Allianz Global Investors

Shaping sustainable pathways towards change

Sustainability and Stewardship Report 2022

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About this report

Shaping sustainable pathways towards change

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 towards change that secure the future for our clients, our business and society.

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 active stewardship with our stakeholders. We have included an expanded section on corporate sustainability that features more details of our work on embedding environmental, social and governance (ESG) practices in our business operations, and engagement with our communities and society. Our reporting journey reflects the broader shift from sustainability commitments to progress, with the onus on demonstrating tangible change and real-world impact.

This Sustainability and Stewardship Report showcases our sustainable investment and corporate sustainability beliefs and capabilities. The content is also intended to renew our admission to the UK Stewardship Code, one of the most important external accreditations of our stewardship activities. Being a signatory of the Stewardship Code is an increasing priority for institutional investors when considering partners.

Report scope and boundaries

The content of this report relates to all AllianzGI activities and locations. All measures, activities and figures refer to the 2022 fiscal year (1 January 2022 to 31 December 2022) unless otherwise stated.

Find out more

Read more about our approach to sustainability and explore our latest research on our website, where you will find key policy documents and reports, including our latest Task Force on Climate-related Financial Disclosures (TCFD) Report.

For information on the sustainability commitments and performance of Allianz, please refer to the Allianz Group Sustainability Report 2022.

- **AllianzGI website.**
- **AllianzGI TCFD Report.**
- **AllianzGI Diversity, Equity and Inclusion Report 2022.**
- **Allianz Group Sustainability Report 2022.**

How to read this report

Our Sustainability and Stewardship Report 2022 has four sections plus an appendix, which together reflect our commitment to sustainable investing, active stewardship and corporate sustainability.

Introduction	Hear from our CEO, our Global Head of Investments and our Global Head of Sustainable and Impact Investing about the events that impacted us over the last year and how we are evolving our approach.
Our sustainability approach	Find out how we are evolving our strategic approach from ESG to sustainability to impact, and from sustainability commitments to progress.
Sustainable investing	Read about how our investment offering and active approach aim to position us as a shaper of sustainable investing solutions across public and private markets.
Active stewardship	Understand our guiding themes – climate change, planetary boundaries, and inclusive capitalism – and how they impact our active approach to engagement and voting.
Corporate sustainability	Learn how we are increasing our efforts to benefit employees, communities and the environment, and how we manage risk and ensure compliance across our business.

UK Stewardship Code indexing

Throughout the report, we mark content that specifically addresses the Principles of the UK Stewardship Code. A full index is included on page 123.

Principle 1

Principles 2 3

Welcome from our CEO, Tobias Pross

Building a resilient approach

Welcome to Allianz Global Investors' 2022 Sustainability and Stewardship Report as we reflect on an extraordinary year for investors. This is the second year that we have combined our sustainability and stewardship reporting in a single report to provide a holistic view of our commitments and achievements. Our focus this year was on emerging from the Covid-19 pandemic better, stronger and more resilient. But on top of that, we faced unexpected market turbulence driven by the war in Ukraine and geopolitical instability. The impacts have been wide ranging, spanning energy security, transition and affordability, inflation, rising interest rates, supply chain issues and challenging equity and bond markets.

These challenges have huge implications for the investment community. But while investors' commitment to sustainable investing may have been tested, our view remains the same. We believe sustainable investing is every bit as crucial to the resilience of asset owners, investors, the wider industry, and society as a whole.

With devastating floods in Pakistan, South Asia, Malaysia and West Africa, and heatwaves and drought in Europe, China and Africa, the year 2022 gave clear signs of the potential impacts of climate change.

AllianzGI's culture principles – including putting clients first, being solution-oriented and being sustainable in everything that we do – underpin our commitment. While our strategic ambition remains the same, with sustainability as a key pillar, our approach is evolving. We have moved beyond simply incorporating environmental, social and governance (ESG) risk factors into portfolios to think more holistically about sustainability across investment portfolios.

Our ultimate destination is to be able to achieve and show the true impact of these investments. This shift is the foundation of our strategic journey from ESG to sustainability to impact by 2030. You can read more about how we are developing outcome-oriented impact solutions for investors in section 02 of this report.

Welcome from our CEO, Tobias Pross

Despite a major focus on managing market volatility this year, we have made good progress in integrating sustainability into our various activities – from our investment capabilities to our business operations. It is our continued investment in expertise and people that allows us to develop new products and approaches, alongside transitioning existing products to be more aligned with sustainable investing. We have also started the roll-out of our proprietary sustainability data architecture to inform, shape and track sustainable investment decisions across all asset classes.

We have created a new role to focus on corporate sustainability, underscoring the firm-wide commitment to sustainability that is key to delivering on our clients' priorities – from reducing emissions to supporting local communities as part of the global social impact approach of the Allianz Group.

> **See section 04 of this report for more details.**

Protecting our offering to clients by being compliant with regulation is critical for all new and existing products, and we are constantly learning and evolving at pace in response to developments in regulation.

In July 2022, we completed the transfer of certain US investment teams and the assets they manage to Voya Investment Management as part of our strategic partnership. We are grateful to regulators, colleagues and clients who made this possible and look forward to making the most of the opportunities presented by this partnership.

Volatility seems set to be a continued companion in 2023, presenting challenges and opportunities. Inflation remains a concern for everyone – both firms and individuals – and the impact of slower growth will be felt to varying degrees around the world. Geopolitics will continue to impact economic decisions, reiterating the crucial need to maintain the focus on sustainable investing to generate value for asset owners and society, elevate the investment experience and protect and enhance clients' assets over the long term.

In this context, our commitment to shaping sustainable pathways will focus on addressing the diversity of client needs through leadership and collaboration as we continue to evolve our holistic approach to sustainability.

In conversation with our Global Head of Investments and Global Head of Sustainable and Impact Investing

Principle 1

Leadership insights on our journey

Deborah Zurkow
Global Head of Investments

Matt Christensen
Global Head of Sustainable and Impact Investing

Q 2022 was an extraordinary year for investors. How has investor appetite for sustainability and transparency been impacted by the events of the year?

MC 2022 was certainly a year during which sustainability was tested and, in our view, came of age. The onset of the war in Ukraine was a defining event of the year, and the conflict sparked implications far beyond its geographic footprint. We saw an energy crisis in Europe and global food supply volatility alongside climate-related weather events. This has tested both markets and investor commitments to sustainability, but it has also brought a new level of realism about what sustainable investing needs to achieve and how it is measured. The transition has been aided by regulation that sets a high bar for what qualifies as sustainable. Clients are rightly seeing the European Union's SFDR Article 8[1] as the minimum commitment for sustainable products, and data and insights are increasingly critical in reconciling their desire for both financial returns and sustainable outcomes. Across the industry we've seen historic methodologies called out as part of the move from opaque scoring systems to quality raw data. This has made it one of the most extraordinary years, not just in terms of the data we had to source but also the need for engagement to supplement this data.

Q What does being a sustainability shaper mean for AllianzGI?

DZ We are the guardians of the capital and savings of a wide range of people, from younger generations to grandparents. They want to do the right thing for the future, and they also have to meet their needs now. Being a sustainability shaper means addressing these dual needs by keeping the spotlight firmly on seeking to deliver financial outperformance while building our sustainable offerings and future-proofing our investments. Allianz, our parent company, is vocal on its stance on sustainability as a company and what it brings to the world in terms of net zero as a founding member of the Net-Zero Asset Owner Alliance. At AllianzGI, we've seen a step change in our sustainability commitments since 2020, consistent with our belief that we have a role to play in shaping future outcomes. Doing good for the world also involves being fiscally responsible and avoiding stranded assets

1 Sustainable Finance Disclosure Regulation – Article 8. Defined as "a fund which promotes, among other characteristics, environmental or social characteristics, or a combination of those characteristics, provided that the companies in which the investments are made follow good governance practices."

In conversation with our Global Head of Investments and Global Head of Sustainable and Impact Investing

by staying ahead of where investors and financing priorities are going. It means being innovative with how we create and funnel investments. And it requires strengthening our focus on corporate sustainability and ensuring all our employees can contribute, while holding ourselves to the high standard of governance that our stakeholders expect.

Q Can you describe what you mean by the journey from ESG to sustainability to impact?

MC Beyond the big events we've seen in the headlines this year, we think the move from ESG to sustainability to impact will be the long-term trend of the decade. To explain, ESG is the foundation from which we must develop our long-term approach. It's a base level of risk management that clients expect of sustainable investments in terms of assessing and filtering out risks. Building on that, sustainability shifts the purpose from risk management towards developing purposeful solutions that are created to deliver outcomes needed by society, like those targeted by the United Nations' Sustainable Development Goals (SDGs). This requires a solution mindset that uses ESG intelligence to solve the key challenges. Decarbonisation is a classic example, whereby we develop a portfolio not just based on managing ESG risk but on aiming to deliver outcomes that support the pathway to net zero. Beyond sustainability considerations, impact goes further by targeting measurable social or environmental benefits as well as an investment return. This is the most ambitious level to achieve. It requires a portfolio manager to have a strong impact conviction, and the opportunities can span both public and private markets. AllianzGI has developed an impact scoring framework for private market investing and an emerging body of industry standards is enabling more accurate measurement and reporting for impact investing. Over time, expect to see more portfolios being developed to meet a range of goals, which will be well-defined for investors from the outset.

Q How are you addressing data needed to support the journey?

DZ The importance of data cannot be overstated, in terms of delivering impact, keeping pace with regulation, and delivering financial returns. To be robust in our approach to Article 8 funds, as defined under the EU's Sustainable Finance Disclosure Regulation, we need our own ratings and screening process to reconcile sustainability and financial performance in a portfolio. There's a growing number of different sources of sustainability data and it can be difficult to reconcile these sources into meaningful insights. That is why we have invested heavily in creating an ESG data architecture and platform that can service our own ratings and screening, and enable us to look at markets and portfolios to determine how to push forward on sustainability outcomes while aiming to maintain financial outperformance.

MC We made research a key part of our team for a reason, starting with defining what ESG factors are key for each sector in order to feed the development of new data analytics software. The launch of SusIE, our Sustainability Insights Engine, represents a significant milestone for our journey to create our own dataset and processes to drive our sustainable performance. Now that the heavy lifting has been done in creating the tool, the next steps will be the addition of modules of stewardship and engagement in 2023.

In conversation with our Global Head of Investments and Global Head of Sustainable and Impact Investing

Principle 1

Alongside this, our new impact framework is being used on the equity and debt sides of our private markets work, as well as at a fund level to feed into our direct investing.

Q Innovation around funding is critical in delivering sustainability objectives. How do you see blended finance playing an increasing role in delivering sustainable, long-term impact?

DZ We've focused over the past several years on our ambition to gather more private markets funding around climate and the needs of emerging markets across the SDGs. Blended finance is about directing private markets funding into investments that have historically been the domain of development finance institutions (DFIs). In emerging markets, there often isn't enough capital to fund infrastructure projects and the idea is that, by working together, private investors carry less risk and DFIs can make their money go much further. We're also increasingly involved in the equity and debt side of blended finance in emerging markets on projects that have a climate change element. We have a tripartite agreement with Allianz to see how we can positively impact climate-related outcomes. But an increasing number of third-party investors are looking at blended finance as an access point to seek to address climate problems across the globe. Scale is key and blended finance as a technique is something we need to pay attention to and draw in more investors. We're already doing this in emerging markets and the same technique could be applied to developed markets. We are at an inflection point – as people become more receptive to seeing the track record on these financings, we can start to expect growth in interest from more third-party investors.

Q How is AllianzGI evolving its approach for a low-carbon future?

MC What we see happening with the impact of events in Ukraine and the volatility of energy markets are tests along the way as sustainable investing continues to become mainstream. We must maintain a long-term mindset and put our building blocks in place for the future we want to shape. You cannot simply turn on the switch for a net zero system today, but you can thoughtfully plan for tomorrow and we are pragmatic about moving towards a lower-carbon world. Decarbonisation and net zero alignment are complex, and we are developing solutions which we believe are credible, practical and scalable. We've worked hard to set up the architecture and infrastructure to deliver Article 8 and 9 solutions, and we are targeting a steady journey to achieve long-term scalability.

Q What do you predict we will see over the next few years in terms of sustainable investing?

DZ We think demand for sustainable products will increase dramatically with the accumulation of wealth in a generation that has been focused on sustainability for longer than those of us who are closer to retirement. This is a change that has already started. One of the big challenges we will need to overcome is the issue of so much disparate regulation, which has created significant complexity. More consistency across regions would make it easier to invest in sustainable products in different places. Europe is on a forward roll and collective will is not going away, as we have both a bottom-up and a top-down agreement about the critical importance of sustainable solutions. Overall, I'm very positive about the trajectory we are on, and how we're increasingly living and breathing sustainability right across our firm. Progress on sustainability takes partnership and collaboration with clients, colleagues, regulators, communities and all our other stakeholders.

About Allianz Global Investors

Principle 1

With a commitment to active asset management, we seek to elevate the investment experience and protect and enhance our clients' assets over the long term.

Allianz Global Investors (AllianzGI) is an active investment management firm and part of Allianz Group. With a focus on managing assets and investing for the long term, we have more than 600 investment professionals and 500 relationship managers working across 20 locations worldwide. We manage EUR 506 billion of assets for institutions and individuals around the globe.[2]

AllianzGI offers a diversified range of active investment strategies across four main pillars: equities, fixed income, multi asset and private markets across the Americas, Europe and Asia Pacific. With this footprint, we combine expertise across public and private investments in developed and emerging markets with our advisory services – delivered by our specialist risklab capabilities. This enables us to guide clients in aligning their sustainability values and their investment objectives.

Providing value for our clients means securing and protecting their long-term wealth. We do this through our commitment to personal client service and global and local market knowledge and insights. This is reinforced by identifying long-term growth opportunities that align with our vision of a sustainable future.

Sustainability has evolved in the last two decades to become an integral part of the AllianzGI investment philosophy. This is mirrored by our commitment to embedding sustainability in our own operations. This echoes the purpose of our parent company, Allianz Group – "We secure your future" – which prioritises tackling climate change, delivering social impact and ensuring sustainable growth.

Generating value for our clients is at the core of our ethos as we aim to shape sustainable pathways towards change. In practice, this means motivating inclusive sustainable growth for our clients' wealth generation and preservation. To achieve this, we partner with clients and other stakeholders to develop innovative, forward-looking solutions and seek opportunities for collaboration towards real world impact.

2022 highlights[2]

EUR 506 billion total assets under management (AuM)

EUR 251 billion of ESG risk-focused, sustainability-focused and impact-focused assets

250 sustainability analyses completed on companies worldwide

Active stewardship: **438 engagements covering 996 topics**

Greenwich Quality Leader in institutional and intermediary investment management in Asia and Continental Europe[3]

Our Executive Committee (ExCo) is **50% female** (since 2020)

100% of employees completed the Global Compliance Training

59% reduction in greenhouse gas emissions per employee (vs. 2019)

100% renewable electricity in our offices and local data centres (since 2021)

2 Data as at 31 December 2022.
3 Coalition Greenwich, 2022.

About Allianz Global Investors

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Our five business objectives

Together with our clients, employees and other stakeholders, we aim to drive lasting change by using our expertise, influence and impact-focused investing across the entire investment value chain. We approach this with a long-term perspective because our active strategies can take a longer-term view and align with the time horizon of our clients, as well as the trends reshaping markets.

To achieve this, 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, three-year and five-year periods, the time horizons defined to us by our clients. 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 research 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. 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 Allianz Engagement Survey is our main tool for assessing employee satisfaction and we use the results to highlight where we need to improve.

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, we believe our company will grow sustainably and deliver strong results for our shareholders over the long term.

> "We motivate our people by fostering a merit-based, values-driven, inclusive culture.

About Allianz Global Investors

Shaping sustainable pathways as a responsible business

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 values

Our company values – excellence, integrity, respect, and passion – describe how we want to conduct our business. They underpin our commitment to being sustainable across all our activities and in our stewardship approach.

- **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** requires holding ourselves to standards over and above compliance requirements.
- **Passion** means we apply ourselves consistently in the face of both success and adversity.

Our culture principles

Our culture principles – set out below – inspire sustainable behaviours and foster a working environment that supports our strategy to be first choice for savers and investors who seek financial returns alongside positive change. These culture principles describe behavioural expectations and aspirations towards AllianzGI employees and are consistent with our corporate values.

Our culture principles

Put the **client first**

Take **ownership** of the final outcome

Be **sustainable** in everything we do

Think outside the box and embrace failure as a learning opportunity

Be **solution- oriented**

Win together as a **team**

Be **courageous** and make tough choices

01
Our sustainability approach

Evolving our strategic approach

This year's report focuses on how we are shaping pathways towards change. This reflects our direction of travel as an active investor from ESG to sustainability to impact, and a broader shift in sustainability from commitments to progress, to clearly demonstrate tangible change.

Principle 1

01.1 Evolving our strategic approach

Principles 1 9

01.1.1 What sustainability means to us

Our commitment to shaping sustainable pathways addresses client needs alongside the needs of society and our planet. To be a sustainability shaper, we must take a holistic approach.

Sustainability and sustainable investing are complex and wide-ranging. We are constantly learning and testing innovative approaches and forging partnerships.

Being a sustainable and resilient business is an essential part of this journey, alongside driving sustainable growth through investing. Innovation is key and we constantly learn as we progress from an ESG focus to sustainability and on towards real-world impact across our three strategic focus areas of climate change, planetary boundaries, and inclusive capitalism.

> **See visual on page 15.**

Corporate sustainability at AllianzGI

We are elevating the importance of corporate sustainability as a driver for sustainable growth in the face of the climate crisis and societal challenges. In driving sustainable pathways towards change, we must go beyond our focus on the resilience and long-term growth of clients' assets and aim for the same deep scrutiny and due diligence to our own impact as a company. This is how we will continue to embed trust in the AllianzGI brand as a corporate citizen and a responsible steward of assets.

Stakeholders are demanding increased corporate responsiveness on sustainability, and complex legal and enterprise risk issues require a more defined and sophisticated approach. According to the latest Edelman Trust Barometer[1], public trust in business is declining in several countries, including Germany, and 88% of institutional investors say they now subject ESG to the same scrutiny as operational and financial considerations.

We are accountable to all our stakeholders – including clients, employees, societal partners, regulators and our parent company, Allianz – and their trust is fundamental to our social licence to operate. This means we must be transparent in how we communicate our successes and failures as we continue to learn and evolve our approach.

Over the course of 2022, we continued to enhance the sustainability function with a dedicated focus on corporate sustainability and a mandate from our Executive Committee to deliver long-term business value without compromising people, planet or profit. This means taking a balanced and forward-looking approach that demonstrates social accountability and a commitment to transparent reporting, partnerships and engagement.

At the core of our approach is a commitment to inclusive meritocracy – building and enhancing a culture and working environment where people and performance matter. We promote a culture that is built on mutual trust and respect, empowerment and collaboration. We foster diversity and client satisfaction as top priorities, along with the environmental management of our operations and philanthropic engagement with local communities and wider society.

88%

of institutional investors say they now subject ESG to the same scrutiny as operational and financial considerations.

In May 2022, Allianz SE announced the resolution of US governmental investigations concerning our Structured Alpha funds with a guilty plea by Allianz Global Investors US. Following heavy losses in the funds during the Covid-19 market turmoil, we fully cooperated with investigations by US authorities. It became apparent that three former employees manipulated numerous bespoke client communications to understate the risk of portfolios. As soon as the misconduct was established, we took quick and forceful action. We continue to implement targeted enhancements to further strengthen oversight, investment analytics and client communication controls.

1 https://www.edelman.com/trust/2021-trust-barometer/investor-trust.

01.1 Evolving our strategic approach

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Ensuring regulatory compliance and organisational resilience is key. We are developing harmonised, visible and transparent processes to simplify, scale and enhance process quality and efficiency. It is essential that our leaders have the right knowledge, experience, professional qualifications, integrity and soundness of judgement. We also need every employee to have the understanding and capabilities to meet our standards. That is why compliance is central to performance appraisal and we monitor for breaches and misconduct with a range of possible outcomes.

Our investment in the sustainability function supports our culture principle of "being sustainable in everything that we do". Bringing the Corporate Sustainability Officer (CSO) function together with sustainable and impact investing cements AllianzGI's commitment to operate as a sustainable business in a world in which investors require a diverse range of sustainable products and solutions.[2] This will ensure that we operate as a good corporate citizen by positively contributing to communities and society, and delivering sustainable value for stakeholders.

> **For more information, see section 04.**

Our approach to sustainable investing

We aim to simplify the complexities of sustainable investing by guiding and partnering with clients and other stakeholders to offer effective solutions that address diverse investment objectives.

Our sustainable investing philosophy centres around an investee entity's future "operating and financial resilience" in evolving economic and climate scenarios, and its positioning in different investment strategies.

> We aim to simplify the complexities of sustainable investing by guiding and partnering with clients and other stakeholders.

We seek to inform, not prescribe, the ESG, sustainability and climate profile of investee companies. Our aim is to motivate inclusive sustainable growth by actively partnering for forward-looking solutions and creating real-life change through collective action.

This includes responding to regulatory demands and challenging climate and geopolitical events. The World Economic Forum's Global Risks Report 2023[3] ranks natural disasters and extreme weather events as the second greatest risk after the cost of living. Over the next 10 years, the report identifies the top three risks as failure to mitigate climate change, failure of climate change adaptation, and natural disasters and extreme weather events. In fourth position is biodiversity loss and ecosystem collapse. We see these risks as closely interdependent and this view underpins our holistic approach to sustainable investment.

2 For the avoidance of doubt, whenever using the term sustainable product/fund in this publication, AllianzGI refers to a product or fund classified as Article 8 or 9 under SFDR as a minimum criteria.
3 https://www3.weforum.org/docs/WEF_Global_Risks_Report_2023.pdf

01.1 Evolving our strategic approach

Principles 1 4 9

We have identified three pivotal themes which we believe are critical to society, our investors and us as a business: climate change, planetary boundaries, and inclusive capitalism. We aim to deconstruct these into actionable sub-themes and use them to guide targeted engagement and research to ensure we identify the most material risks and opportunities for our business and its future impact.



	Climate change the future temperature in which we will live	**Planetary boundaries** how we will sustain the population in a higher temperature world	**Inclusive capitalism** how we live equitably in a higher temperature world with an evolving global economy
Key ESG issues	• Climate change • Climate action	• Biodiversity • Circular economy, resilience • Resource use (eg, water use, land management)	• Social welfare and inclusion • Access to health, finance and education • Human capital, livelihoods
Beliefs	Climate change is one of our planet's most pressing challenges, with potential consequences across all three ESG elements.	We have to define the environmental limits within which humanity can safely operate, and avoid any unintended consequences of the fight against climate change.	Inclusion will become the next big wave after climate change, and will require innovative thinking and solutions that meet the demands of younger generations.
Examples	• Over 30 mutual funds implement our Climate Engagement with Outcome (CEWO)[4] 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

4 Since launching CEWO, increasing regulation has shifted the focus towards more data-driven approaches, while engagement is typically viewed as complementary to a sustainability strategy. We have evolved our approach to climate transition to encompass data and measurability using key performance indicators.

01.1 Evolving our strategic approach

Principles 1 4 9

The year 2021 saw significant evolution of our approach to sustainable investing, setting the scene for 2022. The year's geopolitical events and regulatory environment, however, created unexpectedly testing market dynamics for sustainable investors. Our focus remained a commitment to developing scalable solutions to support the transition from ESG to sustainability to impact.

The implementation of this strategy in 2022 included a number of key developments which underpin our vision for credible sustainable investing and meaningful impact.

Sector research: enhanced sustainability sector frameworks, showing how an industry sector screens on multiple factors, and our proprietary Sustainability Materiality Matrix identifies the most material E, S and G sub-factors for 24 broad sector classifications.

Company research: we developed separate and absolute company ESG scores to provide additional perspectives for investment decision-making. We supplemented these with detailed company analysis commentary which now includes human rights – a key topic within our inclusive capitalism theme.

Risk and exclusion flags: greater clarity to improve understanding of the reasons for exclusions.

Clearer guidance: a new framework on regulatory measures (sustainable investment share, "Do No Significant Harm" principles, EU taxonomy shares) which combines a quantitative approach with qualitative research.

Evolving climate data capture: data monitoring to support decarbonisation pathways and net zero alignment.

Performance transparency: expanding key performance indicators (KPIs) for planetary boundaries and inclusive capitalism topics in line with work done on climate change KPIs.

We believe enhanced research and our new proprietary Sustainability Insights Engine (SusIE) will enable colleagues across the investment platform to help investors understand the scope of non-financial considerations of investee companies, and the potential for this to influence financial returns.

These enhancements also help to identify what types of investors can hold specific assets, which is important for technical considerations and positioning. All of this informs how we can engage and target stewardship outcomes for investee holdings, which can add important perspectives on how to interpret existing data sets at a time when data continues to evolve.

Looking ahead to 2023, having developed a robust architecture for the "inputs" into investment decisions, we will turn our attention to the best way to approach the outcome or "impact" of those investment decisions and the extent to which capital has achieved non-financial goals alongside financial returns. We expect to see accelerating progress in the coming year.

01.1.2 Focusing on the material sustainability themes of today and tomorrow

Our approach is guided by the material sustainability themes of today and those of tomorrow, which requires a constant focus on the shifting global context.

Our focus for 2022 included:

- Addressing the close interconnectivity between the climate crisis and biodiversity. We see these as key themes to be tackled in collaboration with other stakeholders. The need to tackle risks and opportunities associated with biodiversity loss has been emphasised by food supply shortages because of the war in Ukraine and droughts around the world in 2022.
- The future of energy accelerated as a theme following the outbreak of war in Ukraine in February 2022. Energy is central to our themes of climate change and inclusive capitalism.
- Inclusive capitalism has come to the fore as investors look to increasingly embed social factors into decision making. This touches upon social inclusion, but is highly interconnected with climate change, biodiversity loss and welfare security deriving from food, water and energy.

> **See section 02.2.1 for insights from our research across themes including sustainable food systems, healthcare and energy security.**

01.1 Evolving our strategic approach

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01.1.3 How active asset management supports the transition to a better future

We are fully committed to active asset management, which offers unique advantages in today's investment environment – whatever the asset class, geographic scope or investment style. Being active allows us to stay ahead of our clients' future needs and to manage developing risks and opportunities for sustainable investing.

As part of our active approach, we have further embedded the three sustainability themes that we identified in 2021. These continue to shape our research and engagement activities and underpin our entire approach to sustainable investing:

- **Climate change:** finding solutions to avoid the harmful effects of climate change.
- **Planetary boundaries:** how we sustain ourselves in a higher temperature world.
- **Inclusive capitalism:** living equitably in a world with a rising population and increasing resource constraints.

In 2022 we built out our thematic engagement approach along these three themes.

> See section 03.1.

Other highlights include:

- Integrating ESG risk considerations into all our investment processes and active stewardship approach.
  > See section 02.5.
- Constructing portfolios designed to deliver financial returns over the long term combined with strong sustainability performance.
  > See section 02.6.
- Enhancing our ESG approach in private markets alongside creating an Impact Management and Measurement team. This team has built the AllianzGI impact framework for private markets to ensure investments generate material and measurable positive impact for our clients.
  > See section 02.6.
- 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 advisers globally, risklab – an advisory team within AllianzGI – helps our clients to meet their investment goals through specialist advice and solutions. In 2022, our sustainability-specific capabilities within risklab helped more than 25 clients understand and enhance the sustainability profiles of their portfolios.
  > See section 01.3.
- 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.
  > See section 02.6.3.
- Active stewardship continues to be a core action across our product strategies: in 2022, we engaged with 355 companies across 11 different sectors and 28 countries. We participated in 10,200 shareholder meetings in 2022, representing 94% of all votable meetings. We voted against, withheld, or abstained from at least one agenda item at 69% of all meetings globally, and overall we opposed 22% of all resolutions globally.
  > See section 03.

In 2022, the Sustainability Team developed a firm-wide sustainability training programme, launched in Q1 2023 and mandatory for all employees globally. This training has been designed to help our employees enhance their understanding of what sustainability means to AllianzGI and what it will take to deliver on our ambition to become a sustainability shaper.

01.2 Strengthening sustainability governance

Principles 1 2

Responsible and transparent governance is crucial to enable the creation of sustainable value for all our stakeholders.

We are committed to clear and transparent governance principles and this commitment extends to our governance of sustainable investing and stewardship. Sustainability is embedded throughout AllianzGI and our sustainability ambition is set by senior management as part of the overall strategy of the business. As part of the Allianz Group, we are subject to its governance requirements relating to ESG matters.

Allianz has increased the importance of sustainability with the ambition to fully integrate sustainability across the company. The Board of Management at Allianz SE is ultimately responsible for all matters related to sustainability and is supported by the Group Sustainability Board (formerly known as the ESG Board).

In 2021, Allianz established a centralised Global Sustainability function which supports the Sustainability Board in integrating sustainability into the business. Also in 2021, the Sustainability Committee was created within the Supervisory Board to drive sustainability strategy integration and implementation. Sustainability-related performance is integrated in compensation systems through relevant targets, incentivising board members to act and make decisions according to E, S and G priorities.

For more information, see the Allianz Group Sustainability Report 2022.

01.2.1 Our sustainability governance structure

AllianzGI has clearly established lines of responsibility for sustainability, which enables effective oversight and accountability:

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

01.2 Strengthening sustainability governance

Principles 1 2

Allianz Global Investors – Sustainability Governance Structure

Firm-wide ESG programme to implement:

- State-of-the-art sustainability data infrastructure.
- Requirements of EU MiFID II and SFDR Level 2 regulation related to sustainable financial products.
- Strong firm-wide governance structures along whole value chain.

The Global Head of Sustainable and Impact Investing reports to the Global Head of Investments, who is a member of the ExCo. This anchors sustainable and impact investing at the top of the organisation.

The **Investment Executive Committee (IEC)** is the decision-making body for the management of the firm's investment platform and has responsibility for all sustainability-related topics within investments.

The **Sustainable Investing Working Group (SIWG)** ensures high-quality sustainable investing and stewardship standards are applied and enables cross-asset class topics to be considered. The SIWG includes asset class chief investment officers (CIOs) and managers of the Sustainability Team, who share best practices and discuss and agree sustainable investing activities to integrate sustainability into the investment process. It also confirms the strategic orientations of our sustainable investment policy such as exclusion policy and stewardship policy.

The **Net Zero Working Group** is a dedicated AllianzGI forum established in 2022 to oversee key elements of our climate action plan, including methodologies and decarbonisation implementation plans in line with the Net Zero Asset Managers initiative. This working group comprises representatives from across functions who meet monthly or more frequently to discuss proposals and implementation plans. The group evaluates climate-related decarbonisation plans, commitments, methodologies and measures such as stewardship and client advisory. The group makes recommendations to the SIWG/IEC/ExCo to make final decisions for governance purposes.

The **Global Proxy Voting Committee** determines our global voting policy and handles conflicts of interest. Any major issues or changes are discussed by the SIWG and reported to the IEC.

01.2 Strengthening sustainability governance

Principles 1 2

Established in May 2022, the **Corporate Sustainability Working Group** comprises two ExCo members for Investments and Finance, the Corporate Sustainability Officer, and four department heads in the areas of Technology, Operations and Products; Human Resources; Marketing and Communications; and Sustainable and Impact Investing. The working group meets monthly and ensures effective execution of the corporate sustainability strategy and the integration of associated initiatives and principles.

The **Reputational Risk Working Group** comprises global representatives from across functions who meet twice yearly to discuss topics that may pose a reputational risk and determine whether action is necessary, including escalation to senior management. The group may input on ad-hoc topics that require a collaborative sounding board to assess the need for action.

Other working groups are dedicated to sustainable investment across different asset classes and investment methodologies.

AllianzGI consists of several operational entities and additional lines of responsibility exist at the AllianzGI GmbH level. The **GmbH Management Board** is responsible for overall strategy and corporate sustainability and sustainable investing strategy. It reports to the supervisory board. 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.

Shaping sustainable pathways towards change

Strengthening sustainability governance in Asia Pacific in 2022

We have strengthened sustainability governance structures in Hong Kong, Singapore and Taiwan to combine global oversight with local oversight of sustainability.

The AllianzGI Asia Pacific Legal Compliance Risk Working Group monitors the ESG risk profile and climate scenario stress-test findings related to AllianzGI's Asia Pacific investments on a quarterly basis.

Both the Hong Kong and Singapore boards also receive quarterly reports on the ESG risk profile and climate scenario stress test results of locally managed and domiciled funds. These reports and other material topics relating to climate risk and sustainable investing are discussed at semi-annual board meetings.

In Taiwan, a cross-functional sustainability working group works closely with the global Sustainable Investing team to monitor trends and regulations in the sustainable investing space, report on material ESG developments to the Taiwan board, and coordinate provision of ESG-related training.

01.2 Strengthening sustainability governance

Linking sustainability with remuneration

The International Management Group – comprising senior functional heads from across the firm – has sustainability embedded in its goals through firm-wide global solidarity goals. A specific sustainability goal was introduced in 2021 and implemented in 2022. This goal targets sustainability achievement as measured by delivery of above-median signatories' Principles for Responsible Investment (PRI) results. Achievement of the global solidarity goals[5] influences the firm-wide 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 way sustainability is integrated into the fund and focus areas of each team.

01.2.2 Investing in our team

With sustainability and impact being a strategic growth area, AllianzGI has established a growing team dedicated to sustainable investment and shaping sustainable pathways. It now includes close to 40 team members structured with clear lines of responsibility. Sub-teams cooperate closely and report directly to Matt Christensen, Global Head of Sustainable and Impact Investing.

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

Sustainability Methodologies and Analytics (SMA) team: 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 Sustainability Research team, developing new methodologies across asset classes, delivering innovative tools for our investment platforms and shaping client-oriented solutions. 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 change, planetary boundaries and inclusive capitalism. The Stewardship team leads AllianzGI's engagement and proxy-voting activities globally.

Strengthening our focus on corporate sustainability

In May 2022, we established the role of Corporate Sustainability Officer (CSO) to ensure AllianzGI's organisational business practices are environmentally and socially sustainable. The CSO communicates and coordinates with management, clients, employees and community partners to address sustainability issues. The role develops, manages and monitors the corporate sustainability strategy.

Widening our climate knowledge

The members of the Sustainable and Impact Team have a diverse range of professional backgrounds including finance, investment, legal, 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. We continuously assess the training needs of the team and several team members have participated in the CFA UK Level 4 Certificates for Climate and Investing and Investing in ESG, helping to develop this course which was in its pilot phase at the time. The outcome of this was to widen the spread of climate knowledge, which in turn means we can be more effective in deploying relevant expertise across our activities such as engagement.

Growing our impact investing expertise

Impact investing is an important and fast-growing asset class that facilitates positive change while resonating with growing interest from clients. Opportunities are increasing fast, 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 for their portfolios.

5 Solidarity goals are corporate goals specific to Allianz Global investors which include, for example financial targets, client service metrics, employee engagement targets.

01.2 Strengthening sustainability governance

Principles 1 2 5

To leverage the growth opportunity, we must ensure that our investments create credible impact and measure and report on this impact.

Our Impact Investing team is responsible for managing private equity social and environmental impact portfolios and prioritising commercial capital to achieve the UN Sustainable Development Goals. The Impact Measurement and Management team developed and launched AllianzGI's impact framework in 2021. The framework – designed to ensure high standards of impact due diligence, measurement and management – has since been fully integrated into the Allianz Impact Investment Fund's (AIIF) investment process, with AIIF also publishing its inaugural Annual Impact Report in 2022. The framework is in the process of being integrated into a number of upcoming impact investing strategies.

> See section 02.6.

01.2.3 Robust 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 2022, this included strengthening our corporate governance guidelines and proxy voting policy.

> See section 03.7.2.

