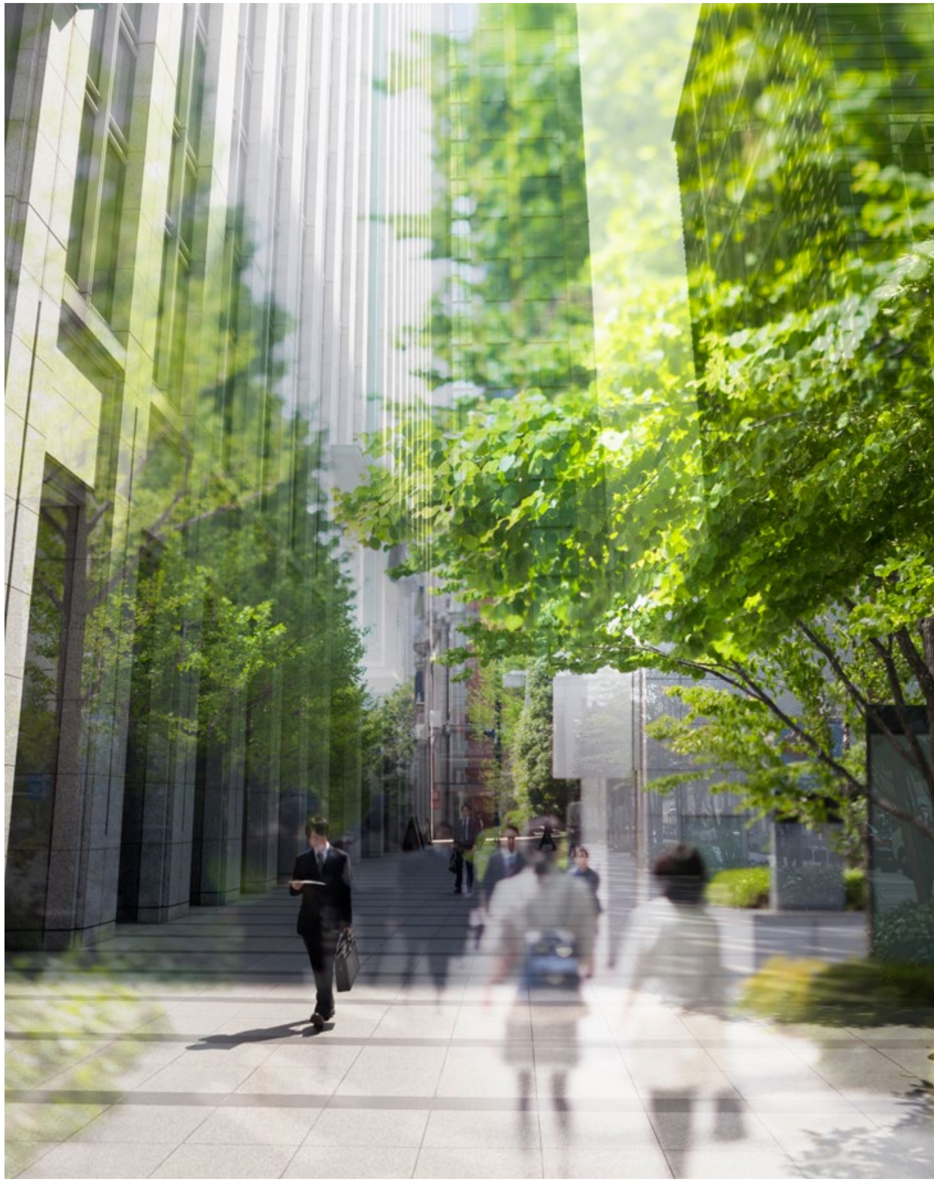
Achieving positive impact

Allianz Global Investors
Sustainability Report 2020

Value. Shared.

Allianz Global Investors

Contents



01 Introduction

Allianz Global Investors (AllianzGI) is an active investment management firm and part of Allianz Group. Our focus is on securing the future for our clients. Sustainable investing is in our DNA. We began our sustainable investing journey over 20 years ago and published our first global Responsible Investing Report in 2018.

About this report

As we continue to drive transparency and performance across our sustainable investment approach and beyond, we published our first full Sustainability Report in 2019. This year, our reporting also includes a separate Stewardship Report 2020 which details our engagement and proxy voting and a separate Climate-Related Financial Disclosure which sets out our climate-related risks and opportunities and how we integrate them into our business.

For information on the sustainability commitments and performance of Allianz Group, please refer to the Allianz Group Sustainability Report 2020.

AllianzGI Stewardship Report 2020
AllianzGI TCFD Report 2020
Allianz Group Sustainability Report 2020

Among the first
50
asset managers to sign PRI in 2007

Active in sustainable investing since
1999

A or A+
score across all Principles for Responsible Investment (PRI) categories*

* AllianzGI achieved the highest possible "A+" score for five categories: Strategy and Governance, Listed Equity – Incorporation, Infrastructure Equity and, for the first time, Listed Equity – Active Ownership and Fixed Income – Corporate Non-Financial. A ranking, a rating or an award provides no indicator of future performance and is not constant over time.

01.1 CEO perspective

Tobias C. Pross
Chief Executive Officer
Allianz Global Investors

The year 2020 may be remembered for all the wrong reasons, but I am proud of the way we continued serving our clients amid the challenges. Covid-19 reshaped the world, in some ways that will be temporary and others that have more fundamental implications. Throughout the year, we stayed focused on our core purpose of securing our clients' future – a goal we share with our parent company, Allianz.

We know that focusing on the long term, especially at times of peak market volatility, is essential for preserving and enhancing our clients' wealth. Our focus on sustainable investing is critical to that perspective. What's more, our clients increasingly put environmental, social and governance (ESG) concerns at the top of their list of priorities. As asset managers, we play a leading role in facilitating the flow of private capital into sustainable investments, to combat issues such as climate change and its far-reaching implications. I believe that active asset managers are uniquely placed to make a difference. Engaging constructively with our investee companies – and exercising our voting rights to influence their operations and strategy – is just one way we contribute to a more sustainable future.

In response to Covid-19, many investors intensified their focus on sustainable investing as the pandemic shone a light on vulnerabilities within companies, communities and broader society. As governments across the world pledge to "build back better", private capital – channeled in a targeted way, frequently by active asset managers – is, and will be, a critical part of the long-term solution. We see new investment opportunities being created, and some of these will require innovative financing approaches.

So, while I am proud of our 20-year track record in sustainable investing, now is not the time to lean back. That is why our sustainable investment proposition continues to evolve at pace. Clients increasingly want their investments to contribute to positive real-world change, and we have expanded our range of products aligned to the United Nations Sustainable Development Goals (SDGs). Our SDG offering now targets outcome-led topics including food security, global water and smart energy.

Our impact investing strategies – also focused on positive environmental and social outcomes – range from green bonds to a variety of private markets investments, including renewable infrastructure and development finance. The latter is a crucial source of financing for emerging and frontier markets as they seek to reduce poverty, drive economic growth and achieve a sustainable future. We see blended finance, where we have specialised expertise, as an efficient way to mobilise capital in these markets. This combines public capital from development finance institutions and philanthropic funds to create attractive opportunities for private investors – a strong example of collaborative approaches in action.

With the appointment in December 2020 of Matt Christensen as our new Global Head of Sustainable and Impact Investing, we are set to accelerate our progress. An early milestone was the conversion of 74 of our investment strategies to meet sustainable criteria, affecting EUR 70 billion of assets under management in 2021. We are also beginning a specialised climate engagement programme that combines exclusions and engagement to help companies on their climate transition pathway – underscoring the urgency with which we and our clients view this topic.

The broader global context for sustainable investing is positive too. Overall, it seems we can look forward to greater cooperation around the world on the most pressing issues facing humanity, such as climate change. The UN Climate Change Conference, scheduled for November 2021, will be another important show of global coordination, and we are pleased to be a sponsor. With a strong belief in the necessity of collaboration, we are using our membership of the Climate Action 100+ initiative, pressing the largest corporate greenhouse gas emitters to act.

I welcome your feedback on this report, as our partners in making change happen. Thank you.

Tobias C. Pross
Chief Executive Officer
Allianz Global Investors

01.2 Introduction from the Global Head of Sustainable and Impact Investing

Matt Christensen
Head of Sustainable and Impact Investing
Allianz Global Investors

The past year has been an inflection point for sustainable investing. In previous years, the focus for asset managers was often on proving the performance of sustainable strategies. With the passing of 2020, the massive flows into these strategies speak for themselves: people have been convinced of the necessity and value of investing sustainably.

This represents a fundamental shift in mindset. Even as the Covid-19 pandemic roiled the markets and upended ways of working and living, investors allocated more to sustainable investing strategies.

This growth is set to continue. In its best-case scenario, PwC predicts that environmental, social and governance (ESG) fund assets under management could account for over 50% of total European mutual fund assets by 2025, representing a compound annual growth rate of 28.8% from 2019 to 2025[1].

Indeed, rather than distracting attention from sustainability, the pandemic has highlighted real-world issues that only sustainable investments can help solve. In addition, many sustainable finance products have exhibited resilient performance during this period of volatility – further underscoring the case for sustainable investing.

But increased investor commitment comes with significantly higher expectations. The next challenge for the asset management industry is to help our clients position themselves for the opportunities of the new era of sustainable investing – and to help clients target the outcomes they seek.

This is a challenge embraced by all of us at Allianz Global Investors. The last financial crisis still casts a long shadow on the industry, and we must use this opportunity to build our clients' trust and show our purpose. That means allocating capital to areas with the most transformative opportunities – for investors and for society at large.

