

# Ensuring ESG Integrity in Sustainable Investing through Practice and Influence

20 May 2022

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**Allianz**   
Global Investors



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# 01

## Sustainability at Allianz Global Investors





## Shaping the world of tomorrow together

As an **active manager**, we understand that capital allocation and company engagement are the **key drivers of positive change**.

By **incorporating ESG considerations** in our active investment decisions, our clients partner with us to strike a new path towards a **more sustainable economy and society**.

## Our Sustainability Journey to Date

1999

SRI capability developed

Launch of AllianzGI's first sustainable and responsible investing (SRI) equity strategy

A+

UN PRI rating

Top rating for ESG strategy and governance in 2020 for the 4th consecutive year

303bn

€ AUM

Assets under management in ESG risk-focused and sustainable strategies

35+

Sustainability Professionals

within our Sustainable & Impact Investing team

2007

UN PRI Signatory

Amongst the first 50 asset managers to sign the UN Principles for Responsible Investing (PRI)

30+

Collaborative initiatives

Joined Net Zero Asset Manager Initiative and One Planet Asset Managers Initiative in 2021

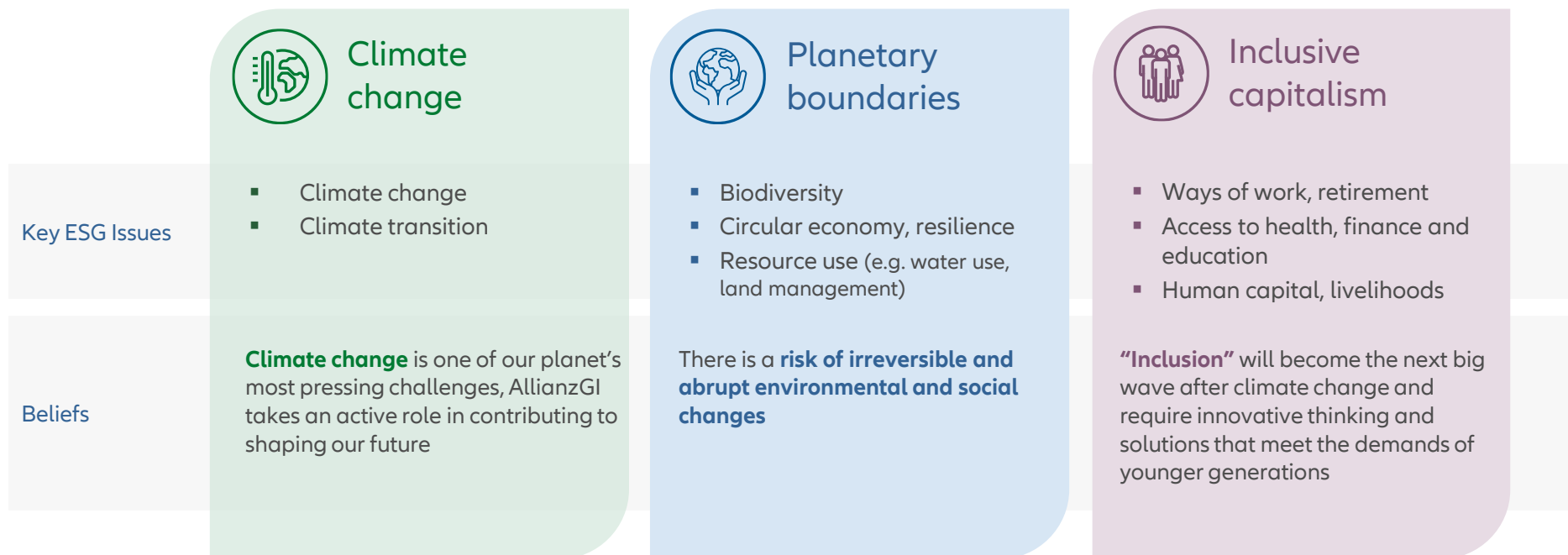
"Climate change generates enormous economic and social risks. It is already harming millions of people today. As a leading insurer and investor, we want to promote the transition to a climate-friendly economy."



