Shaping pathways to a sustainable future

Allianz Global Investors
Sustainability and Stewardship Report 2021

Value. Shared.

Allianz Global Investors

About this report

We shape pathways that seek to secure the future for our clients, for our business and for society.

Allianz Global Investors (AllianzGI) is an active investment management firm and part of Allianz Group. Sustainable investing is a core part of our strategy to shape pathways that secure the future – for our clients, for our business and for society as a whole.

A unified approach to transparency

We began our sustainable investing journey over 20 years ago and published our first Responsible Investing Report in 2018. Our sustainability reporting now incorporates our investment activities and commitment to environmental, social and governance (ESG) practices and active stewardship across our business operations.

We have incorporated UK Stewardship Code reporting to demonstrate our active ownership approach and integration of stewardship[1] into our sustainable investment activities. As part of our commitment to transparency and accessibility, we have produced a separate Task Force on Climate-Related Financial Disclosures (TCFD) Report. This describes our climate-related risks and opportunities and how we integrate them into the business.

Read the TCFD Report 2021 here

Report scope and boundaries

The content of this report relates to all AllianzGI activities and locations. All measures, activities and figures refer to the 2021 fiscal year (1 January 2021 to 31 December 2021) unless otherwise stated.

How to read this report

Our Sustainability and Stewardship Report 2021 comes in four primary sections plus an appendix, reflecting our commitments as a sustainable investor, an active steward, and a sustainable business.

Introduction	Learn more about AllianzGI and hear from our CEO and Head of Sustainable and Impact Investing on their vision for the future.
Sustainable investing	Read about our investment offering that aims to position us as a shaper of sustainable investing solutions across public and private markets.
Active stewardship	Read examples of our active approach to engaging with investee companies and see details of our voting record as a shareholder.
Sustainable business	Learn about our focus on sustainability in our own business – from reducing our environmental impacts to building an inclusive and diverse culture.

UK Stewardship Code indexing

Where report content specifically addresses the Principles of the UK Stewardship Code we have marked the relevant pages. For the full indexing see page 74.

Principle 1

Principles 2 3

1 AllianzGI has applied to be a signatory to the UK Stewardship Code, pending formal approval from the FRC (Financial Reporting Council).

What's inside?

Find out more

Read more about our approach to sustainability and explore our latest research via our website. You will also find our key policy documents and reports, including our latest TCFD Report.

For information on the sustainability commitments and performance of Allianz, please refer to the Allianz Group Sustainability Report 2021.

- **AllianzGI website**
- **AllianzGI TCFD Report 2021**
- **Allianz Group Sustainability Report 2021**

Allianz Global Investors (AllianzGI) is an active investment management firm and part of Allianz Group.

Working in 23 locations, we manage EUR 673 billion of assets on behalf of institutional and retail clients worldwide – from pension funds and blue-chip multinationals to charitable foundations, family offices and individuals.

01 Introduction

01.1 In conversation with Tobias Pross and Matt Christensen

Principle 1

Answering your questions

Tobias Pross
Chief Executive Officer,
Allianz Global Investors

"Sustainability is a fast-evolving space and it is vital we keep pace with our clients' thinking and major advances in understanding around both the challenges and opportunities."

Matt Christensen
Global Head of Sustainable and Impact Investing,
Allianz Global Investors

"We have reached a tipping point where investors now expect sustainability to inform investment decisions. This thinking has guided the build-out of our sustainability team and capabilities at AllianzGI over the past year."

AllianzGI CEO Tobias Pross and Global Head of Sustainable and Impact Investing Matt Christensen discuss sustainable investing highlights from 2021 and how they see the landscape developing in future.

Q **What did you see as the biggest developments in sustainability during 2021?**

MC The most significant trend has been the continued move of sustainability to the mainstream. ESG investing is no longer a niche – it is now seen as "business as usual". We have reached a tipping point where investors are not just demanding that sustainability informs investment decisions, they expect it. This thinking has guided the build-out of our sustainability team and capabilities at AllianzGI over the past year. We are led by opportunities in the marketplace and the need for pragmatic approaches that acknowledge the fact that perfect solutions to these challenges do not yet exist.

There are reasons to be optimistic about global progress towards sustainability goals. Last autumn's COP26 conference in Glasgow could still prove to be a landmark on the path to net zero, while the European Green Deal and China's net zero pledge are helping to drive us towards a more sustainable future. The importance of "building back better" following the pandemic has come to the fore and will inform developments in the coming years. The opportunity to create more sustainable infrastructure and – crucially – to foster equitable growth must be seized wholeheartedly.

01.1 In conversation with Tobias Pross and Matt Christensen continued

TP I agree that 2021 was a year that truly shone a light on the challenges facing the planet and the urgency with which we must face them. Collaborative action will be vital to develop the right solutions and I am pleased we played a part in some major initiatives and cross-industry collaborations. With our parent company, Allianz, we have committed to measurably reduce the carbon footprint of our real assets portfolio by growing our share in low greenhouse gas (GHG)-emitting assets and engaging on decarbonisation with the companies in which we are invested. In March 2021, we joined the Net Zero Asset Managers initiative which supports the goal of net zero emissions by 2050, in line with global efforts to limit warming to 1.5°C. This aligns us with the commitments made by Allianz as a founding member of the Net Zero Asset Owner Alliance in 2019.

With Allianz, we are also co-developing dedicated impact investment strategies that foster the energy transition in both developed and developing markets, often partnering with global development banks and organisations. For example in November 2021, together with the International Finance Corporation and Hong Kong Monetary Authority, we set up the world's first cross-sectoral portfolio of emerging-market loans aligned with the Paris Agreement. The strategy supports the IFC and Allianz in making 1.5°C-aligned investments in emerging markets.

At the UN Climate Conference in Glasgow, we launched a strategy, built around a public-private partnership that will invest in climate-focused private equity funds and projects active in emerging markets and developing countries. Our clients will benefit from this commitment through the co-investment opportunities that exist with Allianz. Through these and other initiatives, we are partnering with clients to tackle the most pressing sustainability issues and create a better future for all. Our participation in these organisations and programmes complements the various industry bodies in which we play an active role.

Q What do you see as the most significant future trends around sustainability?

TP Sustainability is a fast-evolving space and it is vital we keep pace with our clients' thinking and major advances in understanding around both the challenges and opportunities. We are proud of our long track record in sustainable investing, launching our first SRI fund in 1999. We plan to expand our sustainable investment offering, from innovative impact-focused funds to tailored solutions for our clients, including through our risklab team (an advisory service within AllianzGI) where we added a dedicated sustainable investment advisory offering in 2021. While being excited by these initiatives and confident in our expertise, we aim to be modest and pragmatic in our approach. We do not claim to have all of the answers, but we are committed to making progress in pursuit of the goals that our clients – and society – seek.

MC When looking at how we frame those goals and solutions, we have identified three key themes that we see as the most urgent challenges globally and which will be integral to sustainable businesses in the future – climate change, planetary boundaries and inclusive capitalism. These themes guide targeted research and engagement to identify the most material risks and opportunities for our business and our clients.

We also see impact investing as a core area of opportunity, aligned with client motivation. When constructing investment products and portfolios, impact will eventually become a third dimension for measuring investment performance, next to risk and return. Therefore, it becomes increasingly important that we are able to measure impact – of private markets as well as public markets investments – and we are developing a framework for this.

Q How do you define AllianzGI's role in shaping the future?

TP We want to provide our clients with access to the growth opportunities of a sustainable future. US Special Presidential Envoy for Climate John Kerry said that 50% of the carbon reductions needed to get to net zero will come from technologies that have not yet been invented. With our clients, we will be investing at the cutting edge to enable the development of these technologies. Our approach is both optimistic and realistic. This can be clearly seen in our engagements, as we seek to work with the companies we invest in to shape their transition pathways to a more sustainable future. Generating these improvements and progress needs to be a collective endeavour.

01.1 In conversation with Tobias Pross and Matt Christensen continued

MC We see our stewardship activities as a critical element, with opportunities to help our investee companies transition to a sustainable future. Picking up on what Tobias outlined, we have adopted a Climate Engagement with Outcome (CEWO) approach in select portfolios which sees us work with investee companies to understand their climate pathways, and work with them where necessary to identify ambitious but achievable climate goals alongside a specified timeframe to achieve them. This is on top of our comprehensive approach to active engagement and proxy voting across our portfolios.

Proxy voting gives us a platform to influence the issues that matter globally and will be key to our commitment to issues like inclusive capitalism and climate change. We will continue to encourage transition among the companies we invest in, promoting net-zero goals and pushing firms to tackle challenges such as excessive executive pay and board diversity.

Q How do you view your responsibilities beyond investment?

TP It is imperative that we demonstrate commitment to sustainability and the values we stand for across our entire business, beyond our investment processes. We must live up to the standards we demand of the companies we invest in, and I am pleased that we continued to make significant progress. In 2021, we reduced CO_2 emissions per employee to 0.9 tonnes, compared with 2.1 tonnes in 2020, helped by low levels of business travel and increased use of renewable electricity. In fact, 100% of the electricity used by AllianzGI came from renewable, low-carbon sources.

Building an inclusive and diverse organisation is an essential part of delivering on our goal of helping our clients reach their long-term goals by generating sustainable returns. We believe passionately that an open and inclusive culture that encourages collaboration and diversity of thought ultimately benefits our clients. In terms of gender representation, we have a 50:50 male to female representation in our Executive Committee, and are implementing a plan for promoting gender equality spanning all levels of seniority. And, through participation in initiatives such as 10,000 Black Interns, we are enhancing the diversity of our workforce across other dimensions.

We are proud of the track record in sustainability documented in this report across both our investing capabilities and business operations. Like the industry as a whole, we still have progress to make and we look forward to sharing future updates with you.

01.2 About AllianzGI

As one of the world's leading active asset managers, AllianzGI employs more than 700 investment professionals and 550 relationship managers across 23 offices worldwide. We manage EUR 673 billion[1] (USD 765 billion) of assets for institutions and individuals around the globe.

Our experience in sustainable investing spans more than 20 years. We are part of Allianz Group and we share and contribute to our parent company's commitments on tackling climate change and doing business sustainably.

We offer a diversified range of active investment strategies across four main pillars: equities, fixed income, multi asset and private markets. Our key markets are on Europe, Asia Pacific and the United States.

Our extensive expertise in both public and private markets covers developed and emerging markets. Our investment advisory services – delivered by our specialist risklab capabilities – help clients achieve their investment objectives, including in sustainable investing.

We see embedding sustainability as the role of everyone at AllianzGI, because it is intrinsic to our success as an active investor and our function as a responsible business. Our role is to create long-term value for clients by navigating financial markets and deciphering the resulting challenges and opportunities. Sustainability is core to this purpose.

2021 highlights

EUR 673 billion
Total assets under management (AuM)

EUR 303 billion[2]
Total value of ESG and sustainable investment offering

47%
increase in AuM in sustainable investments compared to 2020

5 A+ ratings and 3 A ratings
In the United Nations Principles for Responsible Investment (PRI) assessment[3]

New partnerships
Joined the Net Zero Asset Managers initiative and One Planet Asset Managers initiative

Controversial weapons and thermal coal exclusion policy
Adopted firmwide for all mutual funds that we manage

Active stewardship: 299 engagement occasions
covering
482 topics
2020: 303 engagement occasions covering 491 topics

1 Data as at 31 December 2021.
2 This figure includes EUR 156 billion of integrated ESG assets that are not considered sustainable according to EU Sustainable Finance Disclosure Regulation.
3 Reporting period January 2019 – December 2019. PRI reporting has been delayed by the PRI Association by one year. Ratings for the reporting period January 2020 – December 2020 are expected to be available by June 2022, while ratings for the reporting period January 2021 – December 2021 will not be available at all.

01.2 About AllianzGI continued

Creating long-term, sustainable value

Our mission is to help our clients reach their long-term goals by generating sustainable returns. Our clients are our centre of gravity. We generate value for them – and with them – by partnering to meet their needs and those of wider society. Together with our clients, we aim to drive lasting change across the investment value chain using our expertise, influence and impact-focused investing.

We focus on five principal business objectives:

1 Generate strong investment returns for our clients

We measure our strategies' asset-weighted performance against their benchmarks over one-year and three-year periods. We also track how strategies are performing against peers.

2 Provide excellent client service

We measure client satisfaction through an annual survey carried out by independent consultants Coalition Greenwich. It assesses how our institutional and intermediary clients view our investment and client services. We aim to achieve first-quartile performance and we use the feedback to identify areas where we can strengthen our offerings. Since 2018, Coalition Greenwich has also conducted client interviews to measure clients' perception of our sustainable investing capabilities (see page 17). Through our client forums in select markets, we promote two-way feedback and shared learnings.

3 Foster a fulfilling work environment for employees

We motivate our people by fostering a merit-based, values-driven, inclusive culture and providing the right technology and support. The annual global Allianz Engagement Survey is our main tool for assessing employee satisfaction. The results highlight what is working well and where we need to improve (see section 04.3).

4 Grow our company organically and sustainably

We measure our growth in terms of revenues and net cash flow to gauge the extent to which we are offering clients the most relevant and attractive capabilities.

5 Generate profitable growth for our shareholders

All five objectives are interlinked. By serving our clients well and motivating our employees to excel, our company will grow sustainably and deliver strong results for our shareholders over the long term.

Evolving our strategic approach

Sustainability is at the forefront of our decision-making and activities. With the appointment of Matt Christensen as our Head of Sustainable and Impact Investing in December 2020, we accelerated our progress in anchoring sustainability into our investment process.

We take a structured approach to identifying the major long-term opportunities for our clients. Our annual Investment Positioning Dialogues (IPD), instigated in 2020, bring together our senior investors and distribution leads globally to discuss the most significant risks and opportunities for clients. First, we convene the two groups separately to sound out their latest thinking and reflect the views on risk and opportunity from the different regions, client types and areas of the market. Then the entire group meets to develop a final list of priority topics. The outcome is a set of deeply interconnected "investable themes" that provide a guiding focus for our business, currently Achieving Sustainability; Navigating Rates; and Appreciating China. These themes drive our research and product development effort.

We repeat the IPD process annually to revalidate the list and revise and add themes as needed. In 2022, we will add a fourth theme – Embracing Disruption – to reflect the evolution of a trend that began in the technology sector but increasingly pervades every aspect of our lives and is closely aligned with sustainability.

The insights of our Global Investment Council (GIC) are a critical input. Led by our Economics and Strategy team, the GIC provides a forum where our strategists can share their view on macro risks and opportunities with our investment teams, allowing these insights to be implemented within our investment processes as appropriate. The GIC is held monthly and additionally on an ad hoc basis as market events dictate.

01.3 What sustainable investing means to us

"Our ambition is to help our clients be informed and position themselves for the opportunities of sustainable investing and the outcomes they seek."

We are integrating sustainability considerations across AllianzGI's offering and accelerating the growth of impact investing as part of our fast-growing private markets offering. We made considerable progress in 2021, developing new sustainable investment products and innovative analytical tools and methods to aggregate and process data from third-party providers and alternative data sources, informing our proprietary sustainability scoring system. To achieve all of this, we built out the resources and organisational structure of our Sustainable and Impact Investing team to advance our strategy and support data, research and stewardship activities.

Sustainability is an area filled with innovative and progressive approaches, but it is also a complex space where many of the solutions and proof points are works in progress, not least due to the evolving regulatory landscape and client demand. That is why we focus first on being a resourceful partner that can provide education and thought leadership to our clients to help them focus their efforts. We then shape sustainable pathways for our clients by offering a range of investment options and guidance in public and increasingly in private markets

New wave of sustainable growth

We observe that a large number of our clients are convinced of the necessity and value of investing sustainably. For those ready to make the journey, the potential is vast. A wave of sustainable growth is sweeping the globe, creating significant investable opportunities. At the same time, investors increasingly want to achieve a measurable impact with their money which we seek to demonstrate to our clients with our sustainable investment strategies

We also engage with the companies in which we invest on a range of priorities – shaping their low-carbon transition strategies, mitigating their broader environmental impact and enhancing governance approaches.

In our view, this kind of active stewardship is essential, because simply divesting from so-called "offenders" limits opportunities to drive change. Instead, we engage with companies to develop constructive routes to a more sustainable future, recognising that meaningful progress often happens incrementally rather than in big, transformative bounds.

Climate transition pathways

One way we are looking to drive real-world impact is through our enhanced climate engagement with high emitting companies highlighted by the launch of our Climate Engagement with Outcome approach. This enables us to use expanding data coverage to fully scope the climate profiles of the highest carbon emitters in portfolios and engage more fully with them to identify and develop climate transition pathways. The most important part of this approach is its real-world impact across all topics, beyond just carbon emissions. We also gain insights into climate transition efforts across regions and sectors which allows us to identify progress of our invested companies in a consistent and comparable way. Read more on page 32.

01.3 What sustainable investing means to us continued

Focusing on the material sustainability themes of today and tomorrow

Sustainable investing requires a lateral approach, by interconnecting focus areas to achieve the highest impact. We have identified three pivotal themes – climate change, planetary boundaries and inclusive capitalism – which we believe are critical to society, our investors and us as a business.

According to the World Economic Forum's 2022 Global Risks Report, failure to act on climate change, biodiversity loss, social cohesion erosion, human environmental damage and the natural resource crisis are among the most potentially severe risks society will face over the next decade. While climate change is now a mainstream area that many asset managers focus on, staying within planetary boundaries and achieving a just transition are key themes that will become material in the future.

We use these themes to guide targeted, themed engagement and research designed to ensure we identify the most material risks and opportunities for our business and make an impact going forward.

Climate change – Avoiding the harmful impacts of climate change

Climate change is among the most pressing challenges facing humanity and has significant implications for all three ESG elements, not just the "E". Being a member of the Net Zero Asset Managers initiative, we are committed to aligning our investment approaches with its objectives. We do this by analysing the physical threats of climate change, identifying which sectors are impacted most and engaging with companies to set transition pathways.

Planetary boundaries – How we sustain ourselves in a higher temperature world

Focusing on climate change alone will not maintain a stable planet that continues to support life and human development. We have to define the environmental limits within which humanity can safely operate. Nine planetary limits have been identified through a scientific approach, as regulating the stability and resilience of the planet we live on: climate change, biodiversity loss, ocean acidification, ozone depletion, atmospheric aerosol pollution, freshwater use, biogeochemical flows of nitrogen and phosphorus, land-system change, and release of novel chemicals. Identification of these core boundaries and the effects of crossing tipping points are central to our investment approach. We aim to identify how capital can be deployed to support the efficient use of land and water resources – from forestry to food to fishing.

Inclusive capitalism – Living equitably in a world with rising population and resource constraints

As resources grow more limited, the threat of distributing them unequally increases. This challenge was highlighted by the Covid-19 pandemic. We need to focus on the "social" in ESG, avoiding social inequalities that hold back the growth and resilience of economies. It is part of our fiduciary duty to support a just transition including, for example, access to health services, finance and education. Therefore, we are focusing on factors that enable inclusive capitalism when constructing portfolios, since maintaining social cohesion underpins economic growth.

	Climate change	Planetary boundaries	Inclusive capitalism
Key ESG issues	• Climate change • Climate action	• Biodiversity • Circular economy, resilience • Resource use (eg, water use, land management)	• Ways of working, retirement • Access to health, finance and education • Human capital, livelihoods
Beliefs	Climate change is one of our planet's most pressing challenges, AllianzGI takes an active role in shaping our future	There is a risk of irreversible and abrupt environmental and social changes	"Inclusion" will become the next big wave after climate change and require innovative thinking and solutions that meet the demands of younger generations
Examples	• Over 40 mutual funds implement our Climate Engagement with Outcome approach and engage top carbon emitters to set ambitious pathways • Decarbonisation solutions	• SDG-aligned capabilities: Global water, clean planet, food security • Collaboration with initiatives to develop standardised indicators	• SDG-aligned capabilities: Sustainable health, positive change • Emerging markets blended finance focus in private markets

01.3 What sustainable investing means to us continued

How active asset management supports the transition to a better future

Our commitment to active asset management is unequivocal. We think being an active asset manager offers unique advantages in today's investment environment – whatever the asset class, geographic scope or investment style. Being active also allows us to stay ahead of our clients' future needs and to manage emerging and developing risks and opportunities when it comes to sustainable investing.

In 2021, we implemented a number of sustainability-related initiatives in our investment and advisory functions – and enhanced existing ones – as part of our active approach:

- Identifying our three key sustainability themes – climate, planetary boundaries and inclusive capitalism – that will shape our research and engagement activities (see page 09).
- Integrating ESG risk considerations into all our investment processes and active stewardship approach (see page 39).
- Constructing portfolios designed for strong sustainability performance (see page 16).
- Enhancing the ESG approach in private markets alongside creating an Impact Management and Measurement team. This team has built the AllianzGI Impact framework for private markets impact strategies to ensure investments generate material and measurable positive impact for our clients (see page 36).
- Advising on sustainability risks and engineering active investment solutions that meet our clients' individual objectives, powered by an innovative approach to allocation and a deep understanding of risk. With 60 investment advisers globally, risklab – an advisory team within AllianzGI – helps our clients to meet their investment goals through specialist advice and solutions. In 2021, we added sustainability-specific capabilities within risklab – (see case study on page 18).
- Financing the United Nations Sustainable Development Goals (SDGs) by incorporating ESG considerations in our active investment decisions. We partner with our clients to mobilise capital to meet multiple sustainability-related goals, such as those set out in the UN SDGs. Our SDG-aligned strategies specifically address the financing of the SDGs. These strategies have grown to EUR 2.9 billion over the past year.

Capital allocation and company engagement are key drivers of positive change, and active stewardship continues to be a core action across our product strategies. In 2021, we engaged with 238 companies across 11 different sectors and 27 countries. We participated in 10,190 shareholder meetings in 2021, representing 95% of all votable meetings. We voted against, withheld, or abstained from at least one agenda item at 68% of all meetings globally; and overall we opposed 21% of all resolutions globally (see page 51).

01.4 Acting on climate risks and opportunities

Principle 4

As an active investor, we look for innovative ways to reallocate capital to support a climate transition that meets the goals of the Paris Agreement. As part of our commitment to increase transparency and performance across our sustainable investment approach, we joined the Net Zero Asset Managers initiative in 2021 and published our first annual Task Force on Climate-Related Financial Disclosures (TCFD) report.

For investors to be able to make informed decisions, companies must report comprehensively on how they are tackling dominant global long-term trends such as climate change. The climate transition will create both investment opportunities and risks across all sectors of the economy. Our industry has a crucial role to play in addressing climate change risks and opportunities through investment decisions and influencing investee companies and other institutions.

For more information see our Climate Policy Framework on our website

Climate strategy

According to the World Economic Forum's Global Risks Report 2022, failure of climate change mitigation and adaption come first in a list of the top ten global risks over the next decade in the report's annual survey of perceptions.

In this context, we help our clients reflect climate risks and opportunities in their holdings. As a committed member of the Net Zero Asset Manager initiative, we are supporting the goal of net-zero GHG emissions by 2050 in line with global efforts to limit warming to 1.5°C. Next to mainstream strategies, we offer climate thematic and impact-driven opportunities such as green bonds, climate transition equity and private markets renewable energy investments. These specialised assets contribute to the alignment of an asset owner's portfolio and its compatibility with climate transition targets.

A key belief in our philosophy surrounding climate investments is that public corporate disclosures on climate are not yet in-depth enough to inform simple rules-based strategies. We believe market inefficiencies on climate risks and opportunities exist, and active research and corporate engagement are necessary to tackle the dominant long-term global trends comprehensively.

Climate-related risks and opportunities

Climate risks are a crucial consideration when assessing potential investments. As an active investor, we look for innovative ways to allocate new capital – and reallocate existing capital – towards a climate transition that meets the Paris Agreement goals.

Transition and physical climate factors may pose a significant risk or opportunity in the short, medium and long term through the value of assets we manage on behalf of our clients, the investment products at the core of our business, and how we operate as a corporation.

- In the short term, policy and reputational risks of our investee companies are the leading climate-related risks that may affect investments.
- In the medium term, market and technology risks associated with the climate transition may develop more substantially, while acute physical risks may emerge more frequently.
- In the long term, chronic physical climate risks could become more substantial.

When it comes to the opportunities, initiatives that enable and benefit from the climate transition are the leading climate-related opportunities that may affect investments in the short term. In the medium and long term, climate-related investment opportunities will arise from competitive positioning and climate innovation.

Integration of climate risks and opportunities in investment processes

AllianzGI's dedicated sustainable investment team, portfolio managers and analysts collectively monitor and assess the science, regulatory response and business implications of climate change (see page 22). We examine the implications for individual issuers and sectors and the ways in which climate change can be a driver of investment performance. We will continue our engagement with companies on climate-related issues and encourage them to report on TCFD and Science Based Targets(SBTs) to improve the quality of disclosures provided to our investors, positioning them to meet their climate ambitions more precisely. Climate change-relevant indicators are part of our Principal Adverse Impact assessment (see page 22). We support and implement the recommendations of the TCFD. For more information on climate-related risk management process, please read our 2021 report.

Read the TCFD report 2021 here

01.4 Acting on climate risks and opportunities continued

Climate-related metrics and targets

We aim to be as transparent as possible in our climate-related profile, including the disclosure of our investment-related climate metrics. As a committed signatory of the Net Zero Asset Managers initiative (NZAM), we support the goal of net-zero greenhouse gas (GHG) emissions by 2050 – in line with global efforts to limit warming to 1.5°C.

After becoming a NZAM signatory in 2021, we submitted first interim targets at the beginning of 2022. As the first step, these targets cover listed equity, corporate debt, infrastructure equity, and infrastructure debt, and reflect the targets set in 2021 by Allianz for its proprietary assets based on its commitment as a member of the UN-convened Net-Zero Asset Owner Alliance.

The assets in-scope for these targets represent 12% of AllianzGI's overall assets under management. The submitted targets include:

Listed equity and corporate bonds – 25% GHG reduction, Scopes 1 and 2, by the end of 2024 (baseline year: 2019).

Infrastructure equity – 28% GHG reduction, Scopes 1 and 2, by the end of 2025 (baseline year: 2020).

Infrastructure debt – Our target is to grow the share of low-emitting and EU taxonomy-eligible assets.

For more information on the Net-Zero Asset Owner Alliance commitment of Allianz, please see the Allianz Group Sustainability Report.

At AllianzGI, we will focus continuously on our net-zero commitment as a signatory of NZAM. In the near future, we will increase the scope of our assets and set intermediate targets for our third-party client assets. We will continue to actively engage with our institutional clients and distributors on integrating net-zero objectives in their investments and into our mutual funds. We plan to review our targets and progress annually.

Investment-related climate metrics

Indicator	Unit	2021	YOY	2020	2019
Listed equity assets					
Total financed emissions	million t CO_2	15.22	25.8%	12.10	15.27
Total carbon intensity	t CO_2/€ million invested	47.80	-5.3%	50.50	76.20
Weighted average carbon intensity	t CO_2/€ million revenues	119.90	-8.3%	130.80	142.30
Emissions data coverage of listed equities AuM	%	98%	–	99%	97%
Corporate bonds assets					
Total financed emissions	million t CO_2	13.72	-23.5%	17.94	16.87
Total carbon intensity	t CO_2/€ million invested	77.90	-35.0%	119.80	118.70
Weighted average carbon intensity	t CO_2/€ million revenues	192.20	-4.7%	201.70	206.90
Emissions data coverage of corporate bonds AuM	%	94%	–	89%	86%
Green assets					
Investments in renewable energy	€ million	5,185.95	9.0%	4,756.27	5,307.00
Investments in green bonds	€ million	10,017.69	54.9%	6,468.07	4,557.00

- For metrics related to our business operations, see page 69.
- For more information see our separate TCFD report 2021

Read the TCFD report 2021 here

For our Sustainability and Stewardship Report 2021, we have changed the methodology for calculating the financed emissions. We have replaced the use of enterprise value (EV) with enterprise value including cash (EVIC) as the latter is expected to become a market standard following its adoption by the EU Technical Expert Group on Sustainable Finance and the EU Benchmarks Regulation. We have also implemented a new waterfall process that allows us to improve data coverage of emissions, combining MSCI and Refinitiv data. Data for 2019 and 2020 has been recalculated using this new methodology to provide comparable results.

