

# Allianz Global Investors Sustainability Risk Management Policy Statement

ALLIANZ GLOBAL INVESTORS

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# I PURPOSE AND OBJECTIVES

This “Statement” shall outline the principles that apply to the manner in which sustainability risks within the meaning of the Article 2 point 22 of the Regulation (EU) 2019/2088 (“Sustainability Risks”) are taken into account in financial instruments 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. In particular, this Statement outlines 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 for listed equities, listed corporate fixed income, sovereign bonds, multi-asset and alternative investment assets. Certain exceptions may apply to specific investment assets where Sustainability Risk management for technical reasons cannot be applied. This Statement is not applicable to funds and discretionary mandates where Allianz Global Investors has delegated the portfolio management to a third-party asset manager.

## III DETAILS OF THE RISK MANAGEMENT POLICY

### 1. Introduction

#### 1.1 Sustainability Risk Management Strategy Objective

Sustainability Risk management processes aim at achieving optimal investment outcomes according to our Clients’ investment objectives and to achieve a better risk-adjusted investment performance over a market cycle. They also endeavor to analyze and where possible minimize the adverse sustainability impact of invested projects and corporates in the mid- to long-term of assets under management. In line with the EU regulation Allianz Global Investors’ Sustainability Risk management strategy addresses two dimensions:

- Analysis and management of Sustainability Risks (i.e., environmental, social or governance events or conditions that, if they occur, could cause an actual or a potential material negative impact on the value of the investment).
- Analysis and consideration in the investment process of potential negative, adverse impact on the environment, social and employee matters, human rights and/ or impacts which may be connected to governance issues such as corruption and bribery (“Principal Adverse Impact”).

#### 1.2 Relevance of Sustainability Risks

Sustainability Risks may have the potential to influence the investment performance of portfolios negatively. Allianz Global Investors considers Sustainability Risks to be potential drivers of financial risk factors in investments such as market price risk, credit risk, liquidity risk and operational risk.

Sustainability Risk factors are principally considered as mid- to long-term investment risks, while they can also materialize in the short-term. They may materialize along any of the three dimensions: environmental, social and/or governance risks. There is research evidence that Sustainability Risks may materialize as issuer specific extreme loss-risks. Such issuer specific Sustainability Risks events typically happen with low frequency and probability but may have high financial impact and may lead to significant financial loss.

It is Allianz Global Investors’ investment belief that Sustainability Risks need to be analyzed and managed holistically through fundamental research and active stewardship. Our Sustainability Risks management approach aims to ensure that

Sustainability Risks are appropriately identified, measured, monitored and mitigated in accordance with regulatory requirements.

Allianz Global Investors applies various Sustainability Risks management techniques and instruments. These are customized by type of investment strategy and asset class.

### 1.3 Managing conflicts of interest

Allianz Global Investors has a duty to act in Clients' long-term best interests. Potential conflicts of interest with Allianz Global Investors or between Clients, or between Clients and Counterparties, shall be the subject of specific attention and handling, as specified under relevant policies related to the prevention or mitigation of such conflicts of interests. Allianz Global Investors has policies and procedures in place in order to identify and to prevent or fairly manage conflicts of interest. Various examples of potential conflicts of interests and how Allianz Global Investors manages them are included in Allianz Global Investors' Europe Client Information on conflict of interests (provided to Clients upon request) as well as the [Stewardship Statement](#). Employee training is designed and implemented 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.

## 2. Sustainability Risk management

Allianz Global Investors considers Sustainability Risks as follows:

- For **publicly listed asset classes**, Sustainability Risks are assessed using external sustainability research data and/or internal research and analysis. Both external and internal research aims at identifying potential financial risks of an investment in securities of an issuer related to sustainability. Issuers can be corporate issuers, sovereign issuers or sub-sovereign agency issuers.

The investment manager considers the Sustainability Risks in the investment process. The Sustainability Risks assessment does not cover cash and deposits, derivatives and non-rated investments. Additionally, through active stewardship, such as targeted corporate engagement and proxy voting, Allianz Global Investors investment professionals aim to mitigate and improve Sustainability Risks of listed corporates.

To ensure proper stewardship of invested corporates Allianz Global Investors has implemented [Global Corporate Governance and Proxy Voting Guidelines](#) for public market equity investments.

- For **private market asset classes**, Sustainability Risks are considered throughout both the investment process and ongoing asset management activities. In many cases, they are also specifically screened along Sustainability Risks guidelines or using minimum exclusions lists. These Sustainability Risk guidelines or filters are based on international best-practice standards and comprise aspects such as climate change, biodiversity, governance, and impacts on the workforce and local communities. When a Sustainability Risk is detected during the origination process, the investment team can utilize a number of methods to mitigate and manage these identified Sustainability Risks, whether through commercial terms or documenting specific conditions, or indeed by rejecting the transaction if the Sustainability Risk are deemed to be insufficiently mitigated. Investments are actively monitored through the asset management process, responding to materializing Sustainability Risks quickly and decisively through engagement with the management or sponsors of the companies in which Allianz Global Investors invests on behalf of our clients.

Allianz Global Investors also considers Principal Adverse Impact of prospective and active investments.

- For **listed equities and corporate fixed income assets**, Allianz Global Investors performs a regular portfolio screening of Principal Adverse Impact along selected key performance indicators such as emission of greenhouse gases or breaches of Human Rights as defined by UN Guiding Principles on Business and Human 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.

Further detail is given in Allianz Global Investors' Principal Adverse Impact Statement.

### **3. Organizational framework of Sustainability Risk management**

The primary responsibility for Sustainability Risk management lies with the portfolio management function. As a second line of defense, the risk management function performs an independent oversight of Sustainability Risks. If needed, Sustainability Risks are escalated to committee level to decide risk mitigation and management actions including measures to reduce Sustainability Risk exposures such as sales of assets. The Allianz Global Investors' board is responsible for approving the business and risk strategy, as well as its oversight of its communication and implementation within the entity (risk culture) and through established process structures.

## **IV Statement updates and maintenance**

This Statement, will be publicly available on Allianz Global Investors' website: [www.allianzgi.com](http://www.allianzgi.com)

Allianz Global Investors reviews its Sustainability Risk management process and this Statement at least annually or more frequently if material changes to the regulatory or market environment occurs that may require adjustments. Material events can be defined as any change in systems, processes or relationships which will impact our ability to properly identify, assess, monitor and manage risks.

If a material event occurs, the Sustainability Risk management process and this Statement will be reviewed by the relevant portfolio management function at the earliest opportunity to ensure that they remain effective in ensuring Allianz Global Investors has the appropriate processes in place. Statement updates will be published on the website.

## **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