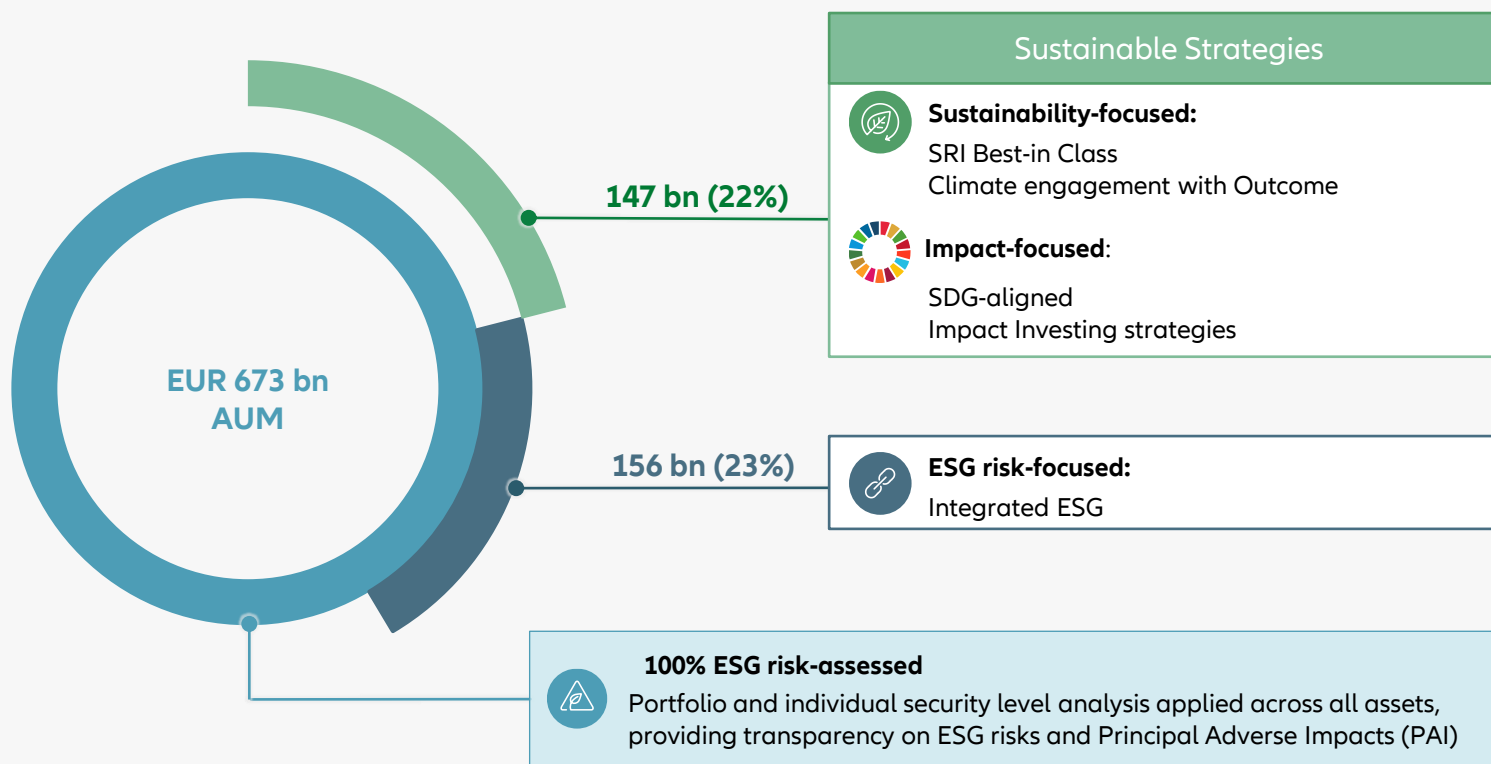
**Oliver Bäte**  
CEO, Allianz SE



# Focusing on Three Pivotal Themes to Shape a Sustainable Future



# ESG Incorporation into our Assets Under Management



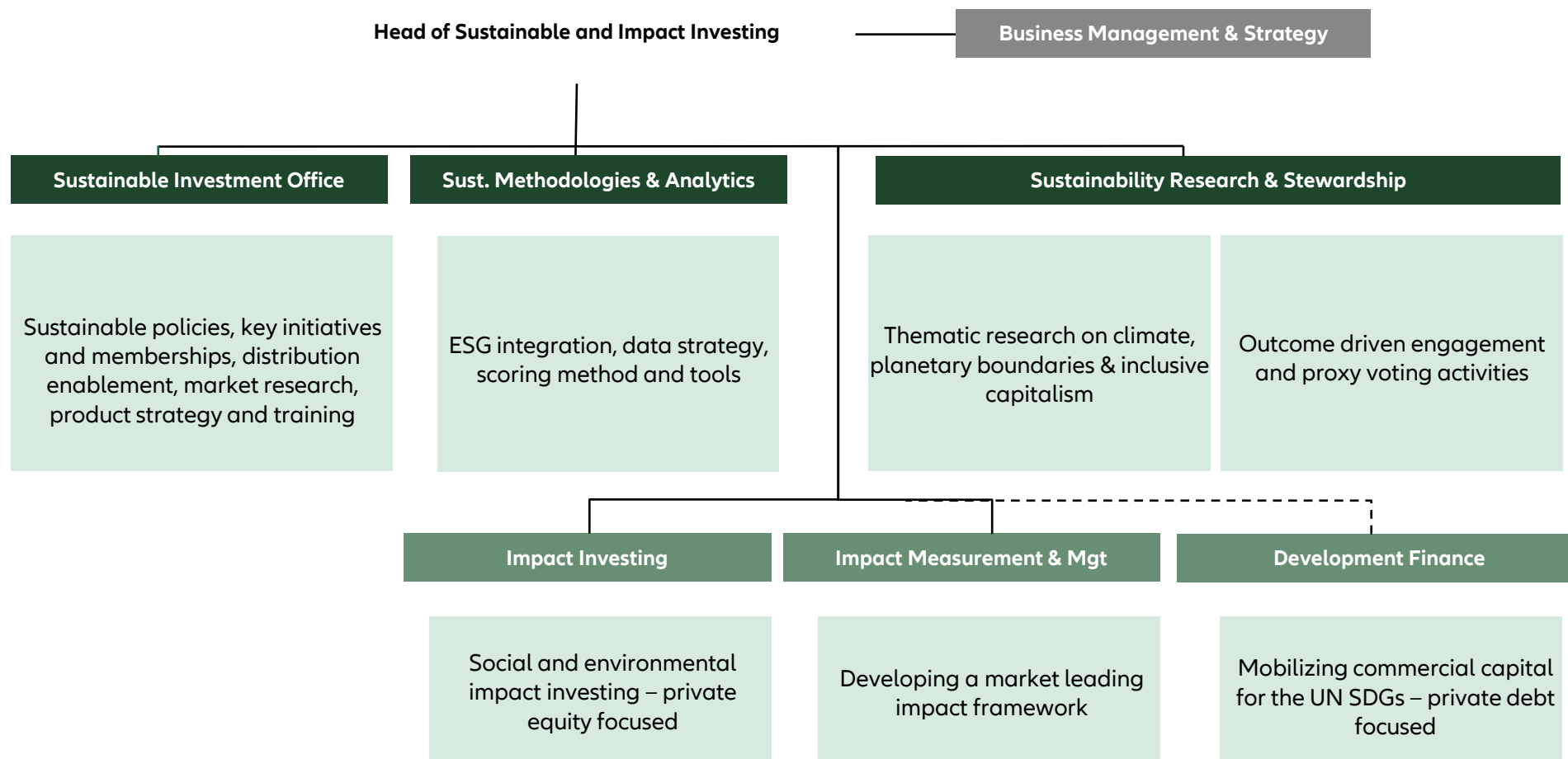
# 02

## Rigor and Diligence in Our ESG Incorporation





# A Dedicated Team to Implement Sustainable Investing



# Sustainability is Embedded into our Investment Platform

	<b>Sustainable Investment Office</b>	<b>Sustainability Methodologies and Analytics</b>	<b>Sustainability Research</b>	<b>Stewardship</b>	<b>Impact Investing Private Markets</b>
<b>Areas of collaboration</b>	<p>Develop sustainable investing policies</p> <p>Sustainable product strategy and coordination</p> <p>Internal and external training on sustainability</p> <p>Sustainability industry and market trends</p>	<p>ESG &amp; proprietary scoring</p> <p>Development and review of sustainable investment methodologies</p> <p>Regulatory analytics methodologies (taxonomy, sustainable share, etc.)</p> <p>Construct custom sustainable investing solutions for client needs</p>	<p>Thematic research</p> <p>Sector and company research</p> <p>Collaboration to bolster thematic and impact investing process</p>	<p>Active stewardship approach</p> <p>Thematic and risk-based engagements</p> <p>Proxy voting</p> <p>Monitoring of portfolio companies</p>	<p>Development of Private Equity &amp; Private Debt impact offerings</p> <p>Developing a market leading impact framework</p>