These are just some of the many reasons why, at this time of change and transformation, I am excited to join Allianz Global Investors in my new role as Global Head of Sustainable and Impact Investing.

The world is also experiencing a transformational moment – as evidenced by the meaningful, coordinated action being taken on climate change. The Paris Agreement sets legally binding targets for countries to combat climate change, and US President Joe Biden took an early decision to have the US rejoin this key global initiative. The UN Sustainable Development Goals, now six years old, provide another clear blueprint for government action – and they also show investors how to have a measurable impact on real-world issues.

Moreover, the European Green Deal means the EU will push to become climate-neutral by 2050, and China has pledged to reach "peak carbon" by 2030 on the way to its goal of carbon-neutrality by 2060. Clearly, meaningful improvements will be achieved over the coming decades.

Governments will do their part to encourage the change they want to see. The European Union has committed to making ESG concerns a central part of financial services regulation – including with the important new mandate for sustainability-related disclosures in the financial services sector (SFDR). Moreover, the EU Taxonomy to be implemented by the end of 2021 will show investors what funds labelled "environmentally sustainable" should entail. These actions set a template for other countries around the world.

Furthermore, the pandemic showed that governments are unafraid to take action to address crises. There is no escaping the critical role that governments play – from setting policy on climate change to sponsoring the research and development required to develop zero-carbon solutions. Many have heard the global rallying cry to "build back better" following the pandemic – and that requires thinking sustainably.

While much of the focus has rightly been on climate change, as asset managers we must be ready to help our clients address other areas of growing priority – including providing better healthcare, improving food security, conquering the digital divide and addressing inequality in all its guises – that are rising up the agenda for investors.

Yet even with so much work to be done, I am encouraged that the world is moving in the right direction. Asset managers can continue to do their part by working with partners and clients – across both the public and private sectors – to create opportunities, not just identify them. Investors want to see real-world change, and it is incumbent on the industry to help make this happen. This report showcases what we are doing at Allianz Global Investors on that score. We have a number of key milestones planned for 2021, but I am proud of the contribution we showcase in the following pages, as both a sustainable investor and a sustainable business.

Matt Christensen
Head of Sustainable and Impact Investing
Allianz Global Investors

[1] "2022: The growth opportunity of the century", PwC, 2020

01.3 About Allianz Global Investors

As one of the world's leading active asset managers, AllianzGI employs more than 730 investment professionals and 600 relationship managers across 24 offices worldwide. Together, we manage EUR 582 billion[1] (USD 712 billion) of assets for institutions and individuals around the globe.

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

We have built extensive expertise covering developed and emerging markets, and public and private markets.

Our investment advisory services, delivered by our specialist risklab offering, help clients achieve their investment objectives.

2020 highlights

EUR 582bn
Total assets under management.

EUR 205.5bn
Total value of sustainable investment offering.

+24%
Increase in assets under management (AuM) in sustainable investments compared to 2019.

A+
A+ score from the PRI Association for Strategy and Governance for four consecutive years; we retained our high marks of 2019 and improved in the Listed Equity – Active Ownership and Fixed Income – Corporate Non-Financial categories, receiving an "A+" for both.

Client satisfaction
1st quartile ratings and Quality Leader in core markets Germany and Europe.

[1] Data as at 31 December 2020.

Active asset management

Our commitment to active asset management is clear. Being an active asset manager offers unique advantages in today's investment environment – whatever the asset class, geographic scope or investment style. Being active also allows us to stay ahead of our clients' future needs.

We engineer active solutions that meet our clients' unique investment challenges, powered by an innovative approach to allocation and a deep understanding of risk. With 60 investment advisers globally, risklab, an advisory team within AllianzGI, helps our clients to meet their investment goals through specialist advice and solutions.*

We build our solutions around three primary investment pillars:

- A technology-enhanced listed markets research platform which harmonises fundamental and quantitative inputs to help find alpha for our clients across a range of truly active products
- A forward-looking approach to factor investing that enables us to further diversify the sources of potential investment alpha, and optimise risk management costs
- A powerful private markets engine focused on expanding the boundaries of active management to help find solutions for both Allianz and our clients.

Our commitment to elevating the active asset management experience for clients includes unlocking the full potential of our sustainable investing proposition by:

- Integrating ESG risk considerations into our investment processes and active stewardship approach
- Constructing portfolios designed for strong sustainability performance
- Allocating capital in a way that, in addition to generating financial returns, seeks to support specific environmental or social outcomes to create long-term value for our clients and society.

Creating long-term value

Our mission is to secure the future for our clients. Creating value goes beyond simply delivering investment returns. Our clients are our centre of gravity and we aim to generate value through long-term partnerships that support them every step of the way.

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- and three-year periods. We also track how strategies are performing against peers.

2. Provide excellent client service

We measure client satisfaction through an annual survey carried out by independent consultants Greenwich Associates. 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 (see section 4.1).

3. Foster a fulfilling work environment for employees

We motivate our people by fostering a merit-based, values-driven culture and providing the right technology and support. The annual global Allianz Engagement Survey is our main tool for assessing employee satisfaction. The results highlight what is working well and where we need to improve (see section 4.2).

4. Grow our company organically and sustainably

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

5. Generate profitable growth for our shareholders

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

* Advice is provided through local expertise, as far as permissible by applicable law, leveraging advice from the global team

01.4 Our global context

As well as its devastating human cost, the Covid-19 pandemic has fuelled significant disruption and market volatility over the past year. At the same time, it has reinforced the importance of sustainable investing with many governments committing to "build back better" through major infrastructure programmes.

Building back better following the pandemic

The Covid-19 pandemic is testing the resilience of economies, markets and businesses worldwide. Within some badly impacted sectors, certain companies prospered – showing the importance for investors of being able to identify firms which can weather unprecedented and unforeseen events. Analysing environmental, social and governance (ESG) factors is a crucial tool for identifying major risks and assessing the resilience of businesses.

Many investors have responded to the crisis by refocusing their priorities and examining the social and environmental impact of economic activity. Investors are increasingly looking towards putting their capital to work in a sustainable way. Demand is growing quickly for creative and targeted investments that drive meaningful real-world change in response to challenges such as climate change and social inequality. The growing racial justice movement in the US and elsewhere has highlighted social issues that are in urgent need of solutions.

These topics are not going to go away and there is encouraging evidence that they are gaining momentum. As governments seek to "build back better" following the pandemic, they are putting green initiatives and approaches at the heart of their infrastructure programmes. The prolonged period of low interest rates looks set to continue and access to affordable debt could make innovative projects an increasing reality, particularly in emerging markets.

Global cooperation on climate change

Even as they battle the pandemic, governments around the world are putting the spotlight on sustainability – particularly efforts to combat climate change. There are signs of renewed global cooperation with Joe Biden's first act as US president to re-join the Paris Climate Agreement. The EU's Green Deal outlines a framework to ensure all member states are carbon neutral by 2050 and China has implemented its own green deal, committing to carbon neutrality by 2060. All these developments present a strong need for funding and will create further opportunities for private investors to support the transition to clean energy and development of technologies that will enable the achievement of bold climate ambitions.

Continued rise in sustainable investing

Unsurprisingly, investors everywhere are looking to see their values represented in the way they invest. They want to know that they are contributing to real and positive change. The increasing recognition of the importance of sustainable investing has translated into global ESG assets totalling USD 40.5 trillion in 2020, a figure that has doubled over the previous four years.[2]

Investment opportunities to support the global sustainability agenda could take the form of public-private partnerships, with contributing parties shouldering different responsibilities across the value chain to address societal and environmental priorities. Thematic-focused investing around these goals can give investors access to opportunities aligned with the Sustainable Development Goals (SDGs) and other long-term trends.

Given these developments, sustainable investing has become an essential consideration in effective portfolio management. Asset managers play a leading role in driving capital towards sustainable companies and projects that address what investors view as the world's biggest challenges. Governments are realising the benefits of rejuvenating existing infrastructure – such as electricity networks – while building the social, environmental and energy projects that will support the wellbeing and prosperity of future generations. Companies are increasingly finding that addressing sustainability issues such as climate change can shape their strategy and improve their competitive position. Finally, investors are seeing proof that consciously approaching ESG factors as a risk management toolkit can improve their risk-adjusted return potential.

We expect these trends to continue as sustainable principles stand investors in good stead during both the good times and through challenging times such as these.

[2] Opimas, **http://www.opimas.com/research/570/detail/**

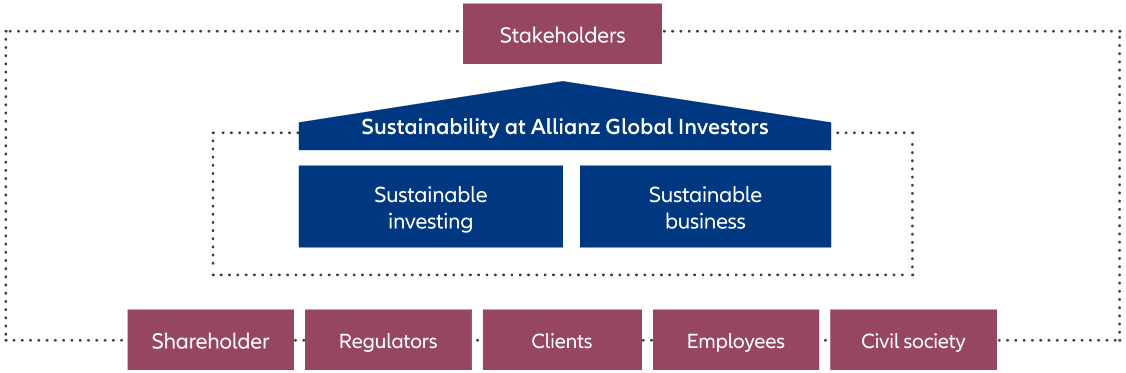
02 Sustainability strategy and governance

Sustainability is at the heart of our investment process and our purpose to help secure our clients' future. We aim to address the most important sustainability issues for our stakeholders and our business through a robust strategy and governance.

