

# Allianz Global Investors Principal Adverse Impact Statement

ALLIANZ GLOBAL INVESTORS

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## I PURPOSE AND OBJECTIVES

This Principal Adverse Impact Statement outlines how Allianz Global Investors considers principal adverse sustainability impacts of its investment decisions on behalf of the funds and discretionary mandates (the “Clients”) for which any of the Allianz Global Investors entities listed in Appendix 1 (herein referred to as “Allianz Global Investors”) act as appointed investment manager. Principal adverse impacts are impacts of investment decisions that result in negative effects on sustainability factors (i.e. environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters) — even if they do not affect the value of an investment. Allianz Global Investors has a framework in place to identify and assess those impacts. Principal adverse impacts that we consider include amongst others environmental, human rights and labour rights aspects.

This Statement describes Allianz Global Investors’ approach to, inter-alia, its regulatory obligations and highest industry standards resulting from applicable rules, regulations and applicable global regulatory principles.

## II APPLICABLE AREA

This Statement is applicable to the management of assets by Allianz Global Investors. It applies to listed equities, listed corporate fixed income and private markets. Certain exceptions may apply to specific investment assets where identification of principal adverse impact for technical reasons cannot be applied. This Statement is not applicable to Clients where Allianz Global Investors has delegated the portfolio management to a third-party asset manager.

## III DETAILS OF THE DUE DILIGENCE POLICIES ON THE PRINCIPAL ADVERSE IMPACTS OF INVESTMENT DECISIONS ON SUSTAINABILITY FACTORS

### 1. Introduction

Investment decisions might cause, contribute to or be directly linked to effects on sustainability factors that are defined as environmental, social and employee matters which include topics such as respect for human rights, anti-corruption and anti-bribery matters. These effects can be negative, material or likely to be material. ‘Principal adverse sustainability impacts’ are defined as those impacts of investment decisions that result in negative effects on sustainability factors. These impacts are derived from the issuers as well as projects that are related to invested securities.

Allianz Global Investors considers such principal adverse impacts of its investment decisions with respect to its investment assets. Scope of this consideration applies to listed equities, listed corporate fixed income and private markets<sup>1</sup>. Allianz Global Investors is a Principles for Responsible Investment (PRI) signatory since 2007. As stated by the PRI principles, signatories commit amongst other to “incorporate ESG issues into investment analysis and decision-making processes”, whereby ESG issues refer to both: the impact of ESG-related risks on investments as well as their impacts on sustainability factors<sup>2</sup>.

Our due diligence policies on the principal adverse impacts of investment decisions on sustainability factors aims to ensure that principal adverse impacts are appropriately considered in accordance with regulatory requirements.

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<sup>1</sup> Please note that this does not extend to the investment decisions of 3<sup>rd</sup> party assets that Allianz Global Investors GmbH does not manage.

<sup>2</sup> For more information on ESG issues as defined by PRI, please see here:

[https://www.unpri.org/Uploads/x/l/q/maindefinitionstoprireportingframework\\_971173.pdf](https://www.unpri.org/Uploads/x/l/q/maindefinitionstoprireportingframework_971173.pdf) (page 3)

## 2. Identification and prioritization of Principal Adverse Impact (PAI) and Indicators

Allianz Global Investors considers principal adverse impact of prospective and active investments. We have a framework in place to identify and assess those impacts, which is based on the mandatory PAI indicators as defined by the EU Regulation on sustainability-related disclosure in the financial services sector<sup>3</sup>. In particular, we have identified several key indicators addressing all of the mandatory PAI dimensions and have developed a methodology to assess if an issuer is causing significant harm alongside one of these dimensions by assessing the issuer's performance against the respective thresholds we defined per key indicator.

Allianz Global Investors selected those key adverse impact indicators based on several factors such as data availability, data quality, applicability, probability of occurrence, and potential irremediable character. Allianz Global Investors considers the identified impacts and used indicators with the same priority, i.e., as soon as we identify that an issuer is doing significant harm on one dimension we flag the issuer as doing significant harm regardless of its performance across the other dimensions.

## 3. Actions to address, avoid or reduce Principal Adverse Impact

In order to avoid or mitigate these principal adverse impacts, Allianz Global Investors considers principal adverse impact as follows.