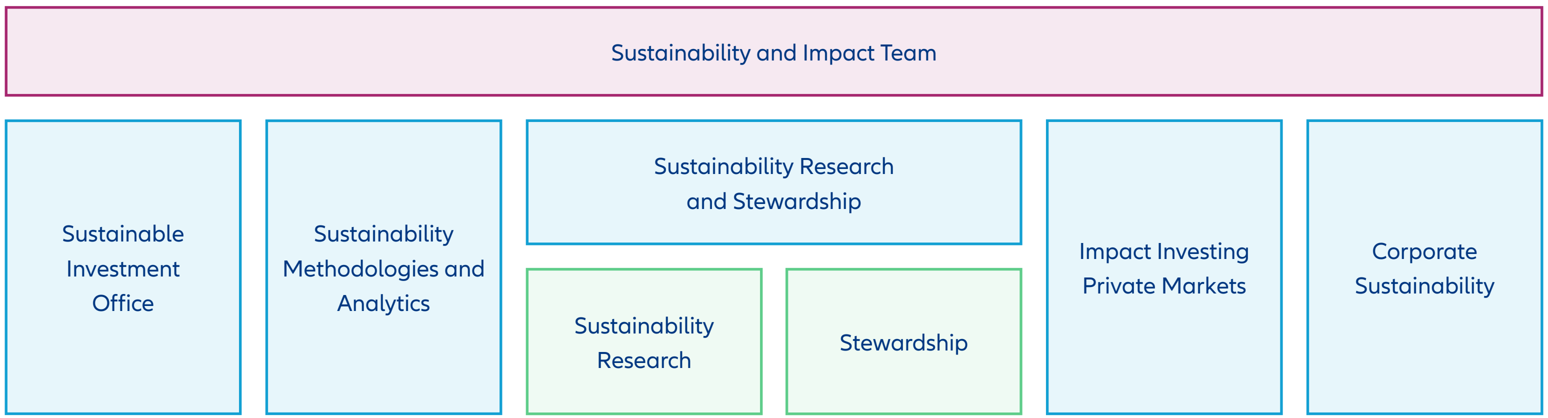
We also reviewed our processes to meet the requirements of sustainability labels for our funds when it comes to engagement.

Review processes are led by our Sustainable Investment Office and Stewardship team. All review processes are based on regulatory requirements and developments in the jurisdictions in which we operate. To be at the forefront of sustainability regulation, we set up a global regulation workstream to implement sustainability-related regulation into our business including into the investment approach.

In 2022, we were implementing new regulation in Hong Kong, Singapore and Taiwan as well as in the EU. Rules are focusing on governance and risk management as well as detailed and stringent disclosure. The EU has also introduced sustainability preferences in investment advice and portfolio management services due to changes stemming from the Markets in Financial Instruments Directive (MiFID) II.

AllianzGI's Executive Committee reviewed and approved this Sustainability and Stewardship Report 2022. In doing so, they consider the report to provide a fair and balanced view of our approach to sustainable investing and stewardship activities as well as corporate sustainability initiatives. Initial input was provided by the respective teams responsible for the various activities, with overall review by the Sustainability and Impact Team.

Organisational structure – Sustainability and Impact Team



01.3 Guiding clients on sustainable investment solutions

Principle 6

As an active asset manager, we create solutions and products that address clients' evolving investment objectives. We manage EUR 506 billion[6] across all asset classes in public and private markets for our global client base and aim to give investors access to a broad range of sustainable investment strategies.

Since the inception of our first sustainable investment strategy in 1999, the number of sustainable products we offer reached 177 at the end of 2022, up from 150 at the end of 2021. In 2022, we converted 31 mutual funds to a sustainable investing approach and launched five new sustainable funds – a path we aim to continue in the future.[7]

Interest in sustainable investment strategies continues to increase among both retail and professional investors. Both client segments are demanding a higher level of sustainability-driven considerations within the investment process and they want to better understand sustainability features. Almost every request for proposal (RFP) or fund selection due diligence process we are part of now contains multiple ESG-related questions aiming to assess our ESG credentials, internal research capabilities, the robustness of our methodologies and the extent to which ESG criteria are considered and incorporated in investment processes.

01.3.1 Engaging with clients

Engaging with clients is an opportunity to help them understand their sustainable investing preferences and objectives. This has been especially important in the context of the war in Ukraine. With energy prices rising sharply, fossil fuel-based energy production expanding in several countries and weapon-producing companies being among the strongest outperformers in 2022, we provided perspectives and guidance through our thought leadership communications, including "Sustainable Minute" videos on social media and dedicated client update calls.

We also share our investment expertise via client meetings and host regular client events on sustainable investing. These provide a platform for renowned keynote speakers and AllianzGI's own sustainable investment experts to discuss the opportunities and challenges of sustainable investing, emerging regulatory frameworks across jurisdictions, and the measurability of sustainable and impact investment strategies. In 2022, we hosted the Global Sustainability Days – a two-day online event during which experts and guest speakers from across the industry debated the most pressing sustainability issues. Together with our clients, we explored topics ranging from the future of sustainable finance regulation to the twin crises of biodiversity loss and climate change, and how to advance inclusive capitalism.

During regular client meetings, we discuss stewardship activities and gain important insights into engagement themes clients would like us to prioritise. For certain portfolios, we hold dedicated ESG feedback meetings to discuss the decarbonisation pathway of the portfolio and the outcomes of engagement and voting. The climate strategies of companies are a particular focus of these meetings. We also provided clients with insights on our voting policy review, voting processes and decisions. In these conversations we collected feedback on where our processes could be improved and transparency enhanced. Feedback was used to inform our proxy voting policy review.

01.3.2 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 as we look beyond pure economic gain to develop strong and enduring relationships.

Our aim is to create value together and we want every interaction to support this goal. We elevate 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.

6 Data as at 31 December 2022.
7 These figures relate to EU-domiciled funds that are classified as either Article 8 or Article 9 under SFDR.

01.3 Guiding clients on sustainable investment solutions

Principle 6

Our commitment is demonstrated in independent client satisfaction surveys which consistently highlight client service as one of AllianzGI's main strengths. We are consistently ranked in the first quartile against competitors across all relevant major markets in the annual Coalition Greenwich survey.[8] We are also a quality leader – as certified by Coalition Greenwich for more than a decade – with technological capabilities and client service procedures that ensure we stay close to clients. As well as validating our approach, the findings of these surveys are invaluable for continuing to enhance our service.

Highlights from the 2022 Coalition Greenwich Report:

- Twelfth consecutive year as Greenwich Quality Leader in institutional investment management in Germany, and fifth year in Continental Europe.
- Fifth consecutive year as Greenwich Quality Leader in overall European intermediary distribution quality.
- Greenwich Quality Leader in institutional investment management and intermediary distribution in Asia.
- The leading strategic advisor and ESG investment manager for institutional clients in Continental Europe.

01.3.3 Supporting institutional clients to set their sustainability agenda

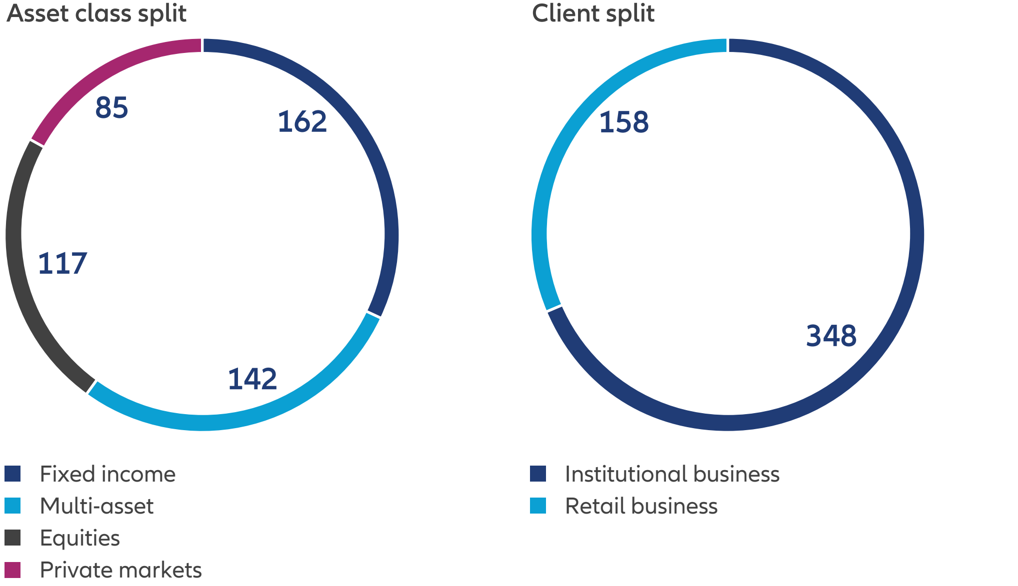
We understand it is part of our fiduciary duty to help institutional clients understand and fulfil their long-term financial obligations and navigate their present and future investment challenges.

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 understanding the implications of the fast-evolving regulatory environment and seeking 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 values framework while adhering to the highest quality standards.

Our track record in sustainable investing allows us to share knowledge and best practices with our clients to support them in setting their sustainability 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, assess impacts of different sustainable investment approaches and help to formulate their sustainability objectives, with the objective being to support the implementation and further enhancement of their approach.

Our global asset and client mix[9]
EUR billion



8 Coalition Greenwich.
9 Data as at 31 December 2022. Total assets under management are assets or securities portfolios, valued at current market value, for which Allianz Asset Management companies are responsible vis-à-vis clients for providing discretionary investment management decisions and portfolio management, either directly or via a sub-advisor. This excludes assets for which Allianz Asset Management companies are primarily responsible for administrative services only. Assets under management are managed on behalf of third parties as well as on behalf of the Allianz Group. Source: Allianz Global Investors. Any differences in totals are due to rounding. Environmental, social and governance (ESG). Diversification does not guarantee a profit or protect against losses.

Shaping sustainable pathways towards change

Providing sustainable investment advice with risklab

risklab is AllianzGI's advisory and solutions unit helping investors with asset allocation, risk management, private markets implementation and achieving sustainable investment goals.

In 2022, risklab continued to expand its sustainable investing expertise by allocating further resources to its Sustainable Investment Advisory team. The three pillars of its advisory offering aim to support clients to navigate complex sustainability journeys and shape the future of sustainable investing together, as demonstrated by these representative client questions and key areas of our responses.

Sustainable investment challenges faced by our clients and answers offered by risklab

Sustainability transparency

Q What is the carbon footprint of my current portfolio?

Q In which parts of my portfolio do I face security-based reputational risks?

Progress in 2022

- Best practice analysis via peer group studies of different investor groups (eg, pensions, insurers) and their sustainable investment behaviour.
- Proprietary analytics tool upgraded to a cloud-based application (SARAH 2.0[10]) together with additional advisory modules (eg, net zero advice) and incorporating supplementary sustainability and financial data from internal and external sources.

Actionable advice

Q How do different climate scenarios impact the achievement of my risk and return goals?

Q Which benchmarks can I use to decarbonise my portfolio or lower my climate transition risk?

Progress in 2022

- Climate scenarios (according to NGFS[11] and incorporating physical and transition risk) integrated into our capital markets model to help clients assess the risk of return shortfalls due to climate risk and align their strategic asset allocation accordingly.

Customised solutions

Q How can I increase my allocation to green bonds, while not significantly shifting my portfolio's financial characteristics?

Q How can the positive impact generated by the projects underlying the green bonds be reflected in my reporting?

Progress in 2022

- Partnering with clients and portfolio managers to jointly develop customised solutions that fit the client's needs and implement shifts in strategy (eg, increase in green bonds/decrease in carbon intensity in a corporate bond portfolio).

10 Sustainability Analytics, Research & Advisory Hub.

11 The Central Banks and Supervisors Network for Greening the Financial System (NGFS), a group of central banks and supervisors willing, on a voluntary basis, to exchange experiences, share best practices, contribute to the development of environment and climate risk management in the financial sector, and to mobilise mainstream finance to support the transition toward a sustainable economy.

Shaping sustainable pathways towards change

Supporting a client to define actions based on investor goals and preferences

In a joint effort with a German family office, we conducted a sustainability preference assessment with their key stakeholders to inform the client's sustainable investment direction.

We also carried out a status quo analysis for parts of the client portfolio via our Sustainability Analytics, Research & Advisory Hub (SARAH). The process started with a workshop on sustainable investing, best practices of global and European family offices, ESG regulation and in-depth analysis of sustainable investing approaches and the respective benchmarks. We conducted polls and questionnaires with stakeholders and investment managers and used the outcomes of these to define a potential framework, which included an exclusion policy, participation in initiatives and decarbonisation goals based on the preferences and goals of the investors. Following this, we delivered an analysis of the client portfolio across different sustainability metrics such as ESG rating, exposure to controversies, and carbon emissions and intensity.

We assess the ambition levels of clients through questionnaires and by discussing best market practice. This enables us to determine their preferences and motivation, while considering existing policies and potential memberships and commitments to organisations and principles of sustainable investing. As a core feature of our advice, we help clients gauge their portfolio sustainability profile and quality in combination with financial risk-and-return characteristics.

To leverage the sustainability expertise within AllianzGI, risklab collaborates with our investment platform regarding investment solutions, investment trends, best practice and implementation. Analytical capabilities are aligned with and enhanced through close collaboration with AllianzGI's Sustainability Methodologies and Analytics team, which identifies, manages and masters sustainability data and develops proprietary analytical tools and methodologies.

> The widening spread of specialist technical knowledge enables us to draw on team resource more efficiently.

We will continue to expand our offering by developing additional quantitative and qualitative advisory modules, angles of analysis in the simulation of sustainable investment approaches and a potential extension of asset classes in portfolio analytics and capital market modelling.

01.3 Guiding clients on sustainable investment solutions

Principle 6

Shaping sustainable pathways towards change

Collaborating with a large public pension fund to implement climate policy

We engaged with a leading French public pension fund to support the implementation of its ambitious climate policy.

The asset owner committed to assign reserves to a decarbonisation pathway towards a 1.5°C scenario and set stringent standards related to portfolio decarbonisation, shareholder engagement and exclusions. For the portfolios we manage on behalf of the asset owner, dialogue concerning measurement of decarbonisation objectives, limits of carbon metrics and phasing-in of Scope 3 data is ongoing. Our collaboration is enabling the institution to focus on real-world climate impacts using forward-looking climate data to complement backward-looking carbon metrics.

Shaping sustainable pathways towards change

Accompanying our largest client on its path to net zero

Managing over EUR 200 billion for our shareholder, Allianz, we are a key partner in helping it to reach its ambitions across public and private markets as a founding member of the Net-Zero Asset Owner Alliance.

We are working with Allianz to reach an interim greenhouse gas (GHG) emissions reduction target of 25% by the end of 2024 across the listed equity and corporate bond investments that AllianzGI manages on behalf of Allianz, and by the end of 2025 for infrastructure equity investments.

Shaping sustainable pathways towards change

Creating real-world impact in private markets

Through our private markets impact investing strategies, we are committed to delivering positive environmental and social outcomes, which include supporting climate solutions that foster the transition towards a low-carbon economy in developing and developed markets.

We launched our latest investment vehicle – the Emerging Market Climate Action Fund (EMCAF) – in late 2021 jointly with the European Investment Bank (EIB). EMCAF is an innovative blended equity fund that finances climate mitigation and adaptation as well as environmental projects in Africa, Asia, Latin America, and the Middle East. We will also be launching a blended climate solutions debt strategy (Allianz Climate Solutions Emerging Markets), in partnership with Allianz Group and a regional development finance institution (DFI), which will invest alongside other DFIs in Paris Agreement-aligned projects. AllianzGI's developed markets-focused impact strategy – the Allianz Impact Investment Fund (AIIF) – actively pursues direct and indirect investments that generate positive measurable environmental and social impact. We will additionally be building out our impact offering via a dedicated strategy providing tailor-made credit solutions to impactful companies in developed markets.

01.3 Guiding clients on sustainable investment solutions

Principle 6

01.3.4 Increasing transparency of sustainable investments

With the growth in sustainable investing, demand is increasing among investors and regulators for greater transparency over the performance and impact of investments. We support this shift and have provided monthly reporting on sustainable investments to our clients since 2020. Clients can view their sustainable investments compared to the product benchmark and 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.

We are constantly enhancing our reporting to meet evolving regulatory requirements and client needs. Our goal is to make sustainable information digitally accessible via a dedicated client reporting portal for institutional clients and distributors. The application we are developing will allow continuous enhancements as reporting requirements and client needs evolve. Our clients' stewardship and investment principles shape how we manage their portfolios, and we evolve our processes and reporting in line with their needs.

For example, in our conversations with some large clients, we observed that they would like to receive more granular reporting of engagement conversations with companies held in portfolios.

Navigating the shifting regulatory landscape

The redirection of capital flows to finance sustainable growth is becoming an ever-greater priority for policy makers as financial market participants represent an important catalyst for channelling private investments to create a more sustainable economy.

> We aim to help shape the regulatory landscape by participating in major regulatory consultations.

Regulators in Europe and Asia Pacific are introducing various sustainable finance regulations to ensure policy objectives of greener and more inclusive financial flows are delivered and to increase transparency for investors. For example, the EU Action Plan on Financing Sustainable Growth includes common classification of environmentally sustainable activities within the EU sustainable finance taxonomy, and enhanced disclosure requirements for financial markets with the Sustainable Finance Disclosure Regulation (SFDR) and the Corporate Sustainability Reporting Directive (CSRD).

It also required that sustainability is integrated into the investment process and investment advice through amendments of the funds, asset management and insurance regulations. In Asia Pacific, initiatives are underway in various markets to increase sustainability disclosure requirements and integrate sustainability risk into the investment process.

AllianzGI is taking an active role in the development and implementation of sustainable finance regulation in order to ensure a sensible outcome. We aim to help shape the regulatory landscape by participating in major regulatory consultations. For example, AllianzGI was a member of the former EU Technical Expert Group, and has been a member of the EU Platform for Sustainable Finance during its first term ending in 2022, continuing into its second term in 2023.

We have initiated an ESG Programme to implement the required processes and enhance our product offering to ensure we are prepared to meet regulatory obligations and client demand for sustainability.

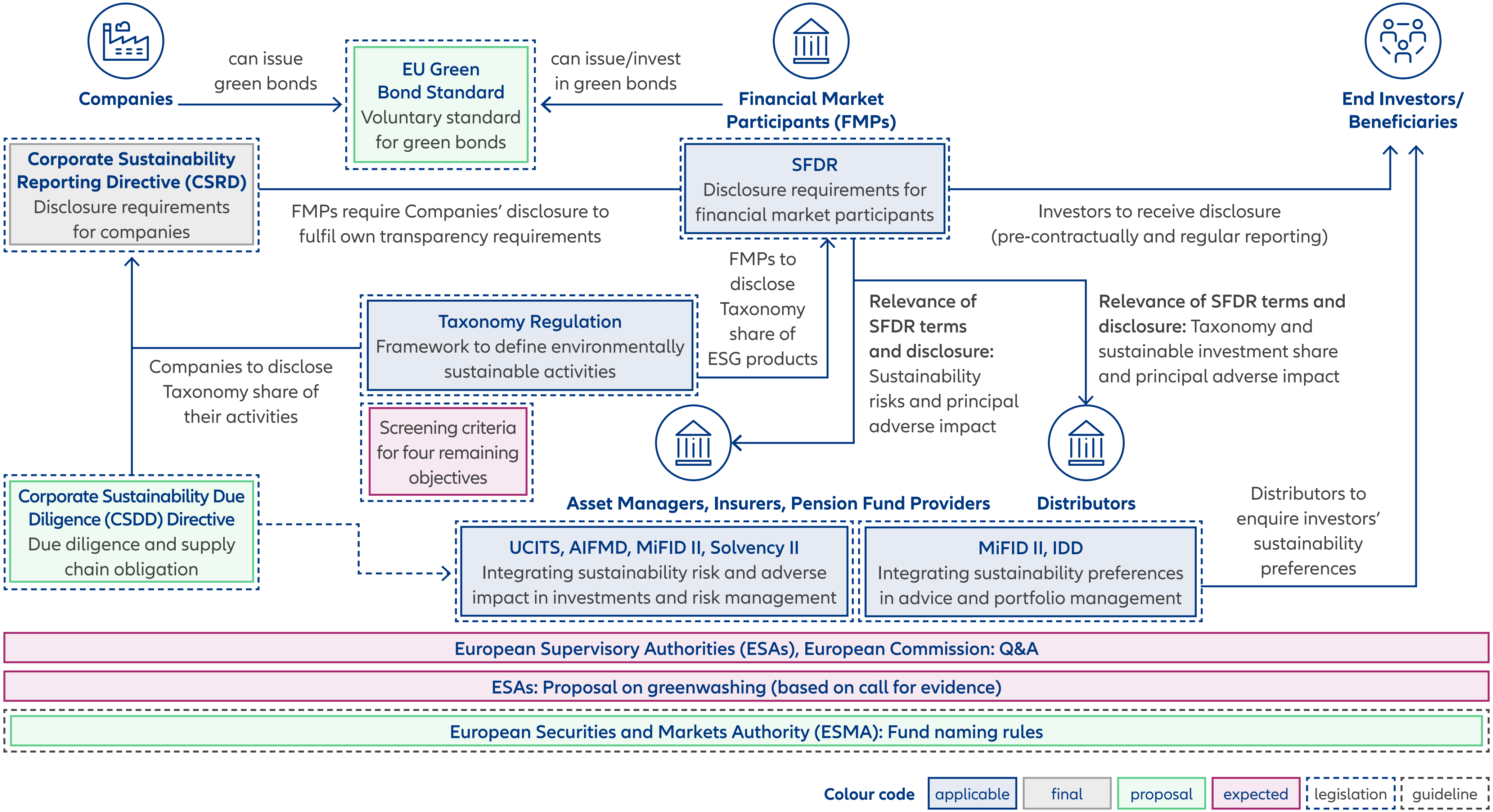
Major activities in 2022 included:

- Integration of sustainability risk and principal adverse impact (PAI) assessments into the investment process, as of 1 August 2022.
- A review of our product offering to address investors' sustainability preferences according to MiFID II.
- Detailed disclosure to create transparency on Article 8 and 9 products and meet the SFDR Level 2 requirement, as of 1 January 2023.

01.3 Guiding clients on sustainable investment solutions

Principle 6

Regulation is driving greater transparency in sustainability



Source: AllianzGI.

02
Sustainable investing

Shaping sustainable solutions

Allianz Global Investors has been an active responsible investor since its first sustainable investing portfolio was launched in 1999. Our guiding theme in 2021 was shaping sustainable pathways across public and private markets. We maintained this in 2022, leading clients and companies on an inclusive transition by aiming for sustainable growth and meaningful impact alongside financial returns.

02.1 Evolving our approach to sustainable investing

Principle 1

Our sustainable strategies are built on a proprietary best-in-class model and in-depth research. We draw on our deep experience to design pathways for clients, wider stakeholders and the companies we invest in to help advance their sustainability journeys.

As information on companies' environmental, social and governance (ESG) practices becomes increasingly robust and accessible, we continuously refine our ESG ratings model and make proprietary sector, thematic and stock-specific research available to all our investment professionals. Deep ESG awareness and our culture of close collaboration between sustainability analysts and portfolio managers within the firm is one of our key strengths.

We are evolving our sustainable investment strategies to meet an increasingly broad range of client needs and objectives. Active stewardship and ESG risk assessment ensure 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.

1999
- Launched our first sustainable investing strategy

2007
- Among the first 50 asset managers to sign the Principles for Responsible Investment (PRI)

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

2022

NZAMi
- First Net Zero Asset Managers initiative commitments submitted in April 2022

Data insights engine
- Go-live of Sustainability Insights Engine (SusIE) as a central ESG data portal and enabling input into investment decisions

2022 Continued

02.1 Evolving our approach to sustainable investing

Principle 1

If 2022 was a year of uncertainty, 2023 will be a defining year for sustainable investing. Our focus on creating pathways to change will guide investors on the journey from an ESG risk focus towards broader sustainability and, ultimately, to generating meaningful impact through their investments.

Our 2023 plans will see further implementation of our conviction-led approach including:

- Guiding clients to better understand the investment risks and opportunities of key sustainability themes.
- Climate action – taking a long-term approach to climate and decarbonisation.
- Transition to a more sustainable future and how to facilitate that with our clients and industry stakeholders.
- Increasing the scalability of our solutions to achieve greater real-word impact.
- Implementing our impact framework from private to public markets and across different asset classes.
- Building on the sustainability insights engine as a proprietary tool feeding into research, stock selection, reporting, and compliance.
- Strengthening our firm-wide knowledge and capabilities around sustainable investing for integrated client service.

2022

Data
- Launch of new key performance indicator (KPI) carbon approach to enhance methodology set

Research
- 16 sector frameworks developed as input for stewardship activities and investment decisions
- >460 assessments on sustainable business activities conducted as basis for MiFID II commitments
- 11 thematic papers published

Stewardship
- Admitted as a signatory of the UK Stewardship Code
- Externally recognised focus on social and climate voting

Private markets
- Continued success in blended finance with EMCAF endorsement by G7 alongside conversion/ development of >10 Article 8 and 9 products

Regulation
- Successful implementation of MiFID II and SFDR L2. AllianzGI funds account for >40% of European market-wide Article 8 and 9 funds committed to all 3 MiFID sustainability parameters

02.2 Sustainability research

Principle 7

2022 highlights

11
thematic papers published

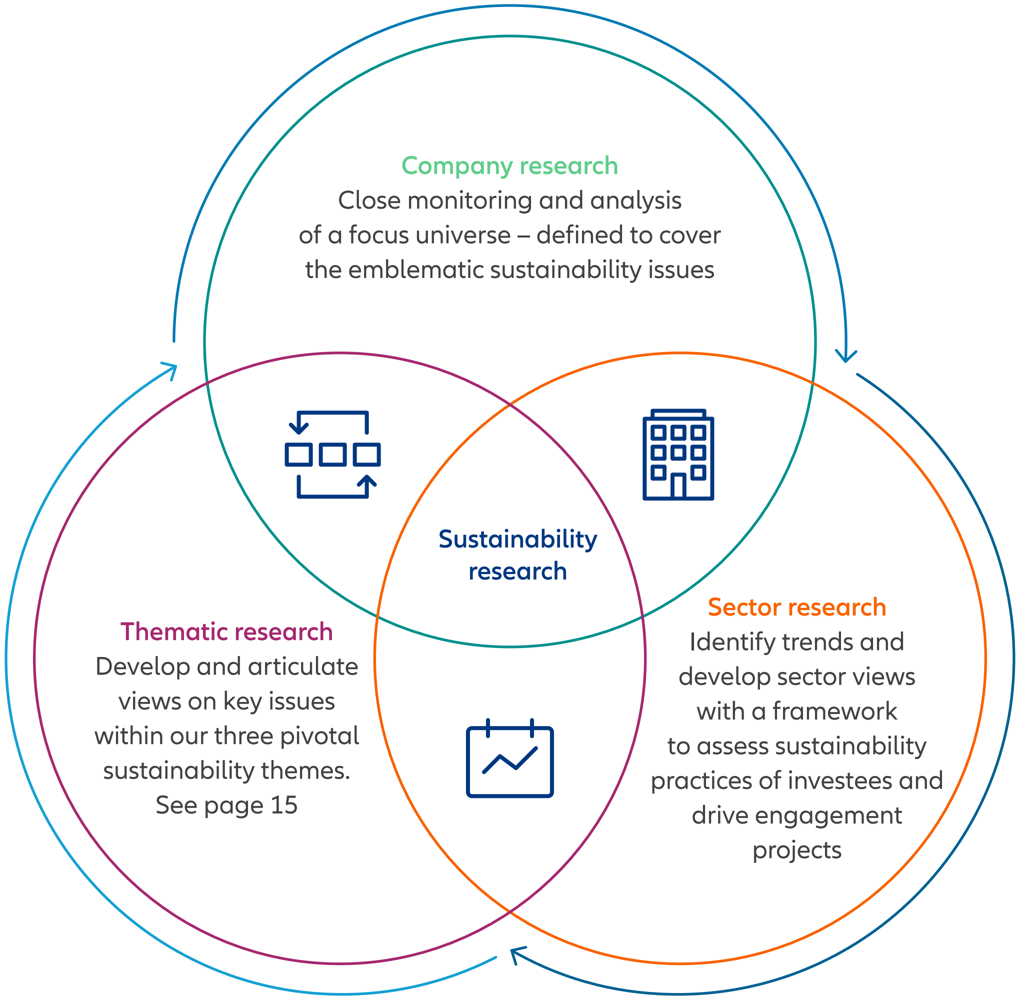
250
sustainability analyses performed on companies worldwide

16
sustainability sector frameworks developed

The Sustainability Research team is a cornerstone of AllianzGI's active investment approach. It conducts proprietary research on sustainability issues and helps translate them into impactful investment insights which are shared with investment professionals via the AllianzGI collaboration platform.

To identify, monitor and analyse the most relevant sustainability issues, the team builds and formulates views through three interconnecting perspectives – thematic, sector and company research. Joined up working ensures a robust and holistic approach to ensure pertinent and coherent rationales. For example, thematic research informs the materiality of sustainability factors for different sectors, which are then reflected in company analysis and engagement, while inversely company analysis and engagement loop back to shape our thematic and sector approach. This expands the breadth and depth of our coverage of sustainability issues and their implications for investments.

Three interconnecting research perspectives



02.2 Sustainability research

02.2.1 Thematic research

Thematic research is organised across our three pillars of climate change, planetary boundaries and inclusive capitalism.

This research informs our experts' consideration of investments in these themes by providing a clear understanding of underlying sustainability topics. The team shares insights internally and externally through papers and publications.

In 2022, we published

11

thematic papers covering a broad array of topical subjects through the year.

Insights, publications and papers

- **Unlocking the "S" in capitalism** – Nicole Papassavas & Marie Rupp (Feb 2022).
- **How do recent events in Europe affect the opportunities in transitional energy?** – Julien Girault (Mar 2022).
- **The crisis on our plates: finding potential in failing food systems?** – Mélissa Bourassi (Jun 2022).
- **Diversity comes of age as an investment theme** – Guirec Thouement (Jun 2022).
- **Energy transition and energy security – complementary or conflicting?** – Julien Girault (Sep 2022).
- **Defending the defensible: is the defence sector sustainable?** – Guirec Thouement (Oct 2022).
- **COP 27 preview: regaining momentum** – Matt Christensen (Nov 2022).
- **Nuclear and gas in the EU taxonomy: what this means for the energy mix of tomorrow** – Jingying Han (Nov 2022).
- **Access to healthcare: more important than ever** – Nicole Papassavvas (Oct 2022).
- **COP 27 review: progress amidst the setbacks** – Matt Christensen (Nov 2022).
- **COP 15 preview: the "Paris moment" for nature?** – Mélissa Bourassi (Nov 2022).

Shaping sustainable pathways towards change

Unlocking the S in capitalism

Social issues have typically been overshadowed by other aspects of sustainability, such as climate change.

This is beginning to change as the events of recent years have shone a light on inequalities in access to essentials and opportunities. The solution calls for a new brand of capitalism.

In "Unlocking the S in capitalism", we discussed the theme of inclusive capitalism and highlighted lessons learned about the social impact of recent crises on life essentials (basic essentials to support life, such as food or energy) and livelihood essentials (essentials in the modern economy, such as education and digital access). The social issues caused by such inequalities can hold back growth and resilience of economies and may be exacerbated by climate change and digitalisation. Inclusive capitalism provides a solution as part of a more inclusive approach to economic growth.

Read our research paper.

Shaping sustainable pathways towards change

A crisis on our plates: finding potential in failing food systems

The war in Ukraine highlighted risks in how we produce and consume food.

As a rising global population increases pressure, there is an urgent need to build a resilient and inclusive food ecosystem that meets planetary and social needs. There are opportunities for investors across the value chain of global food production and distribution to help mitigate these risks. In "The crisis on our plates: finding potential in failing food systems", we highlight the pressures on the global food system that are reducing availability, affordability and resilience and discuss why a radical rethink is needed. A long-term view is crucial but complex, and recent stresses on food systems have amplified the need for investors, businesses and policymakers to act now. Investors can play an important role in directing capital towards shaping a sustainable food ecosystem and supporting the shift to a more inclusive, equitable future.

Read our research paper.

02.2 Sustainability research

Principle 7

02.2.2 Sector research

Sustainability issues differ by sector and understanding this context is central to our company assessments. We have introduced frameworks for 24 broad sector segments resulting from the merger of adjacent Global Industry Classification Standard (GICS) industries with similar ESG issues. Frameworks are developed exclusively for internal distribution as a tool to empower the investment platform to focus and engage on what is most material based on a better understanding of the topical issues.

We published sector frameworks for 16 sectors in 2022 with the remainder to be finalised in 2023. Each sector framework sets out key material sustainability factors for the sector and how to integrate these into investment decisions and engagement. Presented in a concise two-page summary format, each framework focuses on the most relevant issues to demonstrate a strong view for the given sector.

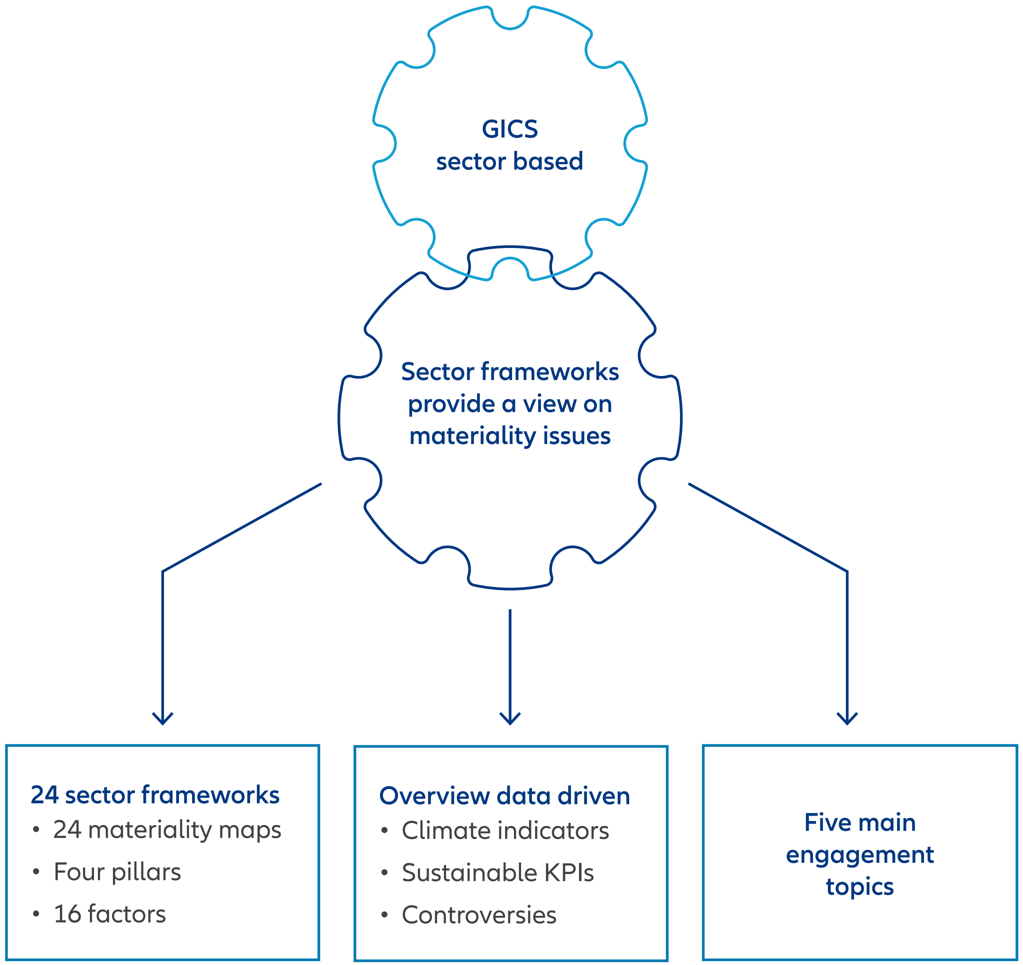
The first page provides an overview of the sector from a data perspective with KPIs related to GHG emissions, workforce safety, controversies and board structure in absolute and relative terms.

In collaboration with the Sustainability Methodologies and Analytics team, indicators are selected considering their relevance, availability and reliability.

The second page provides a materiality map and key engagement themes for the sector. The materiality map is divided across four pillars – environment, social, business behaviour and corporate governance – which each have four underlying factors, examples of which include climate change, health and safety, business ethics, corporate/sustainability leadership and disclosure. For each sector the responsible analyst ranks these factors on their materiality level over a scale ranging between relevant, significantly relevant and moderately relevant. The main topics of engagement are developed in collaboration with the Stewardship team.