Our sustainability strategy is focused on two key priorities.

Sustainable investing drives capital allocation and corporate engagement as key levers for sustainable development.

Sustainable business ensures we run our operations sustainably and make a positive contribution to local communities and the wider society.



02.1 Sustainable investing: strategy and approach

Our track record and commitment to ESG dates back two decades. Our conviction today is that ESG factors matter in all investment decisions. Reflecting on the diverse needs of our clients, we offer a range of sustainable investing approaches that support clients in managing risk, addressing real-world problems and generating returns from investments.

As a pioneer of sustainable investing solutions, we were among the first 50 asset managers to sign up to the Principles for Responsible Investment in 2007. In 2015, we launched a green bond strategy ahead of the Paris agreement and we were the first asset manager to back the private investment and venture capital sector in Africa. In 2020, we expanded our SDG aligned product range to six strategies. Our total assets under management in sustainable investments reached EUR 206 billion in 2020.

We regard sustainable investing as a long-term market trend underscored by three core beliefs:

- ESG factors are increasingly intrinsic to investment performance
- Client and regulatory demand for sustainable investing will continue to increase
- Active engagement instead of exclusions is the most effective strategy to achieve real world impact.

Our current business strategy aims for all assets under management to be classified as one of the following sustainability categories: Integrated ESG; Sustainable; SDG-aligned; Impact; or ESG risk-assessed (where we aim to consider sustainability risks in our investment processes for all assets we manage).

In 2021, we took further steps to strengthen our sustainability value proposition, converting 74 strategies to meet sustainability criteria. This represents product conversions of EUR 70 billion in 2021. We are in the process of launching an innovative climate engagement approach to drive investee companies towards transition pathways for a low carbon future.

Integrated ESG*

Combining integrated ESG analysis with robust stewardship and engagement to help improve risk profiles and steer companies towards more sustainable long-term profitability. We believe this adds up to more robust risk management and improved investment performance without constraining the investment universe upfront.

See page 25

Sustainable

Sustainable strategies apply sustainability assessments to construct portfolios reflecting our clients' values. All apply exclusions and climate engagement or SRI best-in-class in addition. We offer sustainable strategies across equities, fixed income and multi-asset.

See page 26

SDG-aligned

Public market investments in companies that enable positive change towards one or multiple Sustainable Development Goals (SDGs) – labelled as "SDG-aligned" investments.

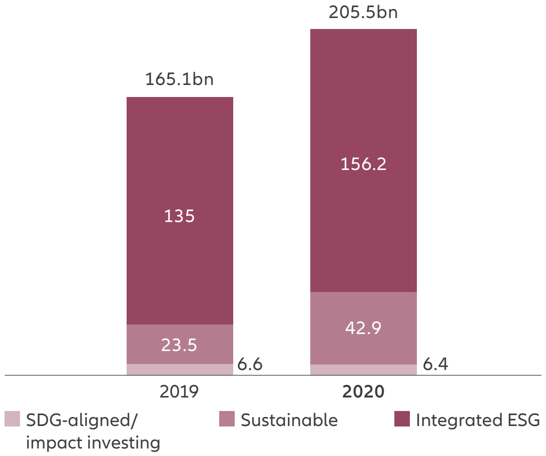
See page 28

Impact investing

Public market investments (such as green bonds) or private market investments designed to deliver outcomes and report against key performance indicators specifically related to societal or environmental goals, known in the industry as "impact" investments.

See page 29

Sustainable investment
AuM growth (billion)



Source: Allianz Global Investors, 2021. For illustrative purposes only. Allianz Global Investors supports the UN Sustainable Development Goals (SDGs)

* Integrated ESG is not considered sustainable according to EU Sustainable Finance Disclosure Regulation AllianzGI categories Sustainable, SDG-aligned and Impact are sustainable according to EU Sustainable Finance Disclosure Regulation

Sustainable business operations

Beyond generating long-term financial returns for clients, we strive to manage the potential impact of our operations – both positive and negative – on society, local communities and the environment. We believe we have a responsibility to lead by example and to hold ourselves to account, clearly demonstrating the standards and commitments we expect of the companies we invest in.

See page 31

Client satisfaction: Our long-term success is built on clients' trust in our integrity and our products, the way we inform and advise them, and the personal conduct and capability of our people. We measure client satisfaction so we can continually improve our service.

See page 32

Human resources: As an active manager, we depend on attracting and retaining talented people who share our core values of passion, integrity, respect and excellence.

See page 33

Compliance and data privacy: Our clients' trust is our licence to operate. Our robust policy framework and strong control mechanisms are designed to ensure employees follow the company's Code of Ethics.

See page 39

Environmental management: Like any global business, our stakeholders expect us to manage our consumption of natural resources efficiently and effectively and to manage the potential detrimental environmental impacts of our operations.

See page 41

Corporate citizenship: We aim to connect with and contribute to the social and economic development of society and local communities around the world through our global operations.

See page 42

02.2 Our purpose and impact

Our purpose is not only to help secure the future for our clients and ensure financial returns to our shareholders. At the same time, we seek to make a positive contribution to society as a whole.

To focus our sustainability approach, we identified the most important issues for our stakeholders and our business. This helps us target our efforts and reporting to ensure we are doing as much as we can to exert a positive influence where we can make the biggest difference.

Our approach

After identifying our stakeholder groups, we highlighted those issues that we think are most important to them and our business. We used a diverse range of sources of information to conduct our assessment. A significant contributor was the analysis conducted in 2019 by our parent company, Allianz, which draws on surveys of employees and clients and external data sources such as RepRisk (for media) and SIGWATCH (for non-governmental organisations).

As a next step, we analysed the level of influence we can exert on the identified issues, whether through the allocation of assets on behalf of our clients or through our own business operations or conduct. Finally, to validate the assessment, our Sustainability team engaged with internal stakeholders, including senior managers from different functions (including executive management, HR, distribution, legal and compliance, and investments) to review the results.

1. Identification and engagement

Use of Allianz SE's materiality analysis, based on internal and external stakeholder engagement, as well as external data sources.

Reassessment of the issues relevant to our business.

Grouping of neighbouring and overlapping issues.

2. Prioritisation

Engagement with internal stakeholders from a broad range of functions to rate the importance of previously identified issues.

These stakeholders were asked to quantify the extent to which they think Allianz Global Investors can influence these issues.

3. Outcomes

Identification of 11 issues which stakeholders consider to be of the highest importance.

These issues will continuously guide our allocation of resources and inform our strategic priorities.

The results of the assessment identified the following sustainability topics that we perceive as the most important to address:

A. Delivering on clients' goals is the key driver of our business. Investment performance, client service and brand reputation all contribute to our sustained success. As long-term investors, we concentrate on staying close to our clients in times of accelerated change and disruption.

B. Combating climate change is a serious issue for all our stakeholders and, given the volume of assets we manage, we can drive positive change on this topic. According to the World Economic Forum's 2021 Global Risks Report, failure to act on climate change is the number one long-term risk in terms of impact, and second in terms of likelihood. In this context, we help our clients to reflect climate risks and opportunities in their holdings. We also encourage investee companies to integrate climate change considerations in their strategic decision-making process.

C. Fostering corporate citizenship is an area where we can provide a direct contribution to local communities and wider society – through outreach, volunteering and fundraising – while fostering employee engagement.

D. Safeguarding data privacy is a material issue for our clients: they want to be confident that we are handling their data correctly. It is also a focus for our company engagement activities given the increased risk it represents for our investee companies.

E. Monitoring demographic change remains a major consideration for our clients with the majority of the assets we manage designed to provide future retirement income. With average life expectancy rising across the globe, public pay-as-you-go pension schemes are under increasing pressure, which underscores the importance of funded pensions.

F. Supporting employees and the workplace encompasses future, current and past employees. Employees are the key driver of our business. Their expertise, diversity and skills in the context of an inclusive workplace are the reason we can thrive as an active manager, inspire trust among our clients and offer the solutions they need.

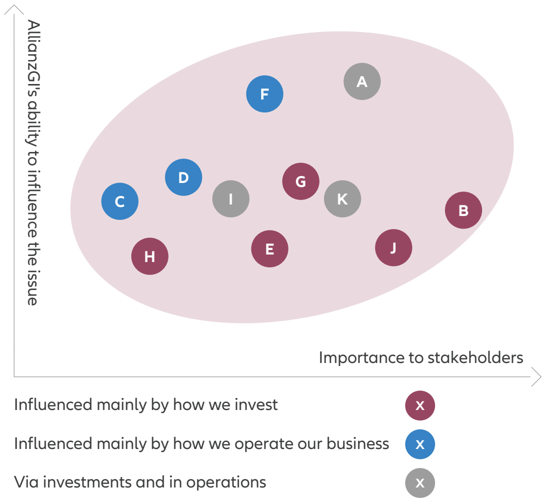
G. Factoring in environmental issues is essential for many of our clients, employees and investee companies. Caring about the environment can take different forms, including improving the environmental footprint of our business operations and actively engaging on environmental issues with investee companies.

H. Championing human rights is important to all stakeholders. As an active investor, we can use our influence with the companies in which we invest or apply investment filters to exclude companies that do not meet the appropriate standards.

I. Enabling innovation is material to our business in two key ways. Client and market dynamics make innovation an imperative while an innovative culture is a key driver for attracting and retaining top talent – creating a virtuous circle of innovation.