See our TCFD Report for the full methodology of how we calculate the financed emissions.

01.5 Sustainability governance

Responsible and transparent governance is crucial to enable the creation of sustainable value for all stakeholders. This extends to our governance of sustainability as we embed ESG and evolve our approach to sustainable investing.

Sustainability is embedded throughout AllianzGI and our sustainability ambition is set by senior management as part of the overall strategy of the business. As a member of the Allianz Group, we are subject to strong governance requirements relating to ESG matters.

The Allianz Group ESG Board is the highest executive management governing body for sustainability-related issues at management board level. In 2021, the Supervisory Board established a new Sustainability Committee to oversee ESG issues and support the Supervisory Board in the oversight of the execution of the Group's sustainability strategy.

For more information, see the Allianz Group Sustainability Report 2021

Our sustainability governance structure

AllianzGI has clearly established lines of responsibility for sustainability:

The **Executive Committee** is the central governance and decision-making body for AllianzGI and other relevant committees on sustainability issues.

The **Investment Executive Committee** has responsibility for all sustainability-related topics within investments.

The Head of Sustainable and Impact Investing reports to the Global Head of Investment Platform, who is a member of the Executive Committee, anchoring sustainable and impact investing at the top of the organisation.

The **Sustainable Investing Working Group** ensures that high-quality sustainable investing standards are being applied across the firm and allows especially for cross-asset class topics to be considered. It is a forum to share best practices and discuss, agree and execute on sustainable investing activities at AllianzGI.

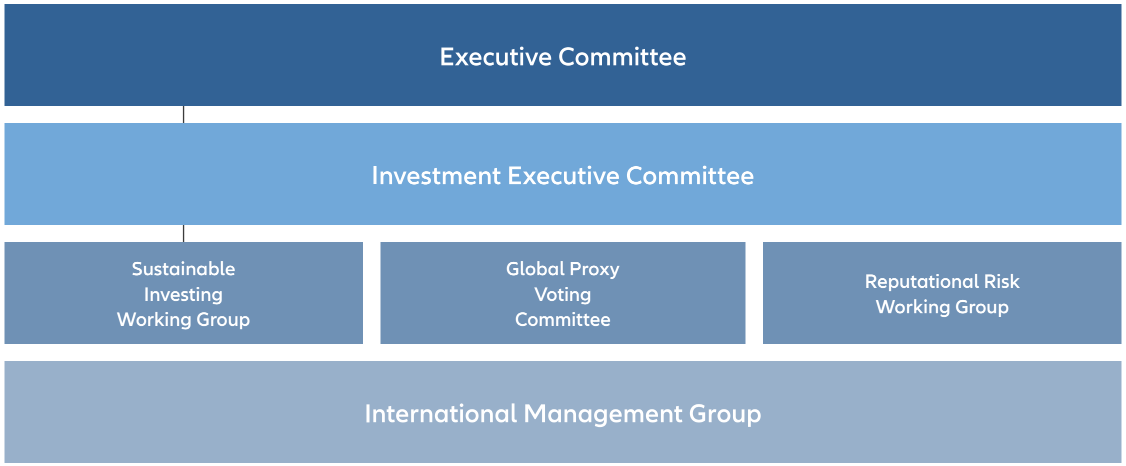
The **Global Proxy Voting Committee** ensures that our global proxy voting practices reflect industry best practice and that we fulfil our fiduciary and stewardship duties on behalf of our clients.

The **Reputational Risk Working Group** comprises global representatives from across functions who meet semi-annually to proactively discuss topics that may pose a reputational risk and determine whether further action is necessary, including escalation to senior management. Additionally, the group may convene or communicate on an ad hoc basis topics that require a collaborative sounding board for establishing a need for action.

The **International Management Group** acts as a sounding board and communication platform for strategy and decisions firmwide.

As AllianzGI consists of various operational entities, additional lines of responsibility exist at the AllianzGI GmbH level. The GmbH management board is responsible for overall strategy and sustainable investing strategy. It reports to the Supervisory Board.

Sustainability governance structure



01.5 Sustainability governance continued

The GmbH supervisory board receives regular updates on the business strategy of AllianzGI GmbH from the management board. This includes a section on the latest strategic updates regarding sustainability.

Investing in our team to position AllianzGI as a shaper of sustainable pathways

With sustainable and impact investing being a strategic growth area, we significantly expanded our team in 2021 to include 38 team members in a well-organised structure with clear lines of responsibility. Sub-teams co-operate closely and report directly to Matt Christensen, Global Head of Sustainable and Impact Investing.

Sustainable Investment Office (SIO):
Shapes AllianzGI's overall sustainable investment strategy and policies, sustainable product strategy and leads key initiatives. The team also plays a critical role in providing improved knowledge to clients and other stakeholders on AllianzGI's sustainable investment capabilities.

Sustainability Methodologies and Analytics (SMA):
As part of its remit, the team is responsible for driving innovation using state-of-the-art technology and ESG data. This includes employing artificial intelligence (AI), natural language processing (NLP) and new forms of data to support the ESG research team, develop new methodologies across asset classes, deliver innovative tools for our investment platforms and shape elaborate client-oriented solutions for the future. The team oversees ESG integration and scoring approaches and develops the climate strategy dataset.

Sustainability Research and Stewardship teams:
Manage thematic research and engagement strategy and develop a thematic approach along the strategic topics of climate, planetary boundaries and inclusive capitalism. The Stewardship Team leads AllianzGI's engagement and proxy-voting activities globally.

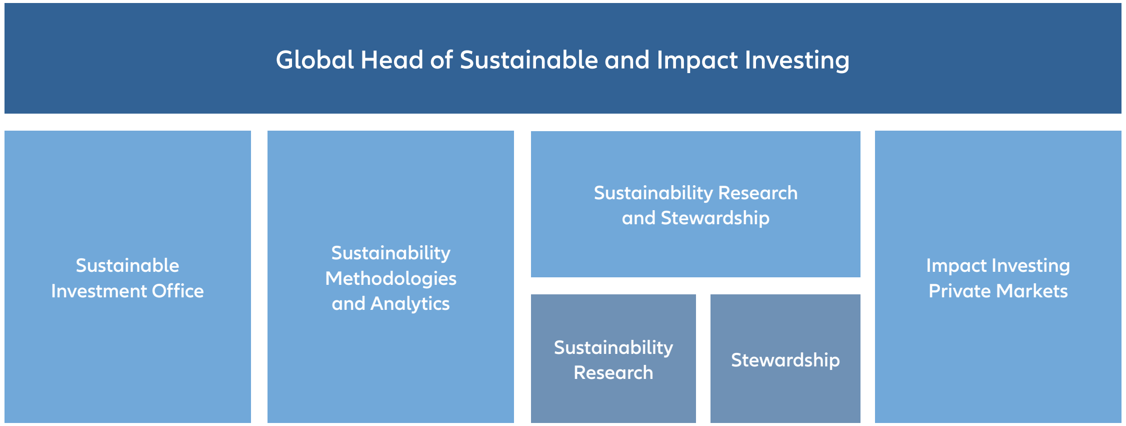
The members of the Sustainable and Impact Investing team have a diverse range of professional backgrounds including finance, investment and legal as well as environmental and sustainability expertise. The team is gender-balanced as part of our commitment to diversity, which enables us to create a holistic and interdisciplinary view on all aspects of sustainable investment. Our leadership team continuously assesses training needs. For example, in 2021 we identified that the team could benefit from deepening its skills on climate, given the rising focus on this topic. Several team members participated in the CFA UK Certificate in Climate and Investing and their input helped develop this course which was in its pilot phase at the time.

Developing our impact investing expertise

Impact investing represents an important and fast-growing asset class that facilitates positive change while resonating with a growing interest from clients. Opportunities in this area are increasing quickly, particularly in private markets. Where investors previously thought only in terms of risk and reward, they can now add impact as a third dimension of oversight of their portfolios. To leverage this future growth opportunity, we must ensure that our investments create credible impact – and measure and report this impact. Our Impact Investing team is responsible for managing private equity social and environmental impact portfolios and mobilising commercial capital to achieve the United Nations' Sustainable Development Goals (SDGs). In 2021, we created a new Impact Measurement and Management team which has developed an impact measurement framework to ensure high standards of due diligence, measurement and management for AllianzGI's private markets investments in this space (see page 36).

Following the changes made to the team structure in 2021, we expect our set-up to be effective in meeting business demands in 2022 and we currently plan no further changes to our Sustainable and Impact Investing team governance.

Organisational structure – Sustainable and Impact Investing team



01.5 Sustainability governance continued

Linking sustainability with remuneration

Our International Management Group – comprising senior functional heads from across the firm – has sustainability embedded into its goals through the firmwide global solidarity goals. A specific sustainability goal was introduced in 2021 and will be implemented in 2022. This goal targets sustainability achievement as measured by our delivery of above peer average PRI results. Achievement of the global solidarity goals influences the firmwide remuneration pool.

AllianzGI functions are also embedding sustainability considerations into team and individual goals. For instance, the investment platform has implemented goals that specifically reflect the sustainability journey and focus areas of each team.

Review and assurance

The credibility of our approach, as reflected in our internal processes and external reporting, is crucial to ensure trust in our company. We have sound processes in place to review ESG-related policies and procedures at least annually to ensure continuous improvement. In 2021, this included strengthening our exclusion policy (see page 22), climate policy statement and proxy voting policy (see page 51). We also reviewed our processes to meet the requirements of sustainability labels for our funds when it comes to engagement. Review processes are led by our Sustainable Investment Office and Stewardship team. In 2021, we developed our Global Sustainability Risk Policy and established a Reputational Risk Working Group to ensure that we analyse emerging sustainability-related reputational risks in a timely manner.

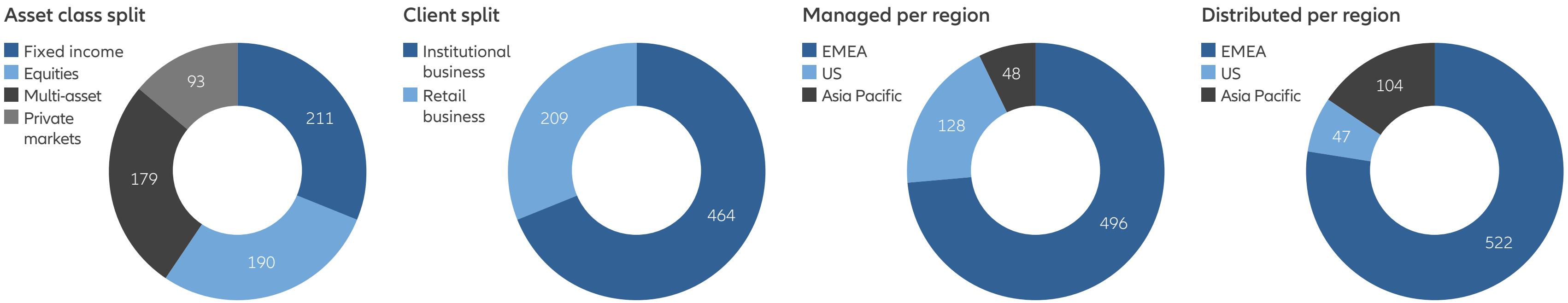
All review processes are based on the regulatory requirements and developments in the jurisdictions in which we operate. To be at the forefront of sustainability regulation, we set up a separate global regulation workstream to implement sustainability-related regulation into our investment approach. This has a focus on implementation projects to comply with the EU Sustainable Finance Disclosure Regulation (SFDR) (see page 23) as well as Markets in Financial Instruments Directive (MiFID) II sustainability preferences as part of the suitability assessment.

In 2021, we commissioned an audit to review our sustainability policies and processes for the first time. This was performed by an external audit firm with the remit to identify potential weaknesses in our reporting and processes. The Sustainable Investing Working Group discussed the key findings and recommended actions to the Executive Committee.

AllianzGI's Executive Committee reviewed and approved this Sustainability and Stewardship Report 2021. In doing so, they consider the report to provide a fair and balanced view of our approach to sustainability investing and stewardship activities. Initial input was provided by the respective teams responsible for the various activities, with overall review by the Sustainability and Impact Investing team given the changes in our reporting structure. This review process was considered the most effective in consolidating our sustainability and stewardship reporting.

01.6 Shaping sustainable investing with our clients

Our global asset and client mix (EUR billion, as at 31 December 2021)



Guiding clients on sustainable investment solutions

As an active asset manager, we seek to create solutions and products that address our clients' evolving investment objectives. We manage EUR 673 billion across all asset classes in public and private markets for our global client base.

We aim to give investors access to a broad range of sustainable investment strategies. Since the inception of our first sustainable investment strategy in 1999, our number of sustainable products had increased to 150 by the end of 2021, up from 36 at the end of 2020. In 2021, we converted 102 mutual funds to a sustainable investing approach and launched 12 new funds – a path we aim to continue in 2022 for a range of additional funds[1].

These capabilities are increasingly important to both retail and professional investor clients. The recent health crisis and natural catastrophes, and the ensuing market volatility, have intensified the already growing positive sentiment for ESG priorities. In 2021, our Request for Proposal (RfP) team answered over 100 dedicated ESG questionnaires from clients – a strong proof point for the increasing client focus on sustainable investing.

Engaging with clients is a key element of helping them to understand their sustainable investing preferences and objectives. In our regular client meetings, we also discuss stewardship activities and gain important insights into the engagement themes that clients would like us to prioritise. For certain portfolios, we hold dedicated ESG feedback meetings to discuss the decarbonisation pathway of the portfolio as well as the outcomes of engagement and voting. The climate strategies of the companies we invest in are a particular focus of these meetings.

We provide thought leadership and investment expertise in client meetings and host regular client events on sustainable investing. These events provide a platform for renowned keynote speakers and AllianzGI's own sustainable investment experts to discuss the opportunities and challenges of sustainable investing, the emerging regulatory framework and the measurability of sustainable and impact investments.

1 These figures relate to EU-domiciled funds that are classified as either Article 8 or Article 9 under SFDR.

01.6 Shaping sustainable investing with our clients continued

Maintaining our position as a client service leader

Our focus on providing guidance on sustainable investment solutions is part of a wider commitment to clients. We look beyond pure economic gain to develop strong and enduring partnerships with them. This has been especially important against the backdrop of the pandemic and the resulting economic uncertainty and market volatility.

Our aim is to create value together and we believe every interaction should support this goal. We want to elevate our clients' investing experience by understanding their individual needs, providing the right solutions and always acting in their best interests. Drawing on our toolkit of capabilities, we create solutions that help clients achieve their investment objectives, today and in the future.

We are proud that independent client satisfaction surveys consistently highlight client service as one of our main strengths. Historically, AllianzGI has ranked in the first quartile against competitors across all relevant major markets in the annual Coalition Greenwich survey. We are a quality leader – as recognised by Coalition Greenwich for more than a decade – with technological capabilities and client service procedures that ensure we stay close to clients. We actively use the findings of these surveys to continually enhance our service.

Highlights from the 2021 Coalition Greenwich Report:

- Eleventh consecutive year as Greenwich Quality Leader in institutional investment management in Germany, and fourth consecutive year in Continental Europe.
- Fourth consecutive year as Greenwich Quality Leader in overall European intermediary distribution quality.
- Sole Greenwich Quality Leader in intermediary services in Asia.
- The leading ESG investment manager for institutional clients in Continental Europe.

Supporting institutional clients to set their sustainability agenda

It is part of our fiduciary duty to help institutional clients understand and fulfil their long-term financial obligations and navigate their present and future investment challenges.

Institutional clients have seen rising regulatory pressure around the disclosure of sustainable investment activities, particularly in the EU. There is also a bigger drive to align investment activities with specific values and long-term sustainability convictions. Consequently, our clients are looking for a strong partner in solving challenges around ESG risks and seek to capture opportunities, aligning with carbon-reduction commitments and assessing which activities they want to finance or divest. Our goal is to help clients implement investment solutions that fit their own value framework.

Our track record in sustainable investing allows us to share knowledge and best practices with our clients to support them in setting their sustainable investment objectives and finding the most appropriate investment solutions.

As part of this engagement, we help clients understand current sustainability developments and regulatory changes. We typically analyse the sustainability features of their current portfolios, help to formulate their ESG approach and discuss how it can be implemented or further enhanced.

50+ dedicated ESG workshops

and training sessions with institutional clients globally on various sustainable investing topics in 2021.

01.6 Shaping sustainable investing with our clients continued

Shaping pathways for a sustainable future

Building on our sustainable advisory capabilities with risklab

In 2021, we expanded our offering by implementing a dedicated expertise in sustainable investing within risklab – AllianzGI's unit offering customised analysis and investment solutions – with a focus on asset allocation, risk management and private markets implementation. We identified three pillars of this analysis:

- **Sustainability transparency** aims to help investors understand the sustainability quality of their investment and best practices.
- **Actionable advice** focuses on establishing sustainability goals and implementing those goals through asset allocation changes, while keeping in mind the impact on risk and return characteristics of the portfolio.
- **Customised solutions** allows for a collaboration between the client, risklab and AllianzGI with the goal of developing investment strategies that meet specific client sustainability needs.

To deliver on our ambition to offer outstanding sustainable investment advisory, we hired an initial team of sustainability specialists and have started by expanding risklab's tools and solutions in the first two pillars: transparency and actionable advice. We aim to help clients work within their own values framework rather than telling them what sustainability should mean to them. We support clients with different levels of experience and varying motivations, but all of them want to understand the impact of ESG on the risk and return of their asset allocation. We aim to build on risklab's longstanding expertise to provide transparency on the interaction of complex investment decisions and the long-term impact on traditional investment metrics while enhancing for sustainability metrics.

In 2022, we will continue to build out our institutional-grade sustainable investment advice that helps investors view sustainability as a third dimension in addition to risk and return, by integrating ESG metrics into our capital markets model. Our ambition is a level of transparency that allows for the display of bi-directional implications of sustainability and financial metrics, ie, the implications of financial decisions on sustainability KPIs and the impact of a sustainability-driven investment decision on traditional metrics such as financial risk and return.

To deliver on these ambitions, we plan to add further resources and intensify the close collaboration between risklab and the rest of AllianzGI, in particular the Sustainable and Impact Investing team.

Shaping pathways for a sustainable future

Advising clients on a strategy to reduce a portfolio's CO_2 footprint

We performed a long-term strategic asset allocation optimisation for the pensions team of a global technology and optics manufacturer. The company has committed to a carbon neutrality goal. To contribute to this goal with the company's pension assets, an equity investments sleeve was identified as a starting point. We performed an analysis of available sustainable investment strategies and advised the client on a choice that incorporated risk, return, ESG metrics and the carbon footprint of the equity investment. The result was a change of the investment strategy and benchmark that will lead to a reduction of the carbon footprint of the portfolio by 14,410 mtCO_2e annually, as measured by financed Scope 1 and Scope 2 emissions.

reduction of the carbon footprint of the portfolio by

14,410 mtCO_2e annually

01.6 Shaping sustainable investing with our clients continued

Shaping pathways for a sustainable future

Helping our largest client on its path to net zero

Managing over EUR 200 billion for our shareholder, AllianzGI is a key partner in helping Allianz to reach its ambitions across public and private markets. As one of the world's leading insurance companies and a founding member of the Net-Zero Asset Owner Alliance, Allianz is pursuing ambitious sustainability targets for its entire business. As one of several interim goals, we are working with Allianz to reach a decarbonisation target of -25% greenhouse gas emissions by the end of 2024 across listed equity and corporate bond investments that AllianzGI manages on behalf of Allianz, and by the end of 2025 for infrastructure equity investments. Allianz and AllianzGI are on track to achieve the interim goal of -25% without withdrawing capital from hard-to-abate sectors. This is just a first step. We continue to engage with borrowers and partners to further increase the scope of assets and construct long-term portfolios and commitments to fulfil higher decarbonisation goals beyond 2025.

Creating real impact in private markets

With Allianz SE, we have committed to measurably reduce the carbon footprint of our real assets portfolio by growing our share in low GHG-emitting assets and engaging with the companies we are invested in on decarbonisation. AllianzGI is also co-developing dedicated impact investment strategies that foster the energy transition in developed and developing markets, often partnering with global development banks and organisations.

In November 2021, together with the International Finance Corporation and Hong Kong Monetary Authority, AllianzGI set up the world's first cross-sectoral portfolio of emerging-markets loans aligned with the Paris Agreement. The strategy supports the IFC and Allianz Group in making 1.5°C-aligned investments in emerging markets. AllianzGI also announced at the UN Climate Conference in Glasgow the launch of a new strategy – a public-private partnership that will invest in climate-focused private equity funds and projects active in emerging markets and developing countries with a focus on climate mitigation, climate adaptation, and access to electricity. Our third-party clients will benefit from this commitment through the co-investment opportunities that exist with Allianz.

01.6 Shaping sustainable investing with our clients continued

Shaping pathways for a sustainable future

Funding the world's largest offshore windfarm

In December 2021, Allianz Capital Partners (ACP), on behalf of Allianz Insurance Companies, signed an agreement to purchase a 25.2% stake in the Hollandse Kust Zuid (HKZ) windfarm. This was the first offshore wind and first equity renewables investment of Allianz in the Netherlands. Once fully operational, HKZ will be the largest offshore windfarm in the world with 140 wind turbines and a total installed capacity of 1.5GW. The project is located in the North Sea and is expected to become fully operational in 2023. As agreed in a long-term fixed-price corporate power-purchasing agreement, German chemical company BASF will receive most of the power originating from the overall 49.5% share of Allianz and BASF in HKZ. Allianz's equity investments in the renewable energy sector, managed by ACP, currently amount to over 100 wind parks and solar farms across Europe and the US, generating around 5TWh in clean energy for more than two million people a year.

5TWh
clean energy generated for more than
2 million people
per year

"We are very pleased to be partnering with BASF on this opportunity. BASF is providing a long-term fixed-price power-purchasing agreement for the project which will ensure a strong contracted revenue stream for many years to come."

Andrew Cox
Co-Head of Infrastructure at Allianz Capital Partners.

Increasing transparency of sustainable investments

With the growth in sustainable investing, clients understandably want increased transparency around the performance and impact of these investments. Regulators are reinforcing this drive.

AllianzGI has provided a standard monthly reporting offering for sustainable investments to its clients since 2020. Depending on the investment strategy, clients can view their sustainable investments compared to the product benchmark. Our reporting contains carbon emissions information that enables investors to see the carbon footprint of their portfolios in absolute and relative terms as well as an overview of the engagement activities relevant to the fund.

To respond to the rising client demand for sustainability information and reporting, we are enhancing our reporting capabilities to support evolving regulatory requirements. From the end of 2022, we will include additional sustainability information such as ESG ratings as well as EU taxonomy considerations. With the revamp of our reporting infrastructure, institutional clients and distributors will be able to access all relevant sustainable information digitally via a dedicated client reporting portal. The application will allow continuous enhancements as sustainability reporting requirements and client needs evolve.

Our clients' stewardship and investment principles are the basis for how we manage their portfolios, and we evolve our processes and client reporting in line with their needs. For example, in our conversations with some of our large clients, we observed that they would like to receive more granular reporting of engagement conversations with companies held in portfolios. As of 2022, we will provide this detail during regular review meetings.

AllianzGI has been at the forefront of responsible investing since the launch of our first sustainable investing portfolio in 1999. Building on a strong foundation in environmentally and socially responsible investment (SRI), we aim to become a shaper of sustainable investing solutions across public and private markets – leading clients and companies on an inclusive transition pathway to a better future.

EUR 303 billion[1]

total assets under management in ESG and sustainable investments as at 31 December 2021

(45% of total assets under management)

>100

mutual funds converted to a sustainable-focused investment approach in 2021

1 This figure includes EUR 156 billion of integrated ESG assets that are not considered sustainable according to EU Sustainable Finance Disclosure Regulation.

02 Sustainable investing

02.1 Building our approach to sustainable investing

Our proprietary best-in-class model and in-depth research have helped to establish us as a major player in sustainability strategies. Drawing on our expertise and track record, we focus on designing pathways for our clients, wider stakeholders and the companies in which we invest to help advance their sustainability journeys.

As more information on companies' environmental, social and governance (ESG) practices has become available, we have refined our ESG ratings model and produced a body of proprietary sector, thematic and stock-specific research that is available for our investment professionals. This has led to a high level of ESG awareness within the firm and a culture of close collaboration between sustainability analysts and portfolio managers.

We offer a broad range of sustainable investment strategies to meet various client needs and objectives, and we continue to evolve our proposition. As a baseline, all our strategies incorporate active stewardship and an ESG risk assessment. This means that our portfolio managers have full transparency on E, S and G scores and principal adverse impacts such as CO_2 emissions, water use, etc, for each holding in a portfolio and on aggregate.

Key milestones in our sustainable investing journey

1999
Launched our first sustainable investing strategy.

2007
Were among the first 50 asset managers to sign the Principles for Responsible Investment (PRI).

2015
Launched a green bond strategy ahead of the Paris Agreement, and were the first asset manager to back the private investment and venture-capital sector in Africa.

2020
Launched an ambitious programme to strengthen our sustainability value proposition.

2021
Expanded and strategically reshaped our sustainability team under the leadership of Matt Christensen, Head of Sustainable and Impact Investing.

March 2021
Joined the Net Zero Asset Managers initiative and committed to set decarbonisation targets for all funds where we have discretion, and to work with our clients to support them in their net-zero objectives.

March 2021
Launched a "Climate Engagement with Outcome" investment strategy, where we engage with the top emitters of a portfolio to reduce emissions without constraining the investment universe.

July 2021
Announced our firm-wide exclusion policy, which includes a dedicated coal policy and an enhanced policy on controversial weapons.

October 2021
Joined the One Planet Asset Managers (OPAM) initiative, which supports the One Planet Sovereign Wealth Funds (OPSWF) to tackle the challenges of climate change.

Looking ahead to 2022

We will continue to innovate around our sustainable investing capabilities and engagement strategies with the aim of increasing our sustainable assets under management. Our plans for 2022 include:

- Actively growing and enhancing our existing sustainable strategies while building new approaches to create added value.
- Setting carbon objectives and scope for our Net Zero Asset Managers initiative interim target to help meet our net-zero 2050 commitment.
- Exploring new ways to monitor and report on impact.
- Co-developing customised investment solutions to match our clients' investment objectives.
- Reviewing and refining our firmwide and sustainable minimum-exclusion policies.
- Taking an even more activist approach to engagement.

02.1 Building our approach to sustainable investing continued

Our sustainable investing solutions

We categorise our strategies into three different types, depending on clients' sustainability objectives:

ESG risk-focused (EUR 156bn/23% of total AuM): Strategies incorporate material ESG risk considerations into investment analysis without constraining the investment universe. This category includes our "integrated ESG" investment approach.*

See page 30

Sustainability-focused (EUR 137bn/20.4%): These strategies have specific sustainability objectives and values, and they apply sustainable minimum exclusion criteria. This category includes our "sustainable and responsible investment (SRI) best-in-class" and "Climate Engagement with Outcome" investment approaches.