## Investment platform: 700+ investment professionals

### Tools and governance for collaboration

A Global Collaboration Platform is in place, accessible by all sustainability and investment colleagues, to share insights and feedback transparently

The sustainable and impact investing team is situated within AllianzGI's investment platform, ensuring close strategic collaboration

The Sustainable Investment Working Group serves as a high-level advisory body to the Investment Executive Committee

# A Robust Multi-Layer Approach to ESG Incorporation

**1** Excluding controversial and high-risk assets

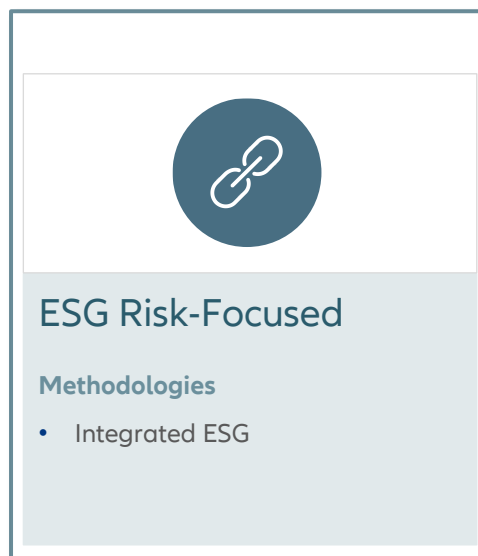
**Firm-Wide Exclusions**

**Sustainable Minimum Exclusions**

**2** Monitoring of material ESG risks

**100% ESG Risk Assessed:** E, S and G risk consideration and analysis

**3** Integration of sustainability objectives and characteristics

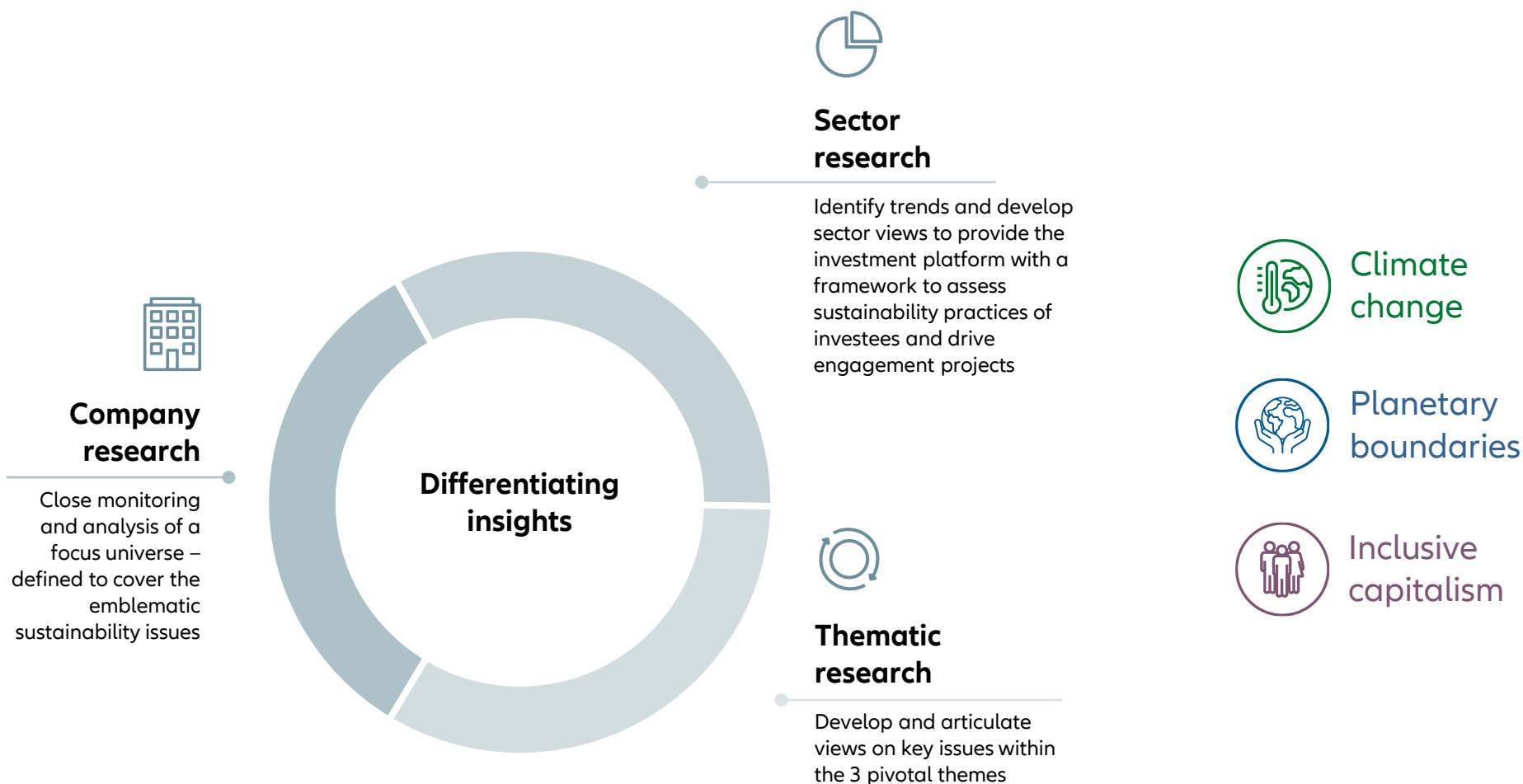


**4** Active ownership and partnership with issuers

**100% Active stewardship:** company engagement and proxy voting



# Sustainability Research to Support Investment Decisions



## Grassroots Research Capability

### Grassroots® Process at a Glance



AllianzGI analysts & portfolio managers seek to test investment case



Grassroots® analysts create study



- Reporters
- Field Force
- Online panels
- Web data extraction



- Industry contacts
- Consumers
- Alternative data sources



Investment insights

## Case Study: Scrutinizing “Sustainable” Bonds

	Green Bond	Social Bond	Sustainability Bond	Blue Bond	Transition Bond	Sustainability-Linked Bond
<b>Sustainability Integration Technique</b>	Dedicated Use of Proceeds					Bond structure linked to issuer-level sustainability targets
<b>Sustainability Objective</b>	Finance projects with positive environmental contributions	Finance projects with positive societal contributions	Finance projects with positive environmental and/or societal contributions	Finance projects that help protect water and/or ocean resources	Finance projects that help transition to a lower-carbon economy	Incentivize bond issuer to achieve dedicated sustainability targets



# 03

## Transparency throughout Our Sustainability Journey



# Transparency in Sustainability Philosophy

Allianz Global Investors  
Sustainability Risk  
Management Policy  
Statement

Allianz Global Investors  
Principal Adverse  
Impact Statement