J. Navigating market volatility is a key requirement for our clients, including investors and their advisers. They want their investment manager to show thought leadership to help them to understand better the ramifications, protect their wealth in times of decreasing markets and actively seize opportunities in an effort to generate alpha. Our sustainable approach helps us to think long-term even in times of market dislocation.

Important issues for Allianz Global Investors



K. Complying with regulation is a prerequisite for doing business in financial services, and has always been critical to establishing and maintaining trust with clients and other stakeholders. The increasing emphasis on sustainable finance is leading to a major rewrite of the rule books for corporations, asset managers, investors and their advisers. In this context, two elements are particularly important: transparency and availability of adequate investment solutions.

02.3 Assessing the financial implications of climate change

As an active investor, we are positioned to find innovative ways to reallocate capital to support a climate transition that meets the Paris Agreement goals. As part of our commitment to increase transparency and performance across our sustainable investment approach, we published our first Task Force on Climate-Related Financial Disclosures (TCFD) report for 2020.

We strongly believe that, 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. We have been an active member of the Paris Aligned Investment Initiative, launched by the Institutional Investors Group on Climate Change (IIGCC) to develop a "Net Zero Investment Framework".

For more information see our Climate Policy Framework on our website

Climate strategy

According to the World Economic Forum's Global Risks Report 2021, failure of climate change mitigation and adaption is a pressing long-term risk in terms of both impact and likelihood. In this context, we help our clients to reflect climate risks and opportunities in their holdings. As a committed member of the Net Zero Asset Manager Initiative, we are focused on supporting the goal of net zero greenhouse gas emissions by 2050, in line with global efforts to limit warming to 1.5°C (net zero emissions by 2050 or sooner).

Next to mainstream strategies, we offer climate thematic and impact-driven opportunities such as green bonds, climate transition equity and illiquid renewable energy equity. These "green" assets contribute to the alignment of an asset owner's portfolio and its compatibility with climate transition targets.

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

Climate-related risks and opportunities

Diverse 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, we see policy and reputational risks of our investee companies as 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, we take the view that chronic physical climate risks could become more substantial.

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

Climate risk management

We have performed in-depth initial assessments of a range of pathways and different methodologies to help foster internal debate around climate scenario analysis. Currently, we see a rapidly increasing number of methodologies, all of which seek to estimate climate-related risks. Several of them, despite differing inputs and methodologies, lead to highly similar outputs. This is why we believe an important starting point for a globally aligned climate risk assessment is a common set of standards on climate scenario assumptions such as:

- Being associated with limiting warming to 1.5°C above pre-industrial levels, with at least 50% probability (or at least well below 2°C with more than 66% probability)
- Targeting global net zero emissions by 2050, or soon after
- Providing differentiated pathway information for regions and sectors which may require net zero emissions earlier or later, consistent with the global goal
- Having a global peak emissions year of the current year or later
- Embracing (or linking to) a multi-sector model, taking account of all emissions sources
- Relying on limited volume of Negative Emissions Technologies (NETs) to 2050.

While these details are still being finalised, they have allowed us to gather valuable insights to assess the potential climate risks of our investees and generate portfolio profiles around climate change mitigation and adaptation. Our aim is to continue to develop and enhance our climate capabilities and adjust them in response to the latest advancements in climate science investments.

We will also continue to engage with companies on climate-related issues and encourage them to increase transparency reporting on TCFD and science-based targets, for example. We believe this will lead to improved quality of disclosures provided to our investors to enable them to meet their climate ambitions.

Active stewardship

Recognising the importance of climate change and the power of engagement to drive real-world impact, we have launched a dedicated climate engagement approach for a number of funds. Our approach focuses on engagement with companies on the climate transition pathway towards a low-carbon economy.

See page 27 for more details of this initiative.

Metrics and targets

We aim to be as transparent as possible in our climate-related profile. This includes disclosure of our investment-related climate metrics. We will also report on Net Zero Asset Manager activities in our annual PRI reporting.

We have committed to setting an interim target for the proportion of assets to be managed in line with the ambition of net zero emissions by 2050 or sooner. We will review our interim target at least every five years with a view to increasing the proportion of assets under management covered until 100% of assets are included.[3]

TCFD-focused climate engagement

In 2020, we engaged major oil companies in Europe and the United States on their path to an energy transition. We consider ourselves an active owner in this sector, urging companies to amend their business model and transition to low-carbon energy provision.

We scrutinised the ways companies are implementing TCFD recommendations in relation to governance, strategy, stress-testing, resilience and risk metrics, and expressed our expectation that companies endorse these recommendations. We also explored which options companies consider when it comes to low-carbon business models, for example with respect to investments in renewables.

During our engagements, we expressed the expectation that companies should disclose more consistently on climate-related risks, whether physical or transitional. We also encourage companies to join the Science Based Targets Initiative (SBTi) and closely monitor the industry's lobbying activity to analyse the extent to which industry lobby groups' activities conflict with their commitment to addressing climate change.

Investment-related climate metrics

Indicator	Unit	2020	YOY change	2019
Listed equity portfolio indicators				
Total financed emissions	mn t CO_2	13.44	-13.0%	15.45
Portfolio carbon intensity	t CO_2/€ mn invested	59.70	-27.6%	82.45
Weighted average carbon intensity	t CO_2/€ mn revenues	135.57	-5.7%	143.77
Emission data coverage of equities AuM	%	96.5%	0.7%	95.8%
Corporate bonds portfolio indicators				
Total financed emissions	mn t CO_2	18.01	11.6%	16.4
Portfolio carbon intensity	t CO_2/€ mn invested	127.37	6.7%	119.35
Weighted average carbon intensity	t CO_2/€ mn revenues	216.86	4.9%	206.71
Emission data coverage of corporate bonds AuM	%	86.5%	2.3%	84.6%
Green assets				
Investments in renewable energy	EUR mn	4,756.27	-10.4%	5,307.00
Investments in green bonds	EUR mn	6,468.07	41.9%	4,557.00

all values as at 31 December 2020

For metrics related to our business operations, see p40 ; for more information see our separate TCFD report

[3] The portfolio carbon footprint report is designed to show the implied CO_2 emission intensity of all companies in the portfolio versus the benchmark. It is based on underlying data comprised of estimated annual direct (scope 1) and indirect (scope 2) CO_2 emission of corporates. Total carbon intensity is the weighted sum of the carbon intensity of the underlying corporates adjusted by their respective weight in the portfolio or the benchmark.

02.4 Contributing to the UN Sustainable Development Goals (SDGs)

The UN SDGs have come to represent a global call to action for stakeholders from all countries to address the challenges facing society. Business has a clear role to play and the goals have become an important tool for assessing companies' impact on society.

We have the opportunity to make a positive, measurable contribution to the SDGs through our core business and targeted investments. We support the delivery of the SDGs as an employer and as an active, engaged investor.

Our client-centric approach to seeking the most promising allocation of capital contributes to many of the SDGs, both directly and indirectly.

We cluster our contribution to the SDGs into three different categories:

1. SDGs that are inextricably linked to our purpose and are material to our core business as an asset manager

- We have identified five SDGs to which we contribute through our investment activities.
- Our portfolio managers aim to identify the most promising business ideas and allocate clients' money to areas that provide sustainable outcomes.
- In line with our growing private markets infrastructure business, we are increasingly laying the early foundations to maximise the opportunity for a prosperous economy.
- In the longer term, our sustainable investment activities promote inclusive and sustainable economic growth, employment and decent work for all.

- Much of our business is linked to retirement saving and wealth management and capital preservation. We help to secure stable income streams across ages and provide a solution to demographic change, reducing inequalities across age cohorts and generations.

- Climate risks have become a major consideration in our assessment of the value of potential holdings. As an active investor, we look for innovative ways to reallocate capital towards a low-carbon economy.
- We respond to the rising commitments of clients and asset owners to decarbonise their portfolios – as exemplified by our membership of the Net Zero Asset Managers Initiative to act on climate demands with other investment industry members.

- Our involvement in collaborative initiatives, such as Climate Action 100+, and partnerships with public finance (blended finance) drive progress towards the SDGs.

2. SDGs supported by our operations and corporate citizenship activities

- We contribute to several SDGs through our business operations, as an employer and through our corporate citizenship activities.

3. SDGs addressed through our investment strategies

- Our investments increasingly target companies and activities that support and facilitate positive change towards achieving one or multiple SDGs.
- We address these SDGs via impact and SDG-aligned investments.
- We are expanding these strategies to offer our clients more opportunities to invest directly into one or multiple SDGs, with a view to supporting positive change across the universe of SDGs.

02.5 Governance

Sustainability is embedded throughout AllianzGI, and our sustainability approach is encouraged and overseen by senior management. Our position as part of the broader Allianz Group also means we are subject to its strong governance requirements relating to ESG matters.

Sustainability governance

The Allianz Group ESG Board is the highest governing body for sustainability issues and oversees the Allianz Group Climate Change Strategy. It comprises five members of the Allianz SE Board of Management, meets quarterly and reports to the Allianz SE Board on relevant topics and activities at least twice a year. Allianz Group has created a dedicated Group Centre for Global Sustainability to support the group-wide implementation of Allianz Group ESG Strategy. At AllianzGI, we have a dedicated function for sustainable investing, which is headed by Matt Christensen, who joined as Global Head of Sustainable and Impact Investing in late 2020. He succeeded Beatrix Anton-Groenemeyer, AllianzGI's first Chief Sustainability Officer. Beatrix integrated all key sustainable investment functions and paved the ground to set a strong foundation for AllianzGI's next steps on sustainability. Matt Christensen's strategically important role will accelerate the growth of impact investing as part of our fast-growing private markets offering. He will lead the continued integration of ESG factors across AllianzGI's existing public markets offering, including the evolution of the team's organization to support data, research and stewardship activities as well as the development of new sustainable investment products.