We also consolidate individual sector materiality maps into an overarching Sustainability Materiality Matrix to cover the 24 sectors and 16 factors. This matrix is a core input for our proprietary rating system with regards to setting the sector-specific weightings for the four pillars and the 16 factors.

Our approach to sector research



02.2 Sustainability research

Principle 7

02.2.3 Company research

Company analysis combines a proprietary rating system and qualitative research using the outcomes of thematic and sector research to focus on the most relevant, and possibly controversial, aspects of an entity's profile. This approach has guided us to develop a new format for sustainability company profiles. We focus on the most impactful, controversial or divisive investee companies.

For each company, we review human rights and the four pillars of environmental, social, business behaviour and corporate governance. We provide insights into both absolute and relative scores. In addition to the dedicated research focus list, the Research team provides ad-hoc reviews based on emerging developments, controversies or where data providers diverge on assessments. In 2022, we completed in-depth sustainability analysis of over 250 entities.

Company reviews often trigger active follow-up actions and engagements. These are framed together with the Stewardship team to combine research findings with engagement experience. We strengthened collaboration between teams in 2022.

Proxy voting continued to be a collaboration track for aligning voting decisions with research views and capturing the implications of annual general meeting (AGM) outcomes in company, sectoral or thematic analysis. For example, our updated climate materiality analysis in the sector framework for financials instructed our proxy voting decision for the high profile say-on-climate proposals at several banks in 2022.

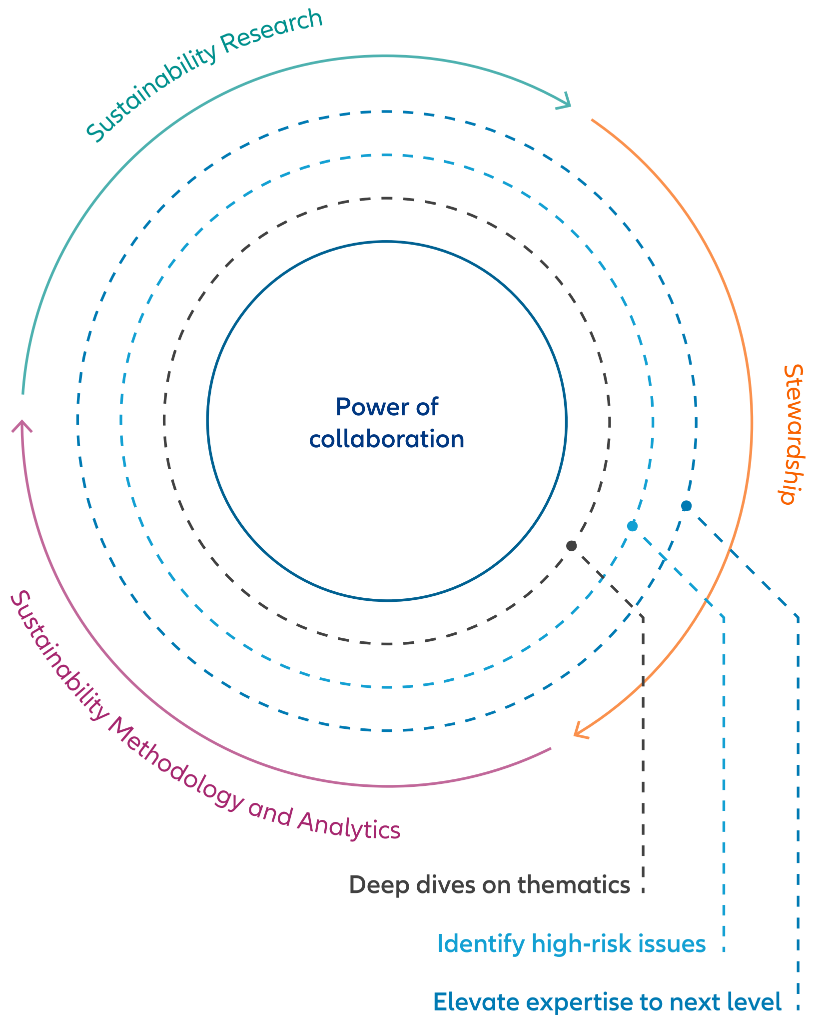
Research and Stewardship at AllianzGI

We are pursuing an engagement approach with an activist sustainability orientation as part of our ambition to be a sustainability shaper. In 2022 we evolved our engagement strategy, focusing among others on thematic engagement.

> See section 3.1.

Thematic research projects run by our Research team, for example on biodiversity, are a cornerstone of these engagement activities and the discussion between the Research and Stewardship analysts help to form a joint view on the objectives when engaging our target companies.

Putting collaboration at the heart of our research approach



02.3 Sustainability methodologies and analytics

Principles 4 8

02.3.1 Ensuring robust data and methodologies

The Sustainability Methodologies and Analytics team is responsible for ESG integration, socially responsible investment (SRI) scoring methodology and development of the analytics dataset for climate strategy, KPI target setting and SDG measurement.

ESG data is the foundation for every sustainability-informed investment decision. We use multiple third-party providers and have access to a huge amount of data relating to companies around the world. To supplement third-party data, we also harvest differentiable, material information on ESG premia through our own investment research processes.

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

How we select and monitor data providers

We use a robust Request for Proposal (RfP) process to select third-party data providers. This assesses 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.

Data is sourced from providers directly into our internal cloud-based datalake in line with AllianzGI's data strategy. Close monitoring and constant update of data points is supported by technologies such as application programming interfaces (APIs) and secure file transfer protocols (SFTPs). Controls apply to data flows and their evolution over time (coverage, expected values, etc) to track potential issues upstream in our data supply chain.

We continuously monitor the quality of key service providers through service level agreements or operating memoranda. 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). The independent Risk Management function reviews monitoring procedures of key service provider relationships implemented by the respective business owner in line with AllianzGI's key vendor and outsourcing provider policy.

> See section 03.8.

> We continuously monitor the quality of key service providers through service level agreements or operating memoranda.

2022 highlights

100+
sustainability analytics available through our insights engine SusIE

10
third-party data providers

10,000+
companies rated by proprietary sustainability methodology

178
countries rated by proprietary sustainability methodology

02.3 Sustainability methodologies and analytics

Principle 4

> Leveraging ESG data also supports the development of innovative sustainable investment approaches.

Leveraging ESG data
Developing robust methodologies and analytics based on the overall ESG dataset to which we have access is one of AllianzGI's core competencies. This begins with methodologies to assess the ESG characteristics of issuers, both corporates and sovereigns. It includes climate analytics to monitor the impact of climate change and the Paris Agreement-aligned commitments of a specific corporate.

Improved corporate disclosure informs the design of innovative proprietary frameworks for evaluating sustainability risks and opportunities. Leveraging ESG data also supports the development of innovative sustainable investment approaches.

Our new KPI approach was rolled out over 2022. It considers and addresses environmental and social challenges within the portfolio construction process by defining sustainability as a KPI objective that must be met at portfolio level. Targeted, measurable and reported outcomes on the carbon intensity KPI will serve to strengthen our approach. In 2023, we will develop additional KPIs including, but not limited to, sustainable investment share, net zero alignment share and biodiversity footprint.

Shaping sustainable pathways towards change

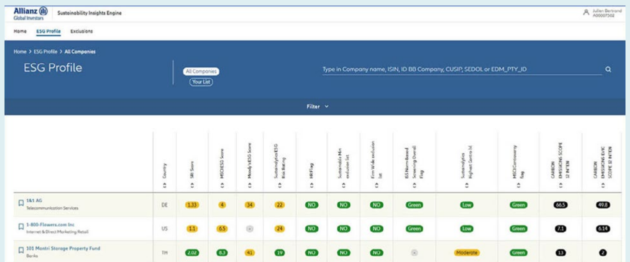
AllianzGI Sustainability Insights Engine (SusIE)

Leveraging ESG data enables our investment experts to implement innovative sustainable investment approaches.

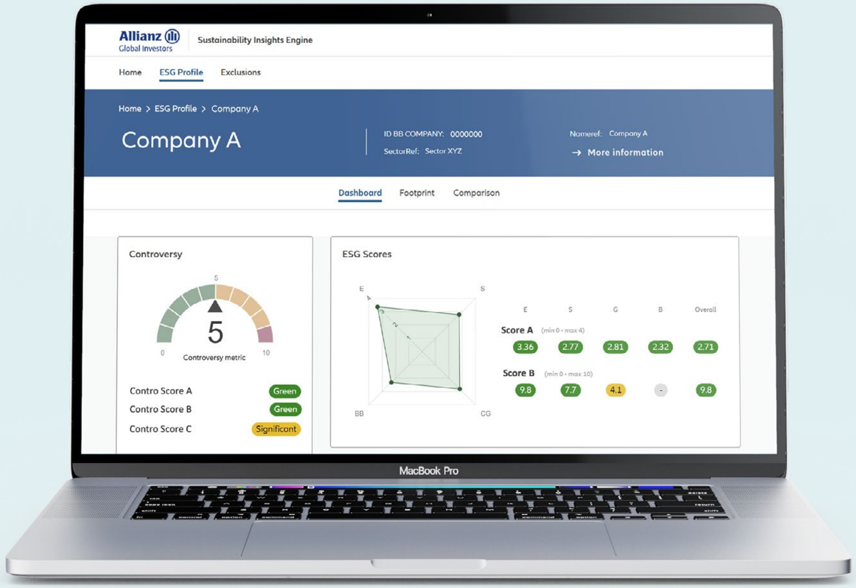
An effective interface is required to allow credible firmwide integration of ESG with efficient processing of proprietary models, high democratisation of sustainability data and consistent embedding of ESG data in investment processes.

In 2022, we launched SusIE to enable ESG-informed investment decision making. The digital platform uses state-of-the-art technology to facilitate mainstream access to a range of ESG data in one place for all our investment experts, product specialists, risk management and other stakeholders.

SusIE is a key enabler of active investment decisions on sustainability across all asset classes, feeding all front-office tools with consistent ESG data. This contributes to our differentiation, leveraging our expertise via a powerful proprietary engine that delivers added value to our clients.



Screenshot of ESG Profile > Dashboard at company level



Screenshot of ESG Profile > Scores section

A wide range of external ESG datasets complemented by in-house research

Our multi-provider-based strategy for ESG data ensures that we benefit from a broad spectrum of data inputs. SusIE processes, computes and transforms data from more than 10 third-party vendors into standardised datasets using cloud data storage. This includes automated checks of pre- and post-data processing to ensure high quality standards and data integrity across the value chain.

SusIE is also the main portal to access proprietary sustainability scores with transparent and granular indicators.
In 2023, SusIE will also distribute in-house research – thematic, sector and company research – from our sustainability research and stewardship analysts. External and internal insights contribute to the real integration of sustainability in our active investment decisions.

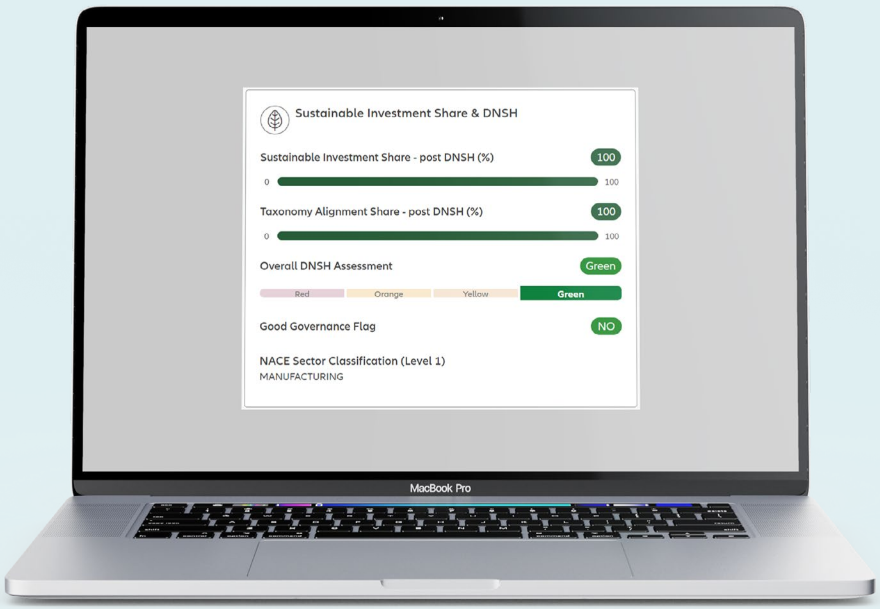
02.3 Sustainability methodologies and analytics

Principles 2 4

Exclusions and regulatory analytics under the spotlight

SusIE supports analysis and implementation of EU taxonomy and EU sustainable investment shares. Provided at company level, it allows our experts to select the best companies from their investment universe but also to consider any breach of governance principles and/or harming risks.

Negative screening is commonly used for ESG integration by clients and we have designed a dedicated Exclusion policy module to provide comprehensive transparency for our investment experts on companies that do not comply with international standards, international regulations, clients' guidelines and/or AllianzGI sustainable convictions.



Screenshot of ESG Profile > Regulatory section at company level

Looking ahead

Integrating non-financial factors into investment decision making is increasingly mainstream, but the choice and types of data being integrated is still evolving. ESG disclosures and complexity will only grow and the addition of further information to disclose will result in an even more challenging data system to report and understand. Therefore, we will reinforce SusIE to shape the most meaningful solutions and, in doing so, demystify, inform and guide our clients on the most appropriate methodologies and analytics for targeted outcomes. A strong proprietary sustainability data architecture is the cornerstone in understanding and aligning non-financial outcomes alongside financial returns.

In 2023, the Sustainability Methodologies and Analytics team will continue to develop SusIE with a focus on:

- Embedding stewardship-related data and outcomes into a new Engagement module.
- Capabilities to break down a portfolio based on different criteria through a new Cockpit module.
- Increasing the number of data providers for specific needs such as biodiversity and impact.

SusIE leverages a multi-provider approach offering access to

100+

sustainability analytics.

02.4 Climate-related risks and opportunities

Principle 4

Climate risks are a crucial consideration when assessing potential investments. 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 climate-related opportunities, initiatives that enable and benefit from the climate transition are the leading opportunity 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.

Integrating climate risks and opportunities in investment processes

Our Sustainable Investment team, portfolio managers and analysts continuously monitor and assess the science, regulatory response and business implications of climate change. We examine the implications for individual issuers and sectors and the ways in which climate change can be a driver of investment performance.

AllianzGI supports and implements the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD), engaging with companies on climate-related issues and encouraging them to report on TCFD and Science Based Targets (SBTs) to improve the quality of disclosures provided to our investors to meet their climate ambitions more precisely. Climate change-relevant indicators are part of our principal adverse impact assessment.

For more information on climate-related risk management process, please read our 2022 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 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. We published our second annual Task Force on Climate-related Financial Disclosures (TCFD) report in 2022.

For more information see our Climate Policy Framework and annual TCFD report on our website.

Climate strategy

We enable our clients to reflect climate risks and opportunities in their holdings. As a member of the Net Zero Asset Managers initiative (NZAMi), we are shaping the pathway towards net zero greenhouse gas 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 and climate transition equity and private markets renewable energy investments. These specialised assets can help to align an asset owner's portfolio 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. Market inefficiencies on climate risks and opportunities currently exist and active research and corporate engagement are necessary to comprehensively tackle the dominant long-term global trends.

We are shaping the pathway towards net zero greenhouse gas emissions by

2050

in line with global efforts to limit warming to 1.5°C.

02.4 Climate-related risks and opportunities

Principle 4

Climate-related metrics and targets

We want to be as transparent as possible regarding our climate-related profile, including investment-related climate metrics. We submitted our first NZAMi interim targets at the beginning of 2022, covering listed equity, corporate debt, infrastructure equity and infrastructure debt. These targets reflect those set by Allianz in 2021 for its proprietary assets as a member of the UN-convened Net-Zero Asset Owner Alliance (NZAOA).

See the Allianz Group Sustainability Report 2022.

For AllianzGI, assets in-scope of the targets represent 14%[1] of overall assets under management:

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.

We will continue to increase the scope of our assets and set intermediate targets for our third-party client assets. We will also actively engage with institutional clients and distributors to integrate net zero objectives in their investments and into our mutual funds. We aim to review our targets and progress annually.

We use a variety of indicators across different lines of business to monitor, assess and steer climate-related aspects of the economy. Our measured investment-related carbon footprints (Scopes 1 and 2) are based on the issuers' carbon emission data from data providers.

Listed equity assets

Indicator	Unit	2022	2021	2020
Equities portfolio AuM	EUR billion	213.26	326.44	243.09
Total financed emissions	million t CO_2	12.10	15.22	12.10
Total carbon intensity	t CO_2 /EUR million invested	57.40	47.80	50.50
Weighted average carbon intensity	t CO_2 /EUR million revenues	129.70	119.90	130.80
Emissions data coverage of listed equities AuM	%	99%	98%	99%

Corporate bonds assets

Indicator	Unit	2022	2021	2020
Corporate bonds portfolio AuM	EUR million	184.20	188.19	168.25
Total financed emissions	million t CO_2	12.33	13.72	17.94
Total carbon intensity	t CO_2 /EUR million invested	75.80	77.90	119.80
Weighted average carbon intensity	t CO_2 /EUR million revenues	158.60	192.20	201.70
Emissions data coverage of corporate bonds AuM	%	88%	94%	89%

Green assets

Indicator	Unit	2022	2021	2020
Investments in renewable energy	EUR million	5,133.03	5,185.95	4,756.27
Investments in green bonds	EUR million	10,107.70	10,017.69	6,468.07

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

1 Previously stated at 12%, the share of committed assets has been recalculated based on total AuM as of 31 December 2022 to take into account market effects on the asset base.

02.5 Sustainability risk management

Principles 4 7

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

We apply portfolio and individual security level analysis across all assets to ensure transparency on ESG risks and principal adverse impacts (PAIs). Sustainability risk factors can 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 dedicated tool to systematically monitor and assess sustainability risks.
- 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.

02.6 Sustainable investing categories

Principles 4 7

Our product categories cater to clients' sustainability objectives and preferences and provide transparency on the SFDR characteristics of our products.

We provide investment solutions with differing levels of sustainability incorporation. To ensure transparency, we categorise our strategies into different types depending on clients' sustainability objectives:

AllianzGI's product categories

Conventional	ESG risk-focused	Sustainability-focused	Impact-focused
	EUR 117bn	EUR 126bn	EUR 9bn
Objectives Financial returns and active risk management	Objectives Financial returns and material E, S and G risk considerations	Objectives Financial returns and sustainability objectives and values	Objectives Financial returns and measurable sustainable outcomes
	Qualifying approach Integrated ESG	Qualifying approaches SRI Best-in-class Climate engagement with outcome (this approach will be decommissioned by September 2023) KPI-based approach	Qualifying approaches Impact (Art. 9) SDG-aligned FI/MA/private markets (Art. 9) SDG-aligned equity (Art. 8)
Classified as Article 6* only		Classified as Article 8*	Classified as Article 8 or 9*
Firm-wide Exclusions		Sustainable Minimum Exclusions	

ESG risk assessment: identification and consideration of sustainability risks and adverse impacts

Active stewardship: company engagement and proxy voting

Source: AllianzGI, as of December 2022. ESG: environmental, social and governance. SRI: sustainable and responsible investing. KPI: key performance indicator. FI: fixed income. MA: multi asset. For illustrative purposes only. Exclusions apply to direct investments. Sustainable or impact investing private markets strategies apply the Allianz ESG Integration Framework exclusions. AllianzGI supports the United Nations Sustainable Development Goals (SDGs). *According to EU SFDR regulation.

02.6 Sustainable investing categories

Principle 7

Increasing transparency of SFDR Article 8 funds

The Sustainable Finance Disclosure Regulation (SFDR) is a fundamental pillar of the EU Sustainable Finance agenda. Its objectives include bringing transparency to the market for investment products with sustainability-related claims, enhancing the comparability of products, enabling investors to better understand the impact of their investment decisions, and channelling capital towards more sustainable companies and activities. Notable elements of SFDR include Articles 6, 8 and 9.

Article 8 is increasingly being used as a market proxy to classify products as sustainable. In some instances, it is being used as a label in the marketing and distribution of funds, with implications for investors' investment choices.

With deviating perceptions among asset managers and regulators as to what triggers classification of Article 8, AllianzGI has determined to go beyond the minimum regulatory requirements for our Article 8 classified product range in our commitment to offering investors a high standard of sustainable investment products. Investment strategies we classify as Article 8 will always have two binding elements: our sustainable minimum exclusion policy and one of our sustainable investment approaches.

Each binding element is measurable and reportable, providing transparency and clarity to our clients. We believe this approach reduces the gap between what sustainable products can achieve and the expectations of clients.

The first binding element enforces exclusion criteria related to weapons, coal, international norms and standards (including the UN Global Compact), and tobacco.

The second binding element consists of one of our qualifying approaches for our sustainability-focused or impact-focused product categories.

> **See chart on page 48 on AllianzGI's "Two binding elements" approach.**

02.6 Sustainable investing categories

Principle 7

We apply two binding elements to our sustainability-focused and impact-focused funds.

1st binding element

Sustainable minimum exclusion list[2]

- **Weapons**
- **Coal**
- **International standards**
- **Tobacco**

+

2nd binding element

Sustainable investment approach

One of the following approaches

Sustainability-focused/Article 8	**Impact-focused/Article 8 or Article 9**
Private markets sustainable	Private markets SDG-aligned (ie, blended finance)
SRI Best-in-class	Private markets impact
Climate Engagement with Outcome (to be decommissioned by September 2023)	Public markets impact (ie, green bond)
Multi-asset blend	SDG-aligned
KPI: carbon reduction (further KPIs in development)	

Two binding elements ensure **credible sustainability delivery**, which we take seriously in our role as a **sustainability shaper**

Materiality of our harmonised approach is in line with regulatory objectives

Measurability and reportability for **high level of transparency and clarity**

2 Private markets use the Allianz ESG Framework rather than AllianzGI's sustainable minimum exclusions policy.
AllianzGI, as of September 2022. For illustrative purposes only. Exclusions apply to direct investments. SRI: sustainable and responsible investing. KPI: key performance indicator. AllianzGI supports the United Nations Sustainable Development Goals (SDGs).

02.6 Sustainable investing categories

02.6.1 ESG risk-focused

Within our ESG risk-focused category, we offer strategies that apply the Integrated ESG investment approach.[3] This approach integrates material ESG risk considerations into mainstream investment analysis, without constraining the investment universe, and requires the portfolio manager to provide a rationale for holding companies that have been flagged for possible material E, S and G risks.

The portfolio manager is free to either divest or continue to hold "risky ESG" companies in a portfolio if the expected return justifies the risk. Active stewardship activities (dialogue with investee companies and proxy voting) may also be considered to mitigate risks.

Integrated ESG is seen as an enhanced risk management approach that adds another risk analysis dimension to existing investment processes and can be applied to any asset class. Portfolio managers have access to an increasing depth and breadth of ESG risk perspectives for investee companies through the new Sustainability Insights Engine (SusIE) to identify and opine on possible idiosyncratic risks. Looking ahead, we continue to review enhanced controversy tools for integrated ESG.

ESG in private markets

ESG is an increasing factor in all our clients' decisions. In private markets, this comes with challenges as these markets tend to be less transparent. Our focus in 2022 was on further enhancing our ESG practices in this area. Private Markets Investments teams have delivered ESG frameworks which set out their approach to integrating ESG and they continue to make use of tools provided by the Sustainability team, including sector frameworks. We also supported industry initiatives to improve ESG standards. For example, our Head of Sustainable and Impact Investing Matt Christensen became a board member of the GRESB foundation, a mission-driven and industry-led organisation providing standardised and validated ESG data to private markets. The GRESB Foundation Board will guide the GRESB Standards to ensure they remain investor-led and aligned with responsible investment principles.

Fund naming guidelines

In 2022, the European Securities and Markets Authority (ESMA) issued a supervisory briefing and consultation on guidelines on funds' names using sustainability-related terms. The aim is to ensure that specific minimum standards are adhered to when using terms such as "sustainable" or "sustainability" in fund names, and in particular that products require a specific link to sustainable investments. While we have taken action to ensure our products are in line with the supervisory briefing, understanding of the terms "sustainable" or "sustainability" within the market reflects that a broad range of funds exists with various degrees of ambition level. Nevertheless, we take into consideration the recommendations and continue to assess the evolution.

02.6.2 Sustainability-focused

Our sustainability-focused product offering aims to achieve financial returns for clients while following sustainability objectives and values, and applying sustainable minimum exclusion criteria. Strategies within this category apply a dual-layer approach: a set of sustainable minimum exclusions plus one of the following approaches:

Sustainable and Responsible Investing (SRI) Best-in-class

Our SRI Best-in-class approach extends mainstream fundamental research by analysing financially material and non-material ESG factors. The portfolio construction is geared towards a superior ESG quality by applying sustainable minimum exclusions (negative screening) and so-called best-in-class considerations (positive screening) on the investment universe. These ESG screens guide security selection towards companies with best-in-class or improving ESG quality compared with their peers, while excluding companies linked to, for example, coal, tobacco, weapons, and controversies that may bring significant financial and/or reputational risks.

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

02.6 Sustainable investing categories

Principle 7

The general philosophy and process of applying the SRI Best-in-class approach are identical across listed asset classes globally. The specific processes may differ slightly depending on the asset class, 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. A tailored process for certain fixed income products assesses sovereign-bond issuers based on a proprietary emerging-markets ESG framework that screens out the bottom 10% of countries on the E, S and G pillars.

Our proprietary sustainability rating methodology spans the different asset classes and 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 the ability of corporate issuers to organise their internal structure to improve risk management. This includes evaluating management or supervisory board composition, board independence and remuneration transparency. We analyse audit and control mechanisms to prevent abuse and reduce risks under review. Finally, we analyse shareholder rights and anti-takeover measures. For sovereign-bond issuers, we evaluate 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, risks, approach to environmental responsibility and development of environmental solutions. Our analysis of sovereigns assesses measures taken to address a comprehensive range of environmental issues with a country's political and legal framework being 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 respect for market regulations and fair business practices. These criteria do not apply to sovereign-bond issuers.

KPI-based

Our KPI-based approach was rolled out in Q4 2022 and targets measurable, monitored and reported KPIs to track ESG results that are significant enough to drive sustainability in the investment process of a portfolio.

A potential advantage of the approach is the ability to quantify the sustainability feature of a portfolio and regularly report outcomes. It allows us to choose between two objectives. First, to outperform a reference investment universe or benchmark or a defined threshold on at least one environmental or social KPI. And second, to achieve an ongoing year-on-year improvement against a chosen environmental or social KPI.

Our first KPI is GHG intensity. By actively managing the GHG intensity of portfolios, we aim to contribute to help shape the pathway to a low emission future. The GHG intensity KPI-based approach helps us better understand a portfolio's carbon footprint status quo and future development.

Our goal is to continuously expand the list of available KPIs and extend them to other products. In addition, the KPI-based approach is to be applied to more products.

Looking ahead
We plan to further evolve our sustainability-focused product offering over the course of 2023.
We will extend the newly introduced KPI-based approach by implementing additional sustainability-related key performance indicators. In addition, innovative climate-related concepts across asset classes will be explored to address our clients' preferences to tackle global climate change.

02.6 Sustainable investing categories

02.6.3 Impact-focused

Increasing numbers of investors no longer see environmental sustainability and social equality as an add-on to their investment strategy as they move beyond pure financial returns – and even beyond ESG risk management – towards positive outcome-orientated investment approaches.

We support investors who want to see a positive change for the planet and society while generating a financial return. Impact investing contributes to material positive environmental and/or social outcomes that can be measured against specific goals and, in many cases, against the United Nations Sustainable Development Goals (SDGs).

Impact investing strategies

Our Impact-focused strategies enable clients to maximise their exposure to positive environmental and social outcomes by offering impact-focused approaches across public and private asset classes. These strategies are defined by three core beliefs:

Intention: The intention of a strategy and its investments is to generate incremental positive social and/or environmental value while delivering financial returns.

Association: There is a clear association between each investment and the positive output delivered.

Measurement and reporting: The impact will be measured on a "best effort basis" and reported in order to validate each strategy.

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 capital from commercial investors is combined with philanthropic and public sector funds to maximise impact, especially in emerging markets where commercial investors benefit from de-risking. This approach can mobilise large-scale private capital in developing countries and contribute to closing the United Nation's Sustainable Development Goals financing gap in development countries, which grew in 2022.

Successive crises including Covid-19, the war in Ukraine and the climate emergency are exacerbating inequalities between and within countries and stifling progress to achieve the Sustainable Development Goals (SDGs) and the Paris Agreement.[4] Meeting the UN SDGs by the target year of 2030 will require substantial investment from both the public and private markets.

> "The intention of a strategy and its investments is to generate incremental positive social and/or environmental value while delivering financial returns.

Looking ahead

Partnering with industry bodies looking to create clear ESG standards in private markets will remain an area of focus in 2023. Convergence of standards will help increase the availability of relevant ESG data that informs investment decisions and ongoing engagement with our private market investments. One challenge the market faces is the availability of data and transparency to fully inform investors on ESG topics. While improving, we aim to enhance the transparency of our investments which is becoming increasingly necessary from a regulatory point of view. We will continue to consider how best to tackle this by engaging with our assets and using technology to collect and leverage information in the investment process and report on it to our clients.

4 https://www.oecd.org/finance/global-outlook-on-financing-for-sustainable-development-2023-fcbe6ce9-en.htm

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SDG-aligned strategies

SDG-aligned strategies often adopt a thematic investment approach. We invest in companies that exhibit a certain level of contribution towards one or more of the UN SDGs. Our assessment is both quantitative and qualitative and a quarterly report highlighting SDG contributions on an individual strategy level is available. The SDGs, established by the UN General Assembly in 2015, consist of 17 distinct goals which serve as a global framework and roadmap for action to achieve a more sustainable and equitable future. For example, "food security" theme-based investments address SDG 2 "Zero Hunger". Our approach applies a set of sustainable minimum exclusions as well as the E, S and G factors of investee companies being analysed. In addition, principle adverse impacts are analysed to avoid companies with poor ESG practices and those that cause significant harm.

Our SDG themes and the SDGs they support

Financial inclusion eg: SME financing	1 No poverty; 2 Zero hunger; 3 Good health and well-being; 5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities; 17 Partnerships for the goals
Social inclusion eg: social infrastructure	1 No poverty; 2 Zero hunger; 3 Good health and well-being; 4 Quality education; 5 Gender equality; 6 Clean water and sanitation; 7 Affordable and clean energy; 8 Decent work and economic growth; 9 Industry, innovation and infrastructure; 10 Reduced inequalities; 11 Sustainable cities and communities
Education eg: EdTech	1 No poverty; 4 Quality education; 5 Gender equality; 8 Decent work and economic growth; 10 Reduced inequalities
Health (innovation and promotion) eg: health access	2 Zero hunger; 3 Good health and well-being; 6 Clean water and sanitation; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 12 Responsible consumption and production
Food security eg: sustainable agriculture	2 Zero hunger; 3 Good health and well-being; 6 Clean water and sanitation; 12 Responsible consumption and production; 13 Climate action; 14 Life below water; 15 Life on land
Clean water eg: water supply	6 Clean water and sanitation; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 12 Responsible consumption and production
Clean air/energy transition eg: energy generation	7 Affordable and clean energy; 11 Sustainable cities and communities; 12 Responsible consumption and production; 13 Climate action
Clean land/circular economy eg: waste management	2 Zero hunger; 3 Good health and well-being; 6 Clean water and sanitation; 9 Industry, innovation and infrastructure; 11 Sustainable cities and communities; 12 Responsible consumption and production; 14 Life below water; 15 Life on land

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

Seeking out key enablers of the SDGs

We actively select companies based on a combination of fundamental research and the analysis of the contribution of each company to the SDGs, seeking out what we believe to be the most promising companies within a topic. SDG-aligned investing directs capital towards companies which we call "key enablers" – companies that are providing solutions to the world's greatest challenges.

Our SDG-aligned investment strategies invest in companies that provide goods or services that allow others to lower or minimise their footprint and therefore have a multiplier effect. They not only manage their own impacts but have a potentially much larger effect through their impact on others.

	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	•	•	•	•	•	•	•	•

How a company's handprint takes its footprint one step further

A company's footprint measures the impact its activities have on the environment and society. Frequently measured footprint categories include, for example, the carbon footprint (the amount of carbon dioxide emitted) or the water footprint (the fresh water consumed and/or polluted). Traditional sustainable investment strategies focus on the improvement or minimisation of the footprint of invested companies.

SDG-aligned investment strategies go one step further by investing in companies that are key enablers of the SDGs. These companies effectively enable others to act, as they provide goods or services that allow others to lower or minimise their footprint. This impact is described as its handprint. Key enablers have a multiplier effect through both managing their own footprint and their handprint's impact on others.

Shaping sustainable pathways towards change

Halma plc

The Halma group of companies manufacture and market health and safety sensor technologies designed to save lives and provide science-based solutions to complex issues.

With products focused on making the world safer, cleaner and healthier, many of Halma's underlying businesses' objectives are aligned with the SDGs, supporting public and personal health, water management, hazard detection in buildings and industrial work environments, products such as medical optic devices, water quality test kits, fire and smoke detectors, elevator safety sensors, and more.

Halma's water analysis and treatment technologies deliver over 200 million water tests annually and monitor over 110,000km of water pipelines, increasing water safety, conservation and efficiency. It has also developed life-saving sensor technology to analyse drinking water for lead contamination in just three minutes. The importance of this is brought into sharp focus by a recent UNICEF report which estimates that one in three children, up to 800 million globally, are reported to have blood levels with unsafe amounts of lead present.

Impact-focused investing in public markets

Green bonds

Green bonds can support the pathway to a more sustainable future by mobilising capital markets to deliver environmental benefits. On a worldwide scale, green bonds have proven to be a multifaceted model for success, attracting a growing number of investors seeking sustainable, low-carbon investment opportunities.

Our green bonds strategy follows a sustainable investment objective to participate in the mobilisation of capital to support the transition to a low-carbon society, natural capital preservation and adaptation to climate change. This favours the reallocation of investments through a less carbon-intensive economy.

As defined by the International Capital Markets Association[5], green bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible green projects and which are aligned with the four core components of the Green Bond Principles:

- Use of Proceeds (identification of "green" projects and assets).
- Evaluation and selection of eligible green projects.
- Management of Proceeds (tracking, allocation and spending of proceeds).
- Reporting (what information to disclose, as well as the frequency of disclosure to investors, including methodologies for CO_2 emissions calculation).

Our investment in green bonds unlocks key enablers of energy and climate transition. For example, AllianzGI invests in companies that develop large offshore wind farms, implement solutions to lower the impact of carbon-intensive freight activity or promote the circular economy through recycling.

5 https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Green-Bonds-Principles-June-2018-270520.pdf

02.6 Sustainable investing categories

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Impact investing in private markets
Increased frequency of major environmental events and social movements has raised awareness that capital can – and should – play a role in addressing environmental and social issues. As a field, impact investing has grown steadily in the past decade with the total market size now estimated at more than USD 1.1 trillion according to the Global Impact Investing Network (GIIN).[6]

Our Private Markets Impact teams aim to deliver tangible real-world impact through direct and indirect private equity and debt investments and blended finance vehicles.

Shaping sustainable pathways towards change

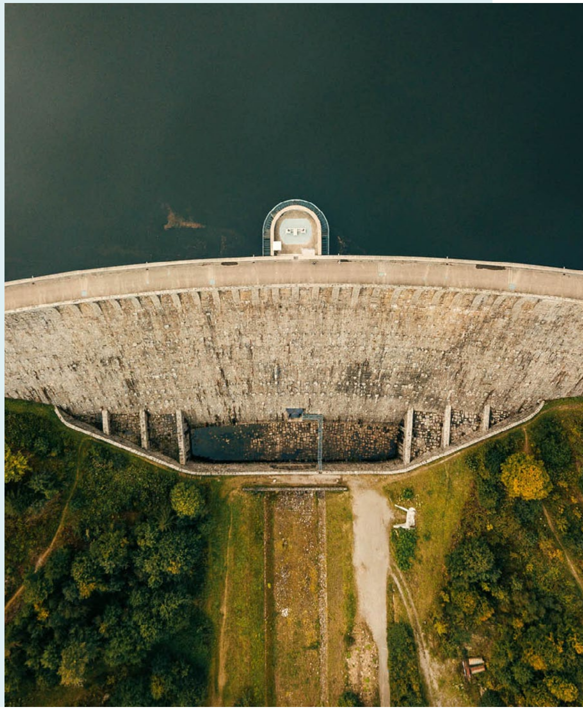
AllianzGI's OECD markets-focused impact offering – the Allianz Impact Investment Fund (AIIF)

Following our impact framework, the AIIF actively pursues direct and indirect investments that generate positive environmental and social outcomes and a measurable contribution to at least one UN SDG.