- For **listed equities and corporate fixed income assets**, Allianz Global Investors has implemented pre-trade warnings for investment in securities for which the issuer is doing significant harm across one of the mandatory principal adverse impact indicators. In addition, Allianz Global Investors performs a regular portfolio screening of Principal Adverse Impact risks along selected key performance indicators such as carbon emissions, exposure to sectors that are affecting climate change more than other sectors, human rights, and labour rights.
- For **private market investments**, Allianz Global Investors considers Principal Adverse Impact risks during the origination and structuring phases, often through project and fund-specific due diligence questionnaires. Additionally, many of Allianz Global Investors' private market assets are subject to the [Allianz ESG Integration Framework](#), which sets out criteria to be considered and met when investing in particular sensitive business areas. Investments are actively monitored through the asset management process, responding to material adverse changes of the PAI risk profile through engagement with management and sponsors of companies or in the case of indirect strategies with General Partners (GPs), in which Allianz Global Investors invests on behalf of our clients.

In addition, Allianz Global Investors takes several actions to address, avoid or mitigate principal adverse impacts for listed equities and corporate fixed income assets, including:

- **Restricting investments** - This covers: (1) exclusion of companies producing or associated with controversial weapons;<sup>4</sup> and (2) Restriction of sanctioned sovereigns<sup>5</sup>. Allianz Global Investors has implemented a new global exclusion policy which covers coal<sup>6</sup> and an extended scope of controversial weapons<sup>7</sup>. Further details can be found in our [Exclusion Policy](#).

<sup>3</sup> [https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/sustainability-related-disclosure-financial-services-sector\\_en](https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/sustainability-related-disclosure-financial-services-sector_en)

<sup>4</sup> Allianz Global Investors has put in place processes to identify and document the companies that are to be excluded from investment based on the above-described criteria. This is applicable to mutual funds for which Allianz Global Investors is acting as management company. For institutional funds and mandates, application of the criteria is subject to the consent of the respective clients.

<sup>5</sup> Allianz Global Investors GmbH is highly committed to fully adhere to the various relevant Embargos and Economic Sanctions regulations as this regards our clients, employees, vendors and investments in our funds.

<sup>6</sup> companies that derive more than 30% of their annual revenue from thermal coal extraction, and companies deriving more than 30% of their electricity production from coal

<sup>7</sup> companies involved in the development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of: Anti-personnel mines, Cluster munitions, Biological weapons, Chemical weapons, Nuclear weapons outside of NPT (non-proliferation treaty), Depleted uranium weapons

**Engaging with selected investee companies to induce improved management of sustainability risks and to reduce adverse impacts** - For more details see the next section.

- **Specific actions addressing principal adverse impact for sustainable investment strategies** - For sustainable investment strategies, minimum exclusion criteria are applied to the listed corporate issuers that are regarded as creating significant adverse impacts. Allianz Global Investors sustainable Investment strategies refrain at least from investing in securities issued by:
  - companies with severe controversies regarding the principles of the UN Global Compact<sup>8</sup>
  - companies involved in controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, biological weapons, depleted uranium, white phosphorus and nuclear weapons);
  - companies that derive more than certain amount of their revenues from the involvement in military equipment and services;
  - companies that derive more than certain amount of their revenue from thermal coal extraction;
  - utility companies that generate more than certain amount of their revenues from coal;
  - companies involved in the production of tobacco; and companies involved in the distribution of tobacco in excess of certain amount of their revenues.

For more information please visit our website <https://regulatory.Allianz Global Investors.com/en/home/esg>.

## 4. Stewardship Activities

### Engagement

Allianz Global Investors sees the value of engagement in sharing our knowledge, views and perspectives with boards and management of investee companies to help improve performance, reduce adverse impact on environment and society and to better assure their long-term business prospects. Therefore, Allianz Global Investors enters a dialogue with selected listed investee corporates, where Allianz Global Investors identifies systematic sustainability risks and/or significant principal adverse impacts. The engagement aims to strengthen the investee company's management of ESG issues and spur improvements of its overall sustainability performance. Engagement topics include among others carbon emissions and management, health & safety, toxic emissions and waste, biodiversity and land use.

In addition to direct company engagements, we undertake targeted thematic engagements, public policy engagements and participate in collaborative engagement initiatives aimed at improving corporate practices and disclosure of information at an industry or market level. Further details can be found in our [Stewardship Statement](#).

### Proxy Voting

Active investment strategies benefit from the exercise of voting rights. Allianz Global Investors sees proxy voting as a core part of our investment and stewardship processes. We have robust policies for major corporate governance and proxy voting matters and put substantial effort into developing and debating our views and positions. Our proxy voting decision-making process involves close collaboration between portfolio managers, research analysts and sustainability analysts. There is a direct link between proxy voting and company engagement, while corporate governance analysis undertaken for proxy voting purposes feeds into investment research. To ensure proper stewardship of invested corporates Allianz Global Investors has implemented [Global Corporate Governance and Proxy Voting Guidelines](#) for public market equity investments.