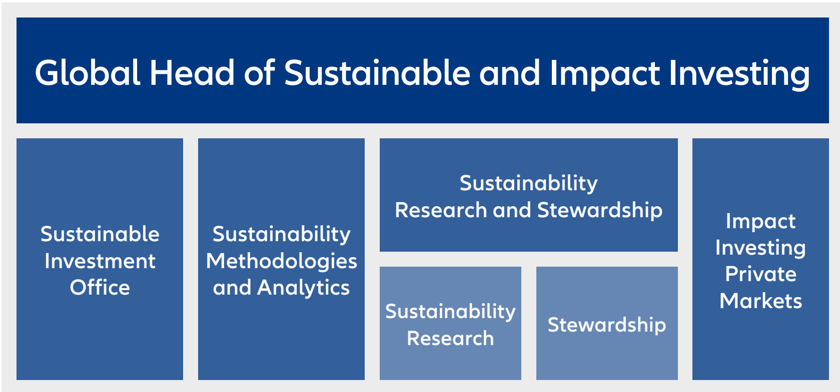
AllianzGI has a Sustainable Investment Working Group in place with representatives from the Investment Executive Committee and relevant internal stakeholders. It advises the Executive Committee, the central governance and decision-making body for AllianzGI and other relevant committees on sustainability issues. The Executive Committee has responsibility for all sustainability-related topics. The Investment Executive Committee and Global Head of Investments have responsibility for all sustainability related topics within investments.

The Sustainable Investment team at Allianz Global Investors is overseen by the Global Head of Sustainable and Impact Investing and comprises:

- Sustainable Investment Office
- Sustainability Methodologies and Analytics
- Sustainability Research and Stewardship
- Impact Investing Private Markets.

Each team is supported by a network of sustainability specialists to develop and implement our strategy and policy, inform individual strategies and communicate our sustainable proposition to clients.

Organisational Structure – Sustainable and Impact Investing



Sustainability Governance Structure

03 Sustainable investing

With sustainable investing no longer seen as a trend but as an essential consideration in portfolio management, the investment industry is at a tipping point. Sustainable investments can deliver significant positive outcomes, and active engagement with the companies in which we invest also offers huge potential benefits.

Sustainable investing incorporates non-financial inputs, such as ESG factors, to seek sustainable outcomes and strong financial returns. Integration of ESG criteria and development of sustainable investing solutions is at the heart of our sustainable investing approach with the potential to deliver significant positive outcomes. Active engagement with investee companies is a key component. For example, we may help to accelerate a company's decision to exit unsustainable practices or to enter new business areas that provide solutions with a positive societal impact.

* Integrated ESG is not considered sustainable according to EU Sustainable Finance Disclosure Regulation

What is ESG?

ESG is defined as the consideration of **environmental**, **social** and **governance** factors alongside financial factors in the investment decision-making process.

Environment	Social	Governance
Climate change	Human capital	Risk management
Natural resources	Health and safety	Corporate leadership
Pollution and waste	Supply chain	Internal controls
Environmental opportunities	Social opportunities	Executive remuneration
		Shareholder rights

Our sustainable investing journey

In 2007, AllianzGI was among the first 50 asset managers to sign the UN-supported Principles for Responsible Investment (PRI). The PRI Reporting Framework aims to build a common language and industry standard for reporting responsible investment activities.

Today, the principles continue to guide our approach and drive continuous improvement across our business. Given the diversity of investors' objectives and requirements, we provide a broad range of approaches, adaptable to different levels of ESG incorporation and client preferences. This diverse approach enhances clients' investment decisions and creates wide benefits for society.

You can find the Allianz Global Investors PRI Transparency Report on our website

03.1 ESG research and analysis

As an active investor, we see the results of ESG research as an important signal of future performance. Our strong track record of bottom-up research is fundamental to our investment decisions and engagement.

Why is ESG research important?

While accurate information on a company's financial performance is extremely important, it does not provide a complete picture in an economy where an increasing percentage of a company's assets are intangible and are not shown on the balance sheet. Intangible assets include reputation, human capital, intellectual property, customer loyalty and brand value – many of which fall into the ESG category.

Our investment teams complement research from third-party providers with their own proprietary ESG research. In-house analysts and portfolio managers, through their expertise and access to company management, are able to gain additional insights to support analysis of a company's ESG risks and opportunities.

Our dedicated and experienced ESG research team is the cornerstone of its active investment approach. The team works hand in hand with investment professionals, providing ESG knowledge and insights that support investment decisions by considering ESG risks and opportunities that may not have been fully priced by markets. The ESG research team offers specialist expertise across the entire spectrum of ESG-related requirements, including:

- ESG research, both company-specific and thematic
- Proprietary ESG rating models for dedicated strategies
- Research to support proxy voting and company and policy-level engagement.

Our global approach includes sharing every piece of ESG analysis with investment professionals via our proprietary research and collaboration platform. This facilitates and systematically records debate and assessment of ESG risks and opportunities. Discussions cover a global universe of corporate issuers, sectors and themes.

As a starting point, third-party research and numerical ratings are made available through the proprietary research database and collaboration system. Use of third-party ratings and underlying research helps to provide the necessary coverage while indicating to our portfolio managers the likely market view on companies in their portfolios.

The added value for clients comes from proprietary insights obtained through internal knowledge of a company's business, our in-house ESG expertise and collaboration, and discussion of ESG risks and factors. Analysts and portfolio managers are at the heart of this process. They undertake an initial review of third-party research and formally request further analysis and input from the ESG research team.

All output from the ESG research team, including comments from sector analysts and portfolio managers, is available via the collaboration platform alongside other information and company research. ESG analysts post their views on a company, highlight identified material risks or opportunities and make a decision with regard to the company's intrinsic ESG rating.

This approach ensures we are not overly reliant on external research and seeks to generate independent and differentiated insights on ESG topics ahead of the market, while ensuring full transparency internally.

Increasing transparency on cyber security

Data is sometimes called the "new oil" given its integral role in the functioning of the world's economy.

But is it secure? As more and more of our daily interactions move online – accelerated by the Covid-19 pandemic – mishandling data can pose an existential threat to firms. When data security is breached, companies can face fines, operational interruptions and devastating reputational damage. Investors want to be confident that they are investing in companies that are protected.

Cyber-security incidents are on the rise, and regulators and investors are increasingly scrutinising companies' policies and protections, given the costly implications of these incidents. To foster dialogue and transparency on cyber issues, we engaged 17 companies in the most vulnerable sectors – including financials, technology and the internet – to understand their approaches and share best practices across these industries.

We found that organisations with a highly structured approach to cyber-security can better identify, quantify and mitigate data risks and that they include provisions on their balance sheets. Companies experienced in managing cyber risks follow more robust governance and security practices. This can be a competitive advantage as more comprehensive approaches mean they can move more quickly and confidently to seize opportunities. It may also favour firms with simpler business models.

By tracking publicly available information on the companies we engaged with, we found that six of the 17 companies have since improved their disclosures, risk management and governance. This added transparency would be helpful for companies that do not yet disclose enough information about their cyber-security practices to enable investors to fully assess the risks. We plan to extend this engagement to other industries, because these issues are of growing and universal relevance as more business activity and social interaction moves online.

Read the full report here

03.2 Active stewardship

We are committed to the active stewardship of the assets we manage for clients. Our approach aims to steer investee companies towards sustainable business success through corporate dialogue and active voting.

Consistent with our investment philosophy and approach, we routinely engage in dialogue with investee companies and seek proactively to present a viewpoint, effect positive change and monitor the results of engagement. Our investment views are influenced by the outcomes of engagements and are linked to the proxy voting process, forming a consistent stewardship approach. We believe in taking a long-term approach to investing to create sustainable value. This means working with companies to help them evolve, rather than reacting in the short term to day-to-day news flow.

Read our Stewardship Statement

Engagement and dialogue

At AllianzGI, we believe in gaining a deep understanding of the businesses in which we invest. Our portfolio managers, fundamental analysts and ESG analysts hold thousands of meetings with listed issuers every year to inform our investment decisions. Most of these meetings are aimed at enhancing knowledge of their business, management teams, performance and value drivers. We are also committed to engaging with investee companies to improve performance and safeguard their long-term prospects. Active stewardship is an ongoing process and is not limited to circumstances where formal escalation is deemed necessary.

Our engagement takes various forms, including:

- Face-to-face meetings and conference calls with investor relations, executive directors and senior management, board chairmen and non-executive board members, company secretaries, as well as heads of operational, controls and sustainability functions
- Formal letters to boards and management
- Dialogue and collaboration with other shareholders
- Public interventions (exceptionally) through co-filing/filing shareholder resolutions, speaking at shareholder meetings and commenting in the media.

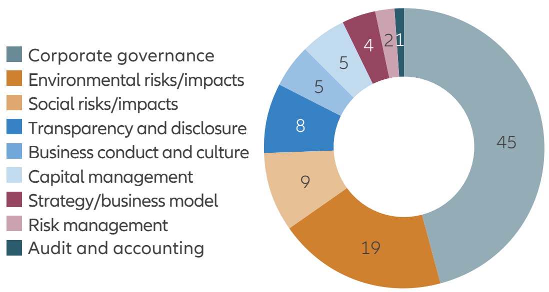
As an active manager, we are ideally positioned to engage in dialogue with investee companies. Our engagement activities commonly relate to an investee company's strategy, operational or financial performance, capital management and corporate governance, as well as environmental and social risks and impacts.