The AIIF's investments have made strong progress on portfolio growth across all three impact thematic areas, as demonstrated by the following examples:

- Inclusive capitalism – investment in Karriere Tutor, a German digital educational business.
- Climate change – investment in Hydrostor, provider of long-duration energy storage technology.
- Planetary boundaries – investment in REBIKE, first large-scale European e-bike refurbishment facility and operations.

In 2022, AIIF published its inaugural Annual Impact Report covering investments completed in 2021 to report the impact performance of its underlying portfolio.



6 GIIN, 2022 Sizing the Impact Investing Market.

02.6 Sustainable investing categories

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Measuring impact

As capital is increasingly allocated to impact investing in private markets, measuring impact in a robust and credible way is essential. Defined frameworks for doing so can be built into the investment process.

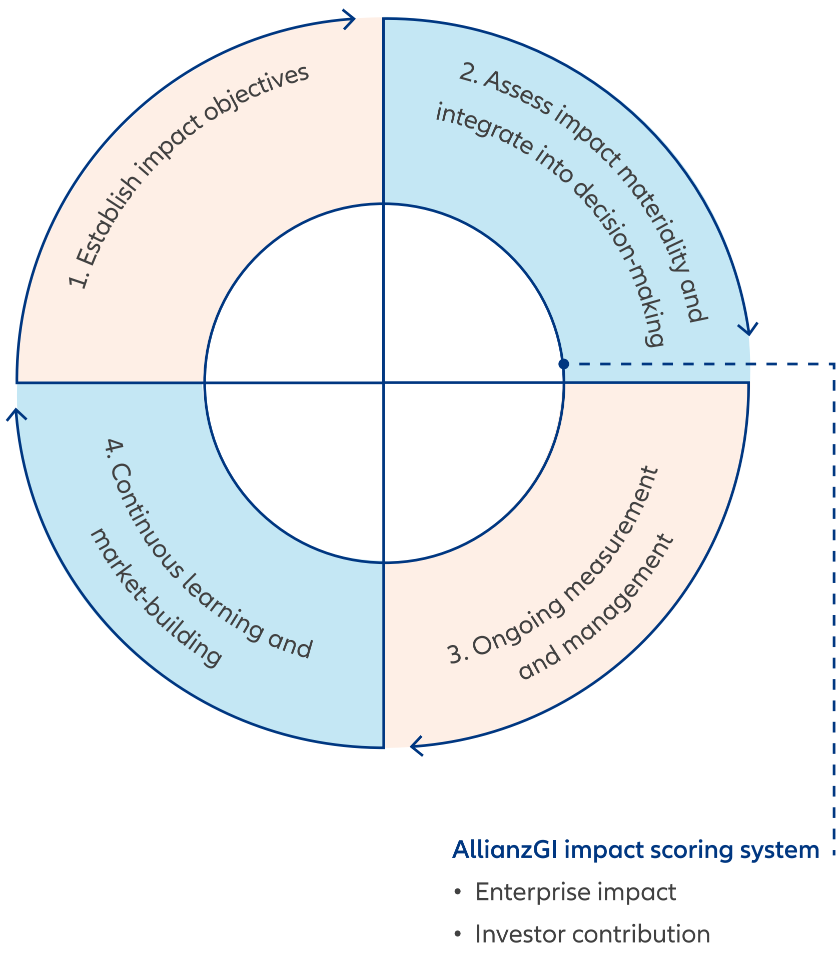
The AllianzGI impact framework facilitates the due diligence and selection of investments that contribute to material and positive impact. This approach supports rigorous measurement and management of impact over the lifecycle of the investment to ensure impact may be delivered.

We align our approach to managing and measuring impact with industry leading principles and standards.

Four main elements comprise the AllianzGI impact framework:

1. Establish impact objectives that target key societal challenges in line with the UN SDGs.
2. Assess the impact materiality and additionality of potential investments by applying our impact scoring system, which is aligned with the five dimensions of impact as defined by the Impact Management Project.
3. Identify core impact KPIs to measure and report against, where possible, aligned with the UN SDGs and the Global Impact Investing Network's IRIS+.
4. Apply continuous testing, learning and market-building to strengthen our approach to impact generation.

Key elements of the AllianzGI impact framework



02.6 Sustainable investing categories

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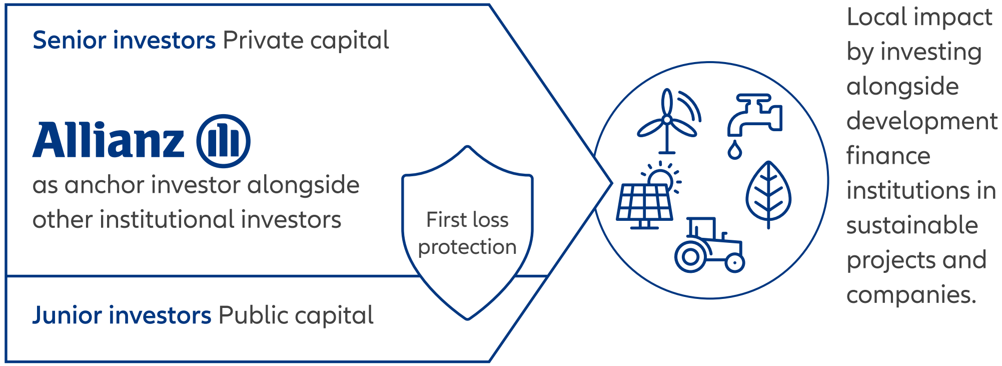
Increasing opportunity with blended finance

Blended finance is a technique used to attract large-scale commercial capital to emerging markets with a focus on sectors that impact social and economic growth such as infrastructure, energy and agribusiness.

Blended finance generally includes a combination of commercial (or private) capital in a senior position and development (or public) capital in a junior position. The goal is to achieve an attractive risk-return profile for all stakeholders by blending public and philanthropic capital together with commercial capital into risk-tiered structures.

AllianzGI was one of the first large asset managers to facilitate blended finance and we have raised more than USD 2.5 billion in commitments across five blended finance vehicles since 2017.

Blended finance approach: de-risking via blending



We have raised more than

USD 2.5bn

in commitments across five blended finance vehicles since 2017.

Shaping sustainable pathways towards change

Impact Investing team

The Impact Investing team at AllianzGI provides equity financing to generate positive environmental and social impact.

The team manages three fund-of-funds strategies, two of which are emerging market-focused blended finance vehicles that bring together public investors to de-risk the underlying investment universe and mobilise large scale institutional capital to close the equity financing gap in these markets.

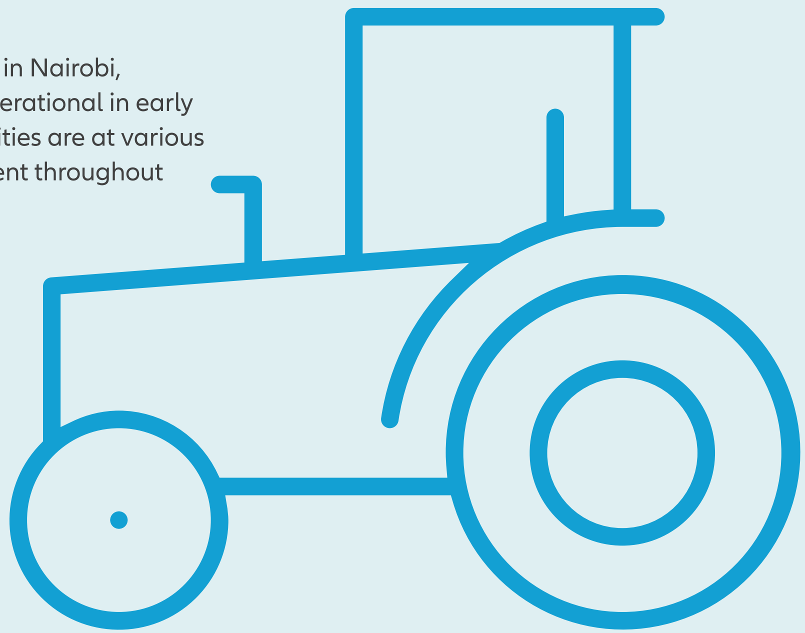
We launched our latest vehicle – the Emerging Market Climate Action Fund (EMCAF) – in late 2021 jointly with the European Investment Bank (EIB). EMCAF is an innovative blended finance fund that finances climate mitigation and adaptation as well as environmental projects in Africa, Asia, Latin America, and the Middle East.

In 2022, EMCAF closed its first transaction – a USD 15 million investment in ARCH Cold Chain Solutions Fund (CCSF).

CCSF finances development and operation of first-of-its-kind energy efficient cold chain infrastructure in East Africa. As climate change increases the frequency of extreme weather events, including drought and torrential rain, adequate cold storage facilities are vital to hold food reserves and extend availability of agricultural produce to non-harvest seasons. Without this capability, local communities are exposed to food insecurity associated with such weather events. Cold chain infrastructure facilitates a more resilient food supply stock and supports climate adaptation for climate-vulnerable communities. It also addresses high rates of food losses and associated GHG emissions in East Africa, with rotting food a large source of methane emissions, a GHG 25 times more powerful than CO_2.

This climate adaptation-focused transaction exemplifies EMCAF's focus on financing innovative solutions for climate transition in the real asset space. This strategy operates at the nexus of climate change – spanning mitigation and adaptation, food security and health with strong positive impact expected for agricultural producers, farmers and the broader population.

The first pilot facility in Nairobi, Kenya, should be operational in early 2023 and other facilities are at various stages of development throughout the region.



Shaping sustainable pathways towards change

Debt financing in developing countries

The Development Finance team at AllianzGI focuses on private debt investment opportunities that mobilise scalable commercial capital in the direction of emerging markets to support the UN SDGs.

We have raised more than EUR 3.1 billion across our Development Finance strategies, including blended finance debt vehicles. Strategies are created through partnerships with public sector institutions that bring together market knowledge, investment expertise and different types of capital. These partnerships result in investment opportunities that aim to contribute to reducing the SDG funding gap in the countries that need capital the most.

For example, AllianzGI on behalf of investors provided an East African sovereign with financing to support the rehabilitation and construction of an approximately 90km-long road connecting several cities across the country. The road is part of the country's national efforts to improve essential infrastructure. The financing includes a credit guarantee provided by a European Export Credit Agency for the benefit of the investors.

In addition to detailed credit analysis, we evaluated a number of ESG issues including a Human Rights Assessment, an evaluation of expected GHG emissions of the project as a result of the road improvements, and the project's compliance with the IFC Performance Standards. An Environmental and Social Action Plan (ESAP) was prepared to capture any ESG-related items pending completion. To ensure ongoing ESG compliance, the borrower will provide ongoing reporting on the ESAP progress and other ESG requirements during the life of the facility.

The financing is expected to generate positive outcomes including reduced transportation time between cities, improved road safety and increased economic growth of the populations along the road as a result of greater trade within the country and with its neighbouring sovereign.

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Looking ahead

We will continue to develop our private markets impact strategies in 2023, applying AllianzGI's impact framework to ensure positive contributions to social and environmental outcomes.

We will provide tailor-made debt to private sector companies in OECD countries which are applying innovative solutions to pressing societal challenges, as well as investing in global private equity and venture capital funds focused on creating social and/or environmental impact in OECD markets.

We will also continue to build on our blended finance activities, focusing on private debt and private equity fund investments in emerging markets that support the achievement of the UN SDGs. This will include capital deployment from existing strategies (eg, Emerging Market Climate Action Fund, a blended equity strategy) and the launch of additional strategies (eg, Allianz Climate Solutions Emerging Markets, a blended debt strategy).

For our listed market strategies, we plan to add further use-of-proceeds bond strategies to our impact-focused product suite. A social bond strategy will complement our offering and allow our clients to participate in this growing fixed income segment.

03
Active stewardship

Guiding sustainable investments

We shape sustainable pathways by engaging with investee companies to deliver real-world change across our three guiding themes of climate change, planetary boundaries and inclusive capitalism.

As an active investment manager, constructive engagement dialogue with investee companies is essential for creating sustainable pathways towards change. Our global stewardship approach guides how we engage with investee companies and exercise our rights as owners.

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03.1 Developing our engagement strategy

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We are pursuing an engagement approach with an activist sustainability orientation as part of our ambition to be a sustainability shaper. We evolved our approach in 2022, focusing on thematic and collaborative engagement as well as engagement across all listed asset classes. We also maintained our risk-based approach to engagement for large holdings.

Thematic engagement: In 2022, we continued to refine our thematic engagement approach aligned to our three sustainability themes – climate change, planetary boundaries and inclusive capitalism – in addition to governance themes within specific markets and more broadly. We prioritise engagement projects based on the size of our holdings per market or portfolio and the priorities of clients or certain funds. The many direct conversations with our clients provide us with insights into their engagement priorities and thematic focus areas which extends particularly to climate, biodiversity and human rights issues. Reflecting increased client interest in the transition to net zero as well as regulatory commitments, we targeted additional high-emitting sectors to expand our climate engagement programme in 2022. We maintained our engagement on the net zero transition of the fossil fuel sector as we consider this a high priority, not only to inform our "Say on Climate" votes. Regulatory requirements extend to themes such as biodiversity and human rights. As these issues are a high priority for us, not least in our sustainable funds, we have also launched thematic projects for these topics in 2022 and will continue our work in 2023.

Collaborative engagement: To scale our engagement and be more effective in the major markets we have holdings, in 2022, we laid the legal foundations for broader collaborative engagement. We are partnering with high-profile initiatives, focusing our efforts on climate transition, diversity and select governance topics.

> See section 03.5.

Engagement across all listed asset classes: While the bedrock of our engagement activities comes from our heritage as an active equity manager, we are also now anchoring our engagement

2022 highlights

438
active engagements

No. of engagements increased by
46% year-on-year

Engaged in
28 markets globally

Voted at
10,200
shareholder meetings

Voted against
43% of remuneration proposals

03.1 Developing our engagement strategy

Principles 7 9

more specifically in fixed income and facilitating dedicated dialogues for our corporate credit strategies. Our strategy includes enhancing the engagement-specific skills of our investment professionals through dedicated training.

> See section 03.2.1.

We seek to reinforce our engagement approach externally through public speaking and policy engagement, for example relating to the legal framework for collaborative engagement and publishing our convictions via thought leadership pieces.

> See sections 03.4 and 03.5.

Our risk-based approach remains the basis of our engagement strategy and focuses on the material ESG risks that we identify. Targeting is closely related to the size of our exposure, whether per market or fund or considering the 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. Our activities typically relate to an investee company's strategy, operational or financial performance, capital management, corporate governance and ESG risks and impacts.

This approach allows us to strike a good balance between ESG risk reduction in our portfolios and leading clients and companies on an inclusive sustainable pathway to change. It also allows us to set clear engagement objectives from the outset. While our preference is to engage investee companies confidentially, we are prepared to escalate to engage publicly if we conclude that the confidential approach has gone as far as it can without delivering progress and our objective would be best served by escalation.

> See section 03.6.

03.2 How we engage

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We apply a broad range of tools to our engagements, including one-to-one or group meetings with chairpersons, board members, senior management, company secretaries and heads of specific functions, as well as written correspondence.

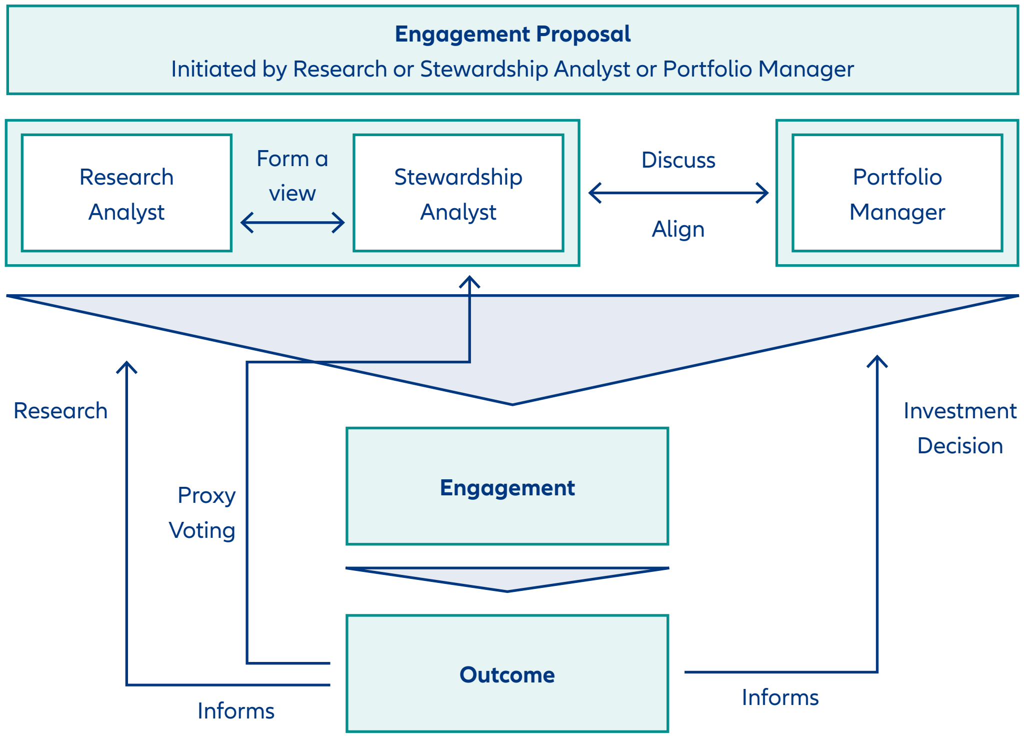
We differentiate between normal research and monitoring meetings as an active manager and engagements where we actively seek to make an impact or target a specific outcome. The latter are, by default, classified and reported as engagement meetings. Our overall stewardship is much broader than is reflected by the numbers reported as we also actively engage through industry bodies and by conveying our stewardship stance to larger audiences at industry events.

In 2022, we added data clarification requests to our interaction with companies in line with regulatory requirements. These comprised conversations on sustainable investment share and principle adverse impact / Do No Significant Harm in the context of the EU sustainability regulation. In some cases, these interactions were the starting point for a more thorough engagement process. However, we do not classify them as such and report them separately to underline our conservative approach to engagement reporting.

Through our Climate Engagement with Outcome (CEWO) programme[1] 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 made. In many cases (see figures on page 69) these letters were followed up by engagement conversations.

While our stewardship professionals often lead engagements, the members of the Sustainability Research and the Stewardship teams frequently discuss material sector-specific issues, thematic focus topics and analytical frameworks, eg, to evaluate climate votes. This collaboration is the basis to form a joint view on a company and define engagement objectives. High-quality research thus provides the background for effective stewardship. We frequently include relevant AllianzGI Investment team members alongside members of the Sustainability Research and Stewardship team to make engagement meetings as impactful and productive as possible by combining insights from all critical parts of our investment platform.

Resourcing our Stewardship Activities: Collaboration on company engagements



1 AllianzGI plans to decommission its Climate Engagement with Outcome Programme going forward. See footnote on page 15 for further details.

03.2 How we engage

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Our investment views are influenced by the outcomes of engagements and outcomes are linked to the proxy voting process, forming a consistent stewardship approach. All engagement results are shared via our collaborative research and investment platform and can be accessed by our teams globally.

Our engagement approach differs across different funds, assets and geographies.

03.2.1 Fixed income engagement

Engagement activities apply to all public market activities, comprising equity and fixed income strategies globally. In 2022, we enhanced the coordination of engagement activities in fixed income by adding regular dedicated dialogues for our corporate credit strategies.

The process is overseen by a working group on fixed income engagement, including our Global CIO Fixed Income. The benefits of setting up the working group are already being realised. In several cases, we combined the expertise of the Stewardship, Equity and Fixed Income teams in joint engagement meetings and shared the outcomes via our collaborative investment platform.

Having identified the need for training for Investment teams, the Stewardship team developed a bespoke curriculum and delivered sessions to all Fixed Income Investment teams. Eight engagement training sessions were held in 2022, reaching just over 90% of our Fixed Income investment professionals globally.

In addition to internal collaboration, we have continued to work with external organisations such as the European Leveraged Finance Association where we are members of the ESG Committee and from 2023 have board representation. In 2022 we helped facilitate discussions with stakeholders around ESG engagement in high yield/leveraged loans; and we seek to improve market practice around collaboration among investors in these asset classes.

The constraints on further development of fixed income engagement are market broad. To shape the required change, we joined the IIGCC Bondholder Stewardship Working Group. Members work together to improve bondholder stewardship practices to encourage high-emitting issuers to develop credible transition plans, accelerate transition activities, provide appropriate climate-related disclosure and adequately respond to climate change risks.

As an outcome of our work in 2022, we have established a more robust and consistent process and approach to engagements in fixed income. At the same time, we remain mindful that a more nuanced approach to embedding sustainability in stewardship processes within fixed income should exist, for example dependent on time horizons, the nature of the underlying instrument, strategy or turnover and portfolio size.

Looking ahead

Enabling our investment professionals to conduct engagements is a high priority for us. In 2023, we will continue to offer stewardship-related training to our investment professionals across public and private markets. In the first quarter, we held engagement training sessions for our Equity investment professionals and offered dedicated sessions for fund managers in Asia and Europe.

03.2.2 Emerging market sovereigns

Engagement with emerging market (EM) sovereigns is part and parcel of our investment process. The Fixed Income team follows a specific engagement approach that rests on integrated risk factor modelling to assess non-financial risks that may impair a country's ability to repay its debt.

Our EM Fixed Income (EMFI) investment process fully integrates ESG considerations which are set by the EM ESG sovereign framework. This framework uses twenty publicly available indicators spanning E, S and G supplied by international institutions and think tanks to quantitatively assess EM Sovereigns, supported by our own qualitative analysis. The EM ESG framework is maintained and regularly updated publicly and shared on our website.

The EMFI team regularly runs meetings with sovereign issuers to discuss ESG topics. This allows us to understand what may support or hinder the potential attainment of ESG outcomes in a certain sovereign. The framework enables us to engage in more tailored and deeper discussions with the EM sovereigns we invest in. Focusing discussions on reliable

03.2 How we engage

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public data from reputable institutions – rather than arbitrarily assigned numerical scores – supports meaningful and objective engagement discussions and minimises potential impacts of political economy sensitivities, data challenges and different political cycles. It also provides the opportunity to raise important ESG issues that our clients care about and to clarify the set of standards that we consider essential for investing in a certain issuer in our sustainability-focused portfolios. Finally, engagement helps us to gain insight into the mechanics and incentives systems at play in specific sovereign policy areas.

We believe EM sovereign engagement must adopt a long-term approach. Raising issues and monitoring change or, at a minimum, establishing a rapport over ESG issues with sovereigns supports the fiduciary duty to our clients and helps to increase the ESG outcomes achieved. For example, in the area of fiscal and debt transparency, our engagement takes place over repeated interactions and often over a lengthy period to deliver results.

In 2022, we conducted over 30 official engagement meetings or touch points with EM sovereign delegations over specific ESG topics. These included country visits to Azerbaijan, Costa Rica, Dominican Republic, El Salvador, Ghana, Kazakhstan, Kenya, Panama, Uruguay and Uzbekistan. They also included London-based roadshows and virtual meetings with finance ministries, debt management offices and central banks as well as national planning ministries, state-owned enterprises and donors.

Shaping sustainable pathways towards change

Uzbekistan: improving governance

Our proprietary sovereign ESG framework scores Uzbekistan at 4.5 out of a maximum of 10.[2]

The governance score (2.3) weighs on the overall rating, while the environment (6.7) and social (6.6) scores are above average. In October 2022, our lead sovereign analyst on Uzbekistan met with representatives from the Central Bank, the Ministry of Finance, local corporates/banks and the World Bank. Discussions focused on the very low Worldwide Governance Indictor score from the World Bank and the Corruption Perception Index from Transparency International. Discussions highlighted that Uzbekistan is making significant progress. It has undertaken several key judicial reforms and established a Supreme Judicial Council and anti-corruption agency. There is a planned asset and income declaration scheme for public officials that will help to detect corrupt practices. A new public procurement law is being adopted with an online platform for public procurement. This will increase transparency, including of beneficial ownership of contracting companies, and reduce opportunities for corruption. The Listening to the Citizens of Uzbekistan (L2CU) initiative was also highlighted. This system is designed to capture the views and wellbeing of a representative group of people as the country embarks on its ambitious reform initiatives. Finally, there were discussions around the issuance of green and SDG bonds, which Uzbekistan is keen to develop and is working with advisors on a framework which meets international norms.

2 Rating as of January 2023.

Shaping sustainable pathways towards change

Uruguay: sustainability-linked bond issuance

Following our engagement with Uruguay's Debt Management Office, its first labelled bond was launched in October 2022.

The country partnered with the Inter-American Development Bank to prepare the framework to issue a sustainability-linked bond (SLB). The structure has a coupon step-down mechanism[3] that is activated if Uruguay reaches environmental targets set in line with its Naturally Determined Contribution (NDC) to the Paris Agreement. Uruguay worked alongside the Emerging Markets Investors Alliance (EMIA) to ensure the SLB is consistent with the EMIA Enhanced Labelled Bond Principles. These introduce significant improvements over prevailing bond standards and encourage an elevated level of transparency and more stringent terms and conditions.

The USD 1.5 billion 12-year issue was more than two times oversubscribed and was placed with investors across geographies, capturing high appetite for sovereign debt issues with a sustainability focus.

3 Coupon step-down: a debt instrument with a high coupon in earlier payment periods and a lower coupon in later payment periods.

03.2.3 Selecting and engaging with fund managers

In the context of engagement and fund-of-funds approaches, the research and selection of fund managers is a major focus of our multi-asset department. In the last two decades, we have developed and enhanced our fund research capabilities to independently and systematically select the most promising managers in the relevant liquid asset classes. We diligently follow a stringent process for every strategy and collate findings in a central shared database, called MARS.[4] The process is the same for every manager that we analyse.

Ongoing dialogue with clients shows that demand for sustainable strategies has been rising for years. We continuously enhance our research and selection process to adapt to changes in the regulatory environment and fulfil the requirements of our clients. As part of this, we undertake a deep and comprehensive due diligence that encompasses fund manager interviews and an exhaustive questionnaire (RFP). Important considerations such as investment philosophy, team and research capabilities, portfolio construction, and sustainability efforts are evaluated and compared to competitive strategies.

Assessing sustainability capabilities and processes is a crucial and integral part of the manager selection process. We have developed an in-house ESG rating process to assess this in a systematic way. When analysing an ESG/sustainability strategy, we look at the engagement approach including proxy voting, engagement reporting and transparency.

While we are not allowed to enforce our own engagement guidelines or alter the investment process of target fund managers, who are responsible for managing retail money, we do ask for details on proxy voting, engagement process and portfolio composition. Our detailed questionnaire looks at whether there is a proxy voting policy in place and its guidelines, if proxy voting is done internally or delegated to an external provider, and how the engagement process works. We go into detail on prior examples of engagement and their outcomes during personal meetings with managers.

For exchange traded fund (ETF) strategies, we meet with providers on a quarterly basis and discuss the provider's sustainable products and policies. This can be done by offering input on the evolution of sustainable screens and KPIs and providing advice on which markets are well served by sustainable products and which need further product development/launches. We also ask how providers deal with regulations (particularly disclosure), encouraging transparency so that we are fully equipped to make decisions and answer queries from our clients.

The funds we recommend for investment are regularly screened for compliance with our standards, including sustainability aspects. We continue to improve and enhance this process by updating our questionnaire at least annually – or whenever there are significant changes, such as changes in the regulatory environment – and incorporating new regulatory changes to offer our clients our most promising sustainable strategies.

4 Manager Research And Selection.

03.3 AllianzGI's engagement in numbers

Principles 7 9

In 2022, we engaged with companies on 438 occasions, mostly via virtual engagement meetings (2021: 299). The substantial increase of almost 50% from last year reflects – among others – the expansion of engagement activities in Asia – particularly in China, Hong Kong and Japan.

> See case studies on pages 77–78.

Engagements covered 996 topics (2021: 482). We often engaged on more than one topic per company and the significant year-on-year increase is driven by our new engagement reporting template which enables more granular reporting of sub-topics.

We reached out to a total of 276 companies under our Climate Engagement with Outcome (CEWO) approach since inception in the middle of 2021. We engaged with 84% of companies (accounting for 88% of these companies' aggregate emissions) to collect information on climate strategy, governance and the full scope of the decarbonisation pathway.

In 2022, we completed 88 climate engagements. Most of these were achieved through answers to very specific questionnaires for each company and we completed 25 specific engagement meetings to collect further information. These are included in our engagement statistics.

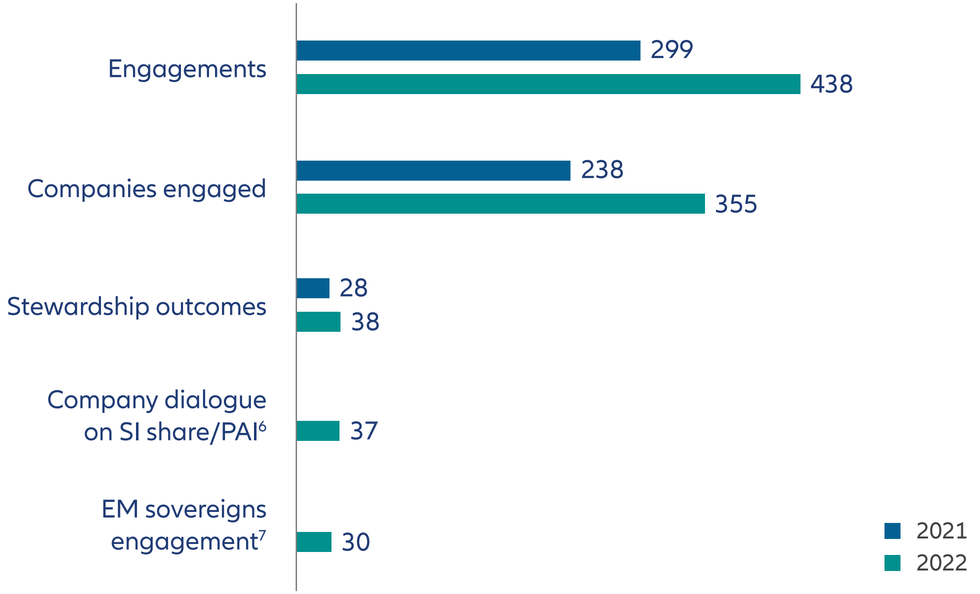
To implement European regulation for sustainable fund categories, we reviewed the sustainable investment share of certain funds[5] and analysed principal adverse impact (PAI) indicators. Where data was ambiguous or incomplete, we engaged 37 companies for additional information (17 for sustainable investment share and 20 for PAIs). In 27 cases, this resulted in an amendment of the indicators used in the investment process.

We engaged with

355

companies in 2022.

Substantial expansion of our stewardship activities in 2022



5 Sustainable investment share: the percentage of a fund that can be considered as sustainable according to the EU Sustainable Finance Disclosure Regulations.
6 Engagements began in 2022 per regulatory requirements.
7 Not reported in 2021.

03.3 AllianzGI's engagement in numbers

Principles 7 9

Engagement by geography

The location of engagements reflect 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. As such, we target issuers globally with a focus on Europe, the US and our major markets in Asia.

In Europe we engaged most frequently with companies in Germany, France and the UK, whereas in Asia our engagement focus was on China, Hong Kong and Japan.

Our engagements in 2022 spanned 355 companies in 28 markets globally (2021: 238 companies in 27 markets).

Engagement by topic

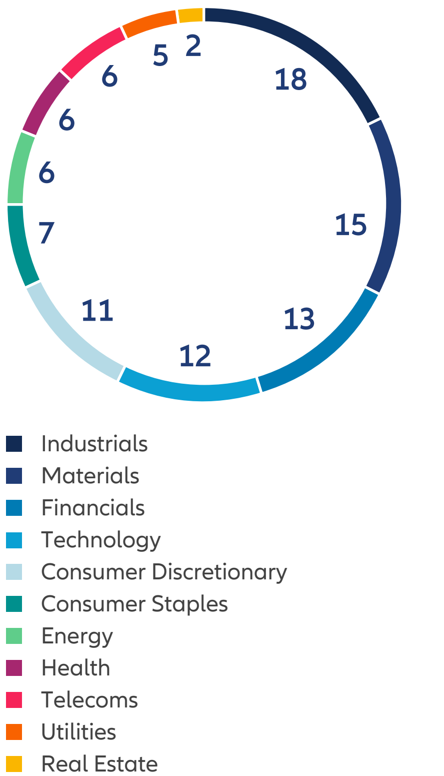
Engagement activities in 2022 covered a broad range of topics (see chart). In 35% of cases, we spoke to companies on corporate governance, business conduct and transparency issues. The reduction compared with 2021 was driven by our re-focus of engagement on our three guiding themes (climate change, planetary boundaries, and inclusive capitalism). The increased focus on environmental and social topics resulted in the share of engagements, touching on either topic, increasing from 42% in 2021 to 69% in 2022. Where we did not see sufficient progress, or wanted to follow up on recent developments, we engaged more than once. This occurred with 19% of companies engaged and was broadly in line with 2021.

Outcomes achieved

We registered 38 stewardship outcomes where companies took steps we had explicitly referenced during engagements (2021: 28). Some cases involved multi-year engagement. Executive remuneration and governance issues were the focus in about three quarters of these cases.

Engagements per industry

%



Engagements per topic

%

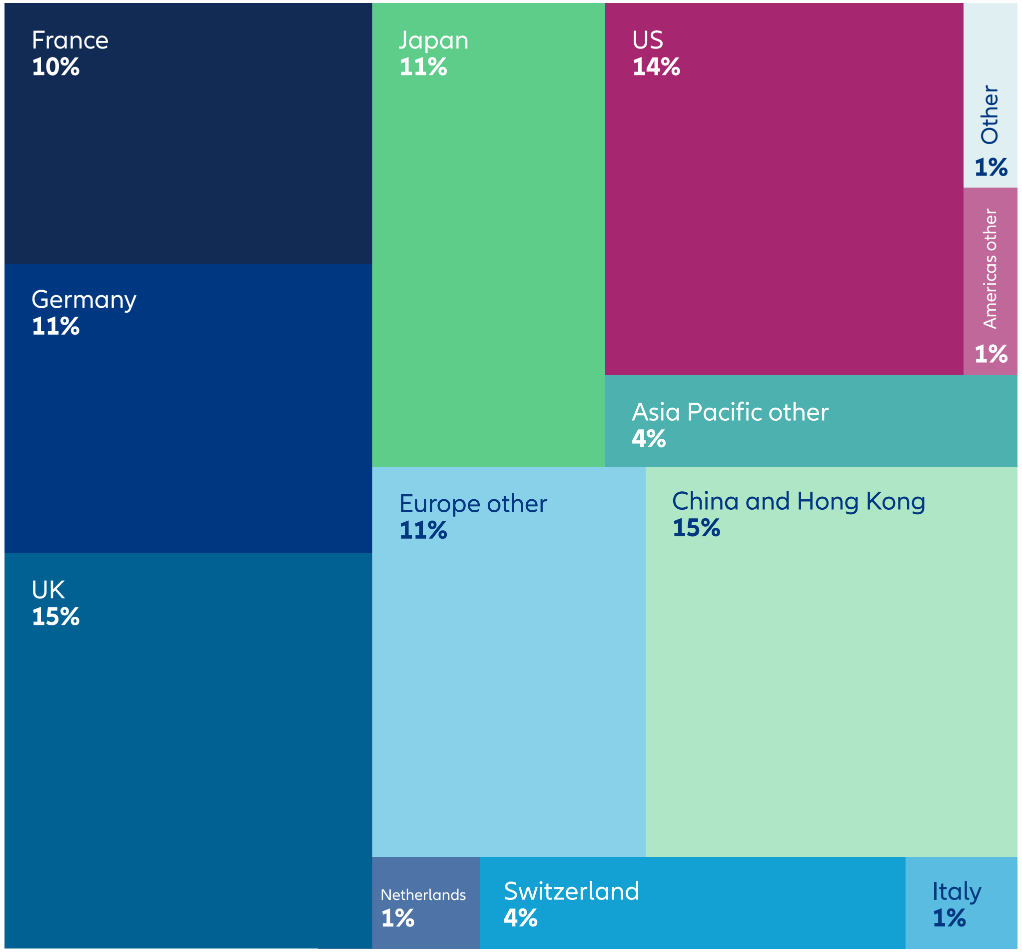
Percentages do not total 100 due to rounding.