See page 31

Impact-focused (EUR 9.5bn/1.4%): These strategies aim to achieve measurable sustainable outcomes across topics such as energy and the priorities set out in the UN SDGs. This category includes our "private market impact" and "SDG-aligned" investment approaches.

See page 33

A clearer definition of sustainable investments

In 2021, we reviewed our definition of sustainable investments to follow the rules set by EU Sustainable Finance Disclosure Regulation (SFDR)[1] and applied this to our funds globally.

Under the revised definition, we consider a strategy "sustainable" when it meets one of the following criteria:

1. Promotes environmental or social characteristics ("light green" products, ie, labelled under Article 8 of the SFDR).
2. Has sustainable investment as its objective to contribute to environmental and/or social objectives positively, without doing significant harm and following good governance practices ("dark green" products, ie, labelled under Article 9 of the SFDR).

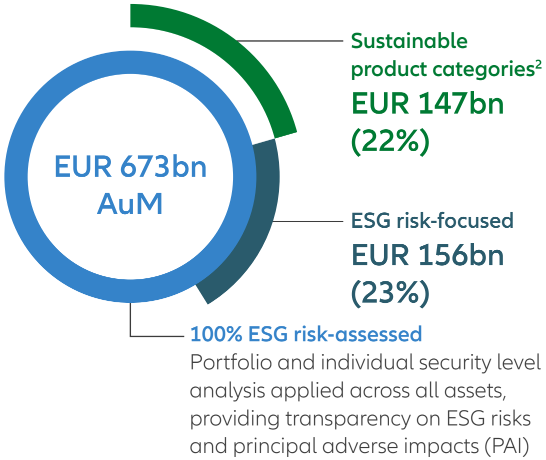
Our three product categories help provide transparency on the SFDR characteristics of our products:

ESG risk-focused products are classified as Article 6 only funds and not considered as sustainable, as they do not promote or target any kind of sustainability aspects in the investment process according to EU SFDR.

Sustainability-focused products aim at meeting the requirements of Article 8.

Impact-focused products generally aim at meeting the requirements of Article 9.

Assets under management



1 Sustainable Finance Disclosure Regulation (SFDR) (Regulation (EU) 2019/2088).
2 Includes sustainability-focused and impact-focused strategies.
* ESG risk-focused category (integrated ESG investment approach) is not considered sustainable according to EU Sustainable Finance Disclosure Regulation.

02.1 Building our approach to sustainable investing continued

Principle 7

In detail: our sustainable investing solutions

	Sustainable product categories	
ESG risk-focused	**Sustainability-focused**	**Impact-focused**
Objectives Financial returns and material E, S and G risk considerations **Strategies** Integrated ESG	**Objectives** Financial returns and sustainability objectives and values **Sustainable investing strategies** SRI best-in-class Climate Engagement with Outcome	**Objectives** Financial returns and measurable sustainable outcomes **Sustainable investing strategies** Impact SDG-aligned
Not sustainable (Article 6[1] only)	Sustainable according to Article 8	Sustainable according to Article 9
100% ESG risk assessment: E, S and G consideration and analysis		
100% active stewardship: company engagement and proxy voting		

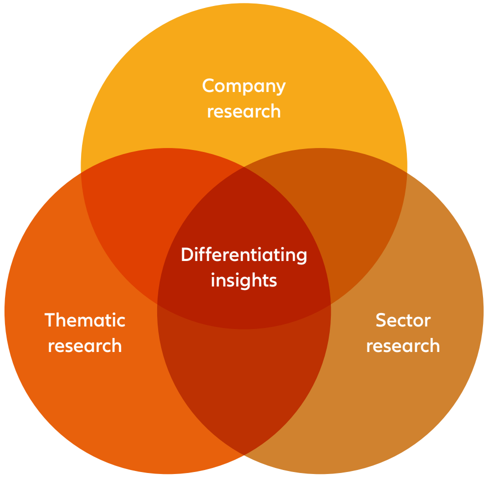
1 ESG risk-focused category (integrated ESG investment approach) is not considered sustainable according to EU Sustainable Finance Disclosure Regulation.

02.2 Sustainability research and data and analytics – our strong foundation

Our dedicated and experienced Sustainability Research team is a cornerstone of AllianzGI's active investment approach on sustainability topics. The team conducts proprietary research on sustainability issues and helps to translate them into impactful investment insights that are shared with all investment professionals via our collaboration platform.

The team formulates views, which are shared internally and externally, covering the three interconnecting pillars: thematic, sector and company research. These three pillars are closely linked, and an iterative process ensures that analysis in one pillar informs the others, evolving the breadth and depth of our understanding of companies' sustainability profiles – and how to measure and engage these companies.

Three interconnecting research pillars



Thematic research

Our thematic research focuses on three strategic sustainability themes – climate change, planetary boundaries and inclusive capitalism, which are explained on page 9 – to create a better understanding of how to consider investing in these themes.

Through these themes, and the sub-themes within them, we discuss the breadth and depth of related sustainability factors, including opportunities and risks.

One example is our introductory paper on climate change, published in 2021, in which we discuss the different, complex and, in some cases, misunderstood elements of the notion of net zero. Its purpose was to explore in detail the various terms and definitions used by stakeholders in relation to climate strategies, how best to assess alignment with the Paris Agreement and how to identify areas where we can develop analysis and engagement. In 2021, we started to produce research papers on specific issues to stimulate discussion, form our view and articulate it to our portfolio entities, clients and other stakeholders. A full selection of our thematic research is available on our website.

Sector research

Sustainability issues differ by sector, and understanding the key considerations and factors is central to our company assessments. This analysis flows into our sector frameworks, allowing us to identify the sectors most impacted by relevant developments. For example, when assessing the impact of carbon emissions at a global level, we identified oil and gas as one of the most exposed sectors. As a result, we analysed and defined criteria that can be used at the company level to assess energy transition strategy (eg, whether the company has a decarbonisation policy).

Another important outcome of sector research is the identification of evolving data and KPIs, and the ways in which they can be incorporated into our proprietary assessment systems. This includes sector-specific weightings of sustainability domains and selected specific factors within these domains.

Company research

Our company analysis comprises a proprietary rating and qualitative research. With the context provided by thematic and sector research, we focus on the most relevant and, in some cases, controversial factors to capture the broadest possible view of a company's sustainability profile. In 2021, we completed in-depth sustainability analysis of over 300 entities. This analysis helps frame specific and focused engagement with companies. One example involved a utilities company that may have been inadequately consulting and engaging with the indigenous communities that lived nearby. After three years of engagement with the company, it put in place tangible efforts to mitigate its social impacts. Over time, this has translated into an improvement in the company's profile and rating.

02.2 Sustainability research and data and analytics – our strong foundation continued

300
sustainability analyses performed on companies worldwide

10
third-party data providers

10,000+
companies/178 countries rated by proprietary sustainability methodology

3
research papers published

Shaping pathways for a sustainable future

Sharing our thematic research and engagement

Research papers published in the past year include:

1. Are all net-zero goals created equal?

The race is on for companies to declare their commitments to achieve net-zero emissions, as outlined in the Paris Agreement. But given the various inconsistencies in how the phrase is understood, what does "net zero" really mean? And how should progress towards this goal be measured?

Read more

2. Beyond climate: it's time for investors to protect biodiversity

The biodiversity crisis is moving out of the shadow of climate change, with which it is closely interlinked. It is vital to integrate biodiversity into investment strategies by defining the concept, the extent of biodiversity loss, associated challenges and the role investors can play in protecting and promoting the world's natural capital.

Read more

3. Carbon offsets: debate to define role in net zero

Use of carbon offsets sparked fierce debate between policymakers and campaigners during COP26. Such discussion is vital to help fix some of the perceived flaws in a tool that will have a role to play in the drive for net zero.

Read more

02.2 Sustainability research and data and analytics – our strong foundation continued

Ensuring robust data and methodology

The Sustainability Methodologies and Analytics team oversees AllianzGI's ESG integration, SRI scoring methodology and development of the analytics dataset for climate strategy, KPI target setting and SDG measurement.

ESG data is the raw material for any sustainability-informed investment decision. We have access to multiple third-party providers and a huge amount of data relating to a global universe of companies. But third-party provider data alone is not sufficient to assess a company's sustainability profile. We also use differentiable, material information on ESG premia that we harvest through our own investment research processes.

Our strategy over the long term is to develop and use our own proprietary research as the primary driver of ESG insights and investment decision-making. This will be made possible by the use of new AI technologies and alternative data sources to expand the range of available data and provide new perspectives, as well as provide smarter analytics and real-time signals relating to company behaviours.

It is our goal to leverage ESG data to implement innovative sustainable investment approaches. Over the course of 2021, we developed a new key performance indicator (KPI) approach which targets measurable, monitored and reported KPIs to track ESG results that are significant enough to drive sustainability in the investment process of a portfolio. The new approach will be implemented into selected portfolios in the course of 2022.

How we select and monitor data providers

Our Sustainability and Impact Investing team selects the third-party providers we partner with through a robust Request for Proposal (RfP) process, which is applied to teams across AllianzGI. Data origin, methodology (qualitative and/or quantitative), raw data points, issuer coverage, resources in place, expertise, granularity of research, approach, IT support, client support, and consistency/quality of data feed are all assessed and tested during RfPs.

Data is sourced from providers directly into our internal cloud-based datalake in line with AllianzGI's data strategy. We use technology such as application programming interface (API) and secure file transfer protocol (SFTP) when not made available by providers, allowing close monitoring and a smooth and constant update of data points. Controls apply to data flows and their evolution over time (coverage, expected values, etc) to track potential issues upstream in our data supply chain.

At AllianzGI, we continuously monitor the quality of our key service providers. There are either service level agreements or operating memoranda in place with all of our key service providers. Depending on the nature of the service, business owners may receive regular information from service providers to inform on the quality of the services (eg, standard KPIs and other information).

In addition, the independent Risk Management function reviews the monitoring procedures of key service provider relationships implemented by the respective business owner in line with AllianzGI's key vendor and outsourcing provider policy. Please refer to page 51 for monitoring of our proxy voting process and vendors.

Using ESG data in methodologies and analytics

Our core competency is to develop methodologies and analytics based on the overall ESG dataset to which we have access. This process begins with various methodologies to assess ESG key characteristics of issuers – both corporates and sovereigns.

It also includes climate analytics to measure the impact of climate change or to monitor the Paris-aligned commitment of a specific corporate. Over time, the improvement of corporate disclosure should help to design innovative proprietary frameworks for evaluating sustainability risks and opportunities.

02.2 Sustainability research and data and analytics – our strong foundation continued

Principle 7

Shaping pathways for a sustainable future

Increasing collaboration and knowledge-sharing

In 2021, we established a new Sustainability Methodologies and Analytics Working Group to foster collaboration across the investment function by increasing interaction between portfolio managers, and increasing transparency on ESG data-related topics. The working group will help the Sustainability Methodologies and Analytics team communicate and align interests on new sustainability approaches, methodologies and frameworks for all asset classes. The working group meets monthly with representatives from equities, fixed income, multi asset and private markets along with guests from risklab, Sustainability Research, Product Specialists, IT, Reporting, etc. The working group is part of our integration strategy, sharing best practices and experience relating to ESG providers, providing updates on ESG data and systems, and discussing client feedback.

Looking ahead to 2022

ESG data and methodologies need a proper interface to enable credible firmwide integration of ESG with efficient processing of proprietary models, high democratisation of sustainability data, and consistent embedding of ESG data in our investment processes.

In 2022, we will develop our Sustainability Insights Engine tool, SusIE. The digital platform will use state-of-the-art technology to facilitate mainstream access to a range of ESG data in one place for all our investment experts, distribution colleagues, risk management teams and other stakeholders. SusIE will be a key enabler of active investment decisions on sustainability across all asset classes, feeding all front-office tools with consistent ESG data. This will contribute to our differentiation, leveraging our expertise via a powerful proprietary engine that delivers added value to our clients.

02.3 Sustainability risk management

ESG risk-assessed

AllianzGI ensures that we consider sustainability risks in our investment processes across all the assets we manage globally. All our investment strategies are ESG risk-assessed. This enables investment teams to monitor ESG risks as part of the investment process, although they do not necessarily actively incorporate ESG risks and opportunities into their investment decisions.

Portfolio and individual security level analysis is applied across all assets, providing transparency on ESG risks and principal adverse impacts (PAIs).

Sustainability risk factors may materialise along any of the three dimensions of ESG investing. We consider sustainability risks to be potential drivers of financial risk factors in investments, such as market price risk, credit risk, liquidity risk and operational risk. We follow the EU SFDR definition of sustainability factors and sustainability risks:

- **Sustainability factors:** Environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.
- **Sustainability risks:** Environmental, social or governance risk factors that, if they occur, could cause an actual or a potential material negative impact on the value of the investment.

In line with European regulation, AllianzGI considers sustainability risks and PAIs of prospective and active investments.

- For publicly listed asset classes we have implemented a tool – the ESG Hub – to systematically monitor and assess sustainability risks (see page 30).
- For private markets asset classes, ESG risks are considered throughout the investment process and ongoing asset management activities. In many cases, they are specifically screened along sustainability-risk guidelines, or using minimum-exclusion lists as defined by Allianz's ESG Risk Framework.

Further detail is given in our Sustainability Risk Management Policy Statement and Principal Adverse Impact Statement.

Read more

02.4 Sustainable investing categories

02.4.1 ESG risk-focused

Our ESG risk-focused[1] portfolios aim to incorporate material ESG risk considerations into our investment process across all asset classes to seek a better risk/return profile without restricting the investment universe. Integrated ESG is our primary strategy within this category.

Central to our fiduciary responsibilities, integrated ESG applies a holistic lens to identify material ESG risks and opportunities when we invest. Understanding these impacts is vital to inform investment decisions that deliver long-term performance for clients.

For listed asset class portfolios applying integrated ESG, portfolio teams use an analytical framework to manage tail risks and/or weakness in a company's ESG profile. Portfolio managers are responsible for monitoring financially material ESG risks for each portfolio holding. They question potential asset holdings with low ESG ratings and contribute to internal debate – facilitated by our cloud-based research platform – about companies' ESG risks. This internal crowdsourcing ensures experienced portfolio managers and sustainability analysts contribute their views rather than relying solely on external ESG ratings and third-party methodologies and judgments. Our portfolio managers understand ESG risk and can invest in companies with higher ESG risks where appropriate. When a portfolio team sees a compelling opportunity to invest in a company despite an acknowledged ESG risk, they must document their thinking around risk and return in our system.

Investment teams are required to explain the rationale for holding poorly rated companies and are encouraged to use engagement to better understand the key elements of a company's ESG profile and, as needed, to identify areas for improvement. External providers' views and ratings can be questioned by our investment teams. Our sustainability research and stewardship analysts may also undertake detailed analysis of top-down and bottom-up risks:

- **Top-down risks** are broad mega-risks to which issuers are exposed, such as climate change, water risk, population growth and ageing societies.
- **Bottom-up risks** are generally individual ESG risk factors, such as how well a company anticipates risks and adjusts its business model based on ESG factors that could have an impact on its performance.

All research, comments and conclusions are documented on our global research platform and can be viewed at the stock and strategy levels. This creates a high degree of transparency internally and, on request, to clients. It also provides portfolio managers with an easy way to monitor ESG risk in their portfolios.

With our new Sustainability Risk Management Policy Statement, launched in February 2021, we implemented a new ESG Hub to systematically monitor and assess sustainability risks. This tool is accessible to all portfolio managers and enables them to find reports on the sustainability risk profile of each of their portfolios.

The reports give portfolio managers additional transparency by providing a view of the overall portfolio's sustainability risk profile, potential ESG pillar or sector concentration risks, details of a portfolio's PAIs, and the individual holdings from which tail risks derive.

The ESG Hub also enables portfolio managers to download a full list of all portfolio holdings, including all relevant ESG data points, into an Excel spreadsheet to perform further quantitative or qualitative analysis.

The data in the ESG Hub is updated quarterly and past reports remain accessible so that portfolio managers can track how the sustainability risk profile of the portfolio and single indicators within it have evolved over time. The investment process mentioned above applies across listed asset classes globally.

Looking ahead to 2022

We observe growing expectations from clients, distributors, market participants and regulators on ESG oversight, even for portfolios not categorised as sustainable investments. In response, we continually enhance our ESG risk-focused product offerings to fulfil clients' financial goals of better risk-adjusted returns, and we aim to market them to a broader audience. Examples of such efforts include:

- Continuous review of our sustainability risk management process and our Sustainability Risk Management Policy Statement at least annually, or if material changes to the regulatory or market environment occur that may require adjustments.
- A refined proprietary sustainability research and scoring model.
- Sustainability Insights Engine, SusIE, tool for portfolio managers to provide additional ESG information at the issuer level from various sources available.

1 ESG risk-focused category (including Integrated ESG investment approach) is not considered sustainable according to EU Sustainable Finance Disclosure Regulation.

02.4 Sustainable investing categories continued

ESG in private markets

Private markets investing can act as an important lever for sustainable change. It is well suited for integrating ESG risk analysis given the detailed information received during due diligence phases and the opportunity, where possible, to influence the terms of the investment and improve ESG practices after entering into the investment. We act directly, or by leveraging our relationships with asset managers in our indirect strategies. Private markets also provide the ability to focus on investing in real economies, to identify and incubate important themes, and to play a collaborative role in engaging with companies on sustainability targets.

Our private markets platform takes a systematic approach to integrating ESG across the entire investment process – from sourcing and due diligence through to monitoring and engagement. This ensures that sustainability risks are identified and considered in every investment decision, and that steps are taken to mitigate them.

Looking ahead to 2022

In 2022, we will introduce an enhanced level of ESG oversight. ESG analysis and assessment is truly embedded in the investment process and the relevant investment committee responsible for ensuring quality ESG integration on a deal-by-deal basis. Enhanced oversight will ensure continued monitoring of ESG risks, consideration of changes in private markets portfolios and a requirement that high ESG-risk deals be further considered by an independent group, including sustainability experts.

As a private markets investor, we engage and steward the assets and funds we invest in through the levers of influence specific to each strategy. We take this role seriously and look to push the market towards best standards, leveraging and inputting into industry bodies such as the ILPA (Institutional Limited Partners Association), Institutional Limited Partners Association (ILPA), Longterm Infrastructure Investors Association (LTIIA), International Project Finance Association (IPFA) and the Private Placement Investors Association (PPiA).

02.4.2 Sustainability-focused

Our sustainability-focused product offering aims to achieve financial returns for clients while following sustainability objectives and values. It is essential that our investment approaches in this category align with investors' values. Products following this approach apply an SRI best-in-class (SRI BIC) or a Climate Engagement with Outcome (CEWO) investment approach.

SRI Best in Class

The SRI BIC approach encompasses strategies that seek returns measured in financial as well as social and/or environmental terms. Underlying analysis applies both financially material and non-material ESG considerations. The approach identifies sustainability leaders in their respective sectors based on AllianzGI's proprietary rating methodology, which is applied to sovereigns, governments, companies, agencies and supranationals. Companies that demonstrate a clear upwards trend in their ESG profile may also be selected. The approach is geared towards providing improved risk-adjusted returns and allows for a decrease in reputational risk due to its selectivity. In addition to the previously mentioned criteria, we apply AllianzGI's sustainable minimum-exclusion list and a human rights filter that can trigger divestment. We also offer strategies that apply additional filters aligned with specific client values.

The proprietary ESG rating methodology applied is based on four factors:

Corporate governance: Strong corporate governance helps foster long-term investment, financial stability and business integrity – supporting stronger growth and encouraging greater inclusivity in society. We assess corporate issuers on their ability to organise their internal structure to improve risk management. This includes evaluating management or supervisory board composition, board independence and remuneration transparency. We analyse the audit and control mechanisms in place to prevent abuse and reduce the

02.4 Sustainable investing categories continued

risks under review. Finally, we analyse shareholder rights and anti-takeover measures. For sovereign-bond issuers, we evaluate the systems used to prevent and fight corruption, the stability of political structures and government capacity to introduce necessary reforms.

Environment: We assess issuers' direct and indirect environmental impacts and risks and their approach to environmental responsibility, along with their development of environmental solutions. Our analysis of sovereigns assesses measures taken to address a comprehensive range of environmental issues. A country's political and legal framework are key elements of our assessment.

Social: We review the extent of issuers' workplace health and safety, dialogue with employees and relationships with suppliers. We consider general social policy when assessing sovereigns with a focus on topics such as healthcare, education, the role played by women in civil society and the infrastructure available to provide access to basic needs.

Business behaviour: We assess the relationships between issuers and their supply chains, customers and communities along with the impact of their products and services on society, and their respect for market regulations and fair business practices. These criteria do not apply to sovereign-bond issuers.

The general philosophy and process of applying the SRI BIC approach are identical across listed asset classes globally. Still, a more detailed process may differ slightly depending on the asset class at hand, resulting in different portfolio compositions. Multi-asset products, for example, can be split into two categories: sustainable advanced (where more than 70% of assets need to be sustainable) and sustainable complete (where more than 90% of assets need to be sustainable). Equity portfolios use AllianzGI's proprietary ESG ratings to identify outperformers in each industry with regards to ESG performance. There is a tailored process for certain fixed-income products where sovereign-bond issuers are assessed based on a proprietary emerging-markets ESG framework that screens out the bottom 10% of countries on the E, S and G pillars.

Climate Engagement with Outcome (CEWO)

The CEWO approach was first established to engage with high-emitting companies with regard to greenhouse gas (GHG) emissions (Scopes 1 and 2). It enables us to understand the climate pathway of these companies and to identify credible yet ambitious climate goals that the company aims to achieve over a specified timeframe. The approach leverages AllianzGI's strong stewardship track record. To date, the CEWO approach encompasses 203 company engagements across 48 portfolios which amount to EUR 51.9 billion in assets under management.

Within the CEWO approach, the top 10 absolute GHG emitters per CEWO strategy are identified. Engagement letters are sent to these identified companies, allowing our engagement team to collect insights by means of a questionnaire before providing details of AllianzGI's intention regarding the engagement. Companies that fail to engage prompt a review for required divestment by the respective portfolios at the end of the review cycle. In addition to conducting engagement, CEWO portfolios apply the same sustainable minimum exclusions as other sustainable strategies. The implementation of the CEWO approach does not differ across listed asset classes but would not apply to sovereign bonds – only strategies or non-corporate bonds holdings.

As an active asset manager, AllianzGI constantly aims to improve and evolve its climate engagement. Expanding data coverage at both company and sector levels, coupled with strategic initiatives among industry bodies, allows us to better scope, articulate and measure a company's relative climate profile and where and how we engage on the topic. The highest decarbonisation change is to be achieved through the highest-emitting companies and sectors, and much of our climate engagement centres on these.

Looking ahead to 2022

We plan to significantly evolve our sustainability-focused product offering in 2022. Our clients want transparency and tangible ESG results, and we have developed a new KPI-based approach to address this demand. Products following the new approach will aim to outperform a benchmark based on sustainability KPIs while meeting their risk/return objectives by following a fund strategy. The KPI-based approach carries three unique characteristics: it is based on high-quality ESG data; KPIs are measurable, monitored and reported on; and the approach is committed to its sustainability KPI alpha. This alpha describes the outperformance of the fund on the selected KPI compared to its benchmark. While the approach brings many unique advantages, it also carries the general characteristics of all our sustainability-focused products by applying our sustainable minimum exclusions, stewardship and ESG risk-screened approach.

02.4.3 Impact-focused

Our impact approaches are focused on enabling clients to invest with both their financial objectives and their sustainable goals in mind. We aim to support those investors who want to see a positive change for the planet while generating a return. Our impact investing approaches – in both public and private markets – provide solutions to do so. Impact investing contributes to material positive environmental and/or social outcomes that can be measured using KPIs against specific goals that are often consistent with the United Nations Sustainable Development Goals (SDGs).

While investors have become increasingly aware of the role their capital can play in addressing environmental and social concerns, the challenge has been to combine this with the need to deliver a financial return. Impact investing offers an answer by providing a credible and scalable pathway to balance a targeted measurable and beneficial environmental and/or social impact with a financial return.

Impact investing has transitioned from the realm of direct private-market investments into a significant and expanding market segment, with an increase in available investment options. Investors can now gain exposure through fixed income, equities and real assets, as well as in private equity and venture capital investment vehicles. AllianzGI's impact investments can be accessed through private markets (eg, private equity impact fund of funds) or public markets (eg, green bonds). Impact investing also extends to our blended finance approaches, where investment from institutions and philanthropic funds can be combined to create opportunities to generate impact, especially in emerging markets, which are de-risked for commercial investors. This helps to mobilise large-scale private capital for development in developing countries and supports closing the estimated USD 2.5 trillion[1] annual financing gap of the SDGs – thus improving health and education, reducing inequality, tackling systemic risks such as climate change and working to preserving oceans and forests..

The greater quantification of impact returns can help support financial returns and, as non-financial returns become an increasingly important factor, they could help to drive returns for investors. The more that the industry can quantify and qualify those non-financial returns, the more likely these will not only complement, but also support financial returns.

Supporting the UN Sustainable Development Goals (SDGs)

Defined with the intention of mobilising global leadership and economies towards a more sustainable and equitable future, the UN SDGs have brought a substantial shift in the industry's approach to sustainable investing. While the regulatory and behavioural aspects of the SDGs are being addressed by public authorities, innovation in economic systems requires substantial mobilisation of capital and effort. As public equity struggles to meet the full list of characteristics of impact investments, the SDGs create an avenue that enables effective investment for environmental and social outcomes in public markets. For the world, that means a larger pool of public capital that can now be used to finance the transition towards positive change. Using the SDGs as a basis for opportunity-based sustainable investment strategies allows investors to focus on key environmental and social issues, backed by a globally recognised organisation with an independent and objective view on societal challenges.

To better structure the investment universe, we have defined eight core themes out of these 17 broader goals. This allows us to effectively focus our investments on companies with outputs that actively contribute to attainment of the targeted outcomes.

Our SDG themes and the SDGs they support

Social Inclusion
1 2 3 4 5 6 7 8 9 10 11

Health (Innovation and Promotion)
2 3 6 9 11 12

Financial Inclusion
1 2 3 5 8 10 17

Education
1 4 5 8 10

Food Security
2 3 6 12 13 14 15

Clean Water
6 9 11 12

Clean Land/Circular Economy
2 3 6 9 11 12 14 15

Clean Air/Energy Transition
7 11 12 13

See page 88 for more information on these SDGs

1 https://www.oecd-ilibrary.org/sites/6ea613f4-en/index.html?itemId=/content/component/6ea613f4-en.

02.4 Sustainable investing categories continued

All of our SDG funds follow our thematic investment approach, built on a solid understanding of secular drivers and the ability to identify companies with long-term potential. These companies have greater growth potential, are more resilient to macroeconomic and political volatility and benefit from regulatory tailwinds. Our SDG funds address either a single sustainable core theme, or several themes.

	Social Inclusion	Health (Innovation and Promotion)	Financial Inclusion	Education	Food Security	Clean Water	Clean Land/ Circular Economy	Clean Air/ Energy Transition
Single theme capabilities								
Global water						●		
Food security					●			
Smart energy								●
Sustainable health		●						
Main theme capabilities								
Clean planet						●	●	●
Positive change	●	●	●	●	●	●	●	●

The footprint/handprint concept – investing in key enablers

Our listed impact approach uses a model grounded in the core principles of thematic investing, targeting the structural growth driven by economic and social shifts. The thematic view provides an alternative framework to identify key enablers and beneficiaries of the change. Investors participate in the investments that society will commit to, which will in turn contribute towards the attainment of the SDGs.