Where our investment teams have concerns that cannot be resolved through normal interactions with investee companies, we may start a more focused engagement. Our preference is to engage investee companies confidentially. We are prepared to escalate our engagements more publicly if a company does not respond constructively, or where our shareholding is insufficient for an effective escalation on our own. Options we might consider include:

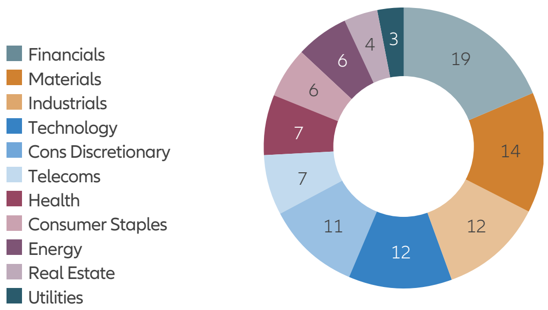
- Voting against resolutions at shareholder meetings
- Expressing concerns through company advisers
- Collaborating with other institutional investors
- Co-filing/filing resolutions at shareholder meetings.

In addition to direct engagement with boards and management of sizeable holdings, we lead targeted, themed engagement projects – for example on the impact of climate change on strategy. We also participate in collaborative engagement initiatives aimed at improving corporate practices and disclosure of information at industry and market levels.

Engagements per topic
%



Engagements per industry
% of occasions



In 2020, we engaged on 303 occasions (2019: 448) and covered 491 topics (2019: 711), often engaging on more than one topic per company. We saw a decline in engagement compared with the previous year due to Covid-19 and other market factors which put considerable pressure on resources industry-wide. However, our overall focus on engagement was undiminished, as is exemplified by the examples provided in our Stewardship Report 2020.

"Voting at general meetings, while an important part of our approach, is by no means the only way in which we signal our expectations to investee companies. We seek constructive ongoing dialogue with companies to raise our expectations and concerns and, where necessary, initiate improvements."

Antje Stobbe
Head of Stewardship
Allianz Global Investors

Engagements per geography

Allianz Global Investors engaged 224 companies across 29 markets globally in 2020.

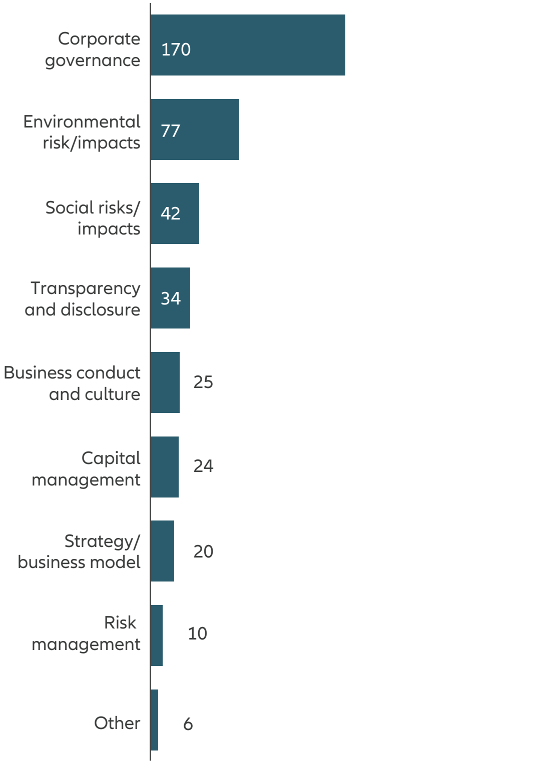
USA 20%	Germany 16%	UK 13%	France 9%
Japan 8%	China 5% (includes Hong Kong)	Netherlands 4%	Switzerland 4%
Italy 3%	Europe other 13%	Asia other 3%	Other 2%

Engagements spanned 224 companies in 29 markets. Around 60% of engagements covered corporate governance, business conduct and transparency issues. We registered 23 stewardship outcomes, capturing companies' reaction to investor feedback by taking action in the desired direction. Some cases involved multi-year engagements. Executive remuneration and governance issues were the focus in about half of cases.

Engaging with green bond issuers

In our dedicated green bond strategy, we engage with issuers on the alignment of their green bonds with the Green Bond Principles relating to transparency, disclosure and reporting. During 2020 we had notable engagements with two issuers that had missed publication of their green bond reports. Our engagement was led either by portfolio managers or by the credit research team and the outcomes varied: one issuer answered positively and provided its report, while the other did not. Regarding the latter, the investment team decided to divest the position because the issuer failed to publish a green bond report despite committing to producing one.

Number of companies engaged, by topic



Focus on climate transition

In 2020, we engaged 77 companies on environmental risks and impacts, including climate change. Environmental issues gained relative importance in our engagement activities, increasing by five percentage points to comprise 19% of all engagements. This reflects the high priority that decarbonising of the economy represents for our clients.

Many discussions focused on climate risk assessment, exploring how companies are reflecting climate risk and the low carbon transition in their strategy, operations and product pipelines. Other topics included the adoption of science-based targets and disclosures on climate- and water-related key performance indicators (KPIs).

Our engagements spanned multiple sectors including but not limited to oil and gas, utilities, materials, financials and consumer goods. Underscoring our ambition to use the power of engagement to drive real-world impact, we will launch a climate engagement with outcome approach in March 2021 for specific strategies.

Read our Stewardship Report 2020 for more detailed information on engagement examples and statistics

We engaged oil majors in Europe and the US on their path to energy transition. We are an active owner in this sector and urge companies to amend their business models and transition to low-carbon energy provision.

Find out more in the case study on page 14 on TCFD-focused climate engagement

Engagement topic: Covid-19 related risks and challenges

The Covid-19 pandemic marked a turning point for businesses and broader society. Our engagements with investee companies on Covid-related topics looked beyond the financial and strategic implications of the crisis. We also engaged with them regarding board oversight in times of crisis, the conversations and frequency of meetings held between boards and management, the appropriateness of the company's risk management systems, and employee health and safety issues.

Our Covid-related engagement activities covered multiple industries and countries. In the industrials sector, we sought to understand how companies ensured workers' health by changing work processes and implementing social distancing. For example, we engaged a financial services company on the implementation of remote working for their employees, how long this transition took after the health crisis escalated in the spring, and cyber security-related topics related to working at home.

We also raised questions concerning the impact on executive compensation of the crisis and resulting business uncertainty. Executive directors of some European companies waived their variable conversation because of the challenging environment while others reduced fixed compensation. In the case of one industrials company, we sought to understand how its Remuneration Committee assessed the appropriateness of performance measures set in the Covid environment and how they ensured targets remained appropriately challenging.

Proxy voting

As well as actively engaging with the businesses in which we invest, we fulfil our fiduciary responsibilities to clients by exercising voting rights on their behalf during shareholder meetings. This allows us to have a say on some of the most important issues affecting society and individual investee companies – including executive compensation, the election of board directors, climate change, workforce diversity, political donations and lobbying activities, and appointment of external auditors.

We put great effort and care into developing in-house views and positions on corporate governance and proxy voting matters. We consider all proposals on merit and support those deemed to be beneficial for the company and our investment. Voting decisions are informed by in-depth research and analysis and discussions with investee companies. Detailed proxy voting policies help shape our voting decisions and our robust proxy voting process ensures strong governance.

Voting matters and potential conflicts of interest are assessed on a case-by-case basis. We are committed to full transparency of our proxy-voting activities. We publish detailed **Global Corporate Governance Guidelines** and a **Stewardship Statement**, and we provide **real-time disclosure** of all votes cast, including commentary on votes against management and abstentions.

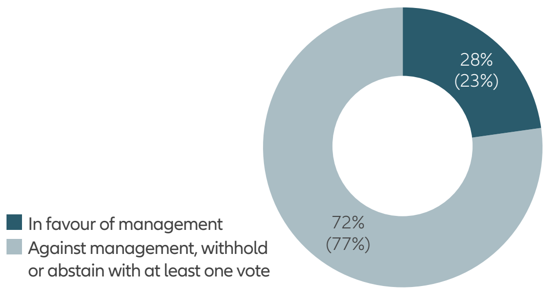
See our website for further details

In 2020, we participated in 10,183 shareholder meetings (2019: 9,532) and voted against, withheld or abstained from at least one agenda item at 72% of all meetings globally (2019: 77%). We opposed 23% of all resolutions globally (2019: 24%). 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 of investee companies.

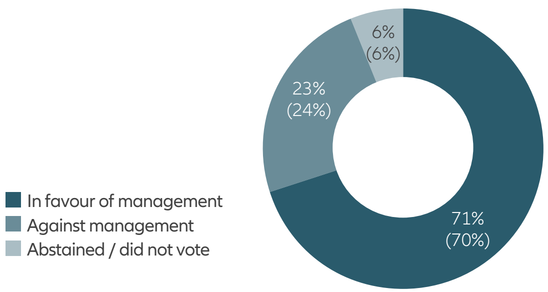
View details of how we voted at individual shareholder meetings

Read our Global Corporate Governance Guidelines

Voting in 10,183[1] shareholder meetings
%



Voting on 105,426 single proposals
%



[1] Equals c.95% of all votable meetings.
Source: Allianz Global Investors, as at 31 December 2020.

How we voted in 2020

We see voting on shareholder proposals as a key part of our stewardship programme. Shareholder proposals offer companies an important insight into the views and concerns of their investors. We provide meaningful support for any issues raised in shareholder proposals that merit careful consideration by companies' boards and management.

Environmental and social matters: a key part of our stewardship programme is aimed at reducing environmental and social risks in our portfolios. In 2020, we showed our backing for shareholder resolutions on environmental and social matters. We supported almost 90% of proposals requesting improved reporting on climate change and sustainability and 100% of proposals on community environmental impact.