## 5. List of Responsible Business Conduct Codes and Internationally Recognized Standards for Due Diligence and Reporting of Principal Adverse Impact

Allianz Global Investors is a signatory to and member of a number of responsible business code of conducts and internationally recognized standards that are related to addressing principal adverse impacts.

Key international standards / initiatives / collaborative networks are:

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<sup>8</sup> More information can be found at <https://www.unglobalcompact.org>.

- In 2007, Allianz Global Investors was among the first 50 asset managers to sign the **UN-supported Principles for Responsible Investment (PRI)**. As stated by the PRI principles, signatories commit amongst other to “incorporate Environmental, Social and Governance (ESG) issues into investment analysis and decision-making processes”, whereby ESG issues<sup>9</sup> refer to both: The impact of ESG-related risks on investments as well as their impacts on sustainability factors. Today, the principles continue to guide our approach and drive continuous improvement across our business. Allianz Global Investors’ PRI Transparency Report contains more detailed information and is available on our [website](#).
- Allianz Global Investors is an official supporter of the G20 Financial Stability Board’s **Task Force on Climate-related Financial Disclosures (TCFD)**. We are improving transparency around climate-related disclosures and are working to further align our strategy and approach with the recommendations developed by TCFD. As TCFD has encouraged companies all over the world to disclose the risks that climate change poses to their business models, supporting this is aligned with addressing carbon emission and climate risks more broadly that we consider having sustainability adverse impact.
- Allianz Global Investors is a participant of **Climate Action 100+**. The Climate Action 100+ is a five-year investor-led initiative to engage more than 100 of the world’s largest corporate greenhouse gas emitters to curb emissions, strengthen climate-related financial disclosure and improve governance on climate change risks. Participating in the Climate Action 100+ is for us an important way to support reducing carbon emission which we consider as one of the key principal adverse impacts.
- In 2021, Allianz Global Investors joined the Net Zero Asset Managers initiative (NZAMi)<sup>10</sup>, and supports the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5°C. As stated by the NZAMi, signatories commit part to work in partnership with asset owner clients on decarbonization goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management, 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 their interim target at least every five years, with a view to ratcheting up the proportion of AuM covered until 100% of assets are included. [Allianz Global Investors’ TCFD Report](#) contains more detailed information and is available on our website.

A complete list of all Allianz Global Investors’ memberships and partnerships can be accessed in [Collaborative ESG Initiatives and Memberships](#).

Our parent company, Allianz is a member of RE100 and Science-Based Targets initiative (SBTi), Founding member of the U.N – convened Net-zero Asset Owner Alliance (AOA). With its AOA membership Allianz is committed to aligning its insurance investment portfolio with a 1.5°C scenario, addressing Article 2.1c of the Paris Agreement. A complete list of all memberships and partnerships can be accessed in the [Group Sustainability Report](#) section 05.4.

## IV STATEMENT UPDATES AND MAINTENANCE

This Statement, will be available by the public on Allianz Global Investors website: [Allianz Global Investors PAI statement](#).

Allianz Global Investors reviews its Principal Adverse Impact Policy and this Statement at least annually or more frequently if material changes to the regulatory or market environment occurs that may require adjustments.

## V INVESTMENT ADVICE

We currently do not take into account principal adverse impact in our investment advice. The detailed rules on principal adverse impact are not yet finalized. We will review the decision by the end of the year based on then available data and the finalized standards. Upon clients request we can offer taking into account principal adverse impact on the range of indicators we consider as part of our investment decisions.

<sup>9</sup> For more information on ESG issues as defined by PRI, please see here:

[https://www.unpri.org/Uploads/x/l/a/maindefinitionstoprireportingframework\\_971173.pdf](https://www.unpri.org/Uploads/x/l/a/maindefinitionstoprireportingframework_971173.pdf) (page 3)

<sup>10</sup> More information can be found at <https://www.netzeroassetmanagers.org/>

## VI NOTICE

This Statement is prepared by Allianz Global Investors and is not intended to be relied upon as a forecast, research or investment advice, and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy. It is intended for information purposes only. The duplication, publication, or transmission of the contents, irrespective of the form, is not permitted.

Appendix 1  
Entities to apply

This Policy applies to all entities under the Governance of Allianz Global Investors Holding GmbH, Allianz Global Investors GmbH, and their affiliates and branches in all regions. For the avoidance of doubt, this includes Allianz Capital Partners GmbH.