A company's footprint is a common measurement of the impact on the environment and society resulting from its activities. Frequently measured footprint categories include, for example, a company's carbon footprint (the amount of carbon dioxide emitted) or its water footprint (the fresh water consumed and/or polluted).

Traditional sustainable investment strategies typically focus on minimisation of the overall portfolio footprint. SDG-aligned investment strategies also take footprint into consideration, but go one step further by looking at a company's overall potential impact on society and environment beyond just its own operations. The aim is to invest in companies that contribute to the achievement of the SDGs. As key enablers of the SDGs, these companies' innovations, products and services result in a much larger potential to facilitate change. Those companies ideally not only have a good footprint themselves, but also allow others to lower or minimise their footprint. The handprint describes this multiplier effect: key enablers not only manage their own footprint but have a potentially much larger contribution through their impact on others.

02.4 Sustainable investing categories continued

Shaping pathways for a sustainable future

Investing in optimal solutions to clean water

The theme of clean water is closely aligned with SDG 6 (Clean Water and Sanitation), a central goal with a multitude of interactions with other SDGs, facilitating the preservation and development of natural processes as well as enabling sustainable development and human wellbeing.

There were significant developments in 2021, as companies already had the technology necessary to address water supply and quality issues. This means the catalyst for growth is mainly capital expenditure and, to a lesser extent, innovation. Water spending is on the rise as governments and corporates have started to realise the need for urgent capital expenditure. The passing of the US Infrastructure Bill, which represents the largest investment in clean drinking water in US history, is indicative of this increased recognition.

Our thematic approach to SDG-aligned investing considers the interconnected nature of the goals and focuses on optimal solutions at a company-specific level. For example, investing in desalination technology can support the achievement of targets within SDG 6 (Clean Water and Sanitation). In areas where freshwater resources are insufficient, desalination may be the only solution that secures access to water. However, investors need to evaluate the viability of the technology in conjunction with SDG 13 (Climate Action), which demands building resilience to climate change. Rising sea levels may threaten water supplies derived from desalination. Such factors can have a direct and conflicting influence on decisions around desalination solutions and affect the final societal value generated by an investment. Each company involved in desalination activity requires careful evaluation of its processes, exposures and strategic initiatives – which a thematic investment approach can incorporate.

Impact-focused investing in public markets

Green bonds

The channelling of capital flows towards projects with measurable environmental benefits and tangible positive impacts on energy transition marks a fundamental milestone in the transformational process of a global economy still largely dependent on finite resources, to a sustainable and clean-energy society. In this context, green bonds are an important vehicle to mobilise capital markets towards this green transition, as their use of proceeds is explicitly dedicated to projects with environmental benefits.

Our strategy relating to green bonds is to participate in this mobilisation of capital markets towards the transition to a low-carbon society, natural capital preservation and adaptation to climate change. By using the green bond market segment, we favour the reallocation of investments through a lower carbon-intensive economy, which is an important challenge for the fight against climate change.

Our investment approach considers the structure of the bonds to focus on those aligned with the green bond principles defined by the International Capital Markets Association (ICMA). The respect of those principles (use of proceeds, internal process, management of proceeds and reporting) is a prerequisite for a bond to be considered a green bond. This evaluation is followed by the analysis of the projects financed with the green bond proceeds. To be eligible, these projects have to be part of the list defined internally by AllianzGI based on research from the Climate Bonds Initiative (CBI), a world-class organisation that provides a science-based evaluation of the impacts of many different types of projects. The last step of our analysis is focused on the issuer's approach regarding its transition to a business model aligned with the goal of the Paris Agreement.

02.4 Sustainable investing categories continued

For example, AllianzGI invests in companies that have specialised in developing large offshore windfarms, or in converting fossil-fuel powered power stations to run on biomass, or on other renewable energy materials/sources.

Impact investing in private markets

The growing frequency of major environmental events and social movements has raised awareness that capital can – and should – play a role in addressing these issues. Our Private Markets Impact teams are committed to delivering tangible real-world impact through direct and indirect private equity and debt investments, as well as blended-finance vehicles.

The introduction of the AllianzGI Impact framework in 2021 ensures the investments made as part of these strategies generate material and measurable net positive impact for our clients. This approach is aligned with recognised industry frameworks and standards, such as the UN SDGs, the Impact Management Project (IMP) and Global Impact Investing Network's Impact Reporting and Investment Standards (GIIN's IRIS+).

Key components of our impact approach include:

a) Establishing impact objectives that target key societal challenges in line with the UN SDGs.

b) Selecting investment opportunities with potential to contribute significantly towards impact objectives, as assessed by AllianzGI's Impact Rating Framework.

c) Identifying, measuring and reporting core impact KPIs over the life of the investment to demonstrate impact delivery – these are often aligned with the SDGs and GIIN's IRIS+.

d) Ongoing impact management via engagement with the investee to enhance impact delivery.

The **Impact Rating Framework** is aligned with IMP's five dimensions of impact (Who, What, How Much, Contribution and Risk) to enable the assessment of impact materiality in a consistent way.

Scoring modules within the Impact Rating Framework are adapted to reflect the impact thesis for different asset classes and investment strategies (for example, debt/equity, direct/indirect investments), providing flexibility across our platform.

The Framework takes into account two key components of impact contribution:

1) The social and/or environmental impact generated by the enterprise/project; and

2) Investors' contribution towards impact generation.

These two components make up the Overall Impact Contribution Rating of an investment, which is incorporated into investment decision-making, alongside financial performance.

For our blended products, where the strategy is typically managed by AllianzGI in partnership with a development finance institution (DFI) partner, the partner may apply their respective impact assessment frameworks in carrying out impact due diligence on potential opportunities. In these cases, we work closely to ensure broad alignment of impact objectives and assessment frameworks, such that we are confident in our investments' ability to deliver material impact under these strategies.

Alongside implementing our impact approach (and as with all our private markets strategies), we fully assess and pay due attention to identifying and managing ESG risks as part of the risk assessment, and we continue to monitor these post-investment.

AllianzGI's Impact Rating Framework

1 Enterprise Impact Rating

This component assesses the impact of the enterprise/portfolio that AllianzGI invests in – either directly or indirectly via a fund manager.

Our assessment of enterprise/portfolio impact is based on Impact Management Project's **five dimensions of impact**

- **Who**
- **What**
- **How Much**
- **Contribution**
- **Risk**

+

2 Investor Contribution Rating

This component assesses:

- **Non-financial additionality** that AllianzGI and its partners[1] bring to support investees' impact outcomes generation (eg, a project's social and/or environmental impact) and impact capacity of investee).
- **Financial additionality** of AllianzGI as an investor (eg, enabling increased investments in undersupplied financial markets/first time fund managers).

=

Impact Contribution Rating

1 Partners being Fund Managers in the cases of FoF investments and Development Finance Institutions of [XXX] investments

Looking ahead to 2022

In 2022, we will begin to develop further private market impact strategies, applying AllianzGI's Impact Rating Framework to ensure positive contributions to social and environmental outcomes.

In the future, we will be looking to invest in global private equity and venture capital funds with impact strategies aiming to create social and/or environmental impact in OECD (focus) and emerging markets (satellite), alongside opportunistic co-investments. This landscape has seen increasingly developed impact approaches in recent years, providing opportunities to invest in positive impact alongside attractive returns and enhanced diversification, a necessity in these ongoing volatile times.

Other offerings will look to provide tailor-made debt to private-sector companies in OECD countries which are applying innovative solutions to pressing societal challenges. Leveraging AllianzGI's private debt experience and underwriting standards, the financing will incentivise a positive rate of change across four major themes: sustainability; physical and social infrastructure; food security; and financial inclusion.

Shaping pathways for a sustainable future

Providing emerging-market loans aligned with the Paris Agreement

In November 2021, Allianz and AllianzGI announced an extension of the partnership with the International Finance Corporation (IFC), a member of the World Bank Group, under the Managed Co-Lending Portfolio Program (MCPP). The new program, MCPP One Planet, is the world's first cross-sector portfolio of emerging-markets loans aligned with the Paris Agreement. AllianzGI is part of a new global platform for climate-smart investment that will provide up to USD 3 billion to private enterprises in developing economies. The investors' contributions will be combined with IFC's own funds to scale up climate-responsible financing in emerging markets.

The partnership with IFC underlines Allianz's leading investment expertise and clear commitment to support the global transition to a low-carbon economy across markets as well as serving the customers' interest. Our Development Finance team was instrumental in building the structure and will manage the vehicle on behalf of investors. IFC will originate and administer the loans on behalf of the vehicle in addition to providing a first-loss protection.

Read the press release here

"In 2016, together with Allianz and IFC, we created a blueprint with the MCPP on infrastructure. Today, we are proud to extend that successful partnership to enable the launch of MCPP One Planet. This is a great example of effectively scaling private capital for sustainable investing as part of our Development Finance business."

Deborah Zurkow
Global Head of Investments, Allianz Global Investors

"MCPP One Planet will create a global model for mobilisation of institutional investor financing in support of the climate agenda for the most vulnerable communities on the frontlines of climate change – in emerging and developing economies."

Makhtar Diop
IFC Managing Director

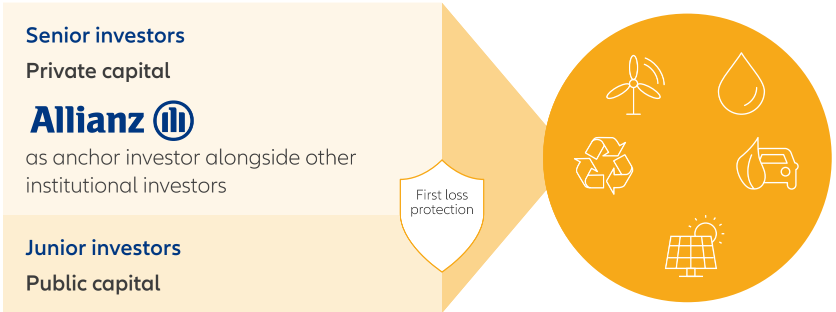
02.4 Sustainable investing categories continued

Introduction to blended finance

Blended finance is a technique used to attract large-scale commercial capital into emerging markets for sustainable development. Blended finance tends to include a combination of commercial or "private capital" at a senior position and development or "public capital" at a junior position. The junior capital absorbs certain risks within a portfolio of debt or equity investments (e.g., credit losses, currency) and therefore provides risk mitigation to commercial investors.

AllianzGI manages a number of blended finance strategies.

Blended finance approach: de-risking via blending



Local impact by investing alongside Development Finance Institutions in sustainable projects and companies.

Shaping pathways for a sustainable future

Debt investments with positive impacts

In 2021, one of our impact-focused strategies made two debt investments, one of which involved a real estate company specialising in senior citizens' housing and assisted living real estate, providing care facilities to low-income elderly and disabled people. The transaction provides the company funds to finance investments to defined social purposes and environment objectives.

"Social purposes" includes promoting access to essential healthcare services for elderly or vulnerable people. The majority of the company's property portfolio is operated by municipalities or not-for-profit operators, resulting in affordable healthcare housing for low-income elderly and disabled people. "Environmental objectives" means that new construction and/or renewals of buildings need to comply with defined energy-efficiency minimum standards (eg, refurbishment needs to cause at least 30% of energy-efficiency improvements).

On an annual basis the company will report to the Impact Investment team on the impact of the assets financed. These will include (but not be limited to):

- Total number of beds provided.
- Implementation of energy-monitoring systems across properties to provide tools to control energy and water consumption, and to improve the efficient use of energy and water.
- GHG and water utilisation intensity (in this case Scope 3).

The team will actively engage with the asset to discuss the impact and raise awareness towards impact and improve the generated impact of the company. The transaction supports the following SDGs: SDG 3 (Good Health and Well-Being); SDG 10 (Reduced Inequalities); and SDG 11 (Sustainable Cities and Communities).

As an active asset manager, we take our responsibility as a steward of our clients' assets very seriously. We believe only through close engagement with investee companies can we deliver the real-world change that is needed and that our clients increasingly seek. To maximise our impact, we pursue a global approach to engagement and proxy voting.

238
companies engaged in
27
markets globally

10,190
shareholder meetings participated in during 2021

We opposed
21%
of all resolutions

03 Active stewardship

03.1 Our engagement approach

As an active investment manager, we are committed to driving positive change and believe that constructive engagement dialogue with investee companies is essential.

At the start of 2021, our approach was primarily based on bottom-up identification of engagement targets, largely focusing on portfolio priorities and material risks. Historically this approach was taken to ensure the most meaningful integration of material risk factors in our investment decision-making. Additionally, several themes relating to governance and sustainability such as engaging with oil and gas majors (see page 43). were identified as priorities for engagement. As the year progressed, we transitioned our strategy towards a greater emphasis on thematic analysis aligned with our three-pillar approach focused on climate change, planetary boundaries and inclusive capitalism (see section 03.2). This allows us to scale up the integration whilst ensuring systematic coherence across portfolios.

The resulting engagements rest clearly on two approaches:

Risk-based approach: Our risk-based approach focuses on the material ESG risks that we identify. Targeting is closely related to the size of our exposure, whether per market, fund or considering total value of investment. The focus of engagements is determined by considerations such as significant votes against company management at past general meetings and sustainability issues that we identify as below market practice. Engagements can also be triggered by controversies connected to sustainability or governance. Engagement activities typically relate to an investee company's strategy, operational or financial performance, capital management, corporate governance and ESG risks and impacts.

Thematic approach: We also lead themed engagement projects. These are either linked to our three strategic sustainability themes – climate change, planetary boundaries and inclusive capitalism – or related to governance themes within specific markets or more broadly. We identify thematic engagement projects based on topics that we deem to be important for our portfolio investments, for example energy transition or climate change. We prioritise them based on the size of our holdings per market or portfolio, and also factor in the priorities of our clients. We observe an increasing number of requests from clients for engagement, in particular on topics such as climate and energy transition. This has prompted us to make these topics a priority of our engagement programme in 2021 and beyond.

We believe this two-pronged approach will allow us to achieve better balance between ESG risk reductions in our portfolios and leading clients and companies on an inclusive transition pathway to a sustainable future. The approach also improves our ability to set out engagement objectives clearly at the outset. In 2021, we developed a new engagement template to support us with this change of approach and improve the efficiency of recording engagements. The template was rolled out via a series of workshops within sustainability and investment teams.

While our preference is to engage investee companies confidentially, we are prepared to escalate engagement activities publicly if we conclude that the confidential approach has gone as far as it can without delivering progress, and that our engagement objective would be best served by escalation see page 50.

How we go about engagement

We use a broad range of engagement tools including one-on-one or group meetings with chairpersons, board members, senior management, company secretaries, heads of specific company functions, as well as written correspondence.

We believe it is important to differentiate between the normal research and monitoring meetings that we undertake as an active manager, and instances where we actively seek to make an impact. The latter meetings are, by default, classified and reported as engagement meetings. We expect that our overall stewardship and influence is much broader than reflected in the numbers below, considering our work in industry bodies or conveying our stewardship stance to larger audiences at industry events.

Through our Climate Engagement with Outcome (CEWO) programme (see page 32), we systematically reach out to target companies in writing to discuss the scope and progress of their climate strategy. This programme is intended to achieve an ongoing evaluation of progress via questionnaires. In many cases (see figures on following page) these letters were followed up by engagement conversations.

To make engagement meetings impactful and productive, we frequently include relevant investment team members in addition to members of the Sustainability Research and Stewardship team at AllianzGI. This means the company receives insights from all critical parts of our investment platform. Our investment views are influenced by the outcomes of engagements and are linked to the proxy voting process, forming a consistent stewardship approach. All engagement results are shared on our collaborative research and investment platform and thus can be accessed globally.

03.1 Our engagement approach continued

How engagement has differed for funds, assets or geographies

Our engagement activities are applicable to all our public market activities, comprising equity and fixed-income strategies. Within fixed income, certain teams have developed more nuanced approaches to embedding sustainability in their stewardship processes. These consider differences in investment strategies and time horizons, as well as the different types of portfolio entities they hold (eg, listed, unlisted subsidiary, sovereign, quasi-sovereign). For example, our Emerging Markets Debt team follows a specific engagement approach that rests on an integrated risk factor modelling framework to assess non-financial risks that may impair counterparty creditworthiness. The team regularly runs meetings with sovereign issuers, where it raises ESG topics for engagement. This allows us to better understand what may support or hinder the potential attainment of specific ESG outcomes in a certain sovereign. In this context, engagement also offers the opportunity to exercise a measure of influence on a sovereign by raising important ESG issues, indicating that our clients care about them, and clarifying the set of standards that we consider essential for investing in a certain issuer in our sustainability-focused portfolios.

Shaping pathways for a sustainable future

Boosting funding for the SDGs in Uruguay

We regularly engage Emerging Markets sovereigns to discuss and encourage financing of SDGs. Typically, we do this via conference calls, participating in panels and organised field visits. In 2021, due to the pandemic, our engagement moved fully to virtual modes, we held three conference calls (in May, July and October) and shared views on a conference panel (March) with the Debt Management Office (DMO) of Uruguay.

We engaged on the country's thematic bond issuance plans and on how to upgrade the country's systems of budget expenditure tracking and monitoring for the purpose of improved reporting under different types of thematic bond structures. In the course of our discussions, we shared experience we gained from other engagements, specifically with government bodies in Nigeria and Mexico. In those cases, with support from the United Development Program, the countries developed a system of budget expenditure tagging and tracking for similar purposes. On their environmental efforts more specifically, we also discussed Uruguay's plan to develop hydrogen power capacity.

Outcome: the DMO took on board the suggestions around peer experiences for budget expenditure tagging and tracking and indicated they would study their applicability to the Uruguayan Treasury set-up. For 2022 we plan to engage further on this topic and more broadly, on funding for the SDGs.

AllianzGI's engagement in numbers

In 2021, we engaged companies on 299 occasions in mostly virtual engagement meetings (2020: 303) and covered 482 topics (2020: 491). We often engaged on more than one topic per company.

In addition, we reached out to 203 companies under our CEWO approach. We engaged with 88% of companies amounting to 95% of these companies' aggregate emissions, collecting information on climate strategy, governance around the strategy and the full scope of the decarbonisation pathway. As of year end, 63% of companies had provided a response. While most of this was achieved through answers to very specific questionnaires for each company, we completed 13 specific engagement meetings related to this approach, which are included in our engagement statistics.

03.1 Our engagement approach continued

Engagement by geography

With our engagements, we target issuers globally with a particular focus on Europe, the US and our major markets in Asia. The geographical distribution of engagement activities1 reflects the main markets we invest in and the size of individual holdings in those markets, both assets under management and relative share of the holding. Our engagements in 2021 spanned 238 companies in 27 markets globally (2020: 224 companies in 29 markets).

Engagement by topic

Engagement activities covered a broad range of topics (see chart). In 52% of cases, we spoke to companies on corporate governance, business conduct and transparency issues, down slightly from 2020. Environmental strategy, risks and performance were covered by 22% of engagements, up three percentage points on 2020. This reflects our stronger focus on climate-related topics in meetings and our CEWO outreach programme. Around 9% of conversations focused on social topics and risk management, often addressing pandemic-related issues. In some instances where we did not see sufficient progress, or where we wanted to follow up on recent developments, we engaged more than once. We engaged 18% of companies more than once during the year.

Outcomes achieved

We registered 28 stewardship outcomes where companies took steps that we had explicitly and specifically referenced during our engagement (2020: 23). Some cases involved multi-year engagement. Executive remuneration and governance issues were the focus in about three quarters of these cases.

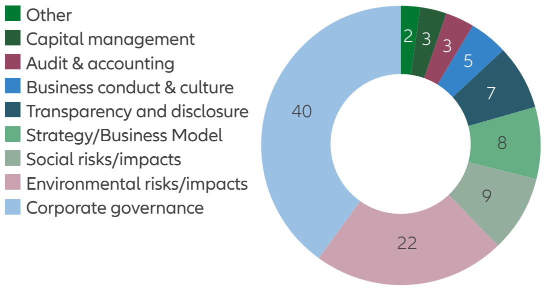
Engagements per geography

AllianzGI engaged 238 companies across 27 markets globally in 2021.

USA 19%	UK 15%	Germany 14%
France 10%	Netherlands 4%	Switzerland 4%
Italy 3%	China and Hong Kong 10%	Japan 3%
Europe other 10%	Asia other 5%	Other 1%

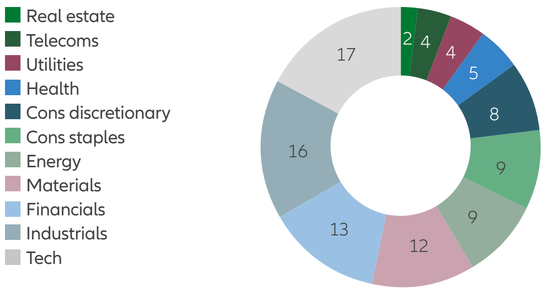
Engagements per topic

%



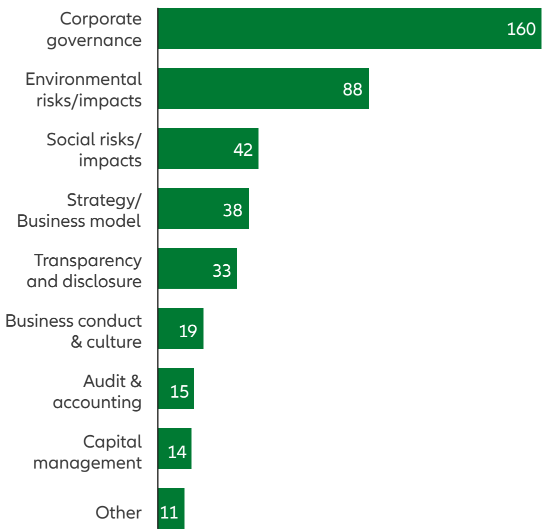
Engagements per industry

% of occasions



Percentages do not total 100 due to rounding.

Number of companies engaged, by topic



1 The following statistics only comprise our engagement meetings and do not cover our CEWO outreach programme.

03.2 Engagement outcomes by theme

In the following pages, we discuss engagement and related outcomes under our three strategic sustainability themes – climate change, planetary boundaries and inclusive capitalism – as well as outcomes of our governance-driven engagements.

Engagement topic: Climate change

Many of our discussions focus on climate risk assessments, exploring how companies are reflecting climate risk and the low-carbon transition in their strategy, operations and product pipelines. In 2021, we engaged 88 companies in direct conversations on environmental risks and impacts, including climate change. Environmental issues continued to gain relative importance in our engagement activities, increasing their share by another three percentage points to 22% of all engagements in the past year. This reflects the high priority that our clients place on decarbonising the economy, as well as the higher scrutiny of the sustainable use of resources by our portfolio companies.

1. Engaging oil and gas companies on the energy transition

Our increasingly thematic and focused approach to engagement targets organisations where the implications can be most significant, such as oil companies. We continued our engagement programme with oil and gas majors and spoke with energy companies on 27 occasions. We also published a position paper as part of our new "Stewardship Principles" series.

As an example, in the context of this programme, we engaged one oil major on its climate strategy, targets and progress to inform our votes at its AGM and ensure its climate targets were ambitious enough. The firm's climate approach is supported by a net-zero ambition by 2050, including all emissions (Scopes 1, 2 and 3) as well as short- and medium-term targets. The latter is important given that the current decade is critical to decarbonising the firm's primary energy mix. Through this engagement, we gained a good sense of the level of accountability, transparency on lobbying, the executive incentive structure and its alignment with the firm's decarbonisation journey. As a consequence of the dialogue and evidence, AllianzGI supported the firm's resolution on its climate strategy at its general meeting.

Ongoing monitoring of progress is key to successful engagement outcomes. We will continue to track the company's climate action and net-zero alignment. We will encourage the firm to work with established initiatives developing dedicated sectoral frameworks aligned to the Paris Agreement goal of limiting global warming to 1.5°C.

2. Linking engagement and Annual General Meeting (AGM) vote for a high emitter

We held numerous discussions (bilaterally and collectively) with a large international mining company. The company is a large emitter and is held by a number of our funds. Our discussions covered wider governance and environmental topics and specifically addressed climate change issues ahead of the AGM vote on the company's climate strategy. We engaged the company to get a deeper understanding of the challenges faced, its framework and future ambitions related to Scope 3 emissions. Following our discussion, the board chairman reached out to address some of our key concerns on science-based targets and their roadmap for reduction targets, including Scope 3. We fed back considerations directly and via an Investor Forum co-ordinated group meeting to ensure our questions were clarified ahead of the vote. Ultimately, we were comfortable that the company was on the right track and making positive steps. We supported the company at the AGM but reserved the right to withhold future support should we feel insufficient progress was being made.

Stewardship Principles

In 2021 we launched our new publication series "Stewardship Principles" to outline the way we work with the companies in which we invest, to promote best corporate governance practice and collectively work towards environmental and social transformation. In this series, we share results of our themed engagements. The series will also suggest the introduction of new governance concepts for certain markets or industries, and analyse changing market trends, such as linking climate strategy to voting. We think that such a series of publications is a timely response to increasing demands from our clients and regulators alike, relating to all aspects of governance as well as environmental and social issues. In addition to our introductory piece – "Achieving best practice through engagement" – we published:

Oil and gas majors: active stewardship rather than divestment.

Read the paper here

Addressing executive pay in the US technology sector.

Read the paper here

3. Scrutinising progress on climate change strategies

Our Climate Engagement with Outcome (CEWO) programme allowed us to systematically screen and evaluate companies' climate profiles, including related social and governance indicators. The feedback we collected, along with our discussions in related engagement meetings, provided us with in-depth insights into where companies stand when it comes to implementing climate strategies, the specificity of pathways, how embedded climate is in strategy planning, alignment of management interests, dedicated capex to sustainable products and solutions, and just transition. This allows us to assess the ambition and credibility of the pathway and where best to engage in future to ensure its execution. While most of our engagements covered equity and fixed-income holdings, in 2021 16 engagements were dedicated to fixed-income funds only.

For example, at the time of engagement, our holding in one US petrochemical firm was mainly via fixed-income asset classes, with much smaller investment through equity holdings. The fixed-income team consequently became actively involved in the engagement, including company calls. We wanted to understand whether the company sought to actively shape the transition to a lower-carbon business model and if it was using any offsetting mechanisms. We also addressed its stance on lobbying.

Engagement topic: Planetary boundaries

Biodiversity has become an increasingly prevalent theme in our engagement, reflecting clients' heightened interests and rising demand for transparency around companies' biodiversity impact. For example, the new decree under Article 29 of the French law on Energy and Climate requires financial institutions to disclose how they will identify, prioritise and manage climate and biodiversity risks as of 2022. Our engagement on the topic in the reporting year therefore sought to understand whether companies are taking action. Engagement within the planetary boundaries theme was also strongly driven by our sustainable strategies seeking to foster positive progress within a certain thematic focus.

1. Assessing a French chemical company's impact on biodiversity

We conducted a pilot biodiversity impact assessment using CDC biodiversity data, which highlighted one chemical speciality company that appeared to be the worst contributor to biodiversity loss in our portfolio. To understand the company's position, we engaged with the Chief Sustainability Officer and members of the Investor Relations team. We learned that the company is aware of its high negative biodiversity impact and has started to take action, including setting formalised targets focused on reducing pollutants and emissions. In addition, it joined Act4nature International, an alliance which was created to accelerate concrete business action to support the natural world. To join the initiative, businesses must sign 10 common commitments including incorporating biodiversity into corporate strategy, biodiversity assessment and disclosure. The chemical company defined eight additional commitments based on the most significant biodiversity impacts throughout its value chain. It is collaborating with an expert organisation to scale up its capacity to address biodiversity issues. While we appreciate this approach, we expect the company to make progress on its internal analysis and encourage it to increase transparency on its efforts. This is even more important as standardised metrics and methodology to capture biodiversity impact do not currently exist. We will follow the progress of the company closely.