Human rights: this was another area where we showed strong support. We voted for almost 95% of all proposals, including those focused on improving a company's human rights standards or policies. As in 2019, we strongly supported proposals seeking transparency of political contributions and lobbying payments.

Key reasons for voting against proposals:

Executive compensation: we typically voted against packages that were not supported by robust and challenging targets or when performance KPIs and actual targets were not sufficiently transparent. Other concerns included the use of stock options to encourage unsustainable decision-making at the expense of shareholders and variable compensation that apparently rewarded underperformance.

49%

of compensation-related proposals voted against (2019: 48%)

Board independence and overboarding: we promote high-quality boards and use our voting rights to support boards with a good balance of independence and diversity of background, experience and skills relevant to the business.

26%

of director-related proposals voted against (2019: 27%)

Auditor-related votes: we expect investee companies to evaluate and re-tender audit contracts regularly and change auditors after a maximum of 20 years of service.

25%

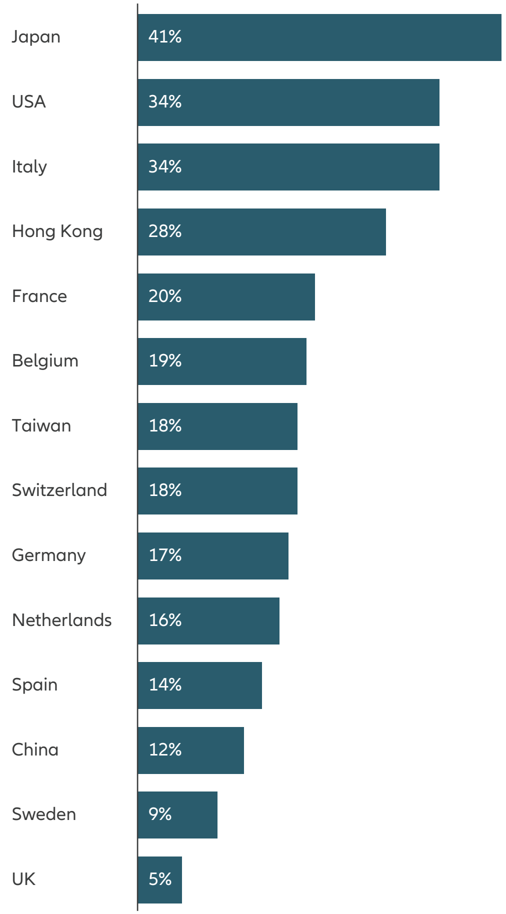
of respective management proposals voted against (2019: 23%)

Capital-related reauthorisation: only in exceptional circumstances, and when justified by the company, 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%.

16%

of capital-related proposals voted against (2019: 18%)

Proxy voting
Total percentage votes against all management proposals by location in 2020



Source: Allianz Global Investors, as at 31 December 2020

03.3 Integrated ESG

EUR 156 billion

of AuM by the end of 2020 according to the integrated ESG approach

The challenges and opportunities companies face related to social and environmental pressures are increasingly important considerations in the investment decisions we make. Our portfolio managers and analysts systematically consider ESG factors as part of their investment analysis.

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

We combine integrated ESG analysis with robust stewardship and engagement to improve the risk profile of our investments and steer companies towards greater and more sustainable long-term profitability. This approach promotes the adoption of better business models and business behaviours among investee companies.

We are committed to applying Integrated ESG across all asset classes we offer – including equities, fixed income, multi asset and alternatives. Portfolio teams are responsible for questioning potential asset holdings with low ESG ratings and contributing to the digital debate about companies' ESG risks. This internal crowdsourcing ensures experienced portfolio managers and industry analysts contribute their views, rather than relying solely on external ESG ratings and third-party methodologies and judgements.

Our portfolio managers understand ESG risk and can invest in companies with higher ESG risks. When a portfolio team sees a compelling opportunity to invest in a company despite an acknowledged ESG risk, they must document their risk/return thinking via our collaborative, cloud-based research system.

This puts us in a unique position to engage with the companies that need it most, as we seek to reduce ESG risk through positive and transparent change. One of the strengths of Integrated ESG is that it builds an additional factor into our existing investment processes – enhancing rather than changing the process without constraining the investment universe.

To evidence our Integrated ESG approach, we document ESG risk reviews, risk/reward considerations, company engagements and proxy voting discussions. This ensures full transparency internally and, on request, to clients.

By end of 2020, we managed EUR 156 billion of AuM according to the Integrated ESG approach.

We are on a journey with our clients and investee companies to consider sustainability risks in all our investment activities. With our new Global Sustainability Risk Management Policy, launched in March 2021, we aim to consider sustainability risks globally in our investment processes across all the assets we manage.

03.4 Sustainable strategies

Integrated ESG*	Sustainable	SDG-aligned	Impact
Risk	Values	Mission	Impact

Our Sustainable strategies aim to create a sustainable investment portfolio by combining financial and sustainability assessments in investment analysis and portfolio construction. We offer Sustainable strategies across equity, fixed income, and multi asset strategies.

The Sustainable offering appeals to clients who want their investments to generate financial value and, at the same time, reflect their values and commitments to a sustainable future. Through our deep experience in sustainable and responsible investing (SRI), we are well equipped to provide investment solutions that address these values.

All portfolios within this offering apply minimum exclusion criteria in addition to SRI Best-in-Class* (SRI BIC) considerations or our Climate Engagement with Outcome approach, introduced in March 2021.

SRI BIC methodology

Our SRI BIC strategies combine multiple approaches including "best-in-class" (selecting companies with superior ESG credentials compared with their peers) and "best efforts" (selecting companies that demonstrate an upwards trend in their ESG profile). At the other end of the spectrum, a "worst in class" exclusion approach eliminates laggards and targets specific high-risk industries. We apply a minimum exclusion list and a human rights filter. We also offer strategies that apply additional filters geared towards specific client values.

"Sustainable research has been an integral part of our approach since 2000. In the present, ever-changing environment, this allows us to adapt and innovate to tackle pressing challenges like climate change and social inclusion. That way we play a role in shaping the future."

Isabel Reuss,
Head of Sustainability Research
Allianz Global Investors

Our proprietary ESG analysis approach uses external data sources and qualitative research to provide a deep understanding of the ESG factors that matter for a Sustainable portfolio. Proprietary SRI ratings are available for sovereigns, companies, governments, agencies and supranationals, and we review the SRI methodology annually.

Expanding our SRI BIC offering

83%
increase in AuM in Sustainable strategies in 2020

How does the SRI BIC analysis work?

Our SRI analysis focuses on four topics that we weight according to their relevance to the respective sectors:

Corporate governance: Strong corporate governance helps to foster long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies.[4] We assess issuers on their ability to organise their internal structure to improve risk management. For corporate issuers, this includes evaluating management or supervisory board composition, board independence, and remuneration transparency including independent remuneration, nomination and audit committees. We analyse the audit and control mechanisms in place to prevent abuse and reduce the risks under review. Finally, we analyse shareholder rights and anti-takeover measures. For sovereign issuers, we evaluate the systems used to prevent and fight corruption, the stability of political structures, and government capacity to introduce necessary reforms.

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

[4] OECD, Principles of Corporate Governance of the G20 and the OECD

* SRI Best-in-Class spans strategies that seek returns, measured in financial and social/environmental terms. SRI Best-in-Class strategies also seek to reflect investors values. SRI Best-in-class strategies support sustainability efforts of portfolio firms and thereby can improve investment returns. Financially material and non-material ESG factors are part of a company's analysis. Portfolio construction is geared towards a superior ESG quality and a set of exclusions is applied.

Social: We review the extent of issuers' dialogue with employees, workplace health and safety, and the relationship 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 local communities, the impact of their products or services on society, and their respect for market regulations and fair business practices. This topic area does not apply to sovereign issuers.

Engaging for a low-carbon economy

Recognising the importance of addressing climate change and using the power of engagement to drive real-world impact, we have launched a dedicated Climate Engagement with Outcome approach in March 2021 for specific strategies. This uses engagement with companies to support the climate transition pathway towards a low-carbon economy. As a proxy for climate impact, we identify the top absolute CO_2 emitters per portfolio. We analyse best practices per sector and set realistic future targets for each company.

These company-specific targets will be aligned with our investment teams and will be documented in our global research and collaboration platform. Examples could be greenhouse gas emissions reduction targets and board-level remuneration targets linked to climate change.

We will conduct engagements centrally and track them over time, reporting their outcomes to support our investment and divestment decisions. Ultimately, climate engagement targets should help to improve risk-adjusted returns by helping companies to adapt their business models for the future.

03.5 SDG-aligned

The 17 Sustainable Development Goals (SDGs) set by the UN General Assembly in 2015 aim to mobilise stakeholders to achieve a better and more sustainable future by 2030. The UN Commission on Trade and Development (UNCTAD) estimates that meeting the SDGs will require USD 5-7 trillion in investment annually, making large capital investments crucial.

Investors are increasingly realising that they have the power to make a positive impact through where and how they invest their capital. Investing with the SDGs in mind allows investors to influence the way the economy works and how individual companies behave. This approach can drive innovation by channelling money towards new technologies, reinforce positive behaviour by rewarding good practices, and impact the entire economic value chain. Such focused investing can channel investments towards a specific goal, such as addressing the need for clean water or curbing carbon emissions.

Our SDG-aligned investment framework is designed to allow clients to contribute to positive environmental and societal change in alignment with one or multiple SDGs. In response to growing client demand, we have extended our range of strategies that target progress against the SDGs.

These strategies integrate ESG considerations and apply select exclusion criteria to ensure companies contribute to real-world positive outcomes in an environmentally and socially responsible way, and that they are well governed. Through this combined approach, we aim to focus investment on companies with a net positive contribution to the environment and society.