03.3 AllianzGI's engagement in numbers

Principles 7 9

Engagements per geography

AllianzGI engaged 355 companies across 28 markets globally in 2022.



Number of companies engaged, by topic

03.4 Engagement outcomes

Principles 7 9

In the following pages, we discuss engagement and related outcomes under the three strategic sustainability themes of climate change, planetary boundaries and inclusive capitalism – along with governance.

03.4.1 Engagement topic: Climate change

In 2022, we had 217 direct conversations with companies about climate change. We approached many companies to challenge their climate transition targets and pathways and understand how they intend to amend their business model and employ new technologies to progress to net zero. Many discussions also focused on climate risk assessments and how companies are reflecting climate risk in their strategies, operations and product pipelines. Our engagement focus reflects the increasing importance clients place on decarbonisation targets of portfolio companies. Climate and other environmental issues continued to gain relative importance in our engagement activities, increasing their share by three percentage points to account for 25% of all engagements in the past year.

Engaging oil and gas companies on the energy transition

Our increasingly thematic and focused approach to engagement targets organisations where the implications are most significant, such as oil companies. We continued our engagement with oil and gas majors and spoke with energy companies on 26 occasions.

In 2022, we had

217

direct conversations with companies about climate change.

Shaping sustainable pathways towards change

Engaging on an oil spill incident

We have engaged one company on its energy transition strategy, climate targets and a more comprehensive range of governance, community and social due diligence topics for several years. We scrutinised GHG emissions reduction targets, capital allocation to low-carbon technologies and climate lobbying policy. We also questioned challenges faced with respect to commitment to a just energy transition.

The most recent engagement focused on an oil spill incident. Due to the nature of the incident, we were concerned with the response of the company and questioned its sensitivity in dealing with ecological and social impacts. We challenged them on how they tried to mitigate the effects of the spill on the environment and its impact on local communities who make a living from the sea and surrounding beaches. We were pleased to see prompt action and continue to monitor progress and financial implications closely.

03.4 Engagement outcomes

Principles 7 9

Engaging with banks on climate

Indirect emissions via financial support of business activities means banks are highly exposed to climate risks. Systemic considerations add further motivation to select this as an engagement theme. We prioritised systemically important banks for engagement in 2022 because of their critical importance to economic stability first, and second as they play a leveraged role in transitioning the economy through their financing activity across the entire spectrum of business sectors. The Sustainability Research team developed a framework to assess climate performance and identify gaps in commitments and governance, strategic drive and disclosure quality. This was done by focusing on 15 KPIs across commitment and policy, targets, strategy and reporting. The resulting gap analysis was used as the basis for engagement calls, which informed voting decisions for shareholder resolutions filed at some US banks and say on climate in the UK. We will broaden the theme to consider climate risks beyond proxy voting implications in 2023. We support the increased prudential focus on climate risks, including those most recently put forward by the US Federal Reserve, and will use engagement to assess and encourage balanced decarbonisation of books, namely the monitoring and management of business risks through the climate transition.

Understanding the role of sustainable aviation fuel for airlines

Airlines' use of sustainable aviation fuel (SAF) is a key solution to decarbonise aviation GHG emissions. Despite the advantage for climate, SAF faces sustainability challenges linked to biodiversity (eg, sustainable sourcing of biomass-based oils) and food security.

In 2022, we engaged with several airlines for our fixed income holdings with SAF being a main topic in our dialogues. While airlines' use of SAF varies, it remains a significant focal point for the industry. Common SAFs used are produced from waste fats or vegetable oil. Food security and logistics (for waste collection) are the main obstacles for scaling up. Some airlines invest in Air-to-fuel SAF (converting CO_2 via carbon capture and green H2 via electrolysis into hydrocarbons). This is more sustainable but technically challenging at the current time. While it is encouraging to see airlines addressing climate challenges, we would like to see them address other issues associated with these solutions such as biodiversity impacts associated with the biomass input for SAF. This will remain a key focus when we engage with airlines and air transportation companies in the coming year.

03.4.2 Engagement topic: Planetary boundaries

Economic activities depend on the availability of natural capital and we need to act within planetary boundaries to preserve vital finite resources. Biodiversity is crucial to maintaining safe planetary boundaries through vital ecosystems and also helps mitigate the impacts of climate change.

In 2022, after four years of negotiation, 196 countries adopted the Post-2020 Global Biodiversity Framework. It sets out a plan of action to halt and reverse nature loss by 2030 and aims to ensure that, by 2050, the shared vision of "living in harmony with nature" is fulfilled. Corporate action must play a key role in achieving recovery by 2050. Our engagement sought to understand whether and how companies are taking action to operate within planetary boundaries and protect and enhance biodiversity. Engagement was strongly driven by our sustainable strategies seeking to foster positive progress within relevant themes, such as deforestation or pollution.

Biodiversity was discussed as a topic in 36 engagements with investee companies in 2022. Most companies have started to work on addressing biodiversity impacts by, for example, setting up biodiversity policies and working with the Taskforce on Nature-related Financial Disclosures (TNFD). For those that have not yet started, we raised awareness of this topic. Overall, we sensed that this is a relatively new engagement topic for companies, and it requires more consistent reporting.

We began a series of pilot in-depth thematic engagements on biodiversity with five companies in sectors with high biodiversity impact and dependency, such as paper and forest products, construction, and chemicals.

03.4 Engagement outcomes

Principles 7 9

Our engagements sought to explore how companies assess the materiality of biodiversity and where they stand in terms of integrating it. We encouraged companies to act on reducing their biodiversity impact and will use the outcomes of discussions to shape our biodiversity engagement approach going forward.

Increasing transparency on plastic pollution

Microplastic pollution poses a severe threat to marine biodiversity and has negative environmental and social impacts. Pre-production pellets (nurdles), which form the building blocks of all plastic products, are the second largest source of primary microplastic emissions to the environment.

Shaping sustainable pathways towards change

Engaging a forest-product company on their biodiversity impact

We engaged with a paper and forest-product company to understand whether its biodiversity target and strategy are sufficiently ambitious and comprehensive. From the engagement, we understand that biodiversity is considered a key material topic in the company's sustainability strategy. The company has a comprehensive strategy in place to manage its impact on biodiversity, which it considers across the value chain. While the company remained conservative in reporting progress and setting targets, it is committed to doing more once it is more comfortable with biodiversity measures and progress. We encouraged the company to demonstrate how biodiversity could help to achieve its climate goal as the topics are closely interlinked – especially for forest-based business models.

Through the UK-based Investor Forum in 2018, AllianzGI supported a project which sought to develop standards for companies to handle plastic pellets within their supply chains. We co-sponsored the creation of PAS 510 2021, a document that builds on the groundwork laid by Operation Clean Sweep® to create a standardised and consistent approach to risk management and containment of pellets. This document is a key component of a formal certification. In 2022, we fulfilled our commitment to engage with companies around the issue and to encourage the adoption of the PAS. We held discussions with key producers of plastic resins with a focus on European companies. Our first aim was to develop a baseline understanding of how relevant this issue was to the business and what actions were taken to mitigate potential risks. In future, we plan to engage with the value chain, including logistics/transportation providers and end users.

03.4.3 Engagement topic: Inclusive capitalism

We are convinced that inclusion will become the next big topic of public focus in addition to climate change. The many inequalities that exist and overlap globally are the centre piece of this theme and require close attention by investors. Tackling climate change raises new challenges when it comes to managing a just transition. Within the inclusive capitalism theme, human rights and labour rights as well as diversity were focal points of our engagement in 2022.

We expect companies to adhere to relevant frameworks including the UN Guiding Principles on Business and Human Rights. Companies have a responsibility to protect human rights within their own operations (workforce) and at upstream (suppliers) and downstream (clients) levels. This is especially important in countries where human rights standards are lower and where there are greater risks of on-the-ground controversies.

In 2022, we continued to engage with companies on controversies, for example related to human rights and labour rights, to seek more information, understand remedial actions and push for change. This engagement often related to names held in our sustainable funds to confirm whether certain companies were investable or not.

03.4 Engagement outcomes

Principles 7 9

Shaping sustainable pathways towards change

Investigating a human rights controversy with a heavy machinery producer

We engaged with a heavy machinery producer to understand how a severe human rights controversy – which triggered a temporary exclusion for investments in our SRI funds – resulted in a specific approach of human rights risk mitigation in sales, and whether this was stringent enough to address the risk of repeated occurrence in other countries where the company has sales relationships.

Since the controversy occurred, the company has developed a robust approach centred around its human rights policy. As a decentralised business, each business area is responsible for driving the responsible sales approach with the support of centralised experts.

Countries are assessed for risk according to the ranking of a data provider and this serves as an input for the business to decide the level of due diligence to apply. For higher-risk customers, they follow a more thorough, centralised approach. We made recommendations to further strengthen the approach. We appreciate how the company has improved and will continue to monitor whether it has integrated our suggestions into its policies and processes.

Shaping sustainable pathways towards change

Engaging on labour rights issues

We engaged an outsourcing company over concerns with respect to labour practices in its content moderation business. We investigated allegations of union busting and asked for clarification on the way employees were trained and equipped to perform their job, which could result in adverse health issues. We raised our severe concerns that the company is not managing the issues arising in this part of the business properly.

With respect to allegations of union busting, the company denied them and stated that they were in discussion with the trade union dedicated for their industry. We strongly encouraged them to come to a fair agreement with the trade union to alleviate the situation.

With respect to the content moderation business, the company held the view of being compliant with the UN Global Compact. Given the seriousness of the allegations, we asked for information on the internal and external audits that were to be conducted.

Since then, the company has announced its decision to exit the highly egregious part of the content moderation business and a global agreement with an international trade union. We consider this positive action to be a result of heightened investor pressure.

Shaping sustainable pathways towards change

Supporting employee rights at a large US retailer

In 2022, we continued engagement with a US retail company on employment rights and specifically the right of employees to organise which we considered had been impaired. These rights are recognised human rights, contained in the International Labour Organization's Core Labour Standards and subsequently adopted in national pieces of legislation including in the US. This becomes more nuanced when evaluating the specific practices companies take, for example mandatory attendance of sessions to dissuade employees from supporting unionisation. As investors, we consider it the role of the Board to supervise management as well as managing business material risks. Retail companies employ a large number of employees and therefore human capital management is business material. The engagement informed our vote at the AGM and we decided to hold directors accountable for the matter. It also provided input to our assessment of the adequacy of governance of human capital management issues, which we believe for large employers is a forward indicator to the likelihood of further controversy.

Communicating our Stewardship Principles

We continue to publish viewpoints via our Stewardship Principles series, launched in 2021. These outline the ways we work with investee companies to promote best corporate governance practice and shape pathways towards environmental and social transformation. We also share results of our themed engagements. Where appropriate, we advocate new governance concepts for certain markets or industries, as evidenced by our piece on the Lead Independent Director for the German market. A deep dive into changing market trends led to our paper on Shareholder Resolutions in the US.

Why German companies should embrace the role of lead independent director.

Shaping US practice through shareholder resolutions.

Increasing engagement in Asia

We have stepped up engagement activities dedicated to our investments in Asia, led by our local Stewardship Analyst and Investment teams. This was motivated by rising expectations of clients regarding sustainability aspects of funds in Asia, increased relevance of these issues to our fund business, and evolving regulatory requirements for sustainable funds.

AllianzGI's engagement activities in Asia are guided by our top-down thematic pillars and also by issues we identify as most critical to the market, such as long-standing governance-related topics, climate strategies, supply chain management and diversity. Biodiversity only started to draw companies' attention in Asia very recently and we engaged on this emerging topic as well.

We leveraged the close partnership between the Stewardship team and local Investment team professionals to proactively engage with our portfolio companies. Our engagements focus on evaluating company performance on governance and sustainability, setting expectations on KPI-based targets to encourage sustainability outcomes, and sharing global best practice within the industry to guide on transition. We have observed a notable increase in responses to our engagement requests and improved ESG disclosure in the Asian market in 2022.

> Many Asian companies lack incentives to proactively develop robust climate strategies.

Shaping sustainable pathways towards change

Climate strategy engagement with a financial service holding company

We believe that large financial holding companies in Asian markets could play an important role in driving different sectors' decarbonisation pathways. However, many Asian companies lack incentives to proactively develop robust climate strategies due to controlling shareholding structures or lack of concrete guidelines from local regulators.

During the engagement with a Japanese financial holdings company, we discussed climate strategies of its own operations and its financed activities in the overall portfolio. On Scope 1 and 2 emissions, we assessed the feasibility of the company's zero-carbon emissions plan, including renewable energy usage, green certificates purchase with good quality and other energy-saving measures. On its financed activities, we challenged how they would expand their GHG emissions reduction interim plan from its current focus on a few sectors to include other carbon-intensive sectors. We also investigated how the asset management arm of the company practises sustainable investment in its portfolio.

The company shared detailed actions and concrete figures. It committed to incorporating more sector specific decarbonisation interim goals in the coming year as it updated its climate strategy. We will reassess progress going forward.

Shaping sustainable pathways towards change

Biodiversity engagement with a cosmetics company

Among several biodiversity-themed engagements in Asia, we spoke with a leading Chinese cosmetics producer to understand progress and urge it to take more action. We discussed the impacts and dependencies that the cosmetic industry can generate on biodiversity and raised questions about its use of Roundtable on Sustainable Palm Oil (RSPO)-certified products among all palm oil materials it uses. We also asked whether plastic microbeads have been phased out and what substitutes are being used, and explored its choice of preservatives. Besides focusing on progress, we explored its future plans and commitments. We shared global best practices from the cosmetics industry to encourage the company to form longer-term visions.

With board-level oversight, the company committed to tackle biodiversity challenges in collaboration with its supply chain companies. It showed an interest in applying stricter standards than minimum domestic requirements on chemical safety. We will follow up with the company on future progress.

Shaping sustainable pathways towards change

Engaging a Taiwanese company on gender diversity

Given the historical imbalance, gender diversity is among the most critical social issues worthy of attention in many major Asian markets. Our conversation with a Taiwanese company began with questions about how the company's policies guide a top-down approach and whether there is board-level oversight on gender diversity-related measures.

We wanted to understand granular diversity indicators to assess the company's performance as well as internal initiatives and training for female employees and efforts to establish a sound talent pipeline. We also discussed quantitative short- and mid-term plans to raise female managers' participation and targets on recruitment.

Recognising investors' expectations, the company committed to raise female senior management participation to more than 30% level in the short term. We see it as an important milestone that the company appointed its first-ever female director to the board in 2022.

03.4.4 Engagement topic: Fostering 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 2022, we engaged 237 companies at least once on a governance issue and continued our engagement focus on the following topics:

- Board composition, quality and competence of board members;
- Succession planning for chairpersons, directors, and executives;
- Independence and expertise of key committees;
- Structure and quantum of executive remuneration, including ESG KPIs in pay; and
- Shareholder rights, for example in the context of takeover-related matters or capital issuance authorities.

In 2022, we engaged with

237

companies at least once on a governance issue.

Shaping sustainable pathways towards change

Addressing overboarding with an Irish 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.

Since 2021, we have engaged with an Irish building materials supplier on overboarding concerns. We considered the chairman to be at risk given multiple external appointments, including as chairman of another listed plc. We initially abstained on the re-election until we could gather additional information. Through follow-up engagements with the company, we received further details on the roles of the chairman who had a positive track record of managing his businesses throughout the Covid-impacted period. Given the value and experience he brought to the board, we offered our qualified support and will keep the issue under review.

Shaping sustainable pathways towards change

First-time engagement on board independence with a Chinese multinational

We engaged with a Chinese multinational technology company on board structure issues, with a key focus on board independence. Its board of directors lacked an independent majority for several years. The company used to adopt a conservative communication approach with investors on corporate governance topics, but proactively had expanded its ESG team in the past months. We approached the company and expressed our expectation that it should incorporate additional non-executive directors to mitigate investor concerns. This would also benefit its overall ESG rating. We received positive feedback from the company which added two additional independent directors to the board at its recent general meeting, resulting in a majority independent board for the first time in years.

Embedding ESG KPIs in remuneration

Following the updates to our proxy voting guidelines, a key element of our engagement on remuneration is around the integration of ESG metrics into executive compensation.

> See section 03.7.2.

This is a trend across multiple markets and our feedback to companies is that we want to see metrics which are transparent, quantifiable and tied to the long-term strategy. We look to assess whether KPIs proposed by the remuneration committee clearly align with the wider business model and material issues and how weightings and stretch targets drive value creation and strategic decision making.

A European professional services company sought to include climate metrics in their annual bonus scheme. We engaged the remuneration committee to understand the rationale for including this metric and its preference for the short-term incentive. We understood that this tied into its sustainability strategy, which would be supported by SBTi verification, and that it impacted a larger number of employees. We therefore supported the proposal.

Shaping sustainable pathways towards change

Improving board structure and executive pay with a US construction company

Following up on a failed Say on Pay vote at the AGM, we engaged the Compensation Committee of a US construction company to encourage certain governance improvements. We met virtually with the committee chair. The company committed to reduce the gap between pay levels of the chairman and the CEO, a key request from us to improve governance. Our expectation is that the lead executive role commands the highest pay. Lack of clarity on this could imply informal balance of executive power that is not transparent. Additional outcomes requested include the introduction of a more challenging vesting scale for the long-term incentive plan. Our conclusion following this engagement was that the board, via the actions taken by the Compensation Committee, met our expectations for responsiveness to shareholder concerns. Their action resulted in material improvements to governance.

Engaging Swedish companies on governance practices

In 2022, we voted against 29% of director elections at Swedish companies. While we appreciated that most companies have started to unbundle directors' elections allowing us to assess board candidates on a case-by-case basis, we still have two main issues which impact the quality of boards and prompted many against votes. First, directors often have various other commitments at boards and/or executive level of private and public companies. We are concerned that this may impact their ability to dedicate sufficient time and energy to fulfil their duties. This often extends to the chairperson. Second, we found that many boards and committees are not sufficiently independent due to long tenure and shareholder representation. This remained a major reason for us to cast dissent votes. As we found this to be prevalent in the Swedish market, we started a broader engagement campaign and sent letters to our investee companies detailing our governance expectations. We will continue our engagement in 2023.

03.5 Collaborative engagements

Principles 7 10

Shaping pathways towards change requires collaborative engagement with other investors to increase our impact. In some cases, collaborative engagement is the most effective way for AllianzGI to achieve engagement objectives for our clients. It is particularly important where we have major concerns and only small holdings in investee companies. While we led the majority of our engagements ourselves in 2022, we undertook several collaborative engagements with a focus on climate issues, diversity and governance matters.

1. Climate Action 100+
We have been a member of Climate Action 100+ since Dec 2017. Collaborative engagements of CA100+ target companies supplement our individual engagement efforts on climate change. With the Climate Action 100+ initiative entering its second phase in 2023, we provided feedback on the consultation assessing its future set up and aim to continue our work with this group and expand our collaborative engagements.

In 2022, we contributed to engagement of a Chinese oil major as a collaborative investor in the group, with the focus on strategic planning of its decarbonisation pathway and top-down management oversight. Having received some proactive disclosure from the company, we will follow up pursuing policy consistency once new board members will have been elected in the upcoming 2023 AGM.

2. Ceres Food Emissions 50
With a natural link to our planetary boundaries thematic, several of our funds are themed around sustainability, food and water. The food sector is also closely linked with climate risks as the global food system is responsible for approximately one-third of all global GHG emissions.[8] We are a member of the Food Emissions 50 effort, co-ordinated by Ceres, which aims to accelerate progress to net zero by engaging 50 of the highest-emitting public food companies in North America. The initiative seeks to improve GHG emissions disclosures and ask companies to set ambitious emissions reduction targets and implement credible climate transition action plans in line with the Paris Agreement.[9]

We conduct our engagements bilaterally with companies we hold in our portfolios. As part of our involvement, we engaged a US consumer staples producer. We discussed the company's approach to target setting for Scope 3 emissions reduction and how it acts to ensure sustainable food chains.

Additionally, we regularly join the land use and climate working group and the biodiversity working group where we take part in discussions on research and market practice trends. Relevant insights are shared internally across the investment platform to support knowledge building.

3. The Investor Forum
We contribute to engagements facilitated by the Investor Forum in the UK – a forum established by institutional investors in UK equities. These engagements relate to business strategy, environmental concerns, management of social risks and board oversight, among other topics. In 2022, we undertook fewer collaborative engagements via the Investor Forum but participated in additional company meetings initiated by management. These allowed executives and the board to reach a wider audience for their discussions.

We participated in an Investor Forum working group on voter turnout in Irish companies that noted tangible outcomes. These included enhanced engagement between key contributors in the proxy voting value chain, identification and resolution of the source of unnecessary share-blocking flags, and improved understanding of how the intermediated issuer central securities depository (CSD) model works. This highlighted further lessons and the need for improved communication through the voting chain, defined escalation processes and greater innovation. In 2022, AllianzGI voted at 76% of votable meetings in Ireland. This contrasts with 70% in 2021 and reflects improved market functioning. We will now seek to further assert our shareholder rights and extend this work into other markets such as Norway.

8 Food and Agriculture Organization of the United Nations, March 2021.
9 Ceres Food Emissions 50.

03.5 Collaborative engagements

Principles 7 10

Legal framework and policy engagement in Germany

In AllianzGI's home market of Germany, collaborative engagement is still in an emerging state due to a regulatory environment that is not clearly defined when it comes to the "acting in concert" implications. This means that there is considerable uncertainty among asset managers and owners as to the conditions under which they may cooperate in engagements. We continued policy work on this topic in 2022 via the DVFA[10] Governance and Stewardship Commission, the Working Group on Sustainable Finance at the Ministry of Finance and public speaking to seek clarity from the German regulator on the topic.

4. Promoting gender diversity

In line with our sustainability theme of inclusive capitalism, we chaired the French investor group of the 30% Club, a global campaign aiming to increase gender diversity on boards and executive teams. In 2022, AllianzGI joined all corporate engagements, including 18 in-person meetings and conversations via email.

We engaged with a French defence and aerospace company on their diversity strategy and how they are planning to achieve gender equity and reduce the gender pay gap. In one year, the company made great steps towards its diversity trajectory, committed to realistic and credible targets, and reaffirmed the objective of the firm to be in line with 30% Club France vision. In particular, the company has a very proactive approach to close the gender pay gap, which stood as a best practice.

We also continued to engage with a French reinsurance company on gender diversity due to the disconnect between the percentage of women in the workforce and at management/executive positions. We appreciated the transparency and the openness to address our concerns and observed a slight but real shift with respect to meritocracy and looking to the strengths and competences brought about by cognitive diversity, ie, the presence of broadly diverse perspectives of mind.

5. PRI Advance Coalition on Human Rights

In line with our sustainability theme of inclusive capitalism, we decided to broaden our engagement approach on human rights. In 2022, we joined the PRI Advance stewardship initiative for investors to act on human rights and social issues. AllianzGI joined as a collaborative investor and will work jointly with other investors on engaging companies in Europe and Asia in 2023.

6. Collaborative engagement on sovereigns: Emerging Markets Investors Alliance

Shaping sustainable pathways towards change requires a collective and long-term approach to emerging market sovereign engagement. We joined the Emerging Markets Investors Alliance (EMIA) as a Board Member in 2022. This pro-bono industry association brings together emerging market investors, NGOs and think tanks to advocate for better ESG outcomes at sovereign and corporate issuers. We are active in group discussions and advocacy around labelled bonds and debt and fiscal transparency. We also share lessons from our work on the Sustainable Bond Market Advisory Group of the London Stock Exchange, as well as presenting at industry conferences on ESG topics in emerging markets.

10 Association of investment professionals in Germany.

03.6 Escalating engagement concerns

Principles 7 11

Companies are not always responsive to our concerns raised through engagement 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 consider escalation to achieve our engagement objectives.

Our engagement approach depends on the circumstances and nature of concerns. Escalation options are not mutually exclusive and can be combined depending on the situation. Initially, 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 to gain senior input on the matters of concern. We 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 a collaborative engagement initiative 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.

03.6 Escalating engagement concerns

Principles 7 11

We apply these tools broadly across our holdings globally. For fixed income holdings, escalation tools are by nature more limited as they do not extend to actions taken in the context of shareholder meetings. However, if we have holdings both in equity and fixed income funds, we lead escalation measures across asset classes to be more effective.

> See also section 03.7.

1. Concern over delisting of an investee company

We engaged several times with a German company that intended to delist from the Frankfurt Stock Exchange. We were not convinced with the rationale the company put forward and considered this move to have potential negative implications for our investment universe in certain strategies. As a result, we brought the issue to the attention of the whole board. The company was not responsive to our concerns, and we decided to vote against the related agenda items at the extraordinary general meeting in early 2023.

2. Controversy related to deforestation

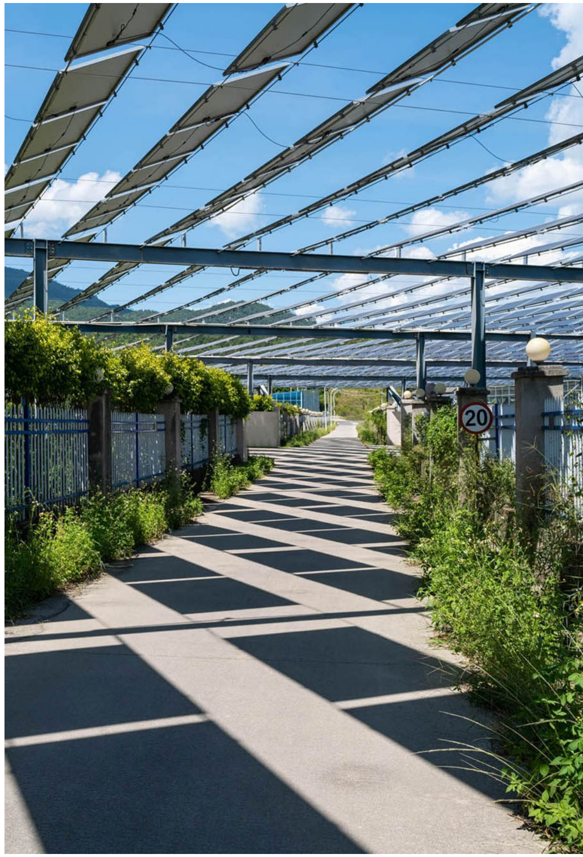
A core part of the investment thesis for a UK energy company has been the use of biomass as a renewable energy source, which came under scrutiny following a televised investigative report. Our Sustainability team held a series of engagement meetings with subject matter experts and Investment teams to crowdsource perspectives. We then escalated the topic with the company and completed two separate calls – one with the board and the other with the Forestry unit – to understand the firm's sustainable business practices, governance over labels in different locations and the broader regulatory environment in which it operates. The insights we gained through collaboration across the firm translated into a thorough engagement on a complex topic and our informed perspectives were appreciated by the firm's management. Portfolio managers across investment styles gained deeper perspectives into their investment theses, and some decided to divest as a consequence. We were also able to provide stewardship advice to an investee company.

3. Supporting dissident board candidates

We engaged a US industrial company amidst an activist campaign culminating in a proxy contest. The activist pointed to financial under-performance, proposing a stronger element of independence on the board to address this. We had bilateral calls with both sides. During our discussions with the board, we voiced our concerns on climate disclosure and pointed to progress lagging behind previously given commitments. As an outcome, we supported the dissident board candidates and voted against the recommendations of management.

4. Targeting improved cybersecurity with a German media company

We had entered a multi-year engagement with a company based on its policies and governance on cyber security, which we considered to be a material risk. We considered the company's IT security and data protection framework to be insufficient and had escalated our concern with the management board in 2020 and followed up in 2021. In 2022, we requested another conversation at management board level and were pleased to see that the company had greatly improved its governance around cyber security and data protection, made considerable investment and employed more people to deal with these issues. We consider this to be a stewardship outcome of our multi-year engagement and escalation strategy with the company.



03.7 Exercising our voting rights

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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.

Our focus issues for proxy voting include 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, labour rights, 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 engagement 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. We customarily review shareholder proposals for all our holdings. Given the variety and variability of shareholder proposals, it is often difficult to develop policy positions on the issues raised by shareholders; hence we prefer to review and vote on a case-by-case basis, taking account of factors such as the nature of the proposal, whether it might be overly prescriptive in nature as well as the company's policies and progress.

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. 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.

2022 highlights

10,200
shareholder meetings participated in during 2022

Representing 94%
of all votable meetings

We opposed 22%
of all management resolutions

At 69%
of meetings globally, we voted against, withheld or abstained from at least one agenda item

03.7 Exercising our voting rights

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03.7.1 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 Institutional Shareholder Services (ISS), a third-party proxy voting service provider.

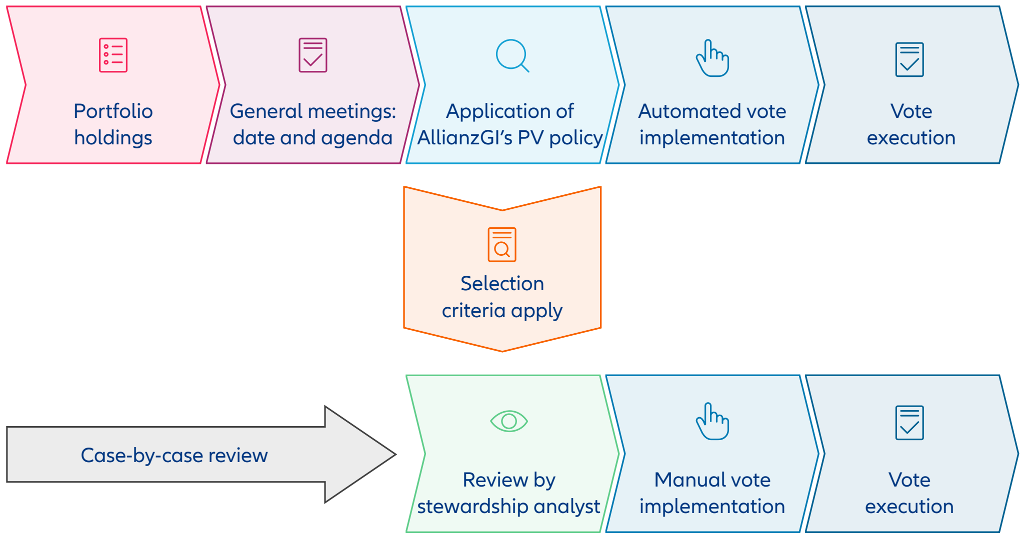
We use an electronic proxy voting platform provided by ISS to cast our votes. Our Stewardship team is in ongoing contact with ISS whenever questions arise with regards to a specific piece of research and the application of our policy. Additionally, we hold quarterly review meetings to review broader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

We review a weekly report from AllianzGI's Central Enterprise Data Repository[11] specifically centred around voting rights and entity. This picks up any change or addition to voting rights (and the effective dates of these changes) attached to all accounts and informs operations to update these statuses with our provider, ISS. The reporting contains asset class information to clearly show which accounts require attention. 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

AllianzGI proxy voting process



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.

11 The internal repository for all of AllianzGI's vehicle, investment, operational (static) data.

03.7 Exercising our voting rights

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03.7.2 Strengthening voting policy and 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 our locations globally. Input from 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 2022, we continued to strengthen our voting policy with respect to sustainability-related aspects, relating to say on climate and ethnic diversity (see table). This approach reflects our three themes. A notable change to our guidelines included the decision to vote against remuneration policies of companies with large market capitalisation in the EU that have no ESG KPIs included as of 2023. We believe management should be incentivised to take sustainability aspects into account when making strategic business decisions, particularly climate change.

03.7.3 Securities lending

Securities lending can enhance returns where it is deemed appropriate. We do not actively engage in securities lending on behalf of 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 2022

Issue	New policy	Reason for the change
Say on Climate	Vote against director in case of low vote turnout and if company is not responsive to investor concerns.	Refining our voting approach on Say on Climate
Ethnic diversity	Vote against Chair of Nomination Committee or Chair of the Board if board does not have at least one director with an ethnic minority background (US).	Developments in the US
Ethnic diversity	Include ethnic diversity aspect into our UK voting policy when evaluating director elections.	Recommendation of the Parker Review
ESG KPIs in remuneration	Vote against remuneration policies without ESG KPIs (EU / large company) as of 2023.	Expectation for companies to set proper sustainability-related incentives

03.7 Exercising our voting rights

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03.7.4 How we voted in 2022[12]

We participated in 10,200 shareholder meetings in 2022 (2021: 10,190), representing 94% of all votable meetings.[13] We voted against, withheld or abstained from at least one agenda item at 69% of meetings globally (2021: 68%). We opposed 22% of all resolutions (2021: 21%).

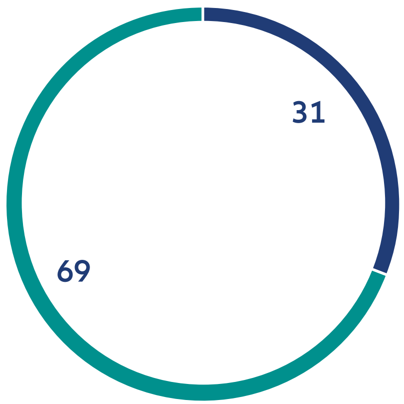
These figures reflect our highly active and globally consistent approach to stewardship and our willingness to vote against proposals that do not meet our expectations.

How we voted by topic

Executive compensation

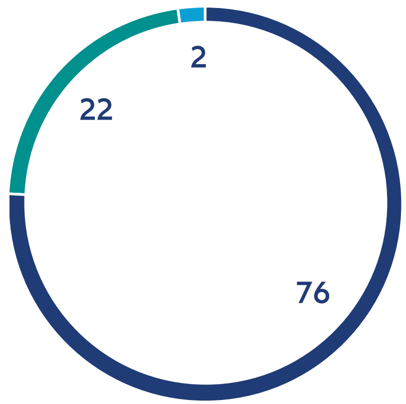
Compensation-related proposals continued to stand out as the most contentious area globally, with AllianzGI voting against 43% (2021: 47%) of all compensation-related management proposals. This is unsurprising as they were introduced by regulators in several markets as a conduit to allow investors direct voice on pay. 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. A persistent concern is that pay plans often reward underperformance, which we do not support.

Voting in 10,200 shareholder meetings
%



- In favour of management
- Against management, with at least one vote, withheld or abstained

Voting on 104,552 single proposals
%



- In favour of management
- Against management
- Abstained/did not vote

12 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.

13 We cast votes for all holdings where we have voting rights. However, in certain cases votes cannot be executed, for example, if share blocking applies, or only at a high cost in markets where Power of Attorney is required. Thus, the share of meetings voted came in slightly below all votable meetings.

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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. In 2022, in some European markets such as Germany or Sweden, regulation required companies to put their remuneration report to a vote for the first time. In Germany, AllianzGI voted against 47% of all compensation-related resolutions and abstained on another 8%. In Sweden, we voted against 46% of these resolutions and abstained on another 9%.

In a number of cases, we had concerns over transparency, particularly related to clearly disclosing the link between performance and pay-out. Other issues of concern were discretionary pay components not backed by performance and high pension provisions.

The very limited, and frequently absent, disclosure on ex-post targets for short-term and long-term incentive plans constituted the main reasons for voting against. We expect engagement with our portfolio companies to result in more transparency over time.