2. Engaging a US agricultural machinery manufacturer on regenerative agriculture

One of our strategies is committed to invest a minimum of 90% of its assets in companies which offer products or solutions that actively contribute to positive environmental and social outcomes along the entire food supply chain. As an SFDR 9 fund, the strategy actively engages with investee companies, aiming to encourage sustainable value creation and to increase contribution to SDGs 13 (Climate Action) and 15 (Life on Land). One of the engagement topics is regenerative agriculture.

Regenerative agriculture refers to farming and grazing practices that can regenerate soil and organic matters and rebuild degraded soil biodiversity. As soil health improves, fertiliser input should decrease, crop yields could increase, and soils become more resilient against pests and pathogens as well as climate change. Regenerative agriculture is a solution which could contribute to solving the challenges of sustainable agriculture and feeding a growing population.

In 2021, we identified and engaged four companies that we believe have the potential, willingness and ability to integrate regenerative agriculture into their value chain. One of the companies, a US agricultural machinery manufacturer, formalised its strategy for capturing value from regenerative agriculture and soil carbon sequestration, as we encouraged it to do. The company will focus first on developing hardware and software to ensure farmers have a detailed understanding of their soil health and are enabled to monitor soil quality. It will then help farmers drive revenue from their efforts via a carbon trading platform.

3. Deforestation: Putting pressure on all stakeholders

Deforestation accounts for around 11% of annual carbon emissions globally as well as being a key driver for biodiversity loss. In order to combat climate change and enhance biodiversity, we need to grow more forests, rather than lose them. At the COP26 global climate summit in 2021, world leaders discussed a new agreement to reverse forest loss and land degradation by 2030.

We actively urge investee companies, especially those in agribusiness, to address deforestation in their value chains where possible. Our deforestation engagement strategy has focused on putting significant pressure on agribusinesses as well as their customers, covering investment banks and shareholders. We believe this multi-pronged effort will achieve the greatest impact.

In 2021, we engaged twice with a US agriculture and food company on its potential supply-chain deforestation risk, especially soybeans sourced from Brazil. We believe the company could gain value from 100% deforestation-free products and urged it to bring forward its target of achieving assured zero deforestation in its supply chain by 2025. As an outcome of our engagements, the company started monitoring soybeans indirectly acquired within the Brazilian Cerrado. It now monitors 98% of all soy directly purchased from farms in the region. The company also began receiving third-party verification for its "traceability to farm" scheme, offering another layer of assurance to give stakeholders confidence that its zero-deforestation policy is being enforced.

Engagement topic: Inclusive capitalism

There is a growing focus on the concept of "inclusive capitalism" as a more comprehensive approach to economic growth to address the many inequalities that exist and overlap globally. Our engagements under the theme of inclusive capitalism spanned a broad range of topics.

In 2021, we engaged companies with a particular focus on how they manage their workforce. Topics included health and safety issues and the implications of the pandemic on the workforce, client relationships and supply chains. In the case of shareholder proposals, we also reached out to understand companies' views on a specific voting item. We engaged with a number of companies on controversies, for example related to workers' rights and human rights, to seek more information on the situation and understand the action being taken to remedy it. This also related to names held in our sustainable funds to confirm whether certain companies were investable or not.

1. Covid-related risks and implications

We continued to assess the implications of the pandemic through engagement activities covering multiple industries and countries, thus continuing our engagement focus from 2020. We scrutinised chairpersons on board oversight in times of crisis and their interaction with management and the appropriateness of company's risk management systems and any amendments. We put particular focus on employee health and safety and the implications of the pandemic for staff turnover and talent retention.

Encouragingly, many companies were well prepared to deal with the risks and uncertainties. For example, we engaged with a chemical company on board oversight in times of crisis and the appropriateness of its risk management systems. We learned that there has been frequent exchange between the board and the executive team including daily reports to the board. The company reacted quickly worldwide and had only a few cases among employees working onsite.

We expect investee companies not only to address the immediate impacts of Covid-19 but to consider strengthening risk management for the long term, taking into account changes in supply chains or ways of working caused by the pandemic. For instance, we engaged with a sports and apparel company which continued to suffer disruption to its supply chain in Southeast Asia and encouraged it to think about long-term solutions to strengthen supply-chain resilience.

2. Engaging on human rights controversies

We expect companies to respect human rights and make appropriate efforts to ensure there are no human rights violations in their own operations and the wider value chain. We believe human rights are the basis of an inclusive and sustainable society. In our SRI strategy, we exclude companies that have faced severe controversies, including convicted human rights violations.

We engaged with a Spanish utility company on a human rights controversy to understand the background and determine whether the company is investable for our SRI funds. It was encouraging to see that the company has implemented a thorough mitigation plan and consulted the affected community, related authorities and NGOs. Later, we observed that the controversy was downgraded from severe to moderate by our data provider. We also engaged with the data provider to be certain that the negative impact of the human rights controversy had subsided. With this reassurance, we removed our internal flag. We will follow up with the company to monitor progress on the investigation and mitigation measures.

3. Ensuring employee safety

We engaged with an Asian construction company regarding employee safety. From our research, we found that the company is lagging behind peers in adopting robust safety programmes with a quantified incident rate target. Given the criticality of employee safety, not least when assessing social risks, we started an engagement with the company. Its dominant position in the local market means it has an important potential signalling effect to its peers.

During the engagement meeting with the deputy general manager of the corporate finance department and the Head of ESG, we raised our concerns and received a commitment to address the issue within the year. In December, we were encouraged to see the company publish its sustainability roadmap, with employee safety a key principle. It set an ambitious goal of achieving a work-related injury rate of below six per 1,000 persons by 2025, promised to provide annual safety and health training to 100% of employees by 2025, and established a mechanism for subcontractor workers to report safety hazards. We will continue our engagement to track progress on implementation.

03.2 Engagement outcomes by theme continued

4. Customer and product responsibility

As part of our ongoing engagement with a US technology company, we discussed its plans to enter the emerging "buy now, pay later" (BNPL) area of finance. In our view, this move requires sensitivity to social issues, access to finance and responsible provision of credit. While we are supportive of the company entering the new business area, it is important that it manages the broader social risks. Failure to do so could result in reputational controversies and potential risks to the business. Our discussion involved investment professionals as well as members of the sustainability team to gain an integrated perspective on the issue. The company stated that the size of the segment is now small and that they are pursuing disciplined growth of under 15% of revenues. The business is not primarily a credit company, but it is looking to grow steadily in that market. With respect to systemic risks of the BNPL market, it outlined some of the key analytical tools it uses to ensure affordability via monitoring of the funding mix at a customer level. We will continue to monitor the issue via periodic calls. By sharing details of this engagement with our investment platform, we have raised an issue that may be relevant to other companies. If this topic becomes more of a heightened market risk, we may evolve it into an engagement theme to be applied to more companies via systematic selection of targets.

Engagement topic: Fostering strong institutions through good governance and transparency

Strong governance practices at investee companies are critical enablers of investment performance. With these practices in place, boards and management can better address other topics that are highly relevant to the business and investment case, including environmental and social risks. In 2021 we engaged 160 companies at least once on governance issues, underlining our strong focus on a sound institutional set-up for our investee companies. During the year we continued our engagement focus on the following governance topics:

- Board composition, quality and competence of board members.
- Succession planning for directors and senior management.
- Independence and expertise of audit committees.
- Structure and quantum of executive remuneration.
- Shareholder rights, especially in the context of takeover-related matters, capital issuance authorities and other issues.

1. Overboarding at a technology company

Overcommitment by directors is a serious concern for investors as it can compromise the quality of boards. This is explicitly covered within our global Corporate Governance Guidelines which outline our position on what other commitments are acceptable for a board member. We engaged one US technology company over a director who we were concerned was over-committed. In a subsequent call, the company updated us that the director would be stepping down. We routinely raise the issue of overboarding with companies in our engagement meetings. We frequently observe positive outcomes, typically following extended pressure from several shareholders pursuing the topic.

2. Professionalisation of the board of a European small-cap

We started our engagement with a European entrepreneur-driven small-cap in 2020. At the time we voiced our concerns with respect to the size and set-up of the board, which did not have any committees supporting it. We specifically suggested to add more financial expertise. In 2021, the company added a financial expert to the board and established an audit committee and a remuneration and nomination committee. We consider this outcome of our

Shaping pathways for a sustainable future

Promoting executive pay aligned with performance

A number of our funds are invested in technology sectors and several investment teams and clients are based in the US. In 2021, we observed several notable technology companies attracting large shareholder opposition to pay, evidenced by weak support for their advisory executive pay resolutions ("say on pay"). We decided to focus on this issue as a theme for engagement, recognising that many technology companies are still run by their founders in the US. This makes the sector an outlier in what is otherwise one of the most dispersed ownership markets internationally. It means that assessing the quality of alignment between shareholders and management requires more nuanced analysis.

We selected a group of 10 companies for follow-up on the basis of their portfolio importance, the weakness of overall support for their "say on pay", and issues identified through previous engagements. Where we thought it would be beneficial, we reached out to set up a meeting to share our specific improvement requests. To reach a wider audience, we also published a paper in our "Stewardship Principles" series to explain our position to companies. This means that we are now better prepared for the 2022 AGM season, more informed and – we believe – able to be more effective with our votes.

Addressing executive pay in the US technology sector

Read here

03.2 Engagement outcomes by theme continued

engagement to be an important step to professionalise the board. We will continue our dialogue with the chairman to point to additional improvements in governance standards.

3. Engagement with US technology company – shareholder rights

This company reached out to us for input on its response to a shareholder proposal that called for adoption of the right for shareholders to act by written consent. Given the well-defined scope of the consultation reach and our publicly provided guidance, we replied in writing to set out our position. The outcome was that management did not submit a voting recommendation and, with almost 80% of shareholders supporting this topic at the AGM, we expect the company to implement this resolution.

4. Engagement with a chemicals company on long-term incentive targets

The company consulted us on proposed remuneration changes as part of its shareholder engagement programme. As we are supportive of the long-term oriented management team, we did not raise material concerns around remuneration increases through adjusted CEO base salary and increased overall variable opportunity. However, we suggested more diverse performance metrics, in particular the inclusion of a returns or cash flow metric. We also highlighted a stagnant earnings per share (EPS) target range and stated that we expected to see further stretch built into the plan given the greater pay opportunity. In the latest annual report, proposed changes to the remuneration structure show a higher threshold and EPS target range as well as the inclusion of return on average capital employed as a factor accounting for 20% of the long-term incentive plan. We welcome these positive changes, which are in line with our suggestions.

5. Engagement with a UK bank on pay transparency

During several years' engagement with a UK bank we highlighted concerns around the transparency and disclosure of its remuneration report. We had previously noted the complexity of the balanced scorecard used for the annual bonus. Our understanding was that this historic complexity was largely driven by regulatory requirements, which need to be reflected in addition to internal strategic objectives. Following further consultation, we saw material improvements in the 2021 remuneration report, aligned with our feedback. The bank was able to simplify and enhance remuneration disclosures while reducing scorecard metrics from 15 to seven. We think this simplicity greatly enhances investors' ability to scrutinise pay outcomes and provides a clearer focus for management.

Engagement topic: Sustainability strategy and transparency

Integrating sustainability into their strategies will help enhance companies' value and uncover new business opportunities. We seek to understand companies' strategies and how they integrate their sustainability efforts.

For companies at the early stage of integrating sustainability, we advise them on adopting and developing a sustainability strategy that comprises material ESG matters and ambitious targets. We encourage companies to improve their disclosure and report consistently on strategy and targets in line with internationally accepted standards, and their progress in achieving them.

1. Engaging with a food products company to develop its sustainability strategy

Following an engagement meeting with a food products company on its business model and strategy, the company requested our guidance on formulating its sustainability strategy. We advised the company to map its sustainability footprint using the Sustainability Accounting Standards Board (SASB) standards to capture operational performance and to link its handprint (the impact of its products and services) to specific SDGs. We also encouraged the company to set a climate target for 2040. In addition, we highlighted the importance of reporting these efforts. We will follow up closely with the company on any developments.

2. Encouraging disclosure using English language in Asia

A common issue for Asia-based companies is lack of public disclosure in English, especially on sustainability practices. While companies may have made progress towards being more sustainable, global investors and rating agencies can struggle to get updates in a timely way. This results in misinformed or out-of-date disclosure that can undermine investment decision-making. When our local research and sustainability teams come across such cases, they reach out to the company and encourage it to publish its sustainability reports in English. Investee companies in Asia generally welcome our engagement as they often underestimate the negative impacts of a lack of English language disclosure. The majority of companies we have engaged with have committed to improving their sustainability disclosure.

For example, we engaged with a Chinese company that produces a detailed sustainability report in Chinese. We learned that the company has established an ESG strategy with a dedicated team. We encouraged them to report additionally in English to ensure international outreach and the company has committed to do so. We will follow up with the company in 2022.

03.3 Collaborative engagements

In some cases, collaborative engagement offers the most effective way to achieve engagement objectives in the best interests of our clients. Collaboration with other investors is particularly important when we have major concerns but only small holdings; we can have a greater impact by working together. While we led the majority of our engagements ourselves in 2021, we undertook several collaborative engagements with a focus on climate issues as well as governance and joined industry initiatives to promote the robust functioning of markets.

1. Climate Action 100+

We are a member of Climate Action 100+. In line with our thematic focus on climate, we supported a collaborative engagement letter that asked a US company to add a discussion item to its AGM agenda about its climate change commitments, as well as adopting a routine advisory vote on its climate strategy. Given our limited direct exposure, adding our support to a collective engagement was likely to have a greater impact. With the addition of discussion items to the agenda – as well as a formal response from the company – it was clear that climate had become a board-level issue and continued engagement would be beneficial (eg, through our Climate Engagement with Outcome initiative – see page 32).

2. Ceres Food Emissions 50

Several of our funds are themed around sustainability, food and water. The food sector is closely linked with climate change as the global food system is responsible for approximately one-third of all global GHG emissions[1]. That is why we identified the intersection between food production and climate to be an important engagement area and joined the Food Emissions 50 effort co-ordinated by Ceres. This investor-led initiative is aimed at accelerating progress towards a net-zero future in the food and agriculture sector by engaging 50 of the highest-emitting public food companies in North America. It seeks to improve GHG emissions disclosures, set ambitious emissions reduction targets and implement credible climate transition action plans in line with the Paris Agreement. As part of our involvement, we joined the working group on land use and climate and will be looking to collaborate actively in 2022 by setting up engagement calls.

3. UK Investor Forum

We value engagements facilitated by the UK Investor Forum on issues related to business strategy, environmental concerns, management of social risks and board oversight, among other topics. In 2021, we worked on the two projects: "Engagement with Bid Situations" focusing on takeover situations; and "Voting Turnout at Irish Companies" (see case study on page 51). Regarding takeover situations, we facilitated several meetings with other investors and market participants to inform our decision-making. This was important given the level of activity in the UK market where access to capital and potentially undervalued assets has resulted in a material number of takeover bids. Both initiatives are ongoing and feed into our work on improving well-functioning markets.

Looking ahead to 2022

Our intention is to expand and intensify collaborative engagement activities and we are reviewing our strategic approach for 2022. In particular, we have started an analysis of statutory rules and guidelines from regulatory authorities that will shape how we approach collective engagements moving forwards. In our home market of Germany, we observe that collaborative engagement is still in an emerging state on the back of a regulatory environment that is not clearly defined when it comes to the "acting in concert" implications outlined below. We will continue our work within the DVFA Governance and Stewardship Commission on collaborative engagement in Germany. In 2021, this included a position paper on collaborative engagement and dialogue with other market participants.

An important outcome of our activity in 2021 was to further define internal frameworks for engaging when a portfolio company becomes involved in a takeover bid. The concerns of our Legal and Compliance teams centred around regulatory restrictions known as "acting in concert", as well as the sharing of material non-public information. Through the UK Investor Forum, we engaged regulators to better understand their views around stewardship activity. Going forward, we will enhance our internal guidelines to be more effective in ensuring the best outcomes for clients.

1 https://www.ceres.org/climate/ambition2030/food-emissions-50

Shaping pathways for a sustainable future

Promoting gender diversity via collective engagement

In 2021 we joined the French investor group of the 30% Club, a campaign group aiming to increase gender diversity on boards and senior management teams. Female representation in the main listed French companies remains low and we think improved gender balance would achieve better outcomes for investors. We led collaborative engagements with two companies under this framework and decided to make this an important engagement topic beyond 2021. We will chair the French investor group in 2022.

We led an engagement with a major French reinsurance company, motivated by the disconnect between the percentage of women in the workforce and their representation at management and executive positions. We appreciate that the board of directors set and achieved a target of 20% women at group executive committee level by 2021 and is targeting 30% by 2025. To build a strong pipeline of senior female talent, the company set an additional target of 27% female representation among senior management by 2025, up from 19% today.

From our conversation, we understand that the company is looking to develop its female talent pool with both women and men playing a role as mentors, and senior management is committed to making it happen. To this end, the company develops active campaigns to avoid unconscious bias among managers and uses mentoring programmes to develop female talent and foster a better gender balance. It is undertaking an external diversity and inclusion audit which we consider to be best practice. While we appreciate the progress made, we will continue the engagement to monitor the results of the audit and the company's progress in advancing female representation at every level of the company.

03.4 Escalation where initial engagement is not enough

Principles 7 11

In our engagements, companies are not always responsive to our concerns or their actions do not give due consideration to the interests of minority shareholders. If we conclude that our concerns cannot be resolved through standard interactions with investee companies, we may start a more focused engagement and consider escalation to achieve our engagement objectives. The chosen engagement approach will depend on the circumstances and the nature of our concerns. Escalation options are not mutually exclusive and can be combined depending on the situation.

Engagement is typically escalated through additional meetings with management and more intensive dialogue with non-executive directors or with the chairperson. We prefer to address issues directly with a non-executive board chairperson, lead or senior independent director, or other non-executive board members – thereby gaining senior input on the matters of concern. We also consider emphasising our position to the board in writing if we have the impression that direct interaction has been unsuccessful.

We prefer to engage directly with companies but, where direct engagement does not progress satisfactorily or where our shareholding is insufficient for an effective escalation in our own right, we consider other options. These may include:

- Voting against resolutions at shareholder meetings.
- Collaborating with other institutional investors on single issues.
- Joining collaborative engagement initiatives co-ordinated by investors, trade associations and other organisations where these seek to address market or industry-wide concerns.
- Expressing concerns through advisers to the company, for example in merger and acquisition (M&A) situations.
- Co-filing/filing resolutions at shareholder meetings.
- Reducing or exiting our investment position when appropriate (any decision to exit an investment position is taken at a portfolio level).

We consider making public statements in respect of individual companies as a last resort when all other channels of constructive dialogue have been exhausted.

1. Influencing the takeover of an Irish healthcare company

During the takeover of the company, we pursued various escalation strategies which resulted in an improved final bid. Following an initial offer which we considered too low and limited engagement by the company, we issued a press release highlighting our concerns. Other key shareholders subsequently did the same. To inform our strategy, we had follow-up discussions with the board in consultation with external legal counsel, other institutional investors and activists. We also held discussions with the acquirer's advisers to negotiate a more acceptable price. After a lengthy iterative process, we were able to provide a "letter of intent" and a public statement of support for the improved offer. Crucially, as the largest shareholder, we were able to achieve a 5.6% uplift on a recommended bid to the benefit of our clients.

2. Targeting improved cybersecurity with a German media company

During our regular engagement in 2020, we discussed the company's policies and governance on cybersecurity, which we consider to be a material risk for the company. We resolved that the company's IT security and data protection framework was insufficient, addressed our concern with the management board and requested a follow-up. The chief operating officer laid out the strategic programme that the company has embarked on to address the highlighted issues. We will continue to monitor its progress going forward.

3. Addressing the violation of workers' rights to freedom of association

We expect our investee companies to respect and ensure labour rights for their own employees and workers across their supply chain. We reached out to an apparel company with respect to an alleged accusation of anti-union behaviour at one of its international plants. If confirmed, the company would have been acting in violation of its social responsibilities as an employer under the OECD Guidelines for Multinational Enterprise and would be in conflict with our expectations. We had recorded several unsuccessful attempts to engage with this company on governance topics in the past. In our letter to the company, we presented our viewpoint and gave them the opportunity to respond to the allegation. The company declined to engage openly with us and only provided an extract of their public statements. This failed engagement is further evidence of the company's poor governance and testifies to its unwillingness to consider minority shareholders' concerns. At the end of 2021, we followed up with the company to request next steps but did not receive a response. We will now consider further escalation measures.

03.5 Influencing companies through proxy voting

Principles 7 8 12

Exercising voting rights at shareholder meetings is a fiduciary responsibility to our clients and a core part of our role as an active investor. It allows us to have a say on some of the most important issues affecting the long-term development of investee companies – including the election of board directors, executive compensation, capital-related authorities and the appointment of external auditors. Other important voting topics include climate change, workforce diversity, political donations and lobbying activities.

We apply proprietary Corporate Governance Guidelines across our holdings globally. We put great effort and care into developing in-house views and positions on corporate governance and proxy voting matters. Our voting decisions are informed by in-depth research, analysis and discussions with investee companies which we often conduct over several years. Detailed proxy voting policies help shape our voting decisions.

Voting on shareholder proposals is a key part of our stewardship programme. Shareholder proposals offer companies an important insight into the views and concerns of investors. They provide meaningful support for issues raised that merit careful consideration by companies' boards and management.

Our goal is to vote at the shareholder meetings of all the companies we invest in where we have the authority to exercise voting rights. Our Proxy Voting Committee reviews vote outcomes and we evaluate and address notable year-on-year changes in the number of shares voted – see the case study on exercising voting rights with Irish companies below (right). We respect the right of clients in segregated accounts to retain voting rights, request that voting rights are exercised in line with the client's voting policy, or delegate proxy voting and engagement activities to a third-party service provider. We do not provide clients with the option to influence voting decisions on a case-by-case basis.

We are committed to full transparency of our proxy-voting activities. Our disclosures include detailed Global Corporate Governance Guidelines, a Stewardship Statement detailing our engagement and conflict of interest policy and real-time disclosure of all votes cast, accessible through our website. This insight includes commentary on our votes against resolutions and abstentions.

10,190
shareholder meetings participated in during 2021

Representing 95%
of all votable meetings

At 68%
of meetings globally, we voted against, withheld or abstained from at least one agenda item

We opposed 21%
of all resolutions

Shaping pathways for a sustainable future

Removing barriers to active stewardship

Following the UK's departure from the European Union, changes were implemented to the Irish proxy voting system including to the central securities depository (CSD) used by domestic issuers. An unintended consequence was that the European replacement operated an intermediated system that was structurally different from its predecessor. Changes included additional process constraints resulting in a number of shareholder meetings with "shareblocked" votes. This materially impacted our ability to exercise our stewardship responsibilities in the market.

We joined a working group formed to raise the issue and engaged with various players across the proxy voting value chain, including registrars, voting service providers, custodians and CSDs. Our objective was to push for changes to reduce these adverse consequences, protect the rights of beneficial owners and improve the functioning of the Irish capital market. Going forward, we will review our voting experience in the market and continue to hold stakeholders accountable for any further process failings.

03.5 Influencing companies through proxy voting continued

Ensuring a robust voting process

All proxy voting research and initial voting recommendations are generated based on our proprietary proxy voting policy. Proxy voting research is provided by ISS Institutional Shareholder Services, a third-party proxy voting service provider.

We use an electronic proxy voting platform provided by ISS to cast our votes. Our Stewardship team is in ongoing contact with ISS whenever questions arise with regards to a specific piece of research and the application of our policy. Additionally, we hold quarterly review meetings to review broader process issues involving teams responsible for compliance and the operational integrity of the voting process next to members of the Stewardship team.

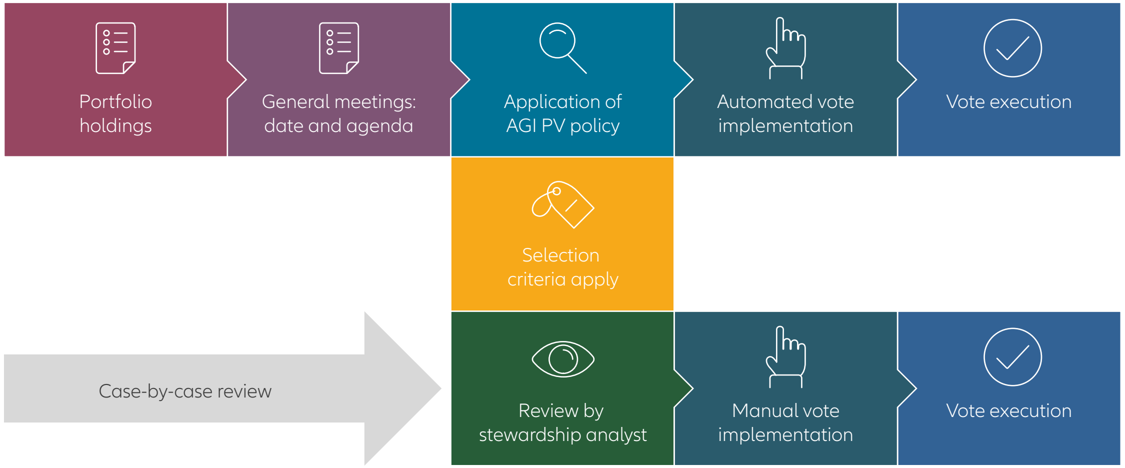
We review changes to voting rights weekly to ensure we only vote on funds where we have the legal right to do so. We also conduct a quarterly audit across all our funds with data reviewed by the Compliance team. We review and challenge unvoted meetings.

We take a risk-based approach to research and analysis around proxy voting. This means the Stewardship team focuses its efforts on reviewing shareholder meeting proposals for the proportion of holdings in our portfolios deemed particularly important to us and potentially higher risk. These holdings are mainly large aggregate positions across our strategies, core holdings in individual funds, companies with an ongoing engagement activity, etc. Our proxy voting policy is consistently applied to the remaining holdings.

Once reviewed, proposals are posted on an internal global research and collaboration system which is accessible to our investment teams. This means they can review potentially contentious proposals for holdings in their portfolios and discuss them with the Stewardship team for further analysis before reaching a consensus decision. For policy overrides, internal consultations involving analysts and portfolio managers also take place through this platform. We aim to have one integrated view when it comes to proxy voting decisions. In exceptional cases where we do not reach consensus, voting decisions are escalated to the Proxy Voting Committee.

In a minority of cases, we apply policy overrides – for example when we gain additional information following engagement that is pertinent to the voting decision, or when a company makes a commitment that we consider important. We may also override policy to factor in specific circumstances concerning the company, for instance its business context.

AllianzGI proxy voting process



03.5 Influencing companies through proxy voting continued

Review of voting policies and of the voting process

We review our Global Corporate Governance Guidelines and related policies at least annually, considering changes in market developments, vote turnout, regulatory amendments and changes in expectation levels of our clients. We include feedback from our service provider on the applicability of our voting policy in the review process. All proposed amendments to the guidelines and voting policy require consultation with our investment platform, involving equity portfolio managers in all of our locations globally. Input from our investment teams enables us to create a nuanced approach that combines global best practice standards for corporate governance with the knowledge of how these can be best applied and promoted in local markets.

