.



Why is climate change so important to Allianz?

As an insurer we are the frontline industry to feel the heat of a changing climate. In our global industry insurance business alone, 40 percent of damages are due to storms and floods. Also for our banking and asset management arms we have to watch rising temperatures. Governmental climate policies affect the value of companies and hence influence our investment decisions.

But it is not all bleak. The financial industry has a great chance to reduce the risk of climate change, for example, through investment in renewable energy.

How do you manage climate change risks?

We integrate climate change risks into our risk screenings when making decisions on credit lending and asset allocations. The details of these processes are currently worked out in our Climate Core Group - a task force that is analysing climate change-related risks across the Group.

And how do you make profits from climate change?

We are not cashing in on climate change, but help to mitigate the risks. This, of course, also opens business opportunities. Investments in wind energy and biomass, for example, are high on our agenda. We are also at the forefront of developing insurance solutions for renewable energies through a specialized unit. In our banking business we emit weather derivatives which have proven to be a very effective tool to hedge against weather risks.

What is the Allianz Climate Core Group?

It is a task force that will act as a center of competence for the Board of Management and the business lines and will systematically examine climate change-related risks and opportunities in all business operations. The climate core group has just finalized the Allianz Climate Strategy, which has been approved by our CEO, Michael Diekmann, and our International Executive Committee*.

Why are you working with non-governmental organisations, such as the WWF, on your climate strategy?

Because they know the issue. In fact, our Group Risk Policy, which guides us in our business decisions, says that stakeholder dialogue is an important tool to discover and manage environmental risks. For that reason we entered into a partnership with the WWF and other internationally renowned environmental experts to better understand the risks of climate change for our industry. The dialogue helps us to find and develop innovative solutions on climate change-related issues within our business. This knowledge compels us to act.

* The International Executive Committee is made up of both members of the Allianz AG Board of Management and the CEOs of the biggest Allianz subsidiaries worldwide.