Our rate of opposition to pay-related proposals in the US in 2022 continued to be high at 78%, a slight reduction on 2021. Considering say on pay proposals (advisory vote on executive pay) alone, the rate of opposition was much higher at 88%. We remain concerned that many US companies fail to operate long-term incentives that truly reflect management out-performance rather than market movement. In 2022, we re-focused our approach to concentrate our stewardship activities on the worst cases of high pay for mediocre performance.

1. We voted against the remuneration policy of a European utility company. As part of the 2022 remuneration policy, the board proposed an exceptional bonus to the CEO in connection with a corporate transaction which had not yet been completed and the benefit to shareholders not proven. Reflecting shareholder opposition, the board announced during the AGM that it would withdraw the resolution and, accordingly, it was not voted on.

2. As part of ongoing engagement with an Irish building materials producer, we met to discuss their latest remuneration policy and report. They sought to increase the maximum opportunity available under the long-term incentive, although this was reserved for future headroom with a smaller increase proposed in-year. The Remuneration Committee also sought flexibility in exceptional recruitment awards to ensure they could attract the right talent. After engaging on the underlying rationale, we voted for these changes given that the company had demonstrated historic alignment with pay and performance and a moderated approach to compensation increases.

Board independence, overboarding and role of the chair

In 2022, we voted against 23% of all director-related proposals, consistent with the previous year. We opposed 25% of all director elections as we continue to have major concerns about the sound and balanced set-up of many boards. We also 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 where they were representatives of major shareholders. This remained a concern in the US and the UK where we routinely come across directors with long tenure.

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Overboarding is a major ongoing concern in many markets. As demands on non-executive directors increase in times of economic uncertainty and geopolitical risk, we voiced our concerns and typically voted against when full-time executives take on more than one non-executive role, or when non-executive directors take on too many appointments in public and private companies. We encourage companies to improve gender diversity and, in the UK and the US, ethnic diversity of their boards. We expect this to be achieved by broadening the pool of talent from which to select, rather than excessively overboarding individuals and exposing them to heightened professional risks.

Concentration of power at the top of a company through combined chair/CEO roles also led to votes against. In these cases, we expect companies to put appropriate checks and balances in place, such as the appointment of a lead independent director.

1. In France, we observed in 2022 several successions at the top of CAC40 companies where the outgoing CEO and chair was appointed as non-independent non-executive chairman. While we welcome the dissociation of CEO and chair roles, we voted against the appointment as chair when it was not for a short period of time to ensure a smooth transition. This position explains the increase in dissent votes around directors' election from 22% in 2021 to 33% in 2022.

2. In 2022, we voted against the senior independent director of a UK-listed mining company due to concerns around overboarding. In addition to being a non-executive director at the company, the nominee held a number of chairman roles at various listed (and private) entities. Given that the apparent workload went beyond our policy limits, we withheld our support at the AGM to make clear our concerns around the nominee's capacity to discharge their responsibilities.

Auditor-related votes

We expect investee companies to regularly evaluate and retender audit contracts and to change auditors after a maximum of 20 years of service unless stricter local laws apply. We voted against 28% of proposals to ratify the auditor (2021: 26%), especially when there was no commitment from the company to retender the audit mandate. We continue to have concerns about some Chinese companies and voted against 46% of resolutions. Although this marks an improvement on 2021 (60%) due to better disclosure on auditors' qualifications and audit fees, we expect more companies to provide a breakdown of audit fees versus non-audit fees for investors to evaluate the independence and objectivity of the auditor.

Capital-related resolutions

We continued to vote against large capital issuance authorisations that were not supported by a credible business rationale from management. We voted against 16% of capital-related proposals in 2022 (2021: 15%). 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 it is justified by an individual company.[14]

As in previous years, our concerns focus on certain markets. In Hong Kong and Taiwan, we voted against almost 30% of capital-related resolutions. In several European markets such as Germany, France and Spain, we voted against in more than 30% of cases. Frequently, our votes against were because companies did not provide pre-emption rights according to our expectations.

14 Note that AllianzGI applies stricter rules for Germany.

03.7 Exercising our voting rights

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In the US, we voted against almost 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.

1. We voted against a capital-related resolution at the AGM of a Chinese company. The company intended to provide full guarantees to several non-wholly owned subsidiaries and external third parties, without giving persuasive justifications or purchasing counter guarantees. Regarding this type of commonly observed practice, the disproportionate guarantee liabilities would expose listed companies to excessive risks relative to their ownership interest. Therefore, we opposed these proposals. This is part of our engagement focus in the market and we observe an increasing number of listed companies starting to purchase counter guarantees to mitigate investor concerns.

Climate-related resolutions

2022 marked our second year of voting on two types of climate-related resolutions. The first type is put to vote by management, the so-called Say on Climate, typically to seek shareholder approval for climate strategy, GHG reduction targets and action plans. The second type of resolution is put to vote by shareholders and varies in scope, often requesting the company sets more ambitious climate commitments, enhances disclosure or takes specific action.

We generally support shareholder resolutions that ask companies, for example, to report on their climate change strategy in alignment with the Paris Agreement or seek information on climate-related financial, physical or regulatory risks and how the company manages such risks. We evaluate these resolutions on a case-by-case basis as they are often specific to each company.

We continued to strengthen our voting guidelines around say on climate resolutions, including director accountability. We also refined our approach to assessing companies' climate transition plans, with our stewardship analysts and Research team joining forces to establish an analytical framework. As climate transition plans are specific in nature, we evaluated around 50 Say on Climate resolutions on a case-by-case basis using these sector specific frameworks.

1. We voted against the approval of a climate report of an Australian oil and gas company. The company's commitment for net zero by 2050 only covered Scope 1 and 2 emissions. There were no Scope 3 targets in place and the reduction strategy was vague. While the company considered its approach to be Paris-aligned, we did not assess its strategy as credible without inclusion of a Scope 3 reduction target. At the same annual meeting, shareholders filed three other proposals which we supported to encourage enhanced transparency and better alignment with a Paris-aligned approach.

2. We supported a shareholder resolution at a US retail company requesting the adoption of targets to reduce full value chain GHG emissions. Retailers can and should influence Scope 3 emissions to progress along a science-based trajectory to net zero. Beyond the benefits of reduced emissions, we believe that having good visibility of supply chain emissions brings strategic benefits to companies and their shareholders, as well as improving the quality and resilience of supply chains.

Voting shareholder resolutions

In 2022, we voted on 2,600 shareholder resolutions globally. There were record numbers of shareholder resolutions in the US in 2022; these resolutions were by far most prevalent in this market. Shareholder resolutions have the potential to play an important role in shaping companies' sustainability and governance practices. To explain our view and approach, we published a paper on the topic in our series Stewardship Principals.

We typically support longer-term focused resolutions with a focus on improving corporate practice and transparency. We tend not to support resolutions that are too granular, overly restrictive, likely to impose an unreasonable administrative burden, or where we believe a company has already demonstrated reasonable progress.

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In the US, we voted on 674 proposals including 126 on corporate governance (excluding director elections and director related) and 28 on compensation, 214 on various social themes and the remainder environmental resolutions or a blend of areas, demonstrating our comprehensive approach to voting on governance and sustainability-related shareholder resolutions. Globally, we supported 80% of all climate-related shareholder resolutions, 96% of human-rights related resolutions, and 94% of resolutions with respect to greater transparency on political contributions and lobbying.

1. We supported a climate lobbying shareholder resolution at a US airline company. Transparency on climate lobbying is in shareholders' interest given the importance of the sector transition. Better transparency can help in mitigating climate transition risks and reputational risks by ensuring the lobbying activities of the company are aligned with the Paris Agreement. For this company, the vote was in the context of a broader climate engagement during the year, and we supported the request for greater transparency.
2. We supported a shareholder resolution at a US transportation services company. The resolution requested that the board oversee a third-party audit analysing the adverse impact of the company's policies and practices on the civil rights of company stakeholders. Concluding the additional insight would be helpful to assess those risks, we differentiated this from another resolution on the same ballot where we thought the company made sufficient progress and therefore did not support this separate shareholder resolution on political lobbying. This granular analysis was discussed with investment teams who are in regular contact with the company and were able to add valuable insight on management responsiveness.
3. We abstained on a shareholder resolution requesting a European retailer to adopt minimum pay standard. While we acknowledge the merits of adequate pay conditions, including above legal minimum wage if appropriate, and support the sector adopting such pay levels, we did not think it was in shareholders' interest to support this resolution for the particular company at the current time. We considered that sector price setting dynamics could put the company at a disadvantage. The vote followed company engagement and internal discussion that involved relevant investment teams who are familiar with the sector.

03.7.5 Exercising our rights and responsibilities beyond equities

Exercising voting rights is typically limited to equity holdings. As debt investors, we seek to exercise rights at the fund level where possible. Where bond issuers have outstanding equity, our debt investors will benefit from the ability to exercise rights formally through our equity holdings. However, where we view latitude in covenants or bond terms to be inappropriate, we seek to engage – either bilaterally or through collaborative engagement groups (eg, ELFA[15], EMIA[16]) – to secure better debt holder rights.

Our engagement approach applies to 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 broadened and systemised work between the Sustainability teams and Fixed Income teams in several areas, notably with respect to engagement (see section 03.2.1). Fixed Income teams have been trained on the use of internally developed tools and available resources such as sector frameworks.

15 European Leveraged Finance Association.
16 Emerging Markets Investors Alliance (emia.org).

03.7 Exercising our voting rights

Principles 7 11 12

Breakdown of proxy voting by location

Percentage of resolutions voted against management in 2022

Belgium	China	France	Germany	Hong Kong	Italy	Japan	Nether-lands	Spain	Sweden	Switzer-land	Taiwan	UK	USA
16%	21%	21%	22%	29%	32%	24%	11%	14%	11%	20%	15%	4%	36%

Compensation (% against)

Belgium	China	France	Germany	Hong Kong	Italy	Japan	Nether-lands	Spain	Sweden	Switzer-land	Taiwan	UK	USA
44%	37%	23%	47%	56%	51%	12%	36%	48%	46%	23%	43%	20%	78%

Director-related (% against)

Belgium	China	France	Germany	Hong Kong	Italy	Japan	Nether-lands	Spain	Sweden	Switzer-land	Taiwan	UK	USA
8%	28%	33%	20%	36%	56%	27%	8%	17%	12%	17%	26%	4%	29%

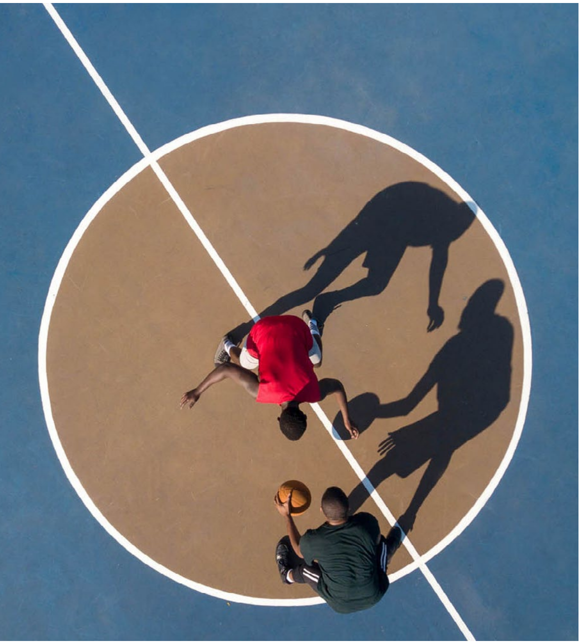
Key

0–9%	10–19%	20–29%	30–39%	40–49%	50–59%	60–69%	70–79%

03.8 Transparently managing conflicts of interest

Principles 3 7

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 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.

Our dedicated governance structure and 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, comprise the following elements:

- **Global oversight** – AllianzGI has established a Global Proxy Voting Committee to provide oversight of the proxy voting process. This reports to the Investment Executive Committee.
- **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 in line with pre-defined oversight procedures.
- **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.

03.8 Transparently managing conflicts of interest

Principles 3 7

In 2022, the Proxy Voting Committee convened twice to decide on proxy voting decisions that constituted a potential conflict of interest. As in previous years, this concerned voting matters relating to our parent company, Allianz. The Committee confirmed our analysts' proposals.

Type	Description and approach taken to manage conflicts of interest
Voting shares of our parent company	**Context:** AllianzGI is owned by Allianz, a global insurance and financial group. Several of our funds may invest in Allianz securities. A potential conflict of interest arises between the interest of these funds and those of our parent company when voting on our shares. **Mitigating policies and procedures:** While research, analysis and alignment follow the usual processes, we instituted procedures to make sure that shares of our parent company are voted in the best interest of our clients. AllianzGI has also imposed strict controls and information barriers designed to insulate our decision-making process from improper influence and to ensure that we are able to carry out our investment decisions and stewardship activities in a manner consistent with the interests of our clients. In particular, all suggested proxy voting decisions are directed to the Proxy Voting Committee for review and decision making that ensures that our fiduciary duties are respected.
Voting shares of our main distribution partner	**Context:** We may invest in a company that is also a significant distributor of our products. **Mitigating policies and procedures:** While research, analysis and alignment follow the usual processes, we instituted procedures to make sure that shares of a key distributor we are invested in are voted in the best interest of our clients. In case of a significant Against vote in line with our proxy voting policy recommendation and considering the size of our holdings, the vote proposal would be directed to the Proxy Voting Committee for review and decision making ensure that we comply with our fiduciary duties.

Information on our voting behaviour is available in real time on our website.

Proxy Voting Dashboard | AllianzGI.

03.9 Industry engagement and commitments

Principles 4 7 10

Sustainable pathways to change require industry standards to be effective, fair and reasonable to promote well-functioning markets. We are an active member of industry committees, working groups and initiatives around the world that support this.

In 2022, we continued to build on our memberships to help shape the thematic agenda, especially around climate. We engaged with national and international regulators, policy makers and politicians in discussions ranging from engagement, stewardship and net zero commitments to regulatory framework consistency, implementation timelines and ESG ratings.

EU Platform on Sustainable Finance

Through Allianz, we are a member of the EU Platform on Sustainable Finance, an advisory body subject to the European Commission's horizontal rules for expert groups. The platform assists the Commission in developing its sustainable finance policies, notably the development of the EU Taxonomy Framework.

In 2022, four subgroups investigated aspects including Social Taxonomy and technical criteria for EU Taxonomy objectives such as Circular Economy and Usability of the Taxonomy. We advised on the development of an environmental transition taxonomy, looking into economic activities that are significantly harmful, that transition between harmful and sustainable and that do not have a significant impact on the environment.

We also contributed to the report on the Usability of the Taxonomy which contains a detailed overview of the first implementation phase of the Taxonomy by economic operators and across financial markets. It also includes specific recommendations for targeted adjustments to enhance the usability of the taxonomy and improve the coherence of the broader sustainable finance framework.

The platform's first mandate ended in October 2022. The next platform's mandate will run from Q1 2023 to Q4 2024. We will in particular contribute to the work of the new subgroup 1 on usability and data which will advise the EU Commission on (i) the usability of the EU Taxonomy, (ii) the usability of the wider sustainable finance framework, and (iii) data science.

European Fund and Asset Management Association (EFAMA)

AllianzGI is a member of the EFAMA Stewardship Committee and became the chair of the Distribution Committee in 2022. It also became a member of the 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.

Bundesverband Investment and Asset Management (BVI)

We chair the BVI Sustainability Committee which focuses on regulatory and market developments. This includes developing industry positions such as on the requirement of minimum standards for Article 8 SFDR products and industry concepts such as the target market concept to facilitate exploration of client's sustainability preferences at the point of sale. We are an active member of the task force on SFDR implementation which developed guidance for the drafting of the SFDR disclosure. We take part in working groups on corporate governance and responsible investment and helped to shape 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 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.

In 2022, we contributed to consultations related to the measurement of sustainable investment (under SFDR) and promoted a higher level of harmonisation across European jurisdictions.

03.9 Industry engagement and commitments

Principles 4 7 10

Hong Kong Green Finance Association (HKGFA)

In 2022, we became a member of the HKGFA, a platform that brings together players within the finance value chain to facilitate the development of green finance and sustainable investments in Hong Kong and China. AllianzGI joined the ESG Disclosure and Integration Working Group which aims to foster capacity and cooperation for sustainability incorporation and transparency across the economic value chain, and the Policy Research and Dissemination Working Group which offers policy recommendations to regulatory bodies to enhance the ESG ecosystem and regulatory regime.

Access to Nutrition Initiative (ATNI)

AllianzGI became a signatory of the Access to Nutrition Initiative in 2022. The ATNI focuses on developing tools and initiatives that track and drive the contribution made by the food and beverage sectors to address global nutrition challenges. We participate in this collaborative platform to enrich our research and stewardship activities and support our investment decisions. As a signatory, we can access resources such as research on food security and affordability, ingredients disclosure and nutrition. We use these to support our individual engagement frameworks and collaborative engagement.

Industry consultations and other policy engagement activities

We responded to consultations from local and regional authorities including the European Commission, the European Securities and Markets Authority and the Financial Conduct Authority in the UK.

Initiatives we joined in 2022
Access to Nutrition Initiative (ATNI)
Hong Kong Green Finance Association (HKGFA)

Working groups we joined within initiatives
Corporate Governance Advisory Council (Initiative: Council of Institutional Investors)
ESG Disclosure and Integration Working Group (Initiative: HKGFA)
Policy Research and Dissemination Working Group (Initiative: HKGFA)
Private Debt Advisory Committee (Initiative: PRI)
“Advance” Stewardship Initiative (Initiative: PRI)
Distribution Committee (Initiative: EFAMA)

04
Corporate sustainability

Embedding sustainability in everything we do

Our own pathway towards change is characterised by the same commitment to high standards in our operations and supply chain as we ask of the companies in which we invest. We apply scrutiny and conduct due diligence across our organisation and processes to support the sustainable, long-term growth of our clients' assets.

04.1 Strengthening our corporate sustainability strategy

Principle 1

Being a sustainable business means creating long-term value without compromising our impact on people, planet, or profit. Our holistic approach considers different values that AllianzGI can influence – including natural, human, social, manufactured and financial capital.

We aim to reduce our negative impacts and increase our positive impact across each of these capitals and their sum by creating sustainable products and services, evolving our business operations, increasing transparency through sustainability reporting, and developing relationships with stakeholders.

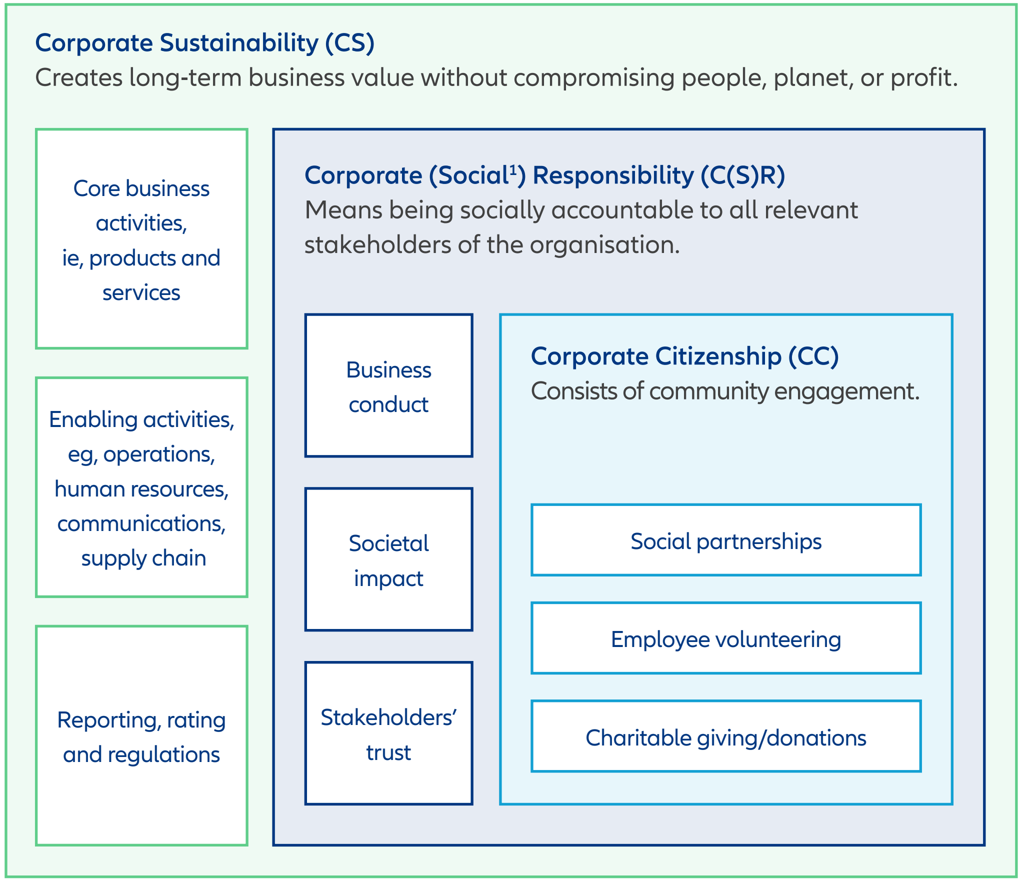
Read more about what sustainability means to us in section 01.1.

We are aware that our activities can have both intended as well as unintended social and environmental impacts. It is our corporate responsibility to be accountable to our stakeholders. We ensure that our decisions and activities are guided by the license to operate that they grant to us.

Our goal is to shape sustainable pathways by applying innovation and excellence across all our business activities.
Our management and colleagues are committed to living up to high ethical standards. We take immediate and appropriate action when we fall short of these and address areas for improvement to maintain stakeholders' trust.

We engage with our local communities and society through social partnerships, employee volunteering and charitable donations. We collaborate with non-governmental and non-profit organisations to increase our reach and solve complex societal challenges. As a corporate citizen this engagement is an integral part of our responsibility and contributes to the social value we seek to enhance.

Our corporate sustainability approach



1 Social = related to society; the CSR concept is not limited to charitable work; responsibility refers to social, environment and governance aspects.

04.1 Strengthening our corporate sustainability strategy

Principle 1

In this chapter, we describe how we are becoming more sustainable as a company by evolving our business processes that directly or indirectly enable our product offering to customers. We focus on four main areas: how we empower our people, how we run our business, how we manage the environmental effects of our operations and how we contribute to societal development.

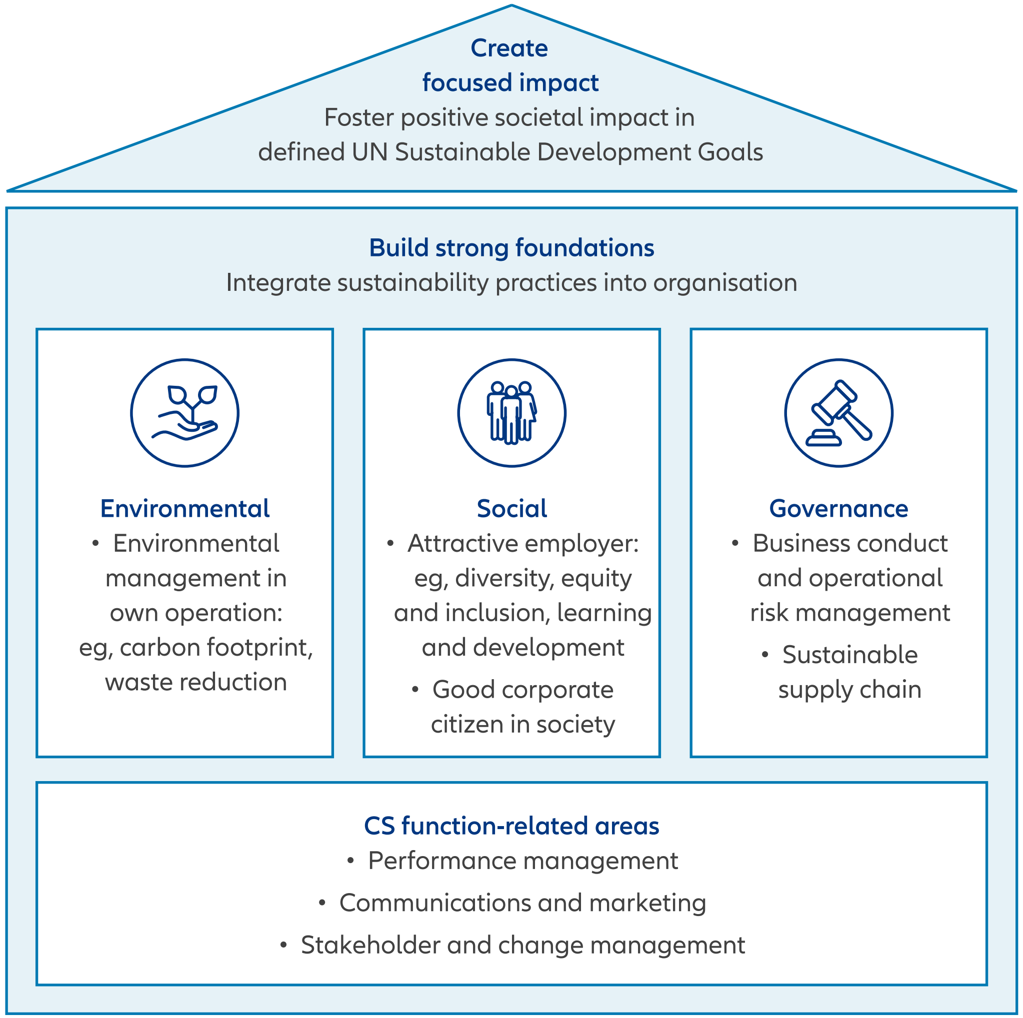
As the first step in our new corporate sustainability strategy, we will strengthen internal foundations across environmental, social and governance dimensions. We are building on a good standard of existing environmental management across our operations. We aim to develop our approach in the social dimension and will work to increase the social impact of our corporate contributions to the UN Sustainable Development Goals that most closely align with our corporate purpose (as outlined in section 04.5). To strengthen governance, we will reconfirm the trust of our stakeholders with continuously enhanced internal control processes and integrate more sustainability criteria into our supply chain management.

Building a robust corporate sustainability function requires clear leadership and close collaboration with corporate functions and business units.

In 2022, we established the role of the Corporate Sustainability Officer (CSO) to ensure coherence between our corporate sustainability approach and our sustainable investment strategy. The CSO will drive a more holistic approach to corporate sustainability, shaping its strategy and advising the Executive Committee and business units. The business units are responsible for implementing sustainability-related business practices with the help of the CSO and local sustainability leads.

Please see section 01.2 for more information on our sustainability governance and how we are expanding our more holistic approach to sustainability.

Our corporate sustainability framework



04.1 Strengthening our corporate sustainability strategy

Our corporate sustainability roadmap

Our three-year sustainability roadmap starts with building strong foundations which enable delivery of our long-term ambitions.

Our long-term corporate sustainability goals (eg, for our carbon footprint of our operations or women in senior leadership positions) are described in the following sections. We will report on our progress annually.

2023

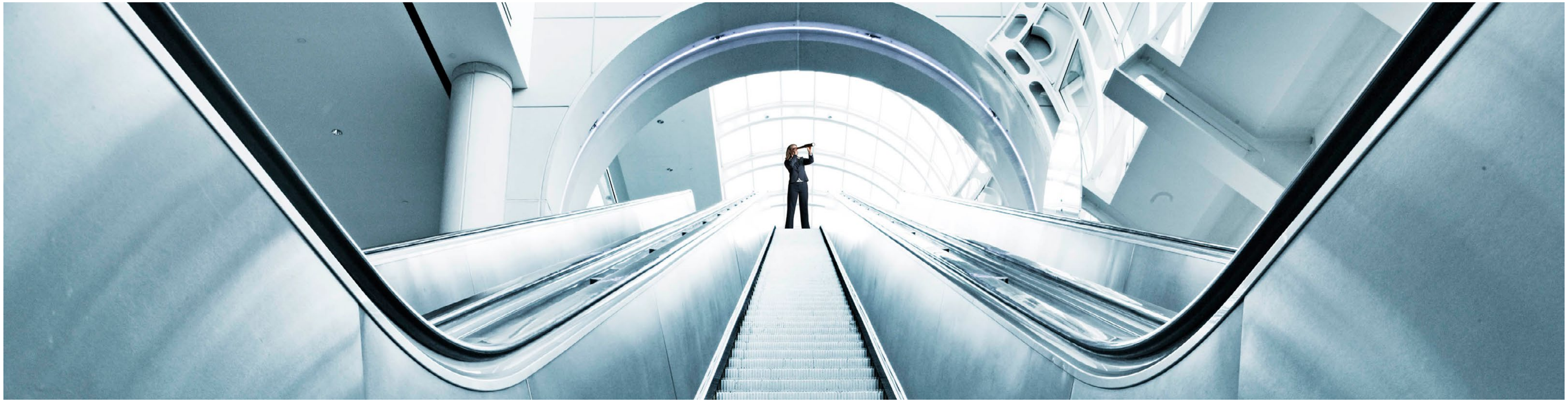
Prioritising the development of the corporate sustainability function and further strengthening governance

2024

Expanding our influence and impact by forging external partnerships

2025

Delivering against our long-term corporate sustainability goals



04.2 Creating an inclusive and supportive workplace

We foster a working environment where people, performance and clients matter. We take a strong stance on diversity, equity and inclusion, as well as the health and wellbeing of our employees. We support them in developing skills and knowledge that help to shape sustainable pathways and to be resilient and prepared for change.

04.2.1 Living diversity, equity, and inclusion

2022 was a special year as it marked 10 years of conscious commitment to inclusion and diversity at AllianzGI. We started working specifically to embed respective values into our global operations in 2012. Our journey began by defining what inclusion and diversity means to us and establishing local working groups to implement the vision across all regions. Today, we explicitly also integrate the aspect of equity. Diversity, equity and inclusion (DEI) is shaping how we work with and serve our large and diversified client base.

Due to the fact that we are all defined by more than just one trait, and to further consolidate our DEI approach, we view our DEI challenges through an intersectional lens. One example was the global online webinar we organised to mark World Mental Health Day where more than 200 colleagues joined to discuss the mental health issues that majority and minority groups might face at work, and how we can collectively reduce stigma, support people during difficult times, and create a safe environment for all.

To mark World Mental Health Day, more than

200

colleagues joined to discuss the mental health issues that majority and minority groups might face at work.

Diversity is the mix of visible and invisible traits that make each of us unique, including gender, age, disability, nationality, ethnicity, sexual orientation, cultural background, personality types, and family status.

Equity differs from equality in that instead of treating everyone the same regardless of their needs, it recognises the different circumstances of individuals and allocates the resources needed to reach the exact same goal.

Inclusion is the behaviour we demonstrate and the processes we use that enable everyone to give their best. Our culture of inclusion embraces and values our differences – it helps us feel free to be who we are.

04.2 Creating an inclusive and supportive workplace

Ten years of active commitment

2012
- Creation of regional and local I&D Working Groups

2014
- First Global I&D Day

2016
- Creation of our Flexible Work Arrangements Principles and Guidelines

2017
- Creation of our Global I&D Policy
- Setting of our 2020 Gender Equality ambitions

2019
- Signature of the United Nations LGBT Standard of Conduct for Business and of Women in Finance Charter
- Implementation of global Financial Literacy programmes

2020
- Publication of our first I&D guide on "Fostering LGBT+ Inclusion"
- Revamping of our I&D strategy around three key pillars: Workplace, Workforce, and Marketplace

2022
- Roll-out of our new global anti-discrimination and anti-harassment policy

2022
- Publication of our first brochure on menopause "I'm feeling (really) hot"

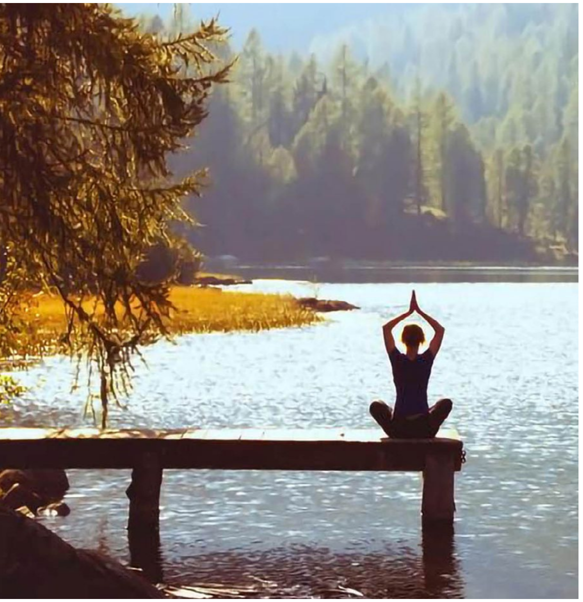
2022
- First global webinar on transgender identity

2022
- Publication of our first dedicated I&D Report

04.2 Creating an inclusive and supportive workplace

Our diversity, equity and inclusion (DEI) strategy

DEI is a company-wide responsibility, and everyone who works at AllianzGI has a role in creating an inclusive culture and supporting our commitment to DEI. Guided by our business strategy, our DEI strategy is led by the Executive Committee (ExCo) and supported by the Global DEI Leader, a role that has been in place since 2018. Our strategic approach is activated by employee working groups across all our locations.



"As a generation Y woman building her career in the finance industry, what is crucial for me is a meaningful job in a company that promotes a positive impact on society. AllianzGI as a company represents this social positivity and is vocal about its inclusive culture."

Maeva Ramadier
CFA – Associate Credit Portfolio Manager, Sustainable Thematics

Our strategy consists of three pillars:

1. Workplace: How does it feel to work for us?	Understand the employee experience through a DEI lens, build a safe work culture and nurture a healthy workplace.
2. Workforce: Who do we recruit and grow?	Attract and develop a wide variety of talent to grow the diversity of our workforce at all levels.
3. Marketplace: How do we serve our social purpose?	Connect the dots with our engagement in local communities as a good corporate citizen.

04.2 Creating an inclusive and supportive workplace

Bringing strategy to life
In line with Allianz Group targets, our ambition is to have at least 30% women in senior leadership positions.[2] Since 2020, our ExCo has been 50% female.

We are proud that in an industry where women have traditionally been under-represented, a number of our key leadership positions are held by women, including the Global Head of Investments, Global Chief Investment Officer for Equities, Global Chief Operating Officer, and Head of Products.

To make a further positive impact on the gender balance at AllianzGI, we have implemented a range of systemic measures, for instance in the areas of recruiting, development and compensation.

Recruitment and development

Examples of how we influence gender balance through recruitment and development include:

- Leveraging a language revision tool to review job posts for inclusive language.
- Requiring all external search firms to comply with our diversity clause.
- Partnering with diversity-focused organisations such as 100 Women in Finance, SEO (Sponsor for Educational Opportunity), Wiser (an employer branding and early talent agency) and ADAN ("Afro Deutsches Akademiker Netzwerk", a German network for graduates who are Afro-German, African and from the African continent) to help attract under-represented talent.
- Ensuring a gender balanced presence in executive development programmes.
- Always including at least one female candidate in executive succession plans.

Commitment to equal pay

Our compensation principles underscore our commitment to an inclusive environment and equal pay, and is brought to life by:

- Engaging an external consultant to analyse compensation and identify potential pay gaps using statistical regression analysis as a standard part of the annual compensation review process.
- Basing pay decisions on objective reasons and disregarding protected characteristics.
- Regularly discussing individual compensation at the local level with managers, along with market references where available.
- Conducting annual functional reviews to support fair salary decisions.

2 Senior leadership positions equal ExCo and Managing Director roles.

04.2 Creating an inclusive and supportive workplace

Women in leadership

Workforce ratio
2022:
58%
male

42%
female

2021: male 59% / female 41%

% female managers[3]
2022:
32%

2021: 32%

% women in senior leadership positions
2022:
26%
Managing Directors

50%
ExCo members

2021: 23% / 50%

Nationalities and age

No. of nationalities
2022:
66

2021: 63

Average age
2022:
43 years
male

43 years
female

2021: male 44 years / female 43 years

Beyond gender, we monitor dimensions such as age and nationality to nurture a truly international and age-balanced workforce.

Looking ahead
In 2023, we plan to strengthen our collaboration with business heads and work on specific DEI functional action plans to ensure a deeper integration of DEI in our company value chain.