Amendments to the Global Corporate Governance Guidelines are approved by the Global Proxy Voting Committee. The Committee considers proposals for change as raised by the Investment and Stewardship teams. In 2021, a notable change to our guidelines included voting rules on "Say on Climate" resolutions. As this type of proposal gains traction in some markets, we decided to update our guidelines to be more transparent and detailed about our approach.

Securities lending

Securities lending can play a role in enhancing returns where it is deemed appropriate. We do not actively engage in securities lending on behalf of either our mutual funds or assets for institutional clients, whether via an in-house securities lending desk or a third-party agency. However, where an individual institutional client requests us to facilitate securities lending through external agency lending – for example via an independently selected custodian – we strive to support this activity within our operational process frameworks.

Select changes to our Global Corporate Governance Guidelines in 2021

Issue	New policy	Reasons for the change
Say on Climate	Developed voting guidelines for Say on Climate resolutions and specified criteria to be able to support these resolutions	Management resolutions on climate were tabled for the first time
Diversity	Included ethnic diversity aspect into our US voting policy when evaluating director elections	Developments in the US in 2020
Remuneration	Developed rules on remuneration policies whenever companies received substantial direct state aid, recorded substantial lay-offs, or cut dividends (not prescribed by regulators) as a result of the Covid-19 pandemic	Covid-19 pandemic

03.5 Influencing companies through proxy voting continued

How we voted in 2021[1]

We participated in 10,190 shareholder meetings in 2021 (2020: 10,183), representing 95% of all votable meetings. We voted against, withheld or abstained from at least one agenda item at 68% of meetings globally (2020: 72%). We opposed 21% of all resolutions (2020: 23%).

These figures reflect our highly active and globally consistent approach to stewardship and our willingness to vote against proposals that do not meet our expectations.

How we voted by topic

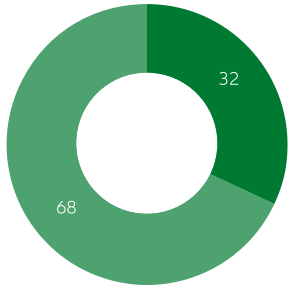
Executive compensation

Compensation-related proposals continued to stand out as the most contentious area globally, with AllianzGI voting against 47% (2020: 49%) of all compensation-related management proposals.

We typically voted against packages that were not supported by robust and challenging targets or when performance KPIs and actual targets were not sufficiently transparent. Other concerns included the use of stock options to foster unsustainable financial performance at the expense of shareholders, and variable compensation apparently rewarding underperformance.

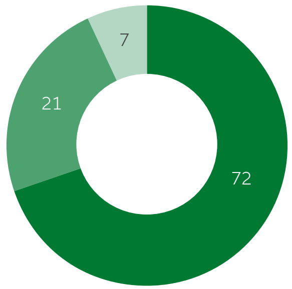
We observed a decrease in votes against pay proposals in some European markets. This is indicative of companies and boards being more receptive to investor feedback and soliciting views on upcoming remuneration proposals. The EU Shareholder Rights Directive II, where investors are given a say on pay and a vote on remuneration reports, has been a positive driver for investor dialogue.

Voting in shareholder meetings[2]
% of total votable meetings



Source: Allianz Global Investors, as of 31 December 2021.

Voting on 107,218 single proposals
%



Source: Allianz Global Investors, as of 31 December 2021.

In some European markets such as Germany, regulation required companies to put their remuneration policy to a shareholder vote by 2021. While we generally observed improved market standards and transparency going hand-in-hand with engagement on the topic, there is still considerable room for improvement.

In Germany, we voted on 153 resolutions seeking approval of remuneration policy (in contrast to 38 proposals in 2020) and voted against in 42% of the cases. Our major concerns included payouts for performance inferior to that of the selected peer group in the long-term variable compensation component. We also opposed the scope for discretionary payments.

Our abstentions on compensation proposals globally remained broadly unchanged at 6%. These abstentions typically reflect instances where we have concerns but are reluctant to oppose the specific resolution while engagements with investee companies are ongoing.

In 2021, we amended our Proxy Voting Guidelines to scrutinise generous pay proposals on a case-by-case basis whenever companies received substantial direct state aid, recorded substantial lay-offs, or cut dividends (not prescribed by regulators) as a result of the Covid-19 pandemic. We observed that, by and large, companies were acting responsibly, with some also cutting variable compensation. Nonetheless, we voted against plans where boards paid out variable compensation on a discretionary basis and beyond the scope of their remuneration policy despite poor performance, or where the company received pandemic-related state aid at the same time as paying out variable compensation.

Examples of our voting in 2021

German company receiving state aid

We voted against the remuneration policy of one German company. The company received state aid in the form of a loan in the wake of the Covid-19 crisis, which it repaid. At the same time, the board decided to grant a discretionary payment to members of the management board, which we considered inappropriate considering the overall situation. After discussion with our investment teams, we decided to vote against and communicated our voting decision to the chairman in a subsequent engagement.

1 The voting examples provided in this section were selected contextually, as they illustrate a key feature of the voting stance and trends of our voting application
2 Equals c95% of all votable meetings.

03.5 Influencing companies through proxy voting continued

Insufficient transparency of remuneration policy with a Japanese company

We expect companies to transparently disclose their remuneration policy, targets and achievements, and other components, and to align compensation practices with shareholder interest. In the case of one Japanese company, we observed that it did not disclose the level of retirement bonuses. As a retirement bonus can comprise a substantial proportion of a director's lifetime compensation and is typically linked to tenure, not performance, we decided to vote against the item.

Board independence and overboarding

Despite a slight decrease in votes against director-related proposals (23% in 2021 vs. 26% in 2020), we continue to have major concerns about the sound and balanced set-up of many boards. We voted against several companies where we deemed the board of directors and/or board committees to be insufficiently independent, either because directors had a long tenure or were representatives of major shareholders. This was a concern in the US where we routinely come across directors with long tenure. While we fully appreciate the quality and company insight an experienced director may bring, our approach reflects a concern that familiarity with the company can be a disadvantage when it comes to the need for independent scrutiny by the board. We do not oppose long-tenured directors being on the board as such, but we regularly vote against the re-election of those who are members of board committees where we think independence is of utmost importance, namely the compensation and audit committees.

Overboarding remains another major concern in many markets. As demands on non-executive directors increase, we voice our concerns and typically vote against when full-time executives take on more than one executive role, or when non-executive directors take on a large number of appointments in public and private companies. In the past year, we especially scrutinised director commitments where companies were hit strongly by the economic implications of the pandemic and directors had a high number of external commitments or were serving in an additional executive position elsewhere.

Concentration of power at the top of a company through combined chair/CEO roles also led to votes against. This was the case where appropriate checks and balances – such as the appointment of a lead independent director and strong board independence – were not in place.

Examples of our voting in 2021

US educational services company with lengthy board tenures

One of the directors of a US educational services company has been on the board for 13 years and is a member of the compensation committee. Under our policy, these are grounds to vote against his re-election. However, four other directors had much longer tenures resulting in an overall board average tenure of 14 years. This is inappropriately lengthy and prioritised the need to encourage broader board refreshment. In consultation with the portfolio manager, we decided to override our proxy voting policy, support the election of the director with the 13 years' tenure, and oppose the re-election of another director who had been on the board for 20 years, although that director was not a member of any committee. At this stage, our view is reflected by a small minority of votes since all the directors were elected by a majority exceeding 90%. We will reassess our position as we head into the 2022 voting season.

Overboarding concerns at an industrials company

We engaged a German industrials company on board elections and discussed the CEO of another company standing for election. We had overboarding concerns as the candidate also served on the board of a Swiss company and we would only allow for one additional board seat on top of an executive role. We also believed that, with the Covid-19 crisis, the risk of the candidate being overstretched was high. After careful consideration we decided not to support the election.

Environmental and social matters

In 2021, for the first time, companies tabled resolutions seeking shareholder consent on their climate strategy (Say on Climate). We developed specific voting guidelines and reviewed resolutions on a case-by-case basis for material holdings. Often, our voting decisio was preceded by engagement with the company, where we sought to clarify the climate strategy put to vote, its ambition level and whether companies would commit to annual updates for investors to judge progress.

We voted on 31 climate-related resolutions raised by management of 30 companies and supported all of them. While we gave certain companies some credit for being first movers, we will apply more rigorous benchmarking going forward as we expect Say on Climate resolutions to become more prevalent and market standards on these votes to evolve.

We encourage high-emitting companies to put their climate strategy to a vote and we supported all shareholder resolutions requesting non-binding advisory votes on climate action plans. We also supported almost 80% of proposals requesting improved reporting on climate change and sustainability, and 100% of proposals on community environmental impact.

Human rights continued to be a strong focus and we voted for 100% of all proposals. These included human rights risk assessments and improving a company's human rights standards or policies. We also voted for all resolutions asking for reporting on gender pay gaps. As in past years, we strongly supported proposals seeking transparency of political contributions and lobbying payments, voting for 94% of these proposals.

03.5 Influencing companies through proxy voting continued

Examples of our voting in 2021

Mining company's first Say on Climate vote

Following extensive engagement with a mining company, bilaterally and through CA100+, we supported management on its first Say on Climate vote. Our view was that the company made significant progress towards aligning strategy and ambitions with a net-zero outcome. Despite the existence of material limitations (eg, only partial inclusion of Scope 3 emissions) support was warranted at this stage. AGM results showed 84% of shareholders supported the plan, indicating heightened scrutiny of plans more generally. We supported the shareholder resolution on lobbying but voted against the capex-related resolution given its overlap with the company's transition plan.

Shareholder proposal on human rights

The extensive, cross-border nature of a large US food producer and distribution firm's supply chain heightens the risk of human rights issues. We supported a shareholder proposal calling for the company to report on its due diligence processes to assess, identify, prevent, mitigate and remedy actual and potential human rights impacts. The resolution failed to gain majority support, but it attracted just under 20% support. We expect the company to have taken note of investor concern and will monitor this issue in future engagements.

Auditor-related votes

We expect investee companies to evaluate and retender audit contracts regularly and to change auditors after a maximum of 20 years of service unless stricter local laws apply. We voted against 26% of proposals to ratify the auditor (2020: 25%), in particular where there was no commitment from the company to retender the audit mandate.

We continue to have particular concerns about some Chinese companies and voted against 60% of all audit-related proposals in China. We expect higher transparency when it comes to the breakdown of audit fees and explanation of any non-audit services. In China, we often observe that executive directors are proposed as chair of Audit or Compensation Committees. Such practices would seriously harm the independence and objectivity of the committees' work and give rise to conflicts of interest. We believe that the board's Audit Committee should comprise directors who are unquestionably independent and have appropriate qualifications, experience, skills and capacity to effectively contribute. We would vote against if this were not the case.

Capital-related resolutions

We continued to vote against large capital issuance authorisations that were not supported by a credible business rationale from management. Only in exceptional circumstances will we support an increase in capital with pre-emption rights of greater than 33% and an increase in capital without pre-emption rights of greater than 10% – and only when justified by an individual company[1].

We voted against 15% of capital-related proposals in 2021 (2020: 16%). In many markets, our votes against were because companies did not provide pre-emption rights according to our expectations. In Hong Kong, Taiwan and several European markets, such as Germany and Italy, we voted against up to 30% of capital-related resolutions. In the US, we voted against 60% of such resolutions. A frequent concern was around resolutions to increase authorised common stock by over 10%, where these were not undertaken in exceptional circumstances and appropriately justified by the company. As an outcome of reviewing our voting pattern for 2021, we will include this specific issue in our annual review of our Corporate Governance Guidelines in 2022, to assess whether a more nuanced approach is appropriate in the US.

Exercising our rights and responsibilities beyond equities

Exercising voting rights is typically limited to equity holdings. As debt investors, we also exercise rights at the fund level. For example, when our investment teams deem market conditions to be favourable, they may decide to negotiate covenants in order to secure better debt holder rights.

Our engagement approach applies to our equity and fixed income holdings, in so far as the counter parties overlap. We ensure flow of information through our investment and collaboration platform, which both teams can access. In 2022, we plan to broaden and systemise the work between the Sustainability and Fixed Income teams in several areas. In particular, we will improve the connection across the teams to include more fixed income-specific topics and tailor it to the requirements of particular fixed income funds, such as sustainability labelled debt.

1 Note that we apply stricter rules for Germany.

03.5 Influencing companies through proxy voting continued

Breakdown of proxy voting by country

Total percentage votes against all management proposals by location in 2021

US	Japan	Italy	Hong Kong	France	Belgium	Switzerland	Taiwan	Germany	China	Netherlands	Spain	Sweden	UK
40%	32%	32%	25%	20%	20%	18%	18%	17%	15%	12%	11%	10%	4%

Total percentage votes against compensation-related proposals by location 2021

Hong Kong	US	Belgium	Italy	China	Spain	Germany	Netherlands	Sweden	Taiwan	France	Switzerland	UK	Japan
95%	84%	59%	51%	48%	43%	38%	36%	32%	29%	24%	22%	20%	17%

Total percentage votes against director-related proposals by location 2021

Italy	Japan	Hong Kong	US	Taiwan	France	Germany	Switzerland	Belgium	China	Sweden	Netherlands	Spain	UK
49%	35%	29%	28%	23%	22%	16%	16%	16%	15%	11%	10%	6%	5%

Source: AllianzGI proxy voting data.

03.6 Conflicts of interest

Principle 3

Our fiduciary duty requires us to exercise any rights – including engagement – in the best interest of our clients. This includes identifying, monitoring and actively and fairly managing any conflicts of interest that may arise from our activities. We regularly review existing and new business processes, new products and services, new business relationships and internal restructuring measures to ensure we identify conflicts of interest at the earliest reasonable opportunity.

We have identified the following major examples of potential conflicts of interest with respect to our stewardship activities:

1. AllianzGI is owned by Allianz, a global insurance and financial group whose interests and views may not always align with what we consider best for our clients.
2. Our core business is investment management – managing money and assets for our clients. Where a client's fund holds securities in a sponsor company, a perceived conflict of interest may arise if we exercised the proxy vote or engaged in topics on behalf of our client which may impact our own commercial interests or arrangements.
3. We may sometimes have clients that advocate a voting position with respect to a proxy vote on a company that we view to be inconsistent with the long-term best interests of other clients.
4. We may invest in a company that is also a significant distributor of our products.

We have a dedicated governance structure and a set of policies and processes for managing conflicts of interest in proxy voting and engagement, including a Conflict of Interest Policy which we publish in our Stewardship Statement. These comprise the following elements:

- **Global oversight** – AllianzGI has established a Global Proxy Voting Committee to provide oversight of the proxy voting process.
- **Conflict management** – There are instances when we may not wish to vote proxies in strict adherence to our voting guidelines. Where a potential material conflict of interest arises between the company's interest and those of a client with respect to proxy voting, the Global Proxy Voting Committee will convene to evaluate the issue, considering information from all relevant sources.
- **Functional separation** – A separation of processes and management within AllianzGI helps ensure that individuals who are clients or have business relationships with the firm are not able to exercise improper influence over our proxy voting decisions. Proxy voting rests entirely with the Investment platform.
- **Training** – We have implemented employee training designed to prevent perceived or actual conflicts of interests from constituting or giving rise to a material risk of damage to the interests of our clients.
- **Risk management** – To manage potential conflicts in our engagement activities, the Risk Management function has developed clear and transparent internal escalation guidance. The guidance distinguishes between non-public and public engagement activities.

In 2021, the Proxy Voting Committee convened twice to decide on proxy voting decisions that constituted a conflict of interest in our view. Both concerned voting matters relating to our parent company, Allianz. We bring all voting matters related to Allianz to the Committee's attention for decision-making on a regular basis. This included election of a board member of Allianz at another company and approval of the remuneration policy. In both cases the Committee confirmed our analysts' proposals, which resulted in an against vote in the case of the election.

03.7 Industry engagement and commitments

We are committed to helping shape industry standards that are effective, fair and reasonable to promote well-functioning markets. Next to collaborative engagement (see page 48) we are active in a number of committees, working groups and initiatives globally. In 2021, we joined six new initiatives and two working groups within initiatives of which we were already a part. We focused on building out our memberships where we can make a difference with respect to shaping the thematic agenda setting a focus on climate.

Initiatives we joined in 2021
Net Zero Asset Managers initiative
One Planet Asset Managers (OPAM) initiative
30% Club France Investor Group
Global Private Capital Association (GPCA)
Initiative Climate International (iCI)
Swiss Sustainable Finance (SSF)

In 2021, we were particularly active in the following groups:

European Fund and Asset Management Association (EFAMA):

AllianzGI is a member of the Stewardship Committee and Distribution Committee and its sub-groups for Sustainable Finance Disclosure Regulation (SFDR) and Markets in Financial Instruments Directive (MiFID) sustainability preferences. As a member of these working groups, we participate in consultations and discussions on a variety of sustainability topics at the European level. In 2021, we took part in a discussion with EFAMA and FinDatex around how ESG information should be provided to information platforms, institutional investors and distributors. Our clients need this information to fulfil reporting obligations under SFDR and Solvency II on the institutional side, as well as MiFID/IDD for distributors.

Working groups within initiatives
Engagement and Policy Working Group (Initiative: AIGCC)
Paris Aligned Investment Working Group (Initiative: AIGCC)
ESG Working Group (Initiative: HKIFA)
Net Zero Stewardship Working Group (Initiative: IIGCC)

We were also involved in SFDR interpretation of what comprises an Article 8/Article 9 product and what is meant by "consideration of principal adverse impact". We contributed to support the understanding and standardisation of clients' ESG preferences, a discussion which is ongoing.

Bundesverband Investment and Asset Management (BVI)

We have chaired the Sustainability Committee at BVI since 2021 which focuses on regulatory and market developments. We were also involved in developing a target market concept for delivering sustainability data to distributors. The goal is to support distributors in fulfilling their duties under the amended MiFID rules, which will come into force in August 2022. We are an active member of the working groups on Corporate Governance and Responsible Investment and helped to shape the discussion on preserving shareholder rights in virtual shareholder meetings, which arose in the context of the emergency laws in Germany.

Association Française de la Gestion Financière (AFG)

AllianzGI is a long-term member of AFG and we actively participate in various ESG-related working groups. At the Corporate Governance Committee, we contribute to the development of proxy-voting guidelines that we would like French corporations to apply. We also discuss how to improve corporate governance practices as an opportunity to shape the agenda towards better stewardship practices.

Hong Kong Investment Funds Association (HKIFA)

AllianzGI has been part of the Hong Kong Investment Funds Association since 2004. In 2021, we were among the first asset management firms to join its newly established ESG Working Group. A core focus of the working group is to contribute to the discourse and development of Hong Kong's sustainable investing policies and regulations.

03.7 Industry engagement and commitments continued

Through HKIFA, we initiated dialogues with the Securities and Futures Commission of Hong Kong, providing feedback and suggestions regarding its circular on ESG funds and the fund manager code of conduct. In parallel, the Mandatory Provident Fund Authority introduced ESG principles for trustees which will come into force in November 2022. We actively contributed to discussions with trustees and members of the Hong Kong Trustees Association to shape how these principles should be interpreted and implemented.

Industry consultations

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

Commitment to the Net Zero Asset Managers initiative and other climate-related initiatives

Recognising the urgency with which we need to tackle climate change, in March 2021 AllianzGI joined the Net Zero Asset Managers initiative. The initiative brings together an international group of asset managers committed to supporting the goal of net zero GHG emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. As of December 2021, it included 220 signatories managing AuM of USD 57 trillion.

We are committed to work in partnership with asset-owner clients on decarbonisation goals across all assets under management. We will set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner and review clients' interim target at least every five years, with a view to increasing the proportion of AuM covered until 100% of assets are included. For more information on our first interim target, please see page 12.

In addition, we are an active member of the Paris Aligned Investment Initiative which was launched by the Institutional Investors Group on Climate Change (IIGCC) to bring together some of the world's largest asset owners and asset managers for the development of a "Net Zero Investment Framework". We are also joining forces with other institutional investors in encouraging companies to implement such pathways. Our participation in the engagement platform Climate Action 100+ and the Institutional Investors Group on Climate Change connects us with like-minded investors and offers platforms for collaborative engagement.

One Planet Asset Manager (OPAM) initiative

The One Planet Asset Manager (OPAM) initiative was first launched to support the members of the One Planet Sovereign Wealth Fund in their implementation of the One Planet Sovereign Wealth Framework (OPSWF). The goal is to accelerate the understanding and integration of the implications of climate-related risks and opportunities within long-term investment portfolios through sharing of investment practices and expertise.

The OPSWF network comprises 43 of the world's largest institutional investors with over USD 36 trillion in assets under management and ownership. AllianzGI was the first German asset manager to join the initiative. We are committed to actively collaborating within the OPSWF Framework and to engaging with other key actors – including standard setters, regulators and the broader industry – to further the framework's objectives.

"Partnering with clients to tackle the most pressing sustainability issues and create a better future for all is at the heart of what we do. We are committed to advancing the understanding of the implications of climate-related risks and opportunities within long-term investment portfolios through the sharing of investment practices.

AllianzGI looks forward to contributing to the work of the One Planet initiatives, given our experience in climate finance – through our investment process, strong stewardship policy, and investment solutions that contribute positively to the alignment of an asset owner's portfolio to a low carbon economy."

Tobias Pross,
Chief Executive Officer,
Allianz Global Investors

Trust in our company is based on the integrity, resilience and competency of how we do business as well as on our culture and how it is brought to life by all colleagues. We are shaping a pathway to a more sustainable future by focusing on our own operations as well as those of the companies we invest in. Our efforts range from reducing our environmental impacts and securing our systems and data to creating an inclusive workplace and supporting colleagues' health and wellbeing.

50:50
male to female representation in our Executive Committee

Most Improved Retention Rate
Citywire Gender Diversity Awards 2021

77%
reduction in greenhouse gas emissions per employee

04 AllianzGI as a sustainable business

04.1 Building our approach to sustainable investing

Our company values – excellence, integrity, respect and passion – describe how we want to conduct our business. They underpin our commitment to being sustainable and our stewardship approach. In practice, this means:

- **Excellence** in operations drives us to optimise our ways of working and reduce emissions.
- **Respect** confirms our commitment to develop long-term relations with clients, providers and colleagues.
- **Integrity** means holding ourselves to standards over and above compliance requirements.
- Through **passion,** we apply ourselves consistently, through both success and adversity.

In addition, our culture principles support sustainable behaviours and foster a working environment that supports our strategy of being the natural choice for savers and investors who care about sustainable returns.

Our culture principles
Be sustainable in everything we do
Put the client first
Be solution-oriented
Be courageous and make tough choices
Think out of the box and embrace failure as a learning opportunity
Take ownership for the final outcome
Win together as a team

Promoting inclusive meritocracy – where people and performance matter

We use the term inclusive meritocracy to describe a culture and working environment where people and performance matter. Inclusive meritocracy describes a corporate culture of mutual trust and respect, empowerment and collaboration, where diversity is fostered and client satisfaction is a high priority. Performance and behaviour have an impact on rewards and are encouraged by clear dialogue with leadership teams.

Inclusive meritocracy underpins a key index in the annual Allianz Engagement Survey – the Inclusive Meritocracy Index (IMIX) – which measures the progress we are making across 10 aspects covering leadership, performance and corporate culture.

Ensuring compliance through harmonised people processes

Harmonised process documentation is important for making our organisation resilient and enabling us to cope with the volatility of AllianzGI's external business environment. This ensures compliance with established regulations and legislation, and provides greater context, visibility and transparency into our people processes. It also enables further simplification and scalability and enhances process quality and efficiency.

Fit and proper standard

To implement and safeguard a strong "fit and proper" standard, we must ensure senior management and key function members have the required knowledge, experience, professional qualifications, integrity and soundness of judgement. The fitness and propriety of senior management and key function members is assessed individually during recruitment or appointment and on an ongoing basis as part of annual reviews. If a person's fitness and/or propriety is questioned, we reassess the situation and take necessary actions aligned to our policy.

Compliance as a key part of performance appraisal

We monitor any breaches or misconduct in employees' behaviour and performance. Through the year-end appraisal process, the Compliance team and direct managers are asked to detail any misconduct or breaches to ensure they are considered accordingly. Depending on the nature of a breach or misconduct case, the range of possible outcomes may vary from a simple reprimand of the employee to formal disciplinary action, including potential termination of employment.

04.2 Developing a shared vision for inclusion and diversity

Together with our values and culture, our focus on inclusion and diversity (I&D) shapes how we work and serve our large and varied client base. By building an inclusive culture that brings out the best in people, we contribute to improved investment performance and create long-term value for our clients and society.

I&D is a company-wide responsibility and everyone who works at AllianzGI has a role in creating an inclusive culture and supporting our commitments to I&D. Guided by our business strategy, our I&D strategy is led by the Executive Committee and delivered by working groups of employees across our locations. It focuses on three key pillars – **Workplace, Workforce and Marketplace** – to create meaningful change and embed I&D behaviours into the very fabric of our business.

We are developing a network of local working groups to help drive and embed our I&D agenda. Members come together regularly to identify areas for improvement and develop local action plans to deliver the highest value for us and our clients. We also collaborate with global Allianz employee networks.

Read more about our I&D strategy and achievements in the Allianz Global Investors Inclusion and Diversity Report 2021

"We want to create a workplace we are all proud of, where there is space for different opinions to be voiced and heard, and where we can continuously learn from each other. Simply speaking, we want AllianzGI to be a safe, inclusive and diverse place which we all enjoy being part of."

Tobias Pross
CEO, Allianz Global Investors

Workplace: building a work culture that enhances psychological safety

In 2021 we focused specifically on building strong foundations for a more inclusive workplace culture. We worked to enhance psychological safety and prevent any forms of harassment and discrimination. For example, we introduced Rungway, an online platform offering a safe space for everyone to get help from colleagues and provide help to others. We also revamped our anti-harassment and anti-discrimination policy and training, which will be implemented globally in 2022.

We continued to leverage key I&D events such as Black History Month, International Day of People with Disabilities and Pride Month to raise awareness around the stereotypes that minority communities can experience. In particular, we created guides for colleagues on how to play an active role in fostering a positive environment for ethnic minorities, LGBT+ and disability inclusion.

Workforce: attracting, developing and retaining a diverse range of people

Our commitment to I&D includes all dimensions of diversity – ethnicity, sexual orientation, gender identity, age, disability, thoughts, skills and backgrounds. Our Workforce pillar is about attracting and developing a large variety of talents to grow the diversity of employees at all levels.

We systematically review the language used in job postings to ensure they are phrased in an inclusive way. We have included our Diversity Charter as an addendum to contracts with recruitment partners to state our expectation of attracting diverse pools of candidates. To make the company more attractive to women and support the progression of women in senior roles, we partner with organisations such as the Diversity Project and 100 Women in Finance. We are also a signatory of the Women in Finance Charter.

In 2021, AllianzGI won the "Most Improved Retention Rate" category of the Citywire Gender Diversity Awards which recognise fund management groups that have made progress on bringing more women into fund management.

We have reached 50:50 male to female representation in our Executive Committee (ExCo). In line with Allianz's targets for 2024, our ambition is to achieve a global female representation of a minimum of 30% at all senior levels. We have enhanced our approach since 2017 with actions for 2021-2022 spanning all levels of seniority and with targeted focus on key functions and locations.

04.2 Developing a shared vision for inclusion and diversity continued

We access diverse candidate pools by engaging in external initiatives. For example, we took part in the #10000Blackinterns initiative to tackle the underrepresentation of black people in the UK's investment industry and build a pipeline of young black talent. During the summer, six new interns worked across various investment functions including infrastructure debt, UK equities and global fixed income, and two of these internships led to full-time roles.