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AllianzGI  
Stewardship  
Statement

Active in: Focusing on active stewardship

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Allianz Global Investors  
Global Corporate  
Governance  
Guidelines

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Allianz Global Investors  
Exclusions Policy  
Statement

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AllianzGI  
Climate Policy  
Statement

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...outlining how AllianzGI takes into account **sustainability risks** and how **principal adverse sustainability impacts** are considered in investment decisions

...explaining the principles on **Active Stewardship** responsibilities, managing conflicts of interest, monitoring investee companies, acting with other investors and disclosures of voting activities

...provides a **general framework** for our **proxy voting analysis** and is intended to address the most significant and frequent voting issues that arise at our investee companies' shareholder meetings

...aims to provide clients with clarity and transparency on **AllianzGI's approach to excluding** from its investments companies involved in **controversial weapons** and companies involved in **coal**

...summarises AllianzGI's view related to **climate change risk**. We believe that material ESG factors such as climate risk may impact the future performance of assets

# Transparency in Sustainability Activities



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## Global Proxy Voting Overview

Filters Market Meeting Sector Votes Management Proposal

### Shareholder Meetings by Market



**Moving towards net-zero**

Allianz Global Investors  
TCFD Report 2020

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## Transparency at the Portfolio Level

Proprietary SRI Score and/or 3 <sup>rd</sup> Party ESG Score	Carbon Footprint
<ul style="list-style-type: none"> <li>Portfolio average ESG score</li> <li>Benchmark average ESG score</li> <li>Portfolio vs Benchmark E / S / G rating</li> <li>Sector Breakdown ESG</li> <li>ESG Largest Positions</li> <li>E / S / G Top Five Ratings</li> <li>E / S / G Bottom Five Ratings</li> <li>Engagement Activities</li> </ul>	<ul style="list-style-type: none"> <li>Executive Summary</li> <li>Absolute Contributors</li> <li>Carbon Intense Firms per Million</li> </ul>