Find out more in the 2022 Diversity, Equity and Inclusion Report.

3 This refers to the first level of leadership where managers have at least one direct report.

04.2 Creating an inclusive and supportive workplace

04.2.2 Promoting health and wellbeing in a flexible and hybrid work environment

"We care for tomorrow" is our employee value proposition – a promise that we make to our current and future employees. Our aim is to be the preferred inclusive home for our industry's best talent.
We strive to provide a caring and inclusive work environment where employees have the support they need to succeed.

Creating a flexible work environment

As a global business, we have many years of experience using technology-enabled virtual collaboration. Our global framework for flexible work arrangements has been in place since 2016. With the development of new tools and equipment to support digital collaboration and the deep experience gained over the past few years, we continue to build on this framework. Our focus is on empowering employees with collaborative and flexible ways of working.

Our framework allows for flexibility in both time and place, providing room for individual work set-ups for the benefit of a thriving culture. Some may agree within their team to come in on fixed days while others choose to split their time between morning hours in the office and work from home in the afternoon. This flexible model empowers our colleagues to balance work, career development and personal priorities in the way that best suits their individual work and life situation. In 2022, the framework for flexible working was updated to formally include the option for eligible roles to work from another country up to 25 days per calendar year.

The results of the Allianz Engagement Survey (AES) show that flexible work is a strong driver for employee engagement with an 83% favourable score for the question: "Our company offers flexible work opportunities that meet my current needs with regard to where and when I perform my tasks" (+1 percentage point from 2021).

Supporting employee health and wellbeing

The health and wellbeing of our employees is a top priority. Our holistic approach incorporates mental, social and physical wellbeing. We consider the causes of stress and depression through an intersectional DEI lens to promote good mental health and offer advice on topics such as nutrition, sleep and managing work-life balance.

Our efforts to support employee wellbeing are paying off with a four percentage point increase to 74% favourable responses for the AES question: "Our company sufficiently looks after the wellbeing and health of its employees".

04.2.3 Encouraging lifelong learning

We recognise that learning and development is a key differentiator in the financial services industry, and contributes to long-term business success. Performance management and transparent feedback informs regular development dialogues, and employees are provided access to global, regional and local development offers for lifelong continuous learning.

04.2 Creating an inclusive and supportive workplace

04.2.4 Listening to our employees

The AES is our formal platform for gathering annual employee feedback. It is supplemented with regular pulse surveys which help track our progress against specific commitments.

In 2022, the AES participation rate was 84% (+1 percentage point from 2021). After a jump of seven percentage points in the Employee Engagement Index (EEI) in 2021, we noted a one percentage point decline on the EEI in 2022.

Our employees recognised efforts to create an inclusive culture and a healthy work environment:

- The Inclusive Meritocracy Index (IMIX), which reflects our ambition to create a culture and working environment where people and performance matter, reached 78% favourable answers (+1 percentage point from 2021).
- The Work Well Index+ (WWi+), which measures the stress level of employees for work-related strain, improved to reach 70% favourable answers (+1 percentage point from 2021).

In-depth analysis and open commentary from our employee listening efforts provide direction to continuously improve the employee experience at AllianzGI. Examples of action taken in response to their feedback in 2022 include the launch of a crowd intelligence sourced Trend & Technology Radar which provides employees with an opportunity to shape future focus areas at AllianzGI.

04.2.5 Respecting employee rights

We ensure that the rights of employees are protected in all entities. In line with Allianz's principles, we are committed to continuing to respect and implement the fundamental rights and principles at work of the International Labour Organization (ILO) as well as the principles of UN Global Compact and the OECD Guidelines for Multinational Companies.

Looking ahead

In 2023 and beyond, we will further strengthen our zero-tolerance policy on discrimination and harassment by continuing to communicate our principles and offering new training for all managers and employees.

Additional facts and figures

Training/upskilling

More than
EUR 2.7m
invested in employee development in 2022

2021: EUR 2.1m

22 hours
of training in average per employee

2021: 15

Safety, health and wellbeing

Average sick days per employee
3 days

2021: 2 days

Average length of service
10 years
male / female

2021: 11 years

Find out more in the 2022 Diversity, Equity and Inclusion Report.

04.3 Ensuring responsible business conduct

Principles 3 5

Our license to operate is built on the trust that our investors, employees and other stakeholders place in our performance and integrity.

A key component is the personal ethical behaviour of all our employees worldwide. Their actions are guided by global policies and ethical standards, as well as a robust and mature internal control framework (Three Lines of Defence) that facilitates and ensures employees manage business ethically and in compliance with internal procedures and regulatory requirements.

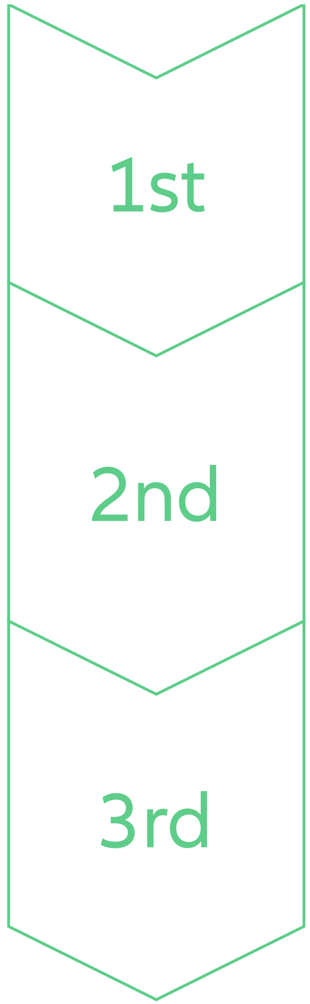
04.3.1 Three Lines of Defence framework

Responsibility for ethical business conduct and risk management is an integral part of our business processes spanning the entire value chain, from client onboarding and portfolio risk management to ensuring personal information is treated with utmost care.

Risks are addressed as part of an overarching reporting and controlling framework. This covers qualitative and quantitative risks for each function along three lines of defence. The distinction between the different lines of defence is principle-based and determined by activity:

100%

of employees participated in Global Compliance Training.



The first line of defence is performed by the respective business functions through the management of day-to-day activities. The business functions are responsible for designing and implementing adequate controls to manage risks and returns related to activities assigned to them.

The second line of defence provides independent oversight of employees' adherence to the company's regulatory requirements and internal policies, as well as the risk-taking and controls conducted by the first line. The second line of defence is performed by Legal and Compliance and Risk Management, which oversee and advise the first line of defence.

The third line of defence is performed by Internal Audit, which independently assesses the governance and internal control systems, processes and compliance with risk principles, performs quality reviews of risk processes, and tests adherence to business standards, including the internal control framework.

04.3 Ensuring responsible business conduct

Principles 3 5

04.3.2 Globally harmonised policies and standards

Globally applicable policies include, but are not limited to, the AllianzGI Code of Ethics, Speak-Up policy and policies governing Anti-Money Laundering, Anti-Fraud, Anti-Trust, Anti-Bribery, Economic Sanctions, Personal Account Dealing, Order Execution, Confidential Information/ Insider Information, and Data Privacy.

Employees are required to act in accordance with these policies at all times, whether dealing with clients, external third parties or other Allianz employees.

Our clients expect their personal information to be treated with the utmost care and we take this responsibility seriously. Employees must adhere to confidentiality in relation to client information and firm activities. AllianzGI pursues an effective management and fair handling of the potential conflicts of interests that may arise in the course of providing investment services. 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 Group's overall standards.

The Code of Ethics serves as a foundation for our compliance culture and regulatory expectations for all AllianzGI employees. The code and the accompanying supporting policies have been revised in 2022 to provide consistent application of our policies across jurisdictions worldwide, meet the expectations of various regulators, and reflect industry best practices.

04.3.3 Ensuring compliance

The Compliance function is responsible for implementing and maintaining an effective compliance programme. This includes compliance risk analyses as well as the annual compliance self-assessment and control plan. Compliance also develops and administers guidance for employees, regular compliance training sessions on the Code of Ethics and Anti-Money Laundering, and annual and ad-hoc training on matters related to other company policies and procedures.

This involves the monitoring of proxy voting and investment guidelines, including those related to sustainability matters such as exclusion lists. AllianzGI Compliance monitors portfolios for compliance with investment guidelines, both pre- and post-trade.

In 2022, all AllianzGI employees participated in Global Compliance Training covering (amongst other areas) Anti-Money Laundering, Anti-Fraud and Economic Sanctions.

04.3.4 Managing risks effectively

The independent Risk Management function is responsible for setting up a firm-wide auditable, documented risk management system and risk policies that are consistent with AllianzGI's business strategy. We cluster risks into four risk categories: investment risk, operational risk, business risk, and reputational risk. We consider **sustainability risk**, **concentration risk** and **emerging risk** as transversal risks that may be realised in one or more of these categories. Our robust processes and procedures ensure that we effectively monitor and manage risks within these categories.

Investment risk includes the risk of changes in the value of investment portfolios that may be perceived as inconsistent with the risk profile of the respective portfolio as communicated to the investor. This includes the risk that the company is exposed to market and credit risk in the portfolio via implicit or explicit performance promises. Investment risk also includes liquidity risk, which depends on asset liquidity and flows on the liability side, as well as constraints imposed by regulators. For investment risk oversight, the Risk Management function defines which risk models and analytics are used to ensure compliance with regulatory requirements and, for selected topics or if contractually agreed, that further independent risk analyses and supervision is conducted beyond what is required by regulation.

Operational risk is defined as the risk of loss inherent in our internal organisation, processes and controls resulting from potential failure to deliver our products or services in the required time and quality, and in line with all regulations. Each function is responsible for ensuring an appropriate control framework to govern its key processes and mitigate operational risks. The Risk Management function has established an integrated framework to oversee operational risk management by the business.

04.3 Ensuring responsible business conduct

Business risk is defined as the risk of not being able to reach the financial objectives in a given competitive market or regulatory environment. To monitor business risks, the Risk Management function uses key risk indicators that cover business and investment performance of the management company, among others. Ad-hoc and regular meetings are held between the Risk Management function and stakeholders in other functions to discuss the current business situation and forward-looking developments.

Reputational risks are defined as risks of activities undertaken within the firm or by employees outside the firm that may result in unintended material negative impacts on stakeholder perceptions that could potentially impact AllianzGI's ability to do business. These stakeholders include clients, investors, the media, the public, regulators, and employees of AllianzGI and/or Allianz Group companies. Prudent management of reputational risk is deemed essential in the overall risk framework.

04.3.5 Fostering security and business resilience

Data privacy and cybersecurity

The Global Data Privacy function is part of Legal and Compliance and includes regional Data Privacy Officers and a Global Data Privacy Officer. The function informs, advises, and makes recommendations on compliance with applicable data privacy laws and regulations, the Allianz Privacy Standard (APS) and other internal and legal standards as well as guidelines. It works closely with the respective Information Security Officers to ensure that adequate data protection-related technical and organisational measures are taken.

Strong cybersecurity is essential for protecting systems, data and communications from intended and unintended misuse. Our cybersecurity programme is 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 sophisticated attack methods affect organisations around the world. At the same time, our digital assets are evolving and expanding, and we are implementing new technologies to meet growing business demand.

To manage cyber risks, we select best practices from leading 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.

Since there can never be 100% protection against cyberattacks, we also implement controls and training to ensure effective recovery from a successful attack to reduce the potential impact and duration of business disruptions.

Business resilience

Business resilience incorporates business continuity and disaster recovery and is an integral part of our service commitment to our clients. The importance of business resilience was evident during the Covid-19 pandemic when our Business Resilience team constantly monitored the frequent changes to government requirements around the world. This coordination ensured that employees could move efficiently and safely between remote working and office locations to support the firm and its clients.

Our business resilience framework is a multi-tiered risk defence model supported by input from steering groups, a corporate resilience organisation and every function within the firm. The programme is subject to oversight by Allianz Asset Management (AAM). Annual self-assessments are submitted to AAM in accordance with group requirements, and the programme is subject to regular audit reviews.

The Business Resilience team is responsible for managing the programme and ensuring that all business functions comply with the framework and policies. Business recovery plans are established for each major function. This ensures key business processes can be resumed in the event of a severe business interruption. Plans cover the most important risk scenarios for the loss of employees, facilities, technology, and third-party support.

04.3 Ensuring responsible business conduct

Principles 3 5

As part of a continuous improvement programme, we collect and analyse feedback to improve the effectiveness of the business resilience framework. A recent major global crisis management exercise demonstrated that our Global Crisis Unit is capable of successfully managing a ransomware attack and minimising potential damage to the firm and its clients.

04.3.6 Being transparent about tax

Our ambition is to support the fairness, transparency, and balance of all tax systems at national and international levels in dialogue with key stakeholders, and to transparently communicate our tax positions.

The taxes we pay are an important part of our contribution to the economic and sustainable development of the countries in which we operate. Fair, effective, and stable tax systems are beneficial for governments, companies, and the wider society.

Our tax strategy is closely aligned to our business strategy and our sustainability strategy, and requires full compliance with tax regulations and tax laws in all countries in which we operate. Allianz is committed to acting transparently and responsibly in all tax matters and to working closely with the tax authorities to ensure we pay our fair share of taxes. Our processes and internal governance are implemented in line with our tax strategy to ensure full compliance in every jurisdiction where we operate.

See the Allianz Group Tax Transparency Report 2022 and AllianzGI's UK tax strategy for more information.

04.3.7 Strengthening internal controls

We continuously enhance our internal control framework, processes and procedures to ensure they remain robust and effective in sustaining clients', employees' and stakeholders' trust. Two important enhancements during 2022 were the strengthening of controls around client communication and a number of enhancements to the independent Risk Management function (implementation of some of these measures continues into 2023).

Responsible communication with clients

AllianzGI has always been committed to client communications that are fair, not misleading, accurate and up-to-date in all material respects. We strive to meet the highest standards for client communications in accordance with regulatory requirements under local laws.

Furthermore, in 2022, we launched a group-wide project to improve processes and controls related to the review of all types of client communication. We have reviewed and strengthened our processes for client communications where necessary to ensure information is subject to rigorous quality, accuracy, consistency and governance checks before it is shared. Clarifying roles and responsibilities for client communication is a key objective of this initiative.

As part of the overall enhancements to our client communications review process, a new and dedicated client communications policy, together with online training and a detailed client communications handbook was published at the beginning of 2023.

Looking ahead

We are enhancing capabilities in the independent Risk Management function that apply to all AllianzGI entities. Examples include:

- Building out the function's systems infrastructure to enable more flexible and specific coverage of investment risks.
- Enhanced market risk capabilities such as stress-testing, risk analytics, best-practices of modelling capabilities and review of market risk models.
- A stronger governance framework for our private markets business, with Risk Management representation at investment committees and more involvement in the valuation process.
- Refined management reporting that includes investment risk-oriented dashboards and provides an overview of ex-ante risks, based on risk statistics for each asset class.

04.4 Managing the environmental impact of our operations

We strive to be a role model in achieving our own targets on climate change and environmental impact alongside the targets we set for our investments.

Our efforts contribute to the operational environmental goals of Allianz Group, which include reducing GHG emissions in over 70 markets where the Group has a presence to net zero by 2030, earlier than 2050 as originally targeted, and reducing GHG emissions per employee by 50% versus 2019 by 2025.

Read more about the Allianz Group Climate Change Strategy.

Our environmental management system

For the reporting, monitoring and management of our environmental performance and footprint, we apply the environmental management system (EMS) of Allianz Group. It guides the monitoring and management of our carbon footprint, use of energy and natural resources such as water, and efforts to reduce waste. The EMS provides all Allianz entities with clear standards and controls, supports environmental data collection, promotes transparent reporting of environmental impacts, and improves environmental management governance practices. These practices and processes are oriented towards ISO14001. Implementation and compliance with the EMS are monitored by Allianz Group through the Group Environmental Officer (part of the Global Sustainability team) and supported by the Board of Management of Allianz.

Reducing GHG emissions

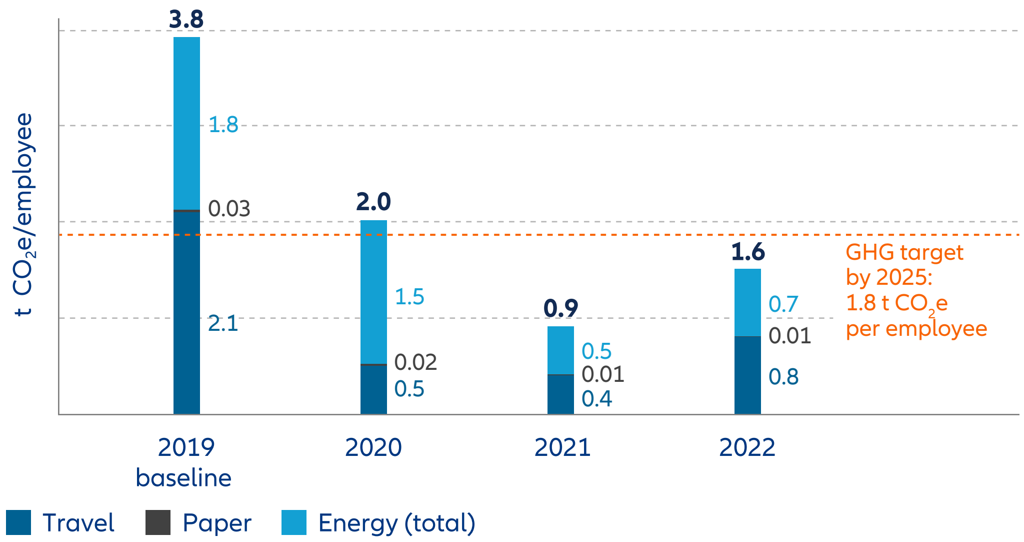
In line with the latest climate science, AllianzGI has decided to advance its climate targets based on the science underpinning the Paris Agreement climate goal. We are committed to reducing our GHG emissions per employee by 52% by 2025 (against a 2019 baseline), further elevating our previous target of decreasing GHG emissions per employee by 38%.

Our carbon reduction strategy focuses on reducing GHG emissions from material sources across Scope 1, Scope 2, and selected parts of Scope 3 (with a focus on business travel and energy consumption), against a 2019 baseline. To reflect infrastructure changes as our way of working continues to evolve, we now include GHG emissions from flexible working as well as certain cloud-based systems in our footprint.

Our strategy focuses on a variety of initiatives including energy-efficient planning, construction and operation of buildings, sourcing green electricity, using carbon-efficient means of transport, as well as reducing air travel. We achieved a 59% reduction in GHG emissions per employee in 2022 against the 2019 baseline (2021: 77%).

The decrease against the 2019 baseline is a result of progressive efforts and investments in the efficiency of our operations and improved energy management in a time of post-pandemic return to offices. Changes in our business structure also led to the ceasing of our business activity in the US market.

GHG emissions – breakdown by source and proportions in tons (t) of CO_2 equivalents per employee



Target: -52% reduction by 2025 (against 2019 baseline).
Actual: -59% reduction 2019–2022.

04.4 Managing the environmental impact of our operations

The reduced workforce and office closures brought about a decline in emissions and resource consumption. Global travel restrictions until mid-2022 and strict travel policies also prevented a surge above the target in business travel emissions in 2022. As outlined in the next sections, we have put further initiatives in place to prevent a future rise in emissions, and developments of GHG emission will be closely monitored in 2023.

Reducing energy consumption

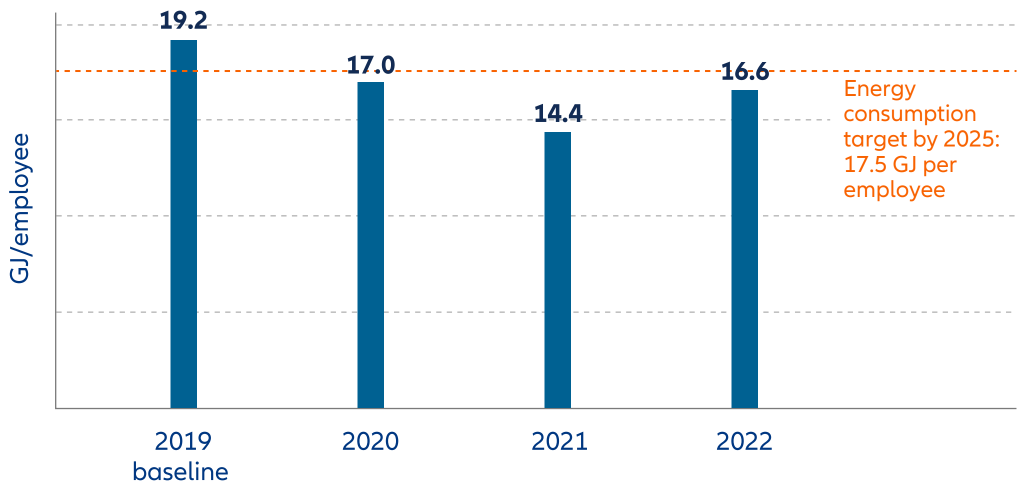
Our 2025 target is to reduce energy consumption in our office buildings by 9% per employee against a 2019 baseline. Our energy consumption goal was amended (previously -10%) due to an adjustment of the calculation methodology by Allianz Group, resulting in a higher baseline and absolute targets for energy consumption.[4] In 2022, we achieved a 13% decrease per employee in our internal energy consumption from office buildings (2021: 25%).

Apart from the major effects of office closures in the US, decreases in energy consumption across the offices were achieved through the continued sourcing of renewable electricity globally and investments in the efficiency of our operations. The latter involves improved energy management, including centralised regulation of heating and cooling, decreased use of air conditioning post-pandemic, as well as refurbishments and office moves to more sustainable buildings.

Looking ahead

The expansion of our energy saving initiatives with a focus on rethinking ways of working, use of office spaces and investment in more sustainable IT and energy-efficient equipment will facilitate a long-term decrease in our energy consumption in 2023 and beyond. Energy accounts for 46% of AllianzGI's total GHG emissions in 2022. 82% of all our energy-related emissions are generated through our office buildings. Where heating and cooling is not powered by renewable electricity, we are working to introduce more sustainable energy solutions.

Energy consumption from office buildings in gigajoules (GJ) per employee[4, 5]



Target: -9% reduction by 2025 (against 2019 baseline).
Actual: -13% reduction 2019–2022.

Since 2021,

100%

of the electricity used in offices and local data centres comes from renewable sources.

4 The adjustment of the energy consumption calculation methodology led to a restatement of the energy baseline for 2019, and the actual numbers for 2020 and 2021. The energy used by local data centres is now excluded from our energy consumption target per employee. Emissions associated with energy consumed by local data centres are integrated in our total GHG footprint along with emissions caused by flexible and hybrid working arrangements and selected cloud-based systems.

5 All office buildings procure 100% renewable electricity.

04.4 Managing the environmental impact of our operations

Increasing use of renewable electricity

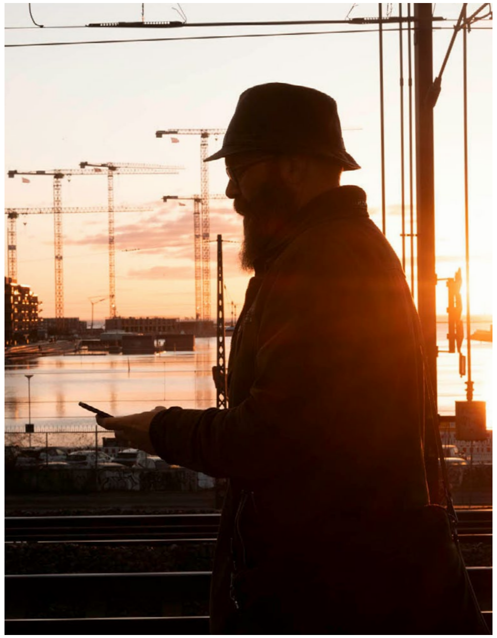
As a signatory of the RE100 initiative, and in line with the specific ambitions of this initiative, Allianz Group has committed to source 100% renewable electricity (RE) for its group-wide operations by 2023. Since 2021, AllianzGI is RE100 compliant.

Since 2021, 100% of the electricity used by AllianzGI in its offices and local data centres has come from renewable sources. This was achieved through agreements with suppliers on "green tariffs" and the continuous sourcing of unbundled Energy Attribute Certificates (EACs)[6] for renewable electricity.

The purchase of credible unbundled EACs plays an important role in delivering temporary solutions to meet our goals in the short- to medium-term, especially in countries where renewable power cannot yet be readily sourced through green tariffs. This is a temporary solution while the markets transition to meet demand with real-world solutions.

Reducing emissions from business travel

Business travel accounted for 53% of GHG emissions from our operations in 2022 (2021: 40%). By the end of 2022, emissions associated with travel had increased to 0.8 tonnes per employee (2021: 0.4 tonnes). Overall, we achieved a 60% reduction of travel emissions per employee against our baseline emissions in 2019.



Our new Global Travel Policy prioritises client-facing business travel over travel for internal reasons. Combined with cloud-based working and Covid-19-related travel restrictions until mid-year 2022, this played a material role in preventing a surge in business travel activities and emissions back to 2019 baseline levels.

We are also supporting employees to commute to work via low carbon means of travelling. In 2022, 84% of our headcount worldwide had access to offices with a green commuting plan and infrastructure in place to support it.

Looking ahead

With business travel being our highest source of emissions, we have raised our target to a 41% reduction of GHG per employee from business travel activities by 2025 against the 2019 baseline (previously 20%). Our ambitious target, investment in more sustainable ways of travelling and the continued enforcement of the Global Travel Policy will contribute to keeping our footprint small.

Evolving our carbon reporting

Our current emissions arise primarily from business travel (2022: 53%) and energy consumption (2022: 46%) across Scope 1 and 2, with selected parts of Scope 3. Capturing the full scope of the impact of our operations, particularly by looking at the emissions along the entire value chain of the company, will be equally important.

We have started by capturing the footprint arising from flexible working and some cloud-based systems and will gradually extend our measurement of emissions to upstream and downstream activities that we identify as material.

Additionally, our growth across the markets and offices in the APAC region will be reflected in the scope of our future reporting to ensure global performance and progress is captured, tracked and enhanced.

6 EACs are an instrument to document and track the production, distribution, and consumption of renewable energy. EACs do not represent the electricity itself (as they are unbundled from the production) but allow us to prove that the energy we use is directly attached to electricity produced at a specific renewable energy site which can be identified.

04.4 Managing the environmental impact of our operations

Reducing paper use

By the end of 2022, AllianzGI had achieved a reduction of 74% in paper used per employee against a 2019 baseline (2021: 68%). So far, we have exceeded the reduction target set at 20% by 2025.

Paper consumption represents less than 1% of our global carbon footprint from operations. We use paper mainly for external communications with clients, with a smaller amount used for internal office printing. Our ongoing efforts include sourcing sustainably certified paper for internal and external use (2022: 66%) and reducing paper consumption. The latter is underpinned by increasing digitalisation, including of subscriptions, and paperless office concepts such as the closing of corporate print centres.

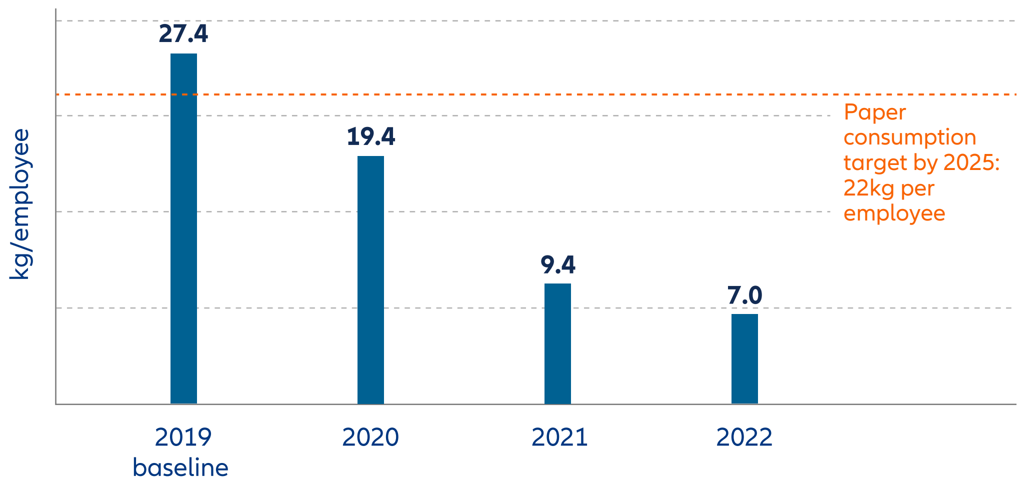
Reducing water use

Minimising our water consumption is a key principle of the Allianz Group Environmental Guideline. For office-based operations, we concentrate on using water efficiently and considering the impacts of climate change. We have committed to reduce water use in AllianzGI offices per employee by 15% by 2025 against a 2019 baseline. By the end of 2022, we achieved a 56% reduction (2021: 4%).

During 2022, the scope of our reporting was adapted for operational reasons. Considering this, the actual water reduction achieved across all entities is estimated to be still below the target -15% by 2025 against our 2019 baseline.

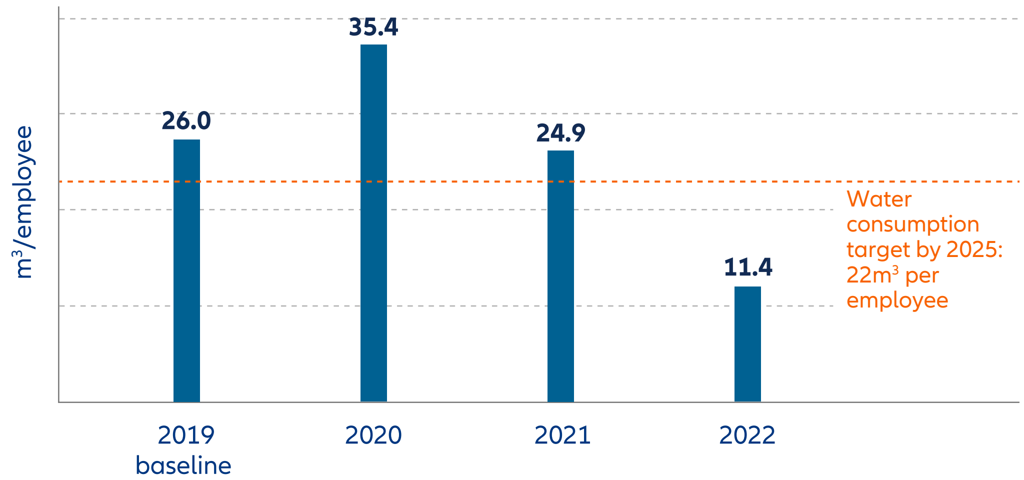
The reductions we have achieved are the result of reduced operation of air-conditioning systems post-pandemic and the impact of office closures, space reductions and moves to more sustainable buildings. We have invested in water-saving solutions in our facilities and kitchens and adapted cleaning measures across our canteens.

Paper consumption in kilograms (kg) per employee



Target: -20% reduction by 2025 (against 2019 baseline).
Actual: -74% reduction 2019–2022.

Water consumption in cubic metre (m^3) per employee



Target: -15% reduction by 2025 (against 2019 baseline).
Actual: -56% reduction 2019–2022.

04.4 Managing the environmental impact of our operations

Principle 8

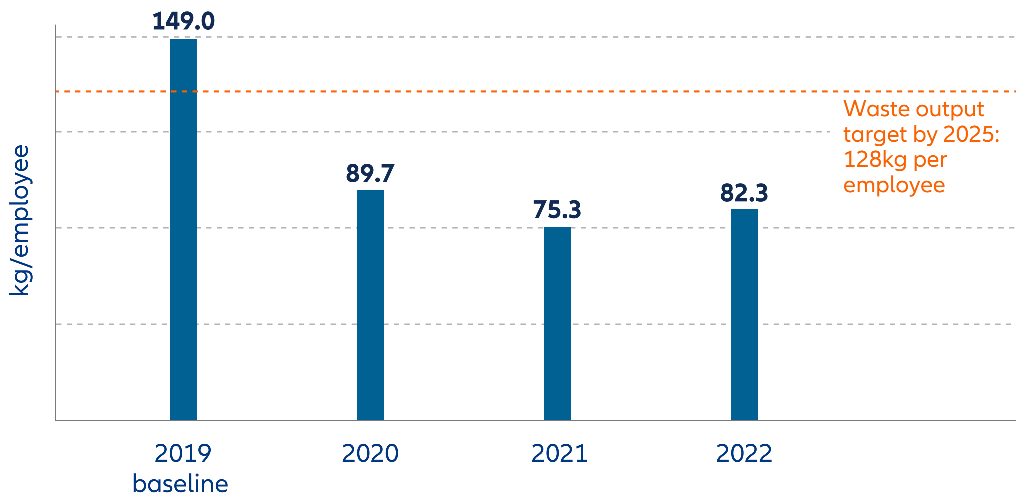
Driving down waste

We aim to minimise waste and reuse and recycle materials. 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 2022, we achieved a 45% reduction per employee against the 2019 baseline (2021: 49%). This was driven by initiatives focused on waste centralisation and separation, increased use of recyclable packaging, avoidance of plastic and reduced paper consumption.

We adopted the global Allianz Group best practices for removing single-use plastic from our operations across all our offices. 87% of our headcount is in an office with a dedicated plan to sustainably eliminate the presence of single-use plastic. These initiatives include reusable takeaway boxes in our canteens and providing only reusable, refillable, or recyclable supplies in kitchens.

Waste output in kilograms (kg) per employee



Target: -14% reduction by 2025 (against 2019 baseline).
Actual: -45% reduction 2019–2022.

Going forward, we will continue driving the global roll-out of these initiatives and work with colleagues to encourage waste reduction behaviours.

Managing sustainable procurement

Our commercial relationships with suppliers and partners around the globe enable us to encourage the adoption of innovative sustainable business practices, and to adopt them ourselves.

One role of our procurement team is to consolidate the supply base towards preferred suppliers that meet our business and compliance requirements as well as our expectations with respect to sustainability standards. The AllianzGI Global Procurement Policy has been updated to harmonise and align with the Allianz Group Vendor Code of Conduct.

We are also enhancing procurement processes to ensure sustainability is considered throughout each phase of the procurement lifecycle. We expect our suppliers to embed sound sustainability practices within their organisation and to promote similar practices within their own supply chain. We do this by embedding requirements into sourcing projects and when onboarding suppliers into our systems.

Looking ahead

We plan to include additional environmental, social, and governance-related clauses into our contracts with suppliers. Procurement will continue to combine tools and data to further equip AllianzGI with meaningful insights on the supply base to be able to steer it in the direction of our corporate sustainability strategy.

> “We expect our suppliers to embed sound sustainability practices within their organisations.

04.5 Driving our corporate citizenship

While the acute impacts of Covid-19 have receded, many communities are grappling with the rising cost of living and the impacts of climate change. It is important for us to continue our work for positive social impact and contribute to the achievement of the UN Sustainable Development Goals (SDGs).

Our approach to corporate citizenship
Our ambition is defined by our business strategy and brought to life through our employees and the local efforts of our global entities. Our longstanding commitment to shaping a more resilient society continues to motivate our corporate citizenship efforts in our offices around the world.

Our activities prioritise SDG 8, Decent Work and Economic Growth, which aims to "promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all." Our actions to deliver SDG 8 are also closely linked with SDG 13, Climate Action and SDG 17, Partnerships for the Goals. In line with the Allianz Group corporate citizenship strategy, future generations are a key focus of our approach.

Our corporate volunteering and donations
In 2022, over 700 corporate volunteering hours were recorded within AllianzGI, with colleagues around the globe engaged in actively supporting numerous local community initiatives aimed at creating positive long-term impact.

We continued with our tradition of end-of-year donations across the globe to causes that are important to our employees. Our donations of around EUR 620,000 in 2022 focused on supporting local communities to deal with the rising cost of living, promoting financial literacy and education among the next generations, supporting child safety and basic needs, and protecting the environment. Beneficiaries included UNICEF for their Humanitarian Action for Children appeal and food banks in Frankfurt, Hong Kong, London, Munich and Singapore.