Increasing I&D through succession planning

Our focus on the long-term success of our clients makes succession planning vital. To ensure stable client management and avoid knowledge and relationship disruptions, we continuously maintain our succession plans for critical roles, which are formally reviewed annually. This planning considers potential successors at different levels of readiness. Each succession plan must include at least one potential successor who would be ready within 12 months and an emergency candidate. In line with our emphasis on gender diversity, each in-scope position must have at least one female successor in its succession plan.

Apart from critical roles, we also review key roles whose incumbent is at risk of leaving, has a planned move to another position, is retiring within two years, or has held the position for longer than five years, after which mobility may be expected or encouraged. This robust process for succession planning – and follow-up to develop identified potential successors – contributes to the retention of top talent and helps secure business continuity for our clients.

Equal access to learning and development

To support employees' career development, we ensure equal access to learning and development including training, networking and mentoring. We offer self-managed mentoring matching on our Opportunity Platform, which allows employees to volunteer as mentors and mentees to "crowdsource" mentoring matches across the firm.

Marketplace: embedding I&D in our wider social purpose

We believe our firm can be a powerful force by increasing investment in assets, products and businesses that help the world become more sustainable and equitable. This third pillar of our I&D strategy is about leveraging our I&D values to strengthen our positive impact on society. With this pillar we aim to strengthen the way we influence external stakeholders, and create greater alignment with the UN's Sustainable Development Goals. We will develop our strategic approach in this area in the coming years to build on the many initiatives already in place, including our financial literacy programmes and support for other community initiatives.

04.3 Promoting employee health and wellbeing in a hybrid work environment

We strive to provide a caring work environment where employees have the support they need to succeed. We also empower our colleagues to balance work, career development and personal priorities through wide-ranging initiatives.

Our holistic approach to health incorporates mental, social and physical wellbeing. We consider the causes of stress and depression to promote good mental health and offer advice on topics such as nutrition, sleep or managing work-life balance.

Measures are implemented globally, regionally and locally to enable employees to manage their work-related responsibilities and personal circumstances, including:

- Our **Employee Assistance Programme (EAP)** offers free and confidential support for employees and their families to deal with problems such as those related to mental health, substance abuse, stress, grief, relationships and financial matters.
- Our new **Health and Wellbeing Hub** is a one-stop-shop for tips, resources and events to nurture a healthy mind, body and overall self – both at work and outside of work.

Supporting flexible working at home and abroad

AllianzGI has offered employees the opportunity to work flexibly in terms of time or place for several years. During the pandemic, we put measures in place to ensure safe office working where this was permitted. Our flexible working arrangements proved to be robust with a crisis team set up to co-ordinate our approach, including how to:

- Work when we are most productive.
- Work when and where we have fewer distractions.
- Avoid peak commute times and/or reduce them.
- Reduce work-life conflicts and stress.
- Reduce our environmental footprint.
- Support business continuity in the event of disruptions in the workplace.

Building on our existing policy covering flexible working within the country of employment, and subject to a set of rules to ensure compliance with local and international tax, social security and immigration regulations, we have amended our global guidelines to give employees the opportunity to work abroad for up to 25 days in a calendar year.

04.3 Promoting employee health and wellbeing in a hybrid work environment continued

Looking beyond the pandemic

Improving workplace culture is a smart, long-term investment in employees. As new generations enter the workforce, employee expectations around topics such as wellbeing, flexible working and I&D are continuously changing.

The Covid-19 pandemic has been devastating over the past two years. While the dangers of falling ill were at the forefront of people's minds, the knock-on impacts such as on mental wellbeing were also felt acutely. Positive learnings from the pandemic include extending our focus beyond how work should be done to look at what is needed for people to be happy and productive. That is why, alongside our parent company Allianz, we have launched Ways of Working (WOW) – a global framework designed to capture the lessons learned during the pandemic as well as to look ahead to ensure that Allianz possesses the characteristics that will be needed for future growth.

In the 2021 Allianz Engagement Survey

87%

of AllianzGI employees agree that our company communicated clear policies and guidelines to assist employees during the pandemic and that our company is responding appropriately to the Covid-19 crisis.

Listening to and engaging our employees

Our vision is to be the preferred inclusive home for our industry's best talent. We rolled out a range of cross-functional transformation projects to further strengthen our inclusive culture and work environment in 2021.

Employee feedback, including through our annual Allianz Engagement Survey, provides the most important input as we continuously seek to become a better place to work. While we are pleased that the 2021 survey showed positive developments on engagement (+7%), and IMIX (+6%), it highlighted areas for improvement such as the expectation of more innovation and change, continuing to identify and resolve complexity drivers, and creating even more cross-functional collaboration and development opportunities for employees.

In 2021, a total of 108 cross-functional collaboration opportunities were posted on our Opportunity Platform, allowing employees to collaborate and contribute with teams across functional and geographical borders. In 2022, we will identify barriers and strengthen our concept for employees to easily explore and take on opportunities that contribute to their career development. Through our I&D action plan, we continue to increase the focus on equal opportunities for minority groups. We will also begin complementing the annual Allianz Engagement Survey with quarterly pulse surveys, covering topics such as new ways of working, health and team spirit. These insights will help steer our efforts towards becoming an even better place to work.

04.4 Business conduct and operational risk management

Our success is built on the trust our clients, employees and the public have in our performance and integrity. They expect their personal information to be treated with the utmost care and we take this responsibility extremely seriously.

Code of Ethics

We have embedded robust business policies and processes governing ethics and client confidentiality. These are detailed in the AllianzGI Code of Ethics and echo Allianz's overall group standards.

Employees are required to act in accordance with these policies at all times whether dealing with clients, other external third parties or other Allianz employees. They must adhere to confidentiality in relation to client information and firm activities. Additionally, employees must not engage in any activities that would result in either a direct or indirect conflict of interest.

The Compliance function oversees the effective implementation of all regulations stipulated in the Code of Ethics regarding acceptable business practices, conflicts of interest policies and expected standards of ethical behaviour. Every employee participates in regular compliance training. Personal account dealing is an important topic of compliance with the Code of Ethics and is monitored via the online StarCompliance system.

Our Anti-Money Laundering (AML) policy and Global Client Due Diligence (CDD) procedures reflect the current requirements of the fifth EU AML Directive, the recommendations of the Financial Action Task Force on Money Laundering (FATF), the German Anti-Money Laundering Act and other European AML laws. We have implemented procedures and controls to prevent money laundering and terrorist financing.

The responsibility to perform tasks concerning anti-money laundering and to implement procedures to prevent money laundering and terrorist financing (following the "three lines of defence" model) lies within the business and Compliance and Audit functions. We document all procedures and measures regarding the prevention of money laundering and terrorist financing.

Key responsibilities of the Compliance function include:

- Implementation of regulatory requirements into the business processes of AllianzGI
- Management of conflicts of interest
- Anti-money laundering and anti-bribery/fraud monitoring
- Setting up information barriers to prevent confidential information from being passed on
- Monitoring of personal account dealings
- Prevention of insider trading and market abuse
- Monitoring trading activities to ensure best execution to all clients
- Investment guideline coding and monitoring: AllianzGI checks portfolios for compliance with investment guidelines, both pre- and post-trade
- Employee regulatory training
- Implementation and maintenance of an effective compliance programme (including the execution of a compliance risk analysis and an annual compliance self-assessment).

Data privacy

We are committed to protecting the privacy rights of our clients, employees, business partners and other third parties when processing personal data. Personal data includes any information related to an identified or identifiable individual. We adhere to strict data privacy laws as well as to the Allianz Privacy Standard (APS), which – together with the Allianz Binding Corporate Rules – ensures a common understanding of, and adherence to, global privacy standards.

As part of the Legal and Compliance function, AllianzGI has established a Global Data Privacy function with regional Data Privacy Officers and one Global Data Privacy Officer. This function informs, advises and issues recommendations regarding compliance with applicable data privacy laws and regulations, the APS, and other internal and legal standards and guidelines. It works in close co-operation with the respective Information Security Officers to ensure that adequate data protection-related technical and organisational measures are in place.

Risk management along the value chain

We consider risk management to be an integral part of our business processes throughout the value chain, from client onboarding and portfolio risk management to monitoring operational risks. Risks are addressed as part of an overarching reporting and controlling framework covering both qualitative and quantitative risks for each of our functions along three lines of defence:

- The first line of defence is where each function is responsible for designing and implementing adequate controls related to its processes.
- The second line of defence provides independent oversight and challenge of the day-to-day risk controls and risk-taking by the first line. This second line of defence is performed by the Legal and Compliance function and the Risk Management function.
- The third line of defence provides independent assurance across the first and second lines of defence. The third line of defence is performed by the Internal Audit function.

04.4 Business conduct and operational risk management continued

Cybersecurity

Strong cybersecurity is essential for protecting our systems, data and communications from intended and unintended misuse. As such, our cybersecurity programme is a fundamental to the sustainability of our business.

We focus on designing, operating and monitoring an appropriate level of preventive, detective and responsive security controls. This is a priority as increasingly more complex attack methods impact organisations around the world. At the same time, our digital assets are evolving and expanding and we are implementing new technology to meet growing business demand. Both the increasing maturity of attackers and our evolving business signal the need for a sophisticated cybersecurity programme.

To protect AllianzGI from cyber risks, we select best practices from multiple cybersecurity frameworks, such as the International Organization for Standardization (ISO) or the National Institute of Standards and Technology (NIST). These frameworks set standards for processes, controls, security testing and reporting. However, there can never be 100% protection against a cyberattack. Therefore, we also focus on controls and training around how to recover from a successful attack, with the aim of reducing the impact and duration of business disruption to a tolerable level.

Business resilience

Business resilience (incorporating business continuity and disaster recovery) is an essential component of our service commitment to our clients. The importance of business resilience came to the fore during the Covid-19 pandemic. Our Business Resilience team provided constant oversight of the frequent changes to local government requirements to support the pandemic efforts. This co-ordination ensured that our employees could move efficiently and safely between remote working and office locations to support the business and our clients.

Our business resilience framework is a multi-tiered risk defence model supported by input from steering groups, a corporate resilience organisation and each function within the firm. The programme is subject to oversight by Allianz and Allianz Asset Management (AAM). Annual self-assessments are submitted to AAM in accordance with Group requirements and the programme is subject to periodic audit reviews. The Business Resilience team manages and administers the programme, ensuring all business functions comply with the framework and policies. Its role includes:

- Creating policies, procedures and guidelines
- Identifying threats and weaknesses
- Implementing controls
- Developing tools and best practices
- Delivering training and awareness.

Business recovery plans are mapped to each major function. This ensures that key business processes can resume in the event of a serious interruption to business activities. Plans cover the major risk scenarios of a loss of employees, facilities, technology and third-party support. Business Resilience teams enforce a review of business recovery plans every year. To ensure practicality and effectiveness, we run testing on the highest risk plans and most critical processes, IT applications and systems. These tests are planned on a multi-year cycle to confirm recovery capabilities.

Through a programme of continuous improvement, we collect and analyse feedback to improve the effectiveness of the business resilience framework. A recent major global crisis management exercise showcased the ability of our Global Crisis Unit to successfully manage through a ransomware attack and minimise potential damage to the firm and our clients.

04.5 Managing the environmental impact of our operations

As part of our commitment to a sustainable future, we manage the environmental impacts of our operations and aim to be a role model in delivering our own targets on climate change and the environment. Our efforts contribute to Allianz goals, including working towards sourcing 100% renewable electricity for our operations by 2023 and reducing greenhouse gas (GHG) emissions by 38% per employee by 2025 against a 2019 baseline.

Environmental management systems

We apply the Allianz environmental management system (EMS), which provides clear standards and controls, supports environmental data collection, and promotes transparent reporting of environmental impacts across the Group. EMS guides the monitoring and management of our carbon footprint, use of energy and natural resources such as water, and efforts to reduce waste. Implementation of the EMS is monitored by the Group Environmental Officer (part of Global Sustainability) and supported by the Board of Management of Allianz. We apply targeted environmental management system (EMS) processes, certified to ISO14001 standard, to improve environmental management governance practices at our major locations.

Reducing GHG emissions

Our carbon reduction strategy is designed to reduce GHG emissions from material sources, namely energy use for office buildings and IT, business travel and paper use. The strategy focuses on energy-efficient planning, construction and operation of buildings, sourcing green electricity and using carbon-efficient vehicles.

Allianz has committed to set long-term climate targets for its business operations in line with the science underpinning the Paris Agreement climate goal. In 2020, it set GHG emission targets to 2025 in line with the latest climate science. AllianzGI has committed to reduce GHG emissions by 38% per employee by 2025 (against a 2019 baseline) across Scope 1, 2 and selected Scope 3 emissions (covering energy-related emissions, business travel and paper use).

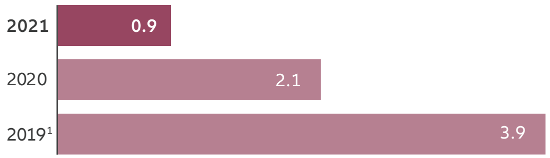
Our impacts in 2021

By the end of 2021, AllianzGI achieved a 77% reduction in GHG emissions per employee (2020: 46%), mainly as a result of increasing our use of renewable power, improved energy management and reduced business travel. We expect to include GHG emissions from flexible and hybrid working within scope of our future reporting to reflect infrastructure changes as the way we work continues to evolve.

Read more about the Allianz approach to tackling climate change

GHG emissions

GHG emissions
tons of GHG per employee



Reducing energy consumption

Our 2025 target is to reduce energy consumption in our office buildings by 10% per employee compared with 2019. In 2021, we achieved a 22% reduction (2020: 9%). This was mainly due to energy-saving initiatives such as installation of occupancy sensors and refurbishment activities as well as increased remote working.

Energy consumption
gigajoules per employee

1 GHG emissions data (old absolute: 3.5 tonnes) has been restated for 2019.

04.5 Managing the environmental impact of our operations continued

Increasing use of renewable electricity

As a signatory of the RE100 initiative, Allianz has committed to source 100% renewable electricity (RE) for its group-wide operations by 2023. In 2020, Allianz started to embed RE in the management targets of our Board of Management and CEOs of Allianz entities. In 2021, 100% of the electricity used by AllianzGI came from renewable, low-carbon sources. This was achieved through agreements with suppliers on "green tariffs" (51%) and first-time sourcing of "unbundled" renewable energy attribute certificates (49%).

The purchase of energy attribute certificates (EACs) plays an important role in the short to medium term in delivering on our goals, especially in countries where renewable power cannot yet be readily sourced. Allianz has opted to take a centralised approach to ensure it sources credible EACs based on operating entities' specific needs and operating regions. We see this as a temporary solution while we target real-world renewable energy solutions to achieve our RE100 target.

Cutting GHG emissions from business travel

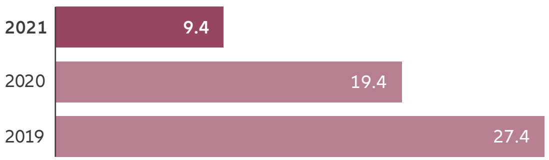
While business travel accounted for 40% of GHG emissions from operations in 2021 (2020: 25%), overall emissions associated with travel are decreasing. Covid-19 measures played a material role in reducing business travel emissions along with our new Global Travel Policy that prioritises client-facing business travel over travel for internal reasons.

GHG emissions caused by business travel
tonnes of GHG per employee

Reducing paper use

We use paper mainly for external communications with clients, with a smaller amount used for internal office printing. Our efforts to reduce paper consumption are underpinned by the shift to digital communication and reduced paper use in our offices. By the end of 2021, AllianzGI had achieved a reduction of 66% (target: 20%) in paper use per employee against a 2019 baseline (2020: 29%).

Paper consumption
kg per employee



Prioritising digital: In 2021, we decided to cancel all newspaper and print periodical subscriptions at our main offices in Germany. Our subscriptions had grown over time and no longer reflected the current demand and prioritisation of digital options, especially during Covid-19. Colleagues can now subscribe to more environmentally friendly and cost-effective online solutions.

Reducing water use

Minimising our water consumption is a key principle of the Allianz Group Environmental Guideline. Our office-based operations do not result in significant water usage, but we reflect the growing importance of using water efficiently and considering the impacts of climate change. We have committed to reduce water use in our offices by 15% by 2025 against a 2019 baseline. By the end of 2021, we achieved a reduction of 4% by applying water-saving measures in our facilities and office kitchens.

Water consumption
m^3 per employee

1 Business travel data (old absolute: 1.9 tonnes) has been restated for 2019.

2 Water consumption (old absolute: 20.9 m^3) has been restated for 2020.

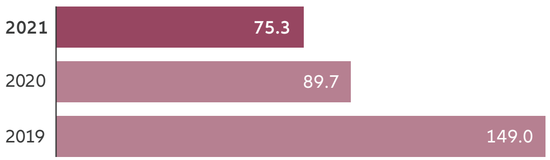
04.5 Managing the environmental impact of our operations continued

Driving down waste

We aim to minimise waste and reuse and recycle materials wherever possible. Our operations mostly generate household-type waste and our target is to drive down waste by 14% by 2025 against a 2019 baseline. By the end of 2021, we achieved a reduction of 49%. This was driven by a range of initiatives focused on waste centralisation and separation, increased use of recyclable packaging and the avoidance of plastic.

We have adopted the global Allianz best practices for removing single-use plastic from our operations. Our actions vary by location and include replacing single-use boxes for take-away meals with reusable boxes and banning single-use plastics in kitchens. Our efforts continue to evolve across locations.

Waste output
kg per employee



Sustainable procurement

Building strong relationships with our partners and suppliers is essential to run our operations and investment platforms and build sustainable growth. In line with our corporate strategy and culture principles, we seek to collaborate with suppliers that drive innovation in sustainable business practices.

Market Data Services is a core team in our procurement function, which collaborates with major ESG data providers to support business functions in forming sound investment decisions. High-quality, reliable data is key for developing robust analytics and methodologies to determine sustainable investment measures.

Another focus area of procurement is to accelerate the adoption of electronic ordering and invoicing solutions across AllianzGI entities. The self-service system-assisted process ensures AllianzGI standards and ESG criteria are embedded in procurement decisions while enabling paperless and automated transactions. We are continuously extending the availability of the tool and catalogues, including for eco-friendly promotional materials and stationery.

Looking ahead, we will develop a revised supplier management programme to ensure greater transparency in the supply chain with clearer sustainability standards. As a leading asset management company, we are investigating options to develop ESG ratings for suppliers to be integrated as supplier classification criteria.

04.6 Corporate citizenship

The pandemic exposed the inequalities and barriers faced by people and highlighted the role of businesses in creating a more equitable and resilient society. We play an active role in local communities and support social initiatives that contribute to the delivery of the UN SDGs, complementing our focus on impact, SDG-aligned and sustainable investments.

Beyond our core operations and sustainable investing, we seek to use our resources and employee skills to have a positive impact on the social and economic development of our communities. In addition to outreach and volunteering activities organised by our employees, AllianzGI supports initiatives in communities local to our operations with a focus on those that align with the UN SDGs as chosen by our employees.

Examples include:

- Children's charities in Germany, Hong Kong, Japan, Singapore, Taiwan and the US, with priorities such as health, education, and children's rights.
- Organisations fighting poverty in France, the US and Singapore.
- Projects helping to provide food to disadvantaged communities in France, Germany, Peru, Hong Kong, Italy, Singapore and the UK.
- Initiatives working with children and adults with disabilities in Hong Kong, Japan and Luxembourg.
- Charities fighting homelessness in the US.
- Organisations promoting environmental protection in China and Taiwan.

Shaping a new generation of innovation with Enactus

Our partnership with the German division of the global student network, Enactus, aims to support students to develop pathways to a sustainable future. With more than 72,000 students in 35 countries, Enactus is one of the largest student networks in the world. It makes an important contribution to values-oriented education by helping students to improve the world sustainably through entrepreneurial action.

In our second year of collaboration as a gold member of Enactus Germany, AllianzGI worked with students to support activities that target the UN SDGs through our sponsorship of the "Start-up Accelerator" in November 2021. The various teams had the opportunity to pitch their projects in the categories of "start-up" or "innovation" to win exclusive prices. As the event partner, we would like to congratulate the teams of Mannheim, with the project "Moufense" (a body lotion to fight malaria), and Munich, with the project "SeaSoilution" (seaweed recycling by producing organic fertiliser), which won first prize in their categories."

We share the passion of the students engaged in Enactus networks on their journey to create a better world through innovation and entrepreneurial action.

"In my daily work as portfolio manager, I am often impressed by the innovation capabilities of our investee companies in addressing environmental and societal challenges – such as climate change or how the world creates and consumes food within planetary boundaries. Many Enactus projects also address environmental and societal development goals with innovation-driven solutions, as demonstrated again during the Start-up Accelerator.

I am also delighted to support a team of Enactus Frankfurt as business adviser on their entrepreneurial journey."

Christoph Berger
Head of German Equity Team

05 Appendix

05.1 UK Stewardship Code index

This report should be read in its entirety to obtain a comprehensive picture of our stewardship activities during 2021. The table below provides links to the specific sections within this report that demonstrate how AllianzGI applies the principles of the 2020 UK Stewardship Code. Confirmation of our compliance is now pending approval by the FRC.

	2020 United Kingdom Stewardship Code Principle	Section	Page
1	Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.	In conversation with Tobias Pross and Matt Christensen	3 – 5
		About AllianzGI	6 – 7
		What sustainable investing means to us	8 – 10
		Sustainability governance	13 – 15
		Building our approach	62
2	Signatories' governance, resources and incentives support stewardship.	Sustainability governance	13 – 15
		Investing in our team	14
		Linking sustainability with remuneration	15
		Our advisory capabilities	18
		Looking ahead to 2022	22
3	Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.	Conflicts of Interest	58
		Business conduct and operational risk management	67 – 68
4	Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.	Evolving our strategic approach	7
		Focusing on material sustainability themes	9
		Acting on climate risks and opportunities	11 – 12
		Sustainability risk management	29
		Industry engagement and commitments	59 – 60; 76 – 81
5	Signatories review their policies, assure their processes and assess the effectiveness of their activities.	Review and assurance	15
		Review of voting policies and of the voting process	53
		Business conduct and operational risk management	67 – 68
6	Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.	Provide excellent client service	7
		Supporting the transition to a better future	10
		Shaping sustainable investing with our clients	16 – 20

05.1 UK Stewardship Code index continued

	2020 United Kingdom Stewardship Code Principle	Section	Page
7	Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.	Our sustainable investing solutions	23 – 24
		Sustainability research and data and analytics	25 – 28
		Sustainability risk management	29
		Sustainable investing categories	30 – 38
		Active stewardship	40 – 57
8	Signatories monitor and hold to account managers and/or service providers.	How we select and monitor data providers	27
		Removing barriers to active stewardship	51
		Ensuring a robust voting process	52
		Sustainable procurement	71
9	Signatories engage with issuers to maintain or enhance the value of assets.	What sustainable investing means to us	8 – 10
		Our engagement approach	40 – 47; 76 – 81
10	Signatories, where necessary, participate in collaborative engagement to influence issuers.	Collaborative engagements	48 – 49
		Industry engagement and commitments	59 – 60; 82 – 87
11	Signatories, where necessary, escalate stewardship activities to influence issuers.	Escalation	50
		Proxy voting escalation examples	54 – 56
12	Signatories actively exercise their rights and responsibilities.	Exercising our rights in equities	51 – 57
		Beyond equities	56

05.2 Engagements

Key

E Environmental
S Social
G Governance
O Other engagements[1]
C Climate Engagement with Outcome

Issuer	E	S	G	O	C
AP Moller Holding A/S					●
Aareal Bank AG			●	●	
ABB Ltd					●
Accenture PLC					●
Activision Blizzard Inc			●	●	
adidas AG			●	●	
AGCO Corp	●		●	●	
Air Products and Chemicals Inc					●
Akamai Technologies Inc					●
Alcoa Corp					●
Alibaba Group Holding Ltd					●
Allianz SE	●		●	●	●
Alphabet Inc		●	●	●	●
Aluminum Corp of China Ltd					●
Amazon.com Inc					●
AMETEK Inc				●	
Anglo American PLC					●
Anhui Conch Cement Co Ltd					●
Antofagasta PLC			●	●	
Applied Materials Inc	●		●	●	
ArcelorMittal SA	●			●	●
Archer-Daniels-Midland Co	●		●	●	
Arkema SA	●			●	
ASM International NV	●	●	●	●	
ASML Holding NV			●	●	
ASOS PLC			●	●	
Assicurazioni Generali SpA			●	●	
AT&T Inc					●
Atlantic Sapphire ASA				●	
Auchan Holding SA					●
Australia & New Zealand Banking Group Ltd					●
Auto Trader Group PLC	●	●	●	●	
Avary Holding Shenzhen Co Ltd					●

Issuer	E	S	G	O	C
Banca Transilvania SA	●	●		●	
Banco Bilbao Vizcaya Argentaria SA	●		●	●	
Banco Santander SA			●	●	
Bank Millennium SA	●	●		●	
Bank of America Corp			●	●	●
Barclays PLC	●		●	●	
BASF SE			●	●	●
Bayer AG				●	
Bayerische Motoren Werke AG	●			●	●
Beijing Oriental Yuhong Waterproof Technology Co Ltd	●			●	●
Berkshire Hathaway Inc					●
BHP Group PLC	●	●	●	●	
Bilibili Inc	●	●		●	
BlackBerry Ltd			●	●	
BNP Paribas SA					●
Booking Holdings Inc					●
BP Plc	●			●	●
Braskem SA					●
Brenntag AG					●
Bridgestone Corp					●
Bunge Ltd	●			●	
Buzzi Unicem SpA					●
CANCOM SE			●	●	
Capital Ltd			●	●	
Carrefour SA			●	●	●
CDW Corp/DE	●			●	●
Cemex SAB de CV					●
Cenovus Energy Inc					●
Cerved Group SpA			●	●	
Cheerwin Group Ltd			●	●	
Cheniere Energy Inc					●
China Airlines Ltd		●	●	●	
China Everbright International Ltd					●

1 Other engagements include engagements on strategy, risk management, transparency etc.

05.2 Engagements continued

Principle 9

Key
E Environmental
S Social
G Governance
O Other engagements[1]
C Climate Engagement with Outcome