# 04

## Leveraging Our Influence for Good



# Influencing Investee Companies

## What?

- Active exchange with portfolio companies
- Provide feedback and monitor progress
- Influence and achieve positive future ESG outcomes



**Engagement**



**Proxy Voting**

## Why?





## Our Engagement and Proxy Voting Activities

### Active Stewardship Activities in 2021



**299** engagements with companies  
to seek positive change, on **484**  
topics



**10,190** shareholder meetings  
participation



VETO

**68%** of shareholder meetings where  
we voted against, withheld, or  
abstained from at least one agenda  
item

# Engagement Examples



## Climate change

**Supporting companies to develop climate transition pathways is just one of the ways AllianzGI, as an active investor, can help shape a sustainable world of tomorrow.**

### **An oil and gas company regarding net zero transition**

The company's "Net zero by 2050 together with society" commitment was questioned. We engaged with executives on climate to inform our AGM votes and ensure climate ambitions are sufficient.

We continue to track the company's climate action and net zero alignment, focusing on where they can make a difference. As an example, we will encourage the firm to work with SBTi on the establishment of and contribution to an industry-wide decarbonization framework aligned to the Paris Agreement of limiting global warming to 1.5°C.

AllianzGI got a good sense of the level of accountability, transparency on lobbying, the executive incentive structure and the respective alignment with the firm's decarbonization journey. Due to the dialogue and evidence of such items, we supported the firm's resolution around climate strategy.



## Inclusive capitalism

**We are an active member of the 30% Club, an initiative which aims at increasing gender diversity at board and senior management levels.**

### **A reinsurance company on gender diversity**

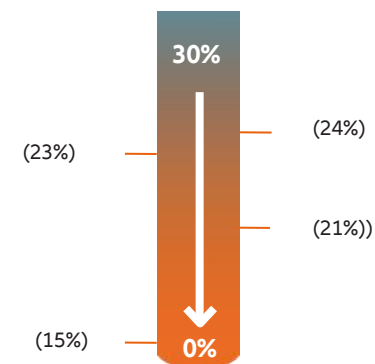
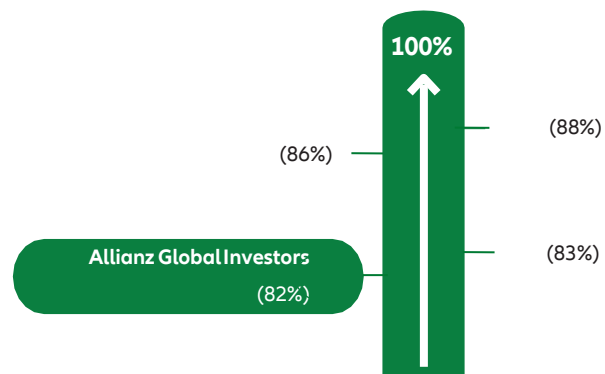
We engaged with a reinsurance company due to the disconnect between the percentage of women in the workforce and their representation at management/executive positions.

To encourage the company to develop an internal female talent pipeline and build on it when considering the appointment of a new woman to the executive management team. In the future, we will actively follow any progress the company made and have continuous dialogue to track the outcomes.

Through engagement, we learnt that the firm's board has set a target of 30% women on the Group Executive Committee by 2025. We noted after our engagement that the company joined the Women's Empowerment Principles (WEPs) established by the UN Global Compact and the UN Women, reinforcing their commitment towards gender equality.

# Using our Shareholder Rights to Push for Action

## » Strong support for climate-related resolutions<sup>1</sup>



<sup>1</sup>Source: InfluenceMap – Asset Managers and Climate Change 2021, January 2021. ESG = Environmental, Social and Governance. KPI = Key Performance Indicator.

## Engaging with Regulators

### **In 2021, we...**

Responded to consultations from local and regional authorities including the European Commission, US Securities and Exchange Commission, Financial Conduct Authority in the UK, Monetary Authority of Singapore and Securities and Futures Commission of Hong Kong.

Responded to a consultation by the International Organization of Securities Commissions (IOSCO) on ESG ratings, setting out our views and recommendations as an ESG data user.

Responded to the EU consultation for an Initiative on Sustainable Corporate Governance, underlining that shareholder interests should not be compromised.

# Important Notes

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