At present, there are more children in need of humanitarian assistance than at any other time since the Second World War. Across the globe, they are facing a confluence of crises – from violence and displacement to infectious disease outbreaks, soaring rates of malnutrition and growing up in extreme poverty. Meanwhile, climate change is compounding the severity of these crises and unleashing new ones. But the situation is not hopeless. Together with supporters like AllianzGI we have risen to the challenge. From Afghanistan to Somalia, from the Sahel to Yemen – UNICEF is on the ground in countries around the world, providing children with lifesaving assistance during humanitarian emergencies. Our work continues – thank you very much for your support!"

Christian Schneider,
CEO of UNICEF Germany

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Promoting financial literacy and education for next generations
Our aim is to support future generations to overcome the economic and social impacts of the pandemic and other systematic social risks. Examples include:

- In collaboration with IW Junior in Germany, 15 AllianzGI employees provided financial literacy education for students nationwide through online training and school class visits. More than 300 corporate volunteering hours were contributed by our Frankfurt office in 2022.
- Also in Germany, our long-standing collaboration with "BVI Hoch im Kurs" is educating young people on topics such as "the financial crisis and its implications" and "How to save money efficiently" since 2008.
- In Taiwan, our employees worked with Help Rainbow Family Life Education Association since 2020 to organise and create financial education courses. A total of 546 students took part in the courses in 2022.

04.5 Driving our corporate citizenship

Supporting vulnerable communities

We support communities where we live and work, especially in times of need. We leverage our expertise, resources and assets to align with local priorities and maximise our impact. Examples include:

- In the UK, we partner with St Luke's Community Centre through initiatives like the Job Club – which helps unemployed people find jobs, volunteering roles and training – and Steps to Success, a job inspiration day for local primary schools. AllianzGI employees contributed over 65 hours of their time to join the Telephone Befriending scheme which supports residents who need a listener or guidance for further help.
- Our Taiwan office has supported the Christmas Shoebox project since 2008. In 2022, the office raised nearly EUR 20,000 and provided 20 young children, over 750 school students and 217 senior people with the essentials for schooling and learning and the basic needs in their daily life.

Protecting local environments

World Cleanup Day is a global movement which unites 191 countries for a cleaner planet through local waste and litter collection efforts. Allianz entities around the world take part and we encourage employees, customers, agents and partners to join this global concerted effort for our planet. In 2022, the day took place in September and our activities included:

- In Italy, over 30kg of waste was collected at the mouth of the Sturla river by a team of AllianzGI employees from our Milan office, Allianz Trade in Italy and Allianz Partners Italy and other volunteers from Legambiente and AzzeroCO_2.
- In Indonesia, our Jakarta team met on a Sunday and collected 16kg of waste. An educational booth was also set up to bring more awareness to the topic.
- Our Taiwan office teamed up with social enterprises and non-profits to launch a Green Tour project, where they planted trees and cleaned up the beach in the area, collecting over 86kg of waste.

AllianzGI colleagues supporting the World Cleanup Day.

AllianzGI colleagues helped to collect over

130kg

of waste in Italy, Indonesia and Taiwan.

04.5 Driving our corporate citizenship

Supporting innovation among future generations

AllianzGI is committed to engaging with communities to exchange ideas and solutions that address the multifaceted challenges of a sustainable future.
To encourage the next generation, we have entered a three-year partnership with the International Green Gown Awards. These are administered by EAUC – the Alliance for Sustainability Leadership in Education – and supported by the UN Environment Programme to recognise exceptional sustainability initiatives being undertaken by universities and colleges across the globe. In the first year of partnership, AllianzGI was part of the judging panel to exchange suggestions and feedback between the academic and corporate worlds.

Read more about the International Green Gown Awards here.

We need to inspire and empower our young people to visualise a better future, and to do all that we can to ensure every career becomes a sustainable career. We need to turn feelings of anger and anxiety into hope and action. This is a decisive decade for our very own future. In our partnership with AllianzGI we show that education plays a crucial role for a just and fair transition towards a more sustainable world."

Fiona Goodwin,
Deputy CEO at EAUC and Green Gown Awards Secretariat

Over
3,400
artworks submitted by more than 2,300 illustrators from over 100 locations.

Engaging the community through art

AllianzGI sponsors illustrators across the globe to create artworks relating to climate change to provide a platform for the exchange of ideas and inspire meaningful change. The Art on Climate International Illustration Competition was launched in 2019. Over 3,400 artworks were submitted by more than 2,300 illustrators from over 100 locations in 2022. The top 53 artworks were featured in a 3D virtual exhibition and the winner chose Earthwatch Europe to receive a donation from AllianzGI of EUR 10,000 to support the Teach Earth In The Field project. Through this project, teachers are empowered to support the next generation to understand the effects of climate change and inspire action.

See more on Art on Climate.

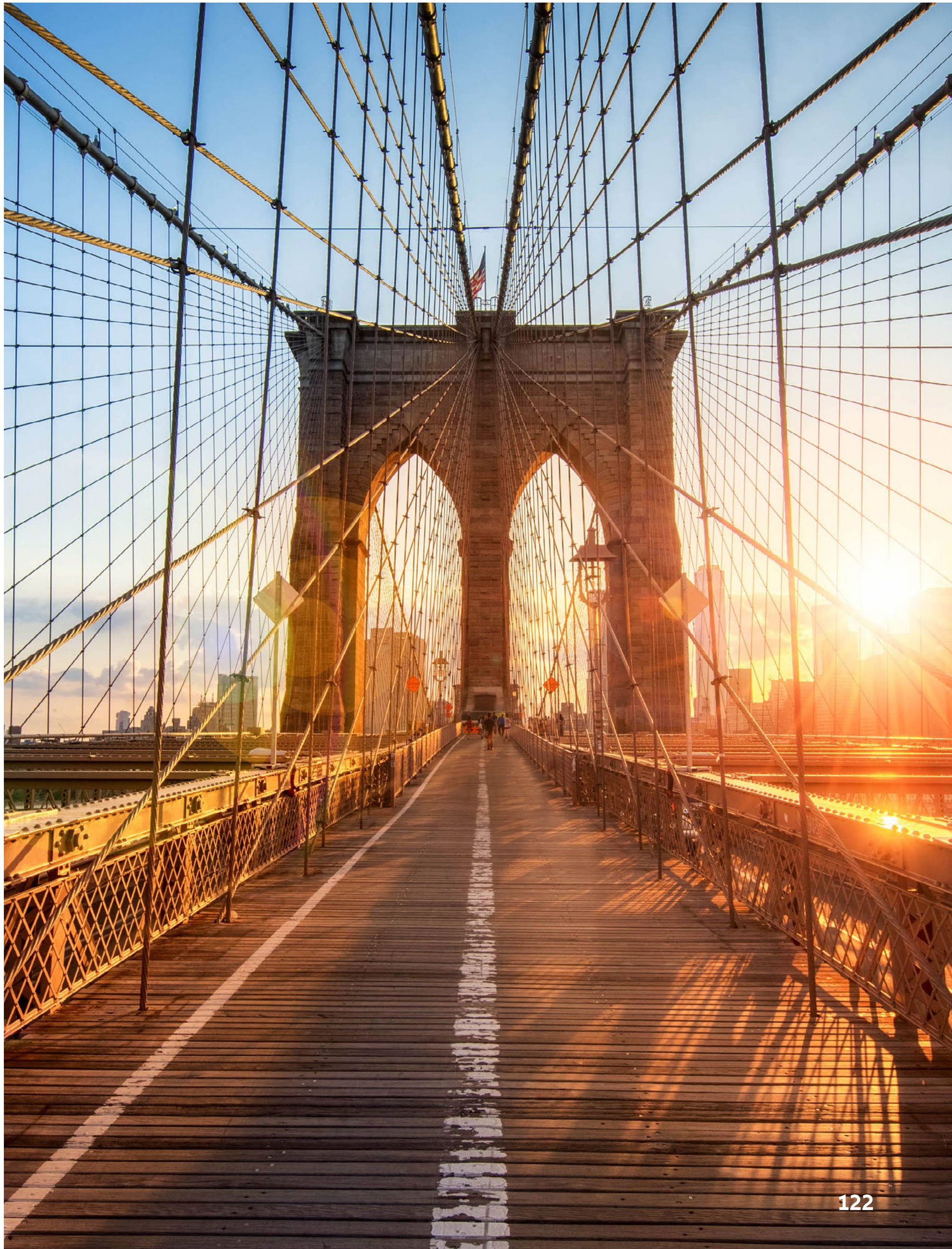
Read more about Earthwatch Europe.

Looking ahead

Many of our activities have been successfully led by our local charity groups and employees across the firm to date. To ensure we continue to make meaningful social impact, we are taking steps to evolve our corporate citizenship approach to further drive co-ordinated engagement and activity across AllianzGI by utilising our global structure to support such locally led efforts. A refreshed, global corporate citizenship programme will be rolled out at AllianzGI in 2023 and we will provide further details on this in next year's report.

05
Appendix

Supporting information



05.1 UK Stewardship Code index

This report should be read in its entirety to obtain a comprehensive picture of our stewardship activities during 2022. The table below provides links to the specific sections within this report that demonstrate how Allianz Global Investors (AllianzGI) applies the principles of the 2020 UK Stewardship Code.

05.1 UK Stewardship Code index

	2020 United Kingdom Stewardship Code Principle	Section	Page
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	10
		How active asset management supports the transition to a better future	17
		Guiding clients on sustainable investment solutions	23 – 30
7	Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.	Sustainability research	34 – 38
		Sustainability risk management	45
		Sustainable investing categories	46 – 60
		Active stewardship	61 – 98
8	Signatories monitor and hold to account managers and/or service providers.	How we select and monitor data providers	39
		Selecting and engaging with fund managers	68
		Ensuring a robust voting process	87
		Managing sustainable procurement	118
9	Signatories engage with issuers to maintain or enhance the value of assets.	What sustainability means to us	13 – 16
		Developing our engagement strategy	62 – 63
		How we engage	64 – 68
		AllianzGI's engagement in numbers	69 – 71
		Engagement outcomes	72 – 81
10	Signatories, where necessary, participate in collaborative engagement to influence issuers.	Collaborative engagements	82 – 83
		Industry engagement and commitments & Sustainability initiatives overview	97 – 98; 132 – 139
11	Signatories, where necessary, escalate stewardship activities to influence issuers.	Escalating engagement concerns	84 – 85
		Exercising our voting rights	86 – 94
12	Signatories actively exercise their rights and responsibilities.	Exercising our voting rights	86 – 94
		Exercising our rights and responsibilities beyond equities	93

05.2 Engagements

Key

E Environmental **S** Social **G** Governance **C** Climate engagement **O** Other engagements[1]

Company	E	S	G	C	O
ABB Ltd	•			•	
AbCellera Biologics Inc		•	•		
Activision Blizzard Inc		•	•		
ADEKA Corp			•		•
adidas AG			•		•
Advanced Energy Solution Holding Co Ltd			•		•
Advanced Micro-Fabrication Equipment Inc China					•
Air Liquide SA	•	•	•	•	
Akamai Technologies Inc	•			•	
Alcoa Corp	•		•	•	
Alibaba Group Holding Ltd	•	•	•	•	•
Alpha Services and Holdings SA			•		•
Aluminum Corp of China Ltd	•			•	
Amazon.com Inc		•	•		•
America Movil SAB de CV	•	•	•		
American Airlines Group Inc	•		•	•	•
ANA Holdings Inc	•	•	•	•	
Angel Yeast Co Ltd	•	•	•	•	•
Anheuser-Busch InBev SA/NV	•			•	
Anhui Conch Cement Co Ltd	•			•	
Anjoy Foods Group Co Ltd			•		•
ANTA Sports Products Ltd	•	•		•	•
APERAM SA	•			•	
Applied Materials Inc	•	•	•	•	•
ArcelorMittal SA	•	•		•	•
Archer-Daniels-Midland Co	•	•		•	•
Arkema SA	•			•	•
Asahi Intecc Co Ltd	•		•	•	

Company	E	S	G	C	O
Asia Vital Components Co Ltd	•				
ASML Holding NV			•		
Assa Abloy AB	•	•	•	•	•
Assicurazioni Generali SpA			•		
AT&T Inc	•	•		•	
Atlas Copco AB			•		•
Aurubis AG			•		•
Auto Trader Group PLC	•	•	•	•	•
Avantor Inc	•	•		•	•
AXA SA			•		
Ball Corp	•	•			•
Baltic Classifieds Group PLC	•	•	•	•	•
Banco Bilbao Vizcaya Argentaria SA	•		•	•	
Banco Santander SA		•	•		
Barclays PLC	•	•	•	•	•
Bayer AG	•			•	
Befesa SA	•			•	
BHP Group Ltd	•		•	•	•
BioGaia AB			•		
BOC Hong Kong Holdings Ltd	•	•		•	
Boliden AB			•		•
Bombardier Inc	•	•		•	•
BP PLC	•			•	•
Brenntag SE	•		•	•	•
British American Tobacco PLC	•	•			•
Broadcom Inc			•		
BT Group PLC		•			
CANCOM SE			•		

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

05.2 Engagements

Key

E Environmental | **S** Social | **G** Governance | **C** Climate engagement | **O** Other engagements[1]

Company	E	S	G	C	O
Carrefour SA		•	•		
Cathay Financial Holding Co Ltd	•	•	•	•	
Chengdu XGimi Technology Co Ltd	•	•			•
Chevron Corp	•		•	•	
China Construction Bank Corp	•			•	•
China Hongqiao Group Ltd	•			•	
China Mengniu Dairy Co Ltd	•	•	•	•	•
China Merchants Bank Co Ltd	•	•		•	•
China National Building Material Co Ltd	•	•	•	•	•
China Pacific Insurance Group Co Ltd	•		•	•	•
China Petroleum & Chemical Corp	•			•	•
China Railway Group Ltd	•	•		•	•
China Resources Cement Holdings Ltd	•		•	•	•
China State Construction Engineering Corp Ltd	•	•	•	•	•
China Tourism Group Duty Free Corp Ltd					•
Chubu Electric Power Co Inc	•			•	
Cie de Saint-Gobain			•	•	
Cie Generale des Etablissements Michelin SCA	•	•	•	•	
Cloudflare Inc		•	•		
CMOC Group Ltd	•	•		•	•
CNOOC Ltd	•	•	•	•	•
Coca-Cola HBC AG	•				•
Commerzbank AG			•		•
Concentric AB			•		
COSCO SHIPPING Holdings Co Ltd	•	•		•	
Coty Inc	•	•		•	•
CRH PLC	•		•	•	•
CTBC Financial Holding Co Ltd	•	•	•	•	•

Company	E	S	G	C	O
CTT Systems AB			•		•
Daikin Industries Ltd	•		•	•	•
Danone SA			•		
Deere & Co	•		•		•
Deutsche Boerse AG		•	•		
Deutsche Post AG		•	•		•
Deutsche Telekom AG	•		•	•	•
DFS Furniture PLC			•		•
Diploma PLC			•		
Doximity Inc		•	•		•
DR Horton Inc			•		•
Drax Group PLC	•		•	•	•
DSV A/S	•	•	•	•	
Duke Royalty Ltd			•		
Ecolab Inc	•		•	•	•
Edenred		•			
Eli Lilly & Co			•		•
eMemory Technology Inc		•			
Empresaria Group PLC			•		•
Enel SpA	•	•	•	•	•
Engie SA	•		•	•	
Epiroc AB			•		
Equinor ASA	•		•	•	
Equitrans Midstream Corp	•			•	
eRex Co Ltd	•	•		•	•
Evotec SE	•	•	•	•	•
EXOR NV	•	•	•	•	
Exxon Mobil Corp	•		•	•	•

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

05.2 Engagements

Key

E Environmental | **S** Social | **G** Governance | **C** Climate engagement | **O** Other engagements[1]

Company	E	S	G	C	O
F5 Inc	•			•	
Fielmann AG	•	•	•		
First Quantum Minerals Ltd	•	•		•	•
Fiverr International Ltd	•	•	•	•	•
FLEXium Interconnect Inc	•				
Ford Motor Co	•	•	•	•	
Formosa Plastics Corp	•		•	•	
Fortum Oyj	•		•	•	
Freenet AG			•		
Fresenius SE & Co KGaA			•		•
Fuji Electric Co Ltd	•		•		•
Fujikura Ltd			•		•
Fuyo General Lease Co Ltd			•		•
Ganfeng Lithium Group Co Ltd	•	•		•	•
Geberit AG	•			•	
Georg Fischer AG	•	•	•	•	
Glencore PLC	•	•	•	•	•
Globalwafers Co Ltd	•	•			
Goldman Sachs Group Inc/The	1		•	•	
Grafton Group PLC			•		
Granges AB			•		
Gree Electric Appliances Inc of Zhuhai	•		•	•	•
Grifols SA	•	•		•	
GSK PLC					•
Han's Laser Technology Industry Group Co Ltd	•				•
Harland & Wolff Group Holdings					•
HCA Healthcare Inc	•	•		•	•
HeidelbergCement AG	•			•	

Company	E	S	G	C	O
Heineken NV	•		•	•	•
Henan Liliang Diamond Co Ltd	•		•		
Hengli Petrochemical Co Ltd	•	•		•	
Hexagon AB			•		•
Hexpol AB			•		•
HIS Co Ltd			•		
Hitachi Ltd		•	•		•
Holcim AG				•	•
HomeServe PLC		•	•		•
Horizon Therapeutics Plc	•		•	•	
Hornbach Holding AG & Co KGaA	•	•	•	•	•
Howden Joinery Group PLC			•		
HSBC Holdings PLC	•	•	•	•	•
Huntsman Corp	•		•	•	•
Iberdrola SA	•	•	•	•	•
IG Group Holdings PLC					•
Imperial Brands PLC					•
Industria de Diseno Textil SA	•		•	•	
INEOS Ltd	•	•	•	•	
Inner Mongolia Yili Industrial Group Co Ltd	•	•		•	•
Inpex Corp	•	•	•	•	
Intel Corp	•	•		•	
Intermediate Capital Group PLC		•	•		•
Interroll Holding AG			•		
Intertek Group PLC	•		•	•	•
Isuzu Motors Ltd	•		•	•	•
J Sainsbury PLC		•			
JCR Pharmaceuticals Co Ltd		•			

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

05.2 Engagements

Key

E Environmental | **S** Social | **G** Governance | **C** Climate engagement | **O** Other engagements[1]

Company	E	S	G	C	O
JD.com Inc	•	•	•	•	•
Jenoptik AG			•		
Jiangsu Dingsheng New Energy Materials Co Ltd	•		•		
Jiangsu Eastern Shenghong Co Ltd	•	•		•	•
Jinko Solar Co Ltd	•	•	•	•	•
JOST Werke AG			•		
JPMorgan Chase & Co	•		•	•	
K+S AG	•			•	
Kakaku.com Inc		•	•		•
Kering SA		•			•
Kerry Group PLC			•		
Keywords Studios PLC			•		•
Kingspan Group PLC		•	•		
KNOW IT AB			•		•
KnowBe4 Inc			•		•
Kohoku Kogyo Co Ltd	•	•	•		
Kokuyo Co Ltd	•		•	•	•
Korian SA		•	•		•
KT Corp	•	•	•	•	•
KWS Saat SE & Co KGaA	•	•	•		
Lam Research Corp	•		•	•	
LANXESS AG	•				•
LEG Immobilien SE	•	•	•	•	
Legrand SA			•		
Li Ning Co Ltd	•	•		•	•
Linde PLC			•		•
Lloyds Banking Group PLC	•	•	•	•	•
L'Oreal SA	•	•	•	•	•

Company	E	S	G	C	O
LVMH Moet Hennessy Louis Vuitton SE	•		•	•	•
LyondellBasell Industries NV	•		•	•	
Makalot Industrial Co Ltd	•	•		•	•
McKesson Corp			•		•
Medios AG			•		•
Melrose Industries PLC	•	•		•	•
Mercedes-Benz Group AG	•	•		•	•
Merck KGaA	•	•	•	•	•
Micron Technology Inc	•			•	•
Mitsubishi Corp	•	•	•	•	
Modern Times Group MTG AB			•		•
Moneysupermarket.com Group PLC			•		
Montage Technology Co Ltd	•	•	•		•
Moonpig Group PLC			•		•
Morgan Stanley	•			•	•
MTU Aero Engines AG	•	•	•	•	
Muenchener Rueckversicherungs-Gesellschaft AG in Muenchen		•	•		
Muyuan Foods Co Ltd	•	•	•	•	•
Nabors Industries Ltd	•	•		•	
Nasdaq Inc		•			
NatWest Group PLC	•			•	
NEC Corp		•			
Neste Oyj	•	•		•	
Nestle SA			•		•
NH Hotel Group SA	•	•		•	
Nine Dragons Paper Holdings Ltd	•	•		•	•
NIO Inc	•	•		•	•
Nippon Telegraph & Telephone Corp	•	•	•	•	

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

05.2 Engagements

Key

E Environmental | **S** Social | **G** Governance | **C** Climate engagement | **O** Other engagements[1]

Company	E	S	G	C	O
Nippon Yusen KK	•	•	•	•	
Nissin Foods Holdings Co Ltd			•		•
Norma Group SE					•
Norsk Hydro ASA	•			•	
Nutrien Ltd	•			•	
OCI NV	•	•	•	•	•
Okta Inc			•		
OMV AG	•	•	•	•	•
OMV Petrom SA	•			•	•
ON Semiconductor Corp			•		•
Oracle Corp	•			•	
Orange SA			•		
Orsted AS	•	•	•	•	•
Ovintiv Inc	•			•	
Owens Corning	•		•	•	•
Palace Capital PLC			•		•
Panasonic Holdings Corp					•
Paradigm Biopharmaceuticals Ltd			•		•
Partners Group Holding AG	•	•	•	•	•
Paycom Software Inc			•		
PBF Energy Inc	•			•	
Pennon Group PLC	•		•		•
Persimmon PLC			•		
Petroleo Brasileiro SA	•			•	
Ping An Insurance Group Co of China Ltd		•	•		•
Plug Power Inc			•		•
Powszechny Zaklad Ubezpieczen SA			•		•
Proya Cosmetics Co Ltd	•	•	•	•	•

Company	E	S	G	C	O
Qantas Airways Ltd			•		
Reckitt Benckiser Group PLC	•		•	•	•
Renault SA		•			
Repsol SA	•	•		•	
Rio Tinto PLC	•	•		•	
RLJ Lodging Trust	•	•		•	
ROBLOX Corp		•	•		•
Rotork PLC			•		
Ryanair Holdings PLC	•			•	
Safran SA		•			
SAIC Motor Corp Ltd					•
Samsung Electronics Co Ltd	•	•	•	•	•
Sankyu Inc					•
Sanyo Special Steel Co Ltd	•			•	
SAP SE			•		•
Satellite Chemical Co Ltd	•		•		•
Schneider Electric SE		•			
SCOR SE		•	•		
Scout24 SE		•	•		
SF Holding Co Ltd	•			•	
Shanghai Milkground Food Tech Co Ltd	•		•	•	•
Shell PLC	•	•	•	•	•
Shenzhen Dynanonic Co Ltd	•			•	•
Shibaura Machine Co Ltd			•		•
Shimamura Co Ltd					•
Shin Nippon Biomedical Laboratories Ltd	•			•	•
Shop Apotheke Europe NV			•		
Siemens AG	•		•	•	

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

05.2 Engagements

Key

E Environmental **S** Social **G** Governance **C** Climate engagement **O** Other engagements[1]

Company	E	S	G	C	O
Signify NV			●		
Sika AG	●	●	●	●	●
SK Hynix Inc	●	●		●	
Societe Generale SA		●			●
SOITEC			●		
Sojitz Corp	●	●	●	●	
Sompo Holdings Inc	●	●	●	●	
Sony Group Corp	●	●	●	●	●
Spirax-Sarco Engineering PLC			●		
SSE PLC			●		
St James's Place PLC			●		
SThree PLC			●		
Stora Enso Oyj	●	●		●	
Stroeer SE & Co KGaA		●	●		●
Suez Group	●		●	●	
Sumitomo Mitsui Financial Group Inc	●	●	●	●	
Suzuki Motor Corp		●	●		●
Symrise AG	●	●	●		●
Taiheiyo Cement Corp	●		●	●	
Taiwan Mask Corp					●
Taiyo Yuden Co Ltd	●	●	●	●	●
Targa Resources Corp	●	●	●	●	
Tate & Lyle PLC			●		●
TechMatrix Corp		●	●		
Telefonica Deutschland Holding AG	●		●	●	●
Teleperformance		●	●		
Temenos AG			●		●
TEN Entertainment Group PLC			●		
Tencent Holdings Ltd	●	●	●	●	
TerraForm Power Inc	●		●	●	●
Tess Holdings Co Ltd					●
Tetra Tech Inc		●	●		
Thule Group AB			●		
thyssenkrupp AG	●		●	●	●
Tobii AB			●		
Tokyo Gas Co Ltd	●	●	●	●	●
Tokyu Fudosan Holdings Corp	●				
TotalEnergies SE	●	●	●	●	
Toyota Motor Corp			●		
Trelleborg AB			●		●
Trip.com Group Ltd	●	●	●	●	
TUI AG	●	●	●	●	●
UBS Group AG	●		●	●	●
UniCredit SpA			●		
Unilever PLC			●		●
Unimicron Technology Corp	●	●			
United Airlines Holdings Inc	●			●	
United Internet AG	●	●		●	●
UPM-Kymmene Oyj	●	●	●		●
Veolia Environnement SA	●			●	
Verallia SA	●	●		●	
Verisure Holding AB		●	●		●
Vinci SA	●	●		●	
Visa Inc	●	●	●	●	●
Viscofan SA	●				
Volkswagen AG	●		●	●	●

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

05.2 Engagements

Company	E	S	G	C	O
Volvo AB		•			
Vonovia SE	•	•	•	•	•
Wienerberger AG	•		•	•	•
Wingtech Technology Co Ltd			•		
Wintershall Dea GmbH	•	•	•	•	•
Wizz Air Holdings Plc	•			•	•
Worldline SA/France		•	•		
WuXi AppTec Co Ltd	•		•	•	•
Wuxi Lead Intelligent Equipment Co Ltd	•	•		•	•
Yageo Corp	•		•	•	
Yakult Honsha Co Ltd			•		
Yantai Jereh Oilfield Services Group Co Ltd	•		•	•	•
Yonyou Network Technology Co Ltd		•	•		
Yum China Holdings Inc	•	•	•	•	•
Yunnan Energy New Material Co Ltd	•			•	•
Zalando SE			•		
Zijin Mining Group Co Ltd	•	•		•	•
Zoetis Inc	•			•	•

Key

E Environmental	**S** Social	**G** Governance	**C** Climate engagement	**O** Other engagements[1]

Source: AllianzGI, as of 31 December 2022. The lists above exhibit the companies which AllianzGI engaged in dialogue in 2022. 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.

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

05.3 Sustainability initiatives overview

Principles 4 10

Initiative	Allianz Global Investors' Position	Description	Date – present	Topics	Region/location of scope
30% Club France	Member	The purpose of the 30% Club France Investor Group is to engage with SBF120 companies on gender diversity to drive systemic change on company boards and within senior management teams and to develop best practices and recommendations to make SBF120 companies more inclusive, diverse and sustainable.	2021	Inclusion and Diversity (I&D)	France
Association Française de la Gestion Financière (AFG)	Member	AFG is the French Asset Management Industry Association.	since inception	ESG, Corporate Governance	France
	Member Corporate Governance Committee	The Corporate Governance Committee of the AFG aims to promote best governance practices in the French marketplace, improve practices at French issuers and discuss proxy-related issues such as the role of proxy advisors and shareholder activism.	since inception		
	Member Technical Committee Responsible Investment	This committee organises the working groups on different topics such as the SRI label, the ESR indicators or the energy transition law and others. The committee aims to be a place for sharing information on current regulations, initiatives, promotion and responsible investment.	2019		
Asian Investor Group on Climate Change (AIGCC)	Member	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	Asia
	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+. The focus of this working group enables 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.	2021		
Access to Nutrition Initiative (ATNI)	Member*	ATNI focuses on developing tools and initiatives that track and drive the contribution made by the food and beverage sector to address the world's global nutrition challenges.	2022	Nutrition	Global

* New this year.

05.3 Sustainability initiatives overview

Principles 4 10

Initiative	Allianz Global Investors' Position	Description	Date – present	Topics	Region/location of scope
Bundesverband Investment und Asset Management (BVI)	Member	BVI is the German Investment Funds Association.	2011	ESG	Germany
	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.	2020		
	Member Working Group Responsible Investing	The working group prepares the association's position on responsible investing.	2011		
	Member Working Group Corporate Governance	The working group prepares the association's position 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 position on sustainability risks in the risk management processes of fund portfolios and on the management company level.	2020		
Carbon Disclosure Project (CDP)	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	Global
Climate Bonds Initiative	Partner	International, investor-focused not-for-profit. It's the only organization in the world working solely on mobilizing the USD 100 trillion bond market for climate change solutions.	2015	Climate	Global
Climate Finance Leadership Initiative (CFLI)	Founding Member	CFLI aims to unlock climate finance in emerging markets, thereby mobilizing private capital in order to help finance the transition towards a more sustainable tomorrow.	2019	Climate	Emerging Markets
Council of Institutional Investors (CII)	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	US
	Member Corporate Governance Advisory Council*	The Corporate Governance Advisory Council provides input to the board and staff about CII activities that promote effective corporate governance and ways to enhance the value of membership.	2022		
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	Global

* New this year.

05.3 Sustainability initiatives overview

Principles 4 10

Initiative	Allianz Global Investors' Position	Description	Date – present	Topics	Region/location of scope
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	Global
	Co-Chair Corporate Governance Council	The Council was founded in Europe in recognition of the growing importance attached by investors to the effectiveness of the corporate board. 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 (DVFA)	Board Member/ Sponsor	DVFA is a professional association of investment professionals in Germany. DVFA sets German Industry Standards.	2005	ESG	Germany
	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 Fachausschuss Governance & Stewardship	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 (EFAMA)	Member Stewardship, Market Integrity, ESG Investment Standing Committee	The Committee's areas of focus are the 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. The membership includes participation in the subgroup for Sustainable Finance Disclosure Regulation (SFDR).	2015	ESG	Europe
	Chair of the Distribution Committee*	This Committee focuses on fund distribution and disclosures to investors. These include investor protection and disclosure issues arising from the evolving Packaged Retail and Insurance-based Investment Products (PRIIPs) and Markets in Financial Instruments Directive (MiFID) frameworks, the shift towards digital distribution tools, and the continued integration of ESG considerations into fund products. It includes the membership in the subgroup MiFID sustainability preferences.	2022		

* New this year.

05.3 Sustainability initiatives overview

Principles 4 10

Initiative	Allianz Global Investors' Position	Description	Date – present	Topics	Region/location of scope
European Leveraged Finance Association (ELFA)	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. About 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	Europe
	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		
FAIR	Member	FAIR unifies different stakeholders of social impact finance in France and is the French centre of expertise in this field at an international level. FAIR also manages a label, the Finansol label, which distinguishes social savings products from other savings products for the general-public.	2021	Social impact	France
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	Global
Forum pour l'Investissement Responsable (FIR)	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	France
Forum per la Finanza Sostenibile	Participant	Italian Sustainable Investment Forum is a 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	Italy
Forum Nachhaltige Geldanlagen (FNG)	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	Germany
France Invest	Member	French association representing private equity (PE) and private debt professionals active in France. France Invest promotes the growth of PE among entrepreneurs, global savings managers, French and European public authorities and opinion leaders.	2021	Impact Investing	France
	Member of Impact Commission	The Commission meets regularly with its members to discuss the issues faced by impact investing players. The Commission assists its members with regulatory issues, financing issues and best practices.	2021		

05.3 Sustainability initiatives overview

Principles 4 10

Initiative	Allianz Global Investors' Position	Description	Date – present	Topics	Region/location of scope
Green Bond Principles (GBP)	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.	2015	Environment	Global
	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 (GIIN)	Member	The Global Impact Investing Network is a non-profit 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.	2018	Impact Investing	Global
Global Private Capital Association (GPCA)	Member	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	Global
Hong Kong Green Finance Association (HKGFA)	Member*	The aim and mission of the HKGFA is to gather industry experts and provide policy suggestions to the Hong Kong special administrative region (HKSAR) Government and other regulators in developing green finance in the city.	2022	ESG	Hong Kong
	Member ESG Disclosure and Integration Working Group	The ESG Disclosure and Integration Working Group aims to foster green finance development in Hong Kong through promoting and enhancing ESG disclosure and integration with working plans on research, policy consultation, capacity building and cooperation.	2022		
	Member Policy Research and Dissemination Working Group	The Policy Research and Dissemination Working Group targets to offer policy recommendation to the HKSAR Government to strengthen Hong Kong's green finance market and the ESG ecosystem.	2022		
Hong Kong Investment Funds Association (HKIFA)	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.	2004	ESG	Hong Kong
	Member ESG Working Group	The ESG working group brings together fund managers to discuss current ESG topics in the industry, thereby shaping the development of sustainable investment in Hong Kong.	2021		
The Investment Association (IA)	Member	IA is a trade body for the UK's asset management industry.	2015	ESG	UK

* New this year.

05.3 Sustainability initiatives overview

Principles 4 10

Initiative	Allianz Global Investors' Position	Description	Date – present	Topics	Region/location of scope
International Corporate Governance Network (ICGN)	Member	Aims to inspire effective standards of corporate governance to advance efficient markets world-wide. This is achieved through the ICGN Global Governance Principle. Co-chair ICGN's Shareholder Rights Committee.	2015	Corporate Governance	Global
	Co-chair Shareholder Rights Committee	Focus of the committee is the protection and enhancement of minority shareholder rights.	2015		
Initiative Climat 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	Global
IFRS Sustainability Alliance (SASB Standards)	Member IFRS Sustainability Alliance	The IFRS Sustainability Alliance is a global membership programme for sustainability standards, integrated reporting and integrated thinking.	2020	ESG	Global
	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.	2020		
Institutional Investors Group on Climate Change (IIGCC)	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	Global
	(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.	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.	2020		
	Net Zero Stewardship Working Group	This working group aims to provide a forum to help investors view how best to operationalise "net zero stewardship" and develop key tools to enable progress and work with proxy advisors to ensure they are ready to support investors.	2021		
UK Investor Forum	Underwriting Signatory	An investment industry body set up to facilitate dialogue between UK corporates and their investors.	2015	ESG	UK
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	Global

05.3 Sustainability initiatives overview

Principles 4 10

Initiative	Allianz Global Investors' Position	Description	Date – present	Topics	Region/location of scope
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.	2019	Climate	Global
Net Zero Asset Managers Initiative (NZAMI)	Member	NZAMI 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 degrees Celsius.	2021	Climate	Global
One Planet Asset Manager Initiative (OPAM)	Member	OPAM was launched to support the members of the One Planet Sovereign Wealth Fund (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	Global
	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 (PRI)	Signatory	Global industry wide initiative to mobilise greater integration of ESG factors in day-to-day investment decisions and processes.	2007	ESG	Global
	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 its signatories' responsible investment commitments and public policy efforts.	2018		
	Member Private Debt Advisory Committee*	The aim of this group is to drive ESG integration in private debt.	2022		
	Member "Advance" Stewardship Initiative*	The overall objective of the Initiative is to advance human rights and positive outcomes for people through investor stewardship. The Initiative will primarily seek change through investors' use of influence with portfolio companies. The following three expectations will be set for engagement focus companies: (1) Fully implement the UNGPs – the guardrail of corporate conduct on human rights, (2) Align their political engagement with their responsibility to respect human rights, (3) Deepen progress on the most severe human rights issues in their operations and across their value.	2022	Human Rights	
Spanish Sustainable Investment Forum	Member	Spanish Sustainable Investment Forum – membership-based organisation addressing policy and other ESG topics specific to the Spanish market. The forum organises regular events, seminars, workshops, etc.	2018	ESG	Spain

* New this year.

05.3 Sustainability initiatives overview

Principles 4 10

Initiative	Allianz Global Investors' Position	Description	Date – present	Topics	Region/location of scope
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	Switzerland
Taskforce on Climate-related Financial Disclosures (TCFD)	Supporter	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	Global
World Benchmarking Alliance (WBA)	Supporter	WBA seeks to generate a movement around increasing the private sector's impact towards a sustainable future for all.	2019	ESG	Global

05.4 UN Sustainable Development Goals key

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