Issuer	E	S	G	O	C
China Everbright Greentech Ltd			●	●	●
China Mengniu Dairy Co Ltd					●
China National Building Material Co Ltd					●
China Resources Cement Holdings Limited					●
China State Construction International Holdings Ltd			●	●	
China Steel Corp	●	●	●	●	
China Tourism Group Duty Free Corp Ltd				●	
Chubu Electric Power Co Inc					●
Cisco Systems Inc	●			●	●
Citigroup Inc					●
CK Infrastructure Holdings Ltd	●			●	
CNOOC LIMITED					●
Comcast Corp					●
Compagnie de Saint-Gobain					●
Compagnie Generale des Etablissements Michelin					●
Continental AG					●
Corbion NV				●	
COSCO SHIPPING Holdings Co Ltd					●
Country Garden Services Holdings Co Ltd	●		●	●	
Covestro AG	●		●	●	●
Covivio			●	●	
Cranswick PLC	●			●	
CRH PLC					●
Crowdstrike Holdings Inc	●		●	●	
CSL Ltd					●
Daimler AG			●	●	●
Danone SA			●	●	
Daqo New Energy Corp		●		●	
Dechra Pharmaceuticals PLC			●	●	
Delta Air Lines Inc					●
Deutsche Boerse AG		●	●	●	
Deutsche Lufthansa AG	●		●	●	●
Deutsche Pfandbriefbank AG			●	●	
Deutsche Post AG			●	●	●
Deutsche Telekom AG	●	●	●	●	●
Deutsche Wohnen SE					●
DFS Furniture PLC			●	●	
Diversified Gas & Oil PLC	●			●	
DL E&C Co Ltd		●		●	
Dollar General Corp		●		●	
Dow Inc	●			●	●
DSV PANALPINA A/S			●	●	●
DXC Technology Co			●	●	
E.ON SE		●	●	●	●
Eclat Textile Co Ltd			●	●	
Ecolab Inc					●
EDP – Energias de Portugal SA					●
Electricite de France (EDF)					●
Elkem ASA					●
Empresaria Group PLC			●	●	
Enel SpA			●	●	●
Engie SA			●	●	●
Eni SpA	●		●	●	●
EQS Group AG			●	●	
Equinix Inc	●			●	●
Equinor ASA	●		●	●	
ERG SpA					●
EssilorLuxottica SA		●		●	
Essity AB					●
Estun Automation Co Ltd	●	●	●	●	
Evonik Industries AG					●
Evotec SE			●	●	
Exxon Mobil Corp					●
F5 Networks Inc	●		●	●	
Faurecia SE			●	●	
Fittech Co Ltd				●	

1 Other engagements include engagements on strategy, risk management, transparency etc.

05.2 **Engagements** continued

Key

- **E** Environmental
- **S** Social
- **G** Governance
- **O** Other engagements[1]
- **C** Climate Engagement with Outcome

Issuer	E	S	G	O	C
FLEXium Interconnect Inc				●	
FMC Corp	●		●	●	
Forbo Holding AG					●
Ford Motor Co					●
Formosa Petrochemical Corp			●	●	
Formosa Plastics Corp			●	●	
Fortinet Inc			●	●	
Fortum Oyj					●
Freeport-McMoRan Inc	●			●	
Fresenius Medical Care AG & Co KGaA					●
Fresenius SE & Co KGaA			●	●	●
Fuchs Petrolub SE					●
Futu Holdings Ltd			●	●	
Gazprom PJSC					●
General Electric Co			●	●	
General Motors Co					●
Georg Fischer AG	●	●	●	●	●
Gerresheimer AG					●
Giant Manufacturing Co Ltd				●	
GlaxoSmithKline PLC			●	●	
GoerTek Inc	●			●	●
The Goldman Sachs Group Inc			●	●	
Grafton Group PLC			●	●	
Gree Electric Appliances Inc of Zhuhai			●	●	●
Guangdong Investment Ltd	●			●	
GVC Holdings PLC			●	●	
The Hain Celestial Group Inc	●			●	
Hangzhou Tigermed Consulting Co Ltd				●	
HeidelbergCement AG					●
Heineken NV					●
Helical PLC			●	●	
Hella GmbH & Co KGaA					●
Henkel AG & Co KGaA					●

Issuer	E	S	G	O	C
Hindalco Industries Ltd	●		●	●	●
Hitachi Ltd					●
HomeServe PLC			●	●	
Honda Motor Co Ltd					●
Horizon Therapeutics Plc	●		●	●	
HSBC Holdings PLC	●		●	●	
Hua Hong Semiconductor Ltd		●		●	
Huhtamaki Oyj					●
Hyundai Steel Co		●		●	
Iberdrola SA				●	●
Imeik Technology Development Co Ltd			●	●	
Industria de Diseno Textil SA					●
Infineon Technologies AG					●
Infrastrata PLC			●	●	
ING Groep NV			●	●	
Intel Corp	●	●	●	●	
International Business Machines Corp			●	●	
International Consolidated Airlines Group SA					●
Interroll Holding AG			●	●	
Intertek Group PLC			●	●	
ITEQ Corp	●			●	
Jiangsu Hengli Hydraulic Co Ltd				●	
Jinyu Bio-Technology Co Ltd			●	●	
Johnson Controls International plc					●
JOST Werke AG			●	●	
JPMorgan Chase & Co					●
Kerry Group PLC	●		●	●	●
Keyence Corp				●	
Kinder Morgan Inc					●
Kingspan Group PLC			●	●	●
KION Group AG			●	●	●
KNOW IT AB			●	●	
Koninklijke Ahold Delhaize NV			●	●	

1 Other engagements include engagements on strategy, risk management, transparency etc.

05.2 Engagements continued

Key
- **E** Environmental
- **S** Social
- **G** Governance
- **O** Other engagements[1]
- **C** Climate Engagement with Outcome

Issuer	E	S	G	O	C
Koninklijke DSM NV					●
Korea Shipbuilding & Offshore Engineering Co Ltd		●		●	
Kumho Petrochemical Co Ltd	●		●	●	
The Toronto-Dominion Bank					●
LafargeHolcim Ltd					●
Lam Research Corp			●	●	
LANXESS AG					●
LEG Immobilien AG	●	●	●	●	
Legrand SA	●	●		●	
LG Chem Ltd					●
Linde PLC					●
LONGi Green Energy Technology Co Ltd	●	●		●	●
Lonza Group AG	●	●	●	●	●
L'Oreal SA			●	●	
Luxshare Precision Industry Co Ltd		●		●	
LyondellBasell Industries NV	●		●	●	●
Manulife Financial Corp					●
Marriott International Inc					●
Marrone Bio Innovations Inc				●	
Medios AG			●	●	
Melrose Industries PLC					●
Mercia Asset Management PLC	●			●	
Merck KGaA			●	●	●
Microport Scientific Corp			●	●	
Microsoft Corp					●
Midea Group Co Ltd					●
Mitsui OSK Lines Ltd					●
MOL Hungarian Oil & Gas PLC				●	
Moneta Money Bank AS			●	●	
Morgan Stanley					●
MTU Aero Engines AG	●			●	
Muenchener Rueckversicherungs-Gesellschaft AG in Muenchen			●	●	

Issuer	E	S	G	O	C
National Grid PLC					●
Naturgy Energy Group SA					●
NCC Group PLC			●	●	
Neste Oyj					●
Nestle SA		●	●	●	●
New Oriental Education & Technology Group Inc					●
Newlat Food SpA			●	●	
NextEra Energy Inc					●
Nexus AG			●	●	
Norcros PLC			●	●	
Novartis AG					●
Novatek PJSC	●			●	
Nutrien Ltd					●
Occidental Petroleum Corp					●
OCI NV					●
Oji Holdings Corp					●
Okta Inc	●		●	●	
OMV AG	●		●	●	●
Orsted A/S	●			●	
Paycom Software Inc			●	●	
PayPal Holdings Inc	●		●	●	
PBF Energy Inc					●
Pegavision Corp				●	
Petroleo Brasileiro S.A.					●
Petroleos Mexicanos					●
Ping An Insurance Group Co of China Ltd	●		●	●	●
Plug Power Inc				●	
Powszechna Kasa Oszczednosci Bank Polski SA	●	●		●	
Prysmian SpA			●	●	
PTC Inc			●	●	
Reckitt Benckiser Group PLC			●	●	●
Redrow PLC	●	●	●	●	
Renault SA					●
Repsol SA				●	●

1 Other engagements include engagements on strategy, risk management, transparency etc.

05.2 **Engagements** continued

Key

E Environmental
S Social
G Governance
O Other engagements[1]
C Climate Engagement with Outcome

Issuer	E	S	G	O	C
Republic Services Inc					●
Rio Tinto PLC					●
Roche Holding AG					●
Rongsheng Petrochemical Co Ltd					●
Rosneft Oil Co PJSC	●			●	
Royal Caribbean Cruises Ltd			●	●	
Ryanair Holdings PLC					●
S.F. Holding Co Ltd					●
SafeStyle UK PLC			●	●	
Salzgitter AG					●
Samsung Electronics Co Ltd					●
SAP SE			●	●	●
Sberbank of Russia PJSC				●	
Schindler Holding AG					●
Schlumberger NV					●
Schneider Electric SE			●	●	
SCOR SE		●	●	●	
SEB SA	●	●		●	
Segezha Group PJSC	●			●	
Sekisui House Ltd	●			●	
Semiconductor Manufacturing International Corp					●
Shanghai Jinjiang International Hotels Co Ltd	●	●		●	●
Shanghai Ground Food Tech Co Ltd	●	●	●	●	
Shell Plc	●		●	●	●
Shenzhen Transsion Holdings Co Ltd		●		●	
Shibaura Machine Co Ltd	●		●	●	
Shin-Etsu Chemical Co Ltd					●
Shinhan Financial Group Co Ltd			●	●	
Siemens AG			●	●	●
SIG Combibloc Group AG					●
Signify NV	●		●	●	
Sika AG	●		●	●	●
Siltronic AG					●

Issuer	E	S	G	O	C
Singapore Airlines Limited					●
SITC International Holdings Co Ltd					●
Skyworks Solutions Inc			●	●	
SMC Corp/Japan			●	●	
S-Oil Corp				●	
Solvay SA	●			●	●
Splunk Inc			●	●	
Square Inc			●	●	
SSE PLC					●
St James's Place PLC			●	●	
SThree PLC				●	
STMicroelectronics NV			●	●	●
Stora Enso Oyj	●			●	●
Strike Co Ltd				●	
Stroeer SE & Co KGaA		●		●	
Suez SA			●	●	●
Sunjuice Holdings Co Ltd				●	
Sunoco LP					●
SunOpta Inc	●			●	
Swiss Re AG	●	●	●	●	
Symrise AG					●
Taiheiyo Cement Corp					●
Taiwan Semiconductor Manufacturing Company Ltd					●
Tate & Lyle PLC			●	●	
TC Energy Corp					●
Telefonica SA					●
Teleperformance			●	●	
Temenos AG			●	●	
Tencent Holdings Ltd	●	●		●	●
TerraForm Power Inc					●
Tesla Inc	●	●		●	
Tetra Tech Inc			●	●	
Texas Instruments Inc			●	●	

1 Other engagements include engagements on strategy, risk management, transparency etc.

05.2 Engagements continued

Key

E Environmental
S Social
G Governance
O Other engagements[1]
C Climate Engagement with Outcome

Issuer	E	S	G	O	C
The Goodyear Tire & Rubber Co					●
The Sherwin-Williams Co					●
Thermo Fisher Scientific Inc					●
thyssenkrupp AG			●	●	●
Tingyi Cayman Islands Holding Corp					●
TKH Group NV			●	●	
Tokai Carbon Co Ltd			●	●	
Tokyo Gas Co Ltd					●
Tongwei Group Co Ltd					●
TOTAL SE	●		●	●	●
Toyota Motor Corp					●
Treatt PLC			●	●	
Trelleborg AB					●
Tyman PLC			●	●	
UBS Group AG		●	●	●	
UDG Healthcare PLC			●	●	
UniCredit SpA			●	●	
Unilever PLC	●			●	●
United Airlines Holdings Inc					●
UPM-Kymmene Oyj			●	●	●
Valmont Industries Inc	●			●	
Vedanta Resources Limited					●
Veolia Environment SA			●	●	●
Victorian Plumbing Plc				●	
Vinci SA	●			●	●
Visa Inc			●	●	
Vital Farms Inc	●			●	
Vodafone Group PLC					●
Volkswagen AG					●
Wacker Chemie AG			●	●	●
The Walt Disney Co			●	●	
Wanhua Chemical Group Co Ltd					●
Waste Connections Inc					●

Issuer	E	S	G	O	C
Waste Management Inc					●
Weichai Power Co Ltd	●	●		●	
Wells Fargo & Co					●
Whole Earth Brands Inc		●		●	
Wienerberger AG	●		●	●	●
Wizz Air Holdings Plc			●	●	●
Wolters Kluwer NV			●	●	
Worldline SA/France			●	●	
Wuliangye Yibin Co Ltd					●
Xinyi Solar Holdings Ltd					●
Yandex NV			●	●	
Yonghui Superstores Co Ltd					●
Yum China Holdings Inc					●
Zalando SE			●	●	
Zeon Corp	●		●	●	
Zijin Mining Group Co Ltd					●
Zur Rose Group AG	●			●	

1 Other engagements include engagements on strategy, risk management, transparency etc.

Source: Allianz Global Investors, as of 31 December 2021. The lists above exhibit the companies which AllianzGI engaged in dialogue in 2021. The above information is used for the purpose to demonstrate AllianzGI's ESG engagement activities, it is not a recommendation or investment advice to buy or sell any particular securities and should not be considered investment advice/recommendation. Past performance is no guarantee of future results. There is no assurance that any companies/securities discussed are/will be held in any fund/portfolio at managed by AllianzGI."

05.3 Sustainability initiatives overview

Key
☆ New this year

Principles 4 10

Initiative	Allianz Global Investors' Position	Description	Date – present	Topics
☆ 30% Club France	Member	The purpose of the Club is to co-ordinate the investment community's approach to diversity, in particular to explain the investment case for more diverse boards and senior management teams; exercise ownership rights, including voting and engagement, to effect change on company boards and within senior management teams and encourage all investors to engage on the issue of diversity with chairs of boards and senior management teams.	2021	Inclusion and Diversity (I&D)
Association Française de la Gestion Financière (French Asset Management Association)	ESG, Corporate Governance	AFG is the French Asset Management Industry Association.	Since inception	ESG, Corporate Governance
	Member Corporate Governance Committee	The Corporate Governance Committee of the AFG aims to promote best governance practices on the French marketplace, improve practices at French issuers and discuss proxy-related issues such as the role of proxy advisors, shareholder activism.	Since inception	
	Member Technical Committee Responsible Investment	Standing committee organises the working groups such as those focused on the SRI label, ESR indicators or energy transition law and others. The committee aims to be a place for sharing information on current regulations, initiatives, promotion responsible investment.	2019	
Asia Investor Group on Climate Change	Member	The Asia Investor Group on Climate Change (AIGCC) is an initiative to create awareness among Asia's asset owners and financial institutions about the risks and opportunities associated with climate change and low-carbon investing.	2018	Climate
	☆ Member Engagement and Policy Working Group	The work this group undertakes on engagement is complementary and in parallel with company engagement as part of Climate Action 100+. Given the interconnected nature of company engagement and government policy in the region, combining the focus of this working group will initially enable investors to understand how their increasingly important role in policy advocacy can also help drive more ambitious corporate climate action.	2021	
	☆ Member Paris Aligned Investment Working Group	The group focuses on developing investor solutions for facilitating the transition to a net-zero emissions economy in Asia, and to track global progress. The group oversees AIGCC's second annual low carbon investment survey. The group identifies and collates what institutional-grade low-carbon opportunities are available in the region and how they can be scaled up based on research.	2021	
Bundesverband Investment und Asset Management	Member	BVI is the German Investment Funds Association.	2011	ESG
	Member Committee Sustainability	The committee deals with strategic and technical issues related to sustainable investing, including corporate governance. It accompanies regulatory and political initiatives in the field of sustainable finance, especially at the European level, and evaluates their practical effects. It decides on the positioning of the BVI in the context of ongoing regulatory projects and develops approaches for the BVI's pro-active role in the further development of the legal framework. In addition, it discusses essential aspects of standardisation in the market for sustainable investments.	2020	
	Member Working Group Responsible Investing	The working group prepares the association's positions on responsible investing.	2011	
	Member Working Group Corporate Governance	The working group prepares the association's positions on current legislative projects relating to corporate governance at national and European level and develops the BVI analysis guidelines for general meetings.	2015	
	Member Working Group ESG Risk Management	The working group prepares the association's positions on sustainability risks in the risk management processes of fund portfolios and on the management company level.	2020	

05.3 Sustainability initiatives overview continued

Initiative	Allianz Global Investors' Position	Description	Date – present	Topics
Carbon Disclosure Project	Investor Member	International non-profit organisation that promotes carbon reporting by requesting information from leading companies about their GHG emissions and other environmental impacts.	2015	Climate
Climate Bonds Initiative	Partner	International, investor-focused not-for-profit. The only organisation in the world working solely on mobilising the USD 100 trillion bond market for climate change solutions.	2015	Climate
Climate Finance Leadership Initiative	Founding Member	CFLI aims to unlock climate finance in emerging markets, thereby mobilising private capital in order to help finance the transition towards a more sustainable tomorrow.	2019	Climate
Council of Institutional Investors	Member	The Council of Institutional Investors is the leading corporate governance network in the US, advocating effective corporate governance practices for US companies and strong shareowner rights and protections.	2017	Corporate Governance
Climate Action 100+	Participant	The Climate Action 100+ is an investor-led initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change.	2017	Climate
The Conference Board	Member	The Conference Board connects businesses across geographies and provides them with insights that enable them to anticipate what is ahead, improve their performance and better serve society.	2019	Corporate Governance
	Member of Corporate Governance Council	The Corporate Governance Council was founded in Europe in recognition of the growing importance attached by investors to the effectiveness of the corporate board. It has strong connections to the Corporate Governance Research Center, based in New York. The Council is dedicated to executives with governance interest and responsibility, based in Europe, including corporate secretaries, legal counsel, and institutional investors responsible for corporate governance policies.	2019	
Deutsche Vereinigung für Finanzanalyse und Asset Management	Board Member/ Sponsor	DVFA is a professional association of investment professionals in Germany. DVFA sets German industry standards.	2005	ESG
	Member Kommission Sustainable Investing	The DVFA Kommission Sustainable Investing addresses how to better integrate Sustainability in analysis and how to address policy and regulation in the German market with a focus on education and formation of analysts.	2018	
	Member Kommission Corporate Governance	The DVFA Kommission Corporate Governance has set itself the goal of promoting best practice for corporate governance in listed companies. The commission's activities include addressing current aspects of corporate governance, developing standards and helping to shape relevant regulatory processes.	2015	
European Fund and Asset Management Association	Member Stewardship, Market Integrity, ESG Investment Standing Committee	The standing committee's areas of focus are stewardship role of asset managers, market integrity and ESG and sustainable investment topics. In particular, the committee addresses the topics of shareholders rights and obligations, relationships between asset managers and investee companies (stewardship), responsible investment, ESG labels, market abuse and sanctions.	Since inception	ESG

05.3 Sustainability initiatives overview continued

Initiative	Allianz Global Investors' Position	Description	Date – present	Topics
European Leveraged Finance Association	Member	ELFA is the European Leveraged Finance Association , which derived from a former European High Yield Association. The foundation of the association is to have a buyside group which helps push for improved reporting and governance in the European leveraged finance arena. With regard to topics on ESG, it covers primarily governance, but the association helps educate and promote asset management engagement with issuers on ESG.	2020	ESG, Corporate Governance
	Member of ESG Committee	The ESG Committee is working to improve disclosure on ESG topics in the leveraged finance market and to develop best practice guidance on ESG disclosures for sub-investment grade corporate borrowers in collaboration with the PRI.	2020	
FAIRR Initiative	Member	FAIRR is an investor network raising awareness of ESG risks and opportunities in intensive animal agriculture, and helping build a more sustainable food system.	2019	ESG
Forum pour l´Investissement Responsable	Member	French Sustainable Investment Forum – membership-based organisation addressing policy and other ESG topics specific to the French market. Organises regular events, seminars, workshops, co-ordinates responses to consultations, etc.	2009	ESG
Forum per la Finanza Sostenibile	Participant	Italian Sustainable Investment Forum – membership-based organisation addressing policy and other ESG topics specific to the Italian market. Organises regular events, seminars, workshops, co-ordinates responses to consultations, etc.	2011	ESG
German, Austrian and Swiss Sustainable Investment Forum	Member	German Sustainable Investment Forum – membership-based organisation addressing policy and other ESG topics specific to the German market. Organises regular events, seminars, workshops, co-ordinates responses to consultations, etc.	2013	ESG
Green Bond Principles	Member	The GBP are intended for broad use by the market: they provide issuers guidance on the key components involved in launching a credible Green Bond; they aid investors by ensuring availability of information necessary to evaluate the environmental impact of their Green Bond investments; and they assist underwriters by moving the market towards standard disclosures which will facilitate transactions.	2015	Environment
	Member Advisory Council Green Bonds and Social Bonds	The role of the Advisory Council is to advise the Executive Committee, to increase its market awareness and outreach, and to enable further engagement with specific membership categories and observers.	2019	
Global Impact Investing Network	Member	The Global Impact Investing Network is a nonprofit organisation dedicated to increasing the scale and effectiveness of impact investing around the world. They do this by building critical infrastructure and developing activities, education, and research that help accelerate the development of a coherent impact investing industry.	2018	Impact Investing
☆ **Global Private Capital Association**	Member	The Global Private Capital Association (GPCA) aims to connect and influence key market participants, and to promote the sectors, strategies and deals driving investment returns and meeting societal needs.	2021	Impact Investing

05.3 Sustainability initiatives overview continued

Initiative	Allianz Global Investors' Position	Description	Date – present	Topics
Hong Kong Investment Funds Association	Member	The HKIFA represents the fund management industry of Hong Kong. It aims to foster the development of the fund management industry in Hong Kong, enhance the professional standards of the industry and to maintain Hong Kong's competitiveness as the major fund management centre in Asia.	2004	ESG
	✩ Member ESG working group	The ESG working group brings together fund managers to discuss on current ESG topics in the industry, thereby shaping the development of sustainable investment in Hong Kong.	2021	
The Investment Association	Member	A trade body for the UK's asset management industry. We are a member and represented on various working groups.	2015	ESG
	Member Sustainable and Responsible Investment Committee	The Committee has a broad objective to consider and lead on all issues affecting the Investment Association's (the "IA") member firms in the area of sustainability and responsible investment. The Committee will not deal with governance and engagement matters already covered by the IA Governance & Engagement Committee.	2018	
International Corporate Governance Network	Member	Aims to inspire effective standards of corporate governance to advance efficient markets worldwide. This is achieved through the ICGN Global Governance Principle. Co-chair ICGN's Shareholder Rights Committee.	2015	Corporate Governance
✩ Initiative Climate International	Member	The iCI represents a collective commitment to understand and reduce carbon emissions of private-equity based companies and secure sustainable investment performance.	2021	Climate
Institutional Investors Group on Climate Change	Member	IIGCC provides investors with a collaborative platform to encourage public policies, investment practices, and corporate behaviour that address long-term risks and opportunities associated with climate change.	2016	Climate
	(under Paris Aligned Investor initiative) Net Zero Technical Working Group	The group contributes to the PAII by addressing analytical gaps where further development of methodologies and approaches is required to support implementation of the Framework. Topics include development of target setting methodologies, use of offsetting, Scope 3 emissions inclusion and measurement. The Net Zero technical working group takes forward development and oversight of this work.	2021	
	(under Paris Aligned Investor initiative) Climate Solutions Working Group	A dedicated working group to develop best practice and support members to increase investment in climate solutions. This group oversees analytical work on defining pathways and setting targets for investment in climate solutions, support members to set targets and make commitments in relation to investment in climate solutions, and more broadly share best practice and build capability for investing in climate solutions.	2020	
UK Investor Forum	Underwriting signatory	An investment industry body set up to facilitate dialogue between UK corporates and their investors.	2015	ESG

05.3 Sustainability initiatives overview continued

Initiative	Allianz Global Investors' Position	Description	Date – present	Topics
The Investor Mining & Tailings Safety Initiative	Participant	The Investor Mining & Tailings Safety Initiative is an investor-led engagement convening institutional investors active in extractive industries, including major asset owners and asset managers.	2019	ESG
Nasdaq Sustainable Bond Network	Member of the Advisory Board of the Nasdaq Sustainable Bond Network	Nasdaq Sustainable Bond Network (NSBN) is a global platform that aims to increase transparency and accessibility to environmental, social and sustainability bonds. NSBN utilises an open-to-all platform on which issuers can showcase their sustainable bonds and related documents and data. The role of Advisory Board is to continuously provide feedback to NSBN. Advisory Board is comprised of major public and private investors, issuers and experts organisations, including Allianz Global Investors, Nordic Investment Bank, SEB, Alecta, among others.	2019	Climate
☆ Net Zero Asset Managers initiative	Member	The Net Zero Asset Managers initiative is an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C.	2021	Climate
Net Zero Stewardship Working Group		This working group aims to provide a forum to help investors view how best to operationalize 'net zero stewardship,' and develop key tools to enable progress and work with proxy advisors to ensure they are ready to support investors.	2021	
☆ One Planet Asset Managers initiative	Member	The One Planet Asset Managers initiative (OPAM) was launched to support the members of the One Planet Sovereign Wealth Fund Coalition (OPSWF) in their implementation of the OPSWF Framework. The goal is to accelerate the understanding and integration of the implications of climate-related risks and opportunities within long-term investment portfolios through sharing of investment practices and expertise.	2021	Climate
	Member of steering committee	The steering committee brings together technical leadership and commitment by its participants aiming to further support the implementation of the OPSWF framework. Thereby this group contributes to actively shaping the future of the initiative.	2021	
UN Principles for Responsible Investment	Signatory	Global industry-wide initiative to mobilise greater integration of ESG factors in day-to-day investment decisions and processes.	2007	ESG
	Member Global Policy Reference Group	The aim of the group is to inform and strengthen PRI's and its signatories' public policy engagement on responsible investment topics, as well as to encourage alignment between signatories' responsible investment commitments and public policy efforts. Ultimately, the group strives for a regulatory environment aligned with PRI's mission and principles.	2018	
Spain Sustainable Investment Forum	Member	Spanish Sustainable Investment Forum – membership-based organisation addressing policy and other ESG topics specific to the Spanish market. Organises regular events, seminars, workshops, etc.	2018	ESG
☆ Swiss Sustainable Finance	Member	Swiss Sustainable Finance aims to strengthen Switzerland´s position as a leading voice and actor in sustainable finance, thereby contributing to a sustainable and prosperous economy.	2021	ESG

05.3 Sustainability initiatives overview continued

Initiative	Allianz Global Investors' Position	Description	Date – present	Topics
Task Force on Climate-Related Financial Disclosures	Supporter	The TCFD seeks to develop recommendations for voluntary climate-related financial disclosures that are consistent, comparable, reliable, clear, and efficient, and provide decision-useful information to lenders, insurers, and investors.	2019	Climate
Value Reporting Foundation (SASB Standards)	Member SASB Alliance	The Value Reporting Foundation aims to establish industry-specific disclosure standards across ESG topics that facilitate communication between companies and investors about financially material, decision-useful information. The SASB Alliance is a new membership programme for organisations and individuals that support the need for more decision-useful, cost-effective sustainability disclosure. Members share the belief that today's capital markets need standardised sustainability disclosure and effective ESG integration into investment practices – for the benefit of both companies and investors.	2020	ESG
	Member SASB Investor Advisory Group	The IAG comprises leading asset owners and asset managers who are committed to improving the quality and comparability of sustainability-related disclosure to investors. IAG membership is by invitation only to global institutional investors which have previously joined the SASB Alliance and which commit to engaging companies on the use of the SASB standards.	2020	
World Benchmarking Alliance	Member	The World Benchmarking Alliance (WBA) seeks to generate a movement around increasing the private sector's impact towards a sustainable future for all. In 2015, the United Nations developed 17 Sustainable Development Goals (SDGs) to help guide us. The WBA is working to incentivise and accelerate companies' efforts towards achieving these goals.	2019	ESG

05.4 UN Sustainable Development Goals key

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Editor-in-chief

Matt Christensen, Global Head of Sustainable and Impact Investing

Project responsibility

Kathrin Beck, Sustainable and Impact Investing

John Bolton, Content Management

Jon Cudby, Content Management

Design, concept and production

Radley Yeldar, London, U.K.

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Allianz Global Investors

Global Head of Sustainable and Impact Investing
3 Boulevard des Italiens
75002 Paris
France

www.allianzgi.com/sustainability