

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 on 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 markets¹. 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 factors².

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.

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

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

https://www.unpri.org/Uploads/x/l/q/maindefinitionstoprireportingframework_971173.pdf (page 3)

2. Identification and prioritization of Principal Adverse Impact 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. We have identified several key indicators e.g. carbon emissions, exposure to sectors that are affecting climate change more than other sectors, human rights, and labour rights.

Allianz Global Investors selected those key adverse impact indicators based on several factors such as scope, availability, applicability, probability of occurrence, and potential irremediable character. Allianz Global Investors considers the identified impacts and used indicators with the same priority.

Reasons for not including certain indicators are as follows:

- Indicators that are relevant only for certain sectors or projects
- Lack of data or suboptimal quality of data
- High probability of data being misinterpreted by clients

However, Allianz Global Investors will comply with regulatory requirements and provide transparency related to the mandatory indicators on a best effort basis.

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 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.

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 weapons³ and (2) restriction of sanctioned sovereigns⁴.
- **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 Compact⁵
 - companies involved in controversial weapons (anti-personnel mines, cluster munitions, chemical weapons, biological weapons, depleted uranium, white phosphorus and nuclear weapons);

³ Allianz Global Investors has processes in place to identify firms that manufacture cluster munitions and anti-personnel mines and all companies delivering components and systems that have been specifically designed or modified to fit for the use of these controversial weapons, which enables Allianz Global Investors to work closely with its Clients aiming that we avoid actively investing in such companies in those funds and accounts that wish to exclude these investments.

⁴ 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.

⁵ More information can be found at <https://www.unglobalcompact.org>.

- 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:

- 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 issues⁶ 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 is with detailed information. Report is available in Allianz Global Investors [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

⁶ For more information on ESG issues as defined by PRI, please see here:

https://www.unpri.org/Uploads/x/l/q/maindefinitionstoprireportingframework_971173.pdf (page 3)

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.

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 6.2.

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 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

Allianz Global Investors GmbH
Allianz Capital Partners GmbH