We believe investment decisions that aim to maximise positive environmental and social outcomes will lead to superior performance over time. We will adapt and actively manage our investments over time as different capital needs are prioritised and the degree of a company's contribution changes.

How investors can play a role in enhancing food security

Millions of people globally live in the shadow of hunger. However, a third of all food produced ends up as waste, with the equivalent of 1.3 billion tonnes of food lost or wasted.[5] The current food-production system has a significant environmental impact and the answer is not simply to produce more food in the same way. The world needs investment in innovative systems to improve the sustainability of food supply. Aligning with the UN SDGs can provide helpful guidance about where to invest.

We are seeing the emergence of technologies that promise to radically enhance agricultural productivity. Such precision agriculture can enhance production while reducing the ecological damage associated with the traditional use of chemicals – addressing SDG14 (Life Below Water) and SDG15 (Life on Land). New farming methods include aquaponics, where plants are grown in water that is fertilised by fish, and vertical farming, where crops are grown in stacks. These can reduce fertiliser use and support production that is geographically closer to the point of consumption.

The increasing recognition of the extent and impact of food waste is driving demand for more sustainable methods of packaging and distributing food – in line with SDG12 (Responsible Consumption and Production). Reducing our reliance on animal agriculture would also bring immense environmental benefits. Plant-based protein and meat substitutes provide nutritious food with less environmental impact and they are increasingly popular among consumers who cite the health and environmental benefits. Other companies are focused on enhancing food safety and shelf-life by improving quality control in the processing, packaging and distribution of food.

While there are no easy answers to the challenges of food security, it is an urgent issue. Investing in companies that can create a positive impact by aligning themselves with the food-related SDGs is an exciting opportunity for investors and society.

[5] Food and Agricultural Organization of the United Nations

03.6 Impact investing

Integrated ESG*	Sustainable	SDG-aligned	Impact
Risk	Values	Mission	Impact

Our goal is to enable clients to maximise their exposure to positive environmental and social outcomes in private and public markets across asset classes. We provide an increasingly broad range of impact investments, including green bonds for public markets and a variety of private market investments ranging from renewable infrastructure to development finance.

What distinguishes our impact investments is that they must measure and show evidence of associated positive (net) outcomes – rather than simply relate to a social or environmental theme. This measurement of outcomes is done in line with industry standards such as the Global Impact Investing Network (GIIN) and the Impact Management Project (IMP).

Our impact investment strategies are defined by three core beliefs:

Intention: the intention of investments is to generate incremental positive social and/or environmental value while delivering financial returns

Association: a clear association exists between each investment and the positive output delivered

Measurement and report: the impact will be measured on a "best efforts" basis and reported to validate the investment.

Private market impact investing can directly measure its impact and demonstrate causality between the investment and the impact generated due to the inherent proximity between the investor and the company and/or project. Traditional public market investing, by its very nature of seeking to facilitate capital flows between the widest possible audience, may provide less documentation specifically aimed at the topic of impact measurement. However, the public market is developing with the emergence of more explicit impact-focused mandates, such as the likes of green and social bonds offering levels of documentation and reporting that enable investors to measure outcomes in a similar manner to private market impact investments.

Through its mix of private investments, impact investing can generate largely uncorrelated and attractive financial returns for clients, while delivering environmental and/or social impact. This impact is continuously measured and improved, and this continuous improvement is integral to the investment process.

Focus on development finance

Development finance complements our existing sustainability and impact strategies by focusing on achieving the UN Sustainable Development Goals (SDGs) in emerging and frontier markets. More than USD 2.5 trillion[6] in annual investment may be needed in these markets to reduce poverty, increase economic growth and achieve a sustainable future that leaves no one behind.

Within emerging markets, public capital markets focus mainly on investing in upper middle-income countries. A limited amount of investment is directed towards the nations that need it the most, because commercial investors often perceive these lower-income markets as risky and difficult to access. This leaves governments and development-focused institutions as the main investors in these countries and there is still a daunting funding gap that must be bridged to meet the 2030 deadline for the UN SDGs.

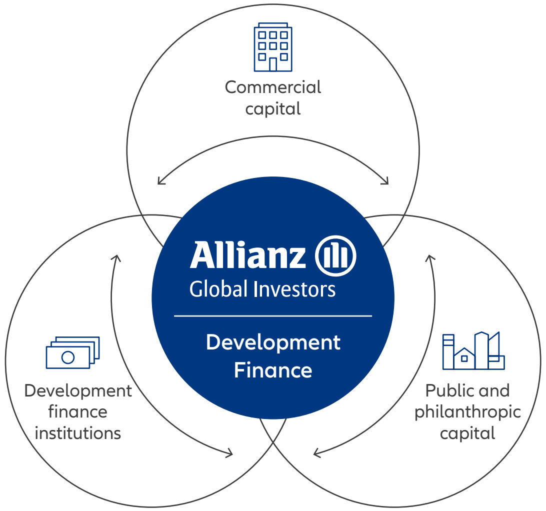
One of the most efficient ways to mobilise private capital in emerging and frontier markets is through the field of "blended finance". This combines capital from development finance institutions and philanthropic funds to create opportunities for commercial investors.

AllianzGI has one of the few dedicated development finance teams in the market. We have raised more than USD 2 billion towards sustainable development finance products since 2017. Funding is structured through "risk-tiered" vehicles, where commercial investors take a senior position and the junior capital (ie, first loss) is invested by public or philanthropic capital. Relationships with development finance institutions (DFIs) are key. They have the track record and presence in these markets and their investments help to de-risk a project. Additionally, DFIs provide access to projects that can make a big difference for local communities.

[6] Source: United Nations (**https://www.un.org/sustainabledevelopment/sg-finance-strategy/**)

Blended finance also depends on asset managers with experience in structuring vehicles that provide investable opportunities for institutional investors – essentially bringing all the parties together. Blended finance can be an attractive proposition for private and public investors alike.

- It enables private investors to build highly diversified loan portfolios. The combination of diversification and first-loss protection can help attract larger amounts of commercial capital from investors who appreciate the potential for reduced risk and attractive risk/return characteristics. At the same time, they are able to contribute to the UN SDGs in markets where capital is scarce.
- This structure allows public or philanthropic investors to deploy scarce public resources effectively. Public resources act as a catalyst for attracting – and thereby multiplying – the funding available to support the relevant SDGs.



"Blended finance is likely to become a very powerful tool for ensuring a resilient recovery and a more sustainable world, based on innovative public-private partnerships and a new paradigm of competition, collaboration and international cooperation."

Deborah Zurkow
Global Head of Investment Platform
Allianz Global Investors

Blended finance in practice

In our Sustainability Report 2019, we announced the launch of an Africa initiative – a EUR 200 million fund of funds set up by AllianzGI on behalf of the German Federal Ministry for Economic Cooperation and Development. The initiative's mandate is to have a catalytic effect on emerging and dynamic small or medium-size enterprises in Africa – and on the entire start-up ecosystem.

To that end, the first investment made was a venture capital fund which aims to help bridge the financing gap by actively supporting firms with a digital edge and giving them a head start through infrastructure and technology.

One of the venture capital fund's first investments was in a ride-hailing company that uses a smartphone app to offer affordable, reliable and safe mobility solutions to an increasing urban population. The company contributes to SDG 8 (Decent Work and Economic Growth) and SDG 10 (Reduced Inequalities) by building a driver-centric approach and establishing partnerships with local taxi syndicates. It creates formal jobs and training – with around 30,000 active drivers at the end of 2019 – and more than one-third of its permanent employees are women.

Another portfolio company is a developer of mobile phone operating systems. In a continent where 800 million people do not have internet access, this company is helping extend access to the myriad digital services available via the mobile internet. By opening up the internet to underserved parts of the African population, the company is contributing to SDG 9 (Industry, Innovation and Infrastructure) and SDG 10 (Reduced Inequalities). With 300 permanent employees (at the end of 2019), it has established partnerships with universities, coding schools and start-ups that will promote the rise of a skilled developer community in Africa.

04 Sustainable business operations

Beyond generating long-term financial returns for our clients, we strive to manage the potential impacts of our operations – both positive and negative – on society, local communities and the environment. We believe we have a responsibility to lead by example by demonstrating the standards and commitments we expect of the companies we invest in.

Client satisfaction: We look beyond pure economic gain and aim to develop strong, long-term partnerships with our clients to create value together.

Human resources: Asset management is a people business that depends on talented individuals who are able to make sense of markets to generate strong performance for clients and advise on client needs. We aim to be an attractive employer for current and future talent and foster an inclusive and diverse workforce.

Compliance and data security: Compliance, risk management and data security are central to the integrity of our operations and systems and we uphold the highest standards to gain and keep trust in our fiduciary business.

Environmental management: Like any global business, our stakeholders expect us to manage our consumption of natural resources efficiently and effectively and to manage the potential detrimental environmental impacts of our operations.

Corporate citizenship: As a global business, we seek to have a positive impact in the many communities in which we operate. This has been particularly important during the Covid-19 pandemic.

04.1 Client satisfaction

Our reputation is built on the way we inform and advise clients – and stay focused on securing their future, whatever the market conditions. The conduct and capabilities of our colleagues are pivotal to this goal. This was even more important in 2020 against the backdrop market volatility as a result of Covid-19.

We look beyond pure economic gain to develop strong, long-term partnerships with our clients and create value together. We believe every conversation and interaction counts in building a strong relationship, and our overall aim is to elevate the investing experience.

Drawing on our toolkit of capabilities, we create solutions that help clients achieve their investment objectives – both today and in the future. In response to the pandemic, we maintained close dialogue with all our clients, providing transparency on the impact of market volatility on their portfolios and the potential risks and long-term opportunities that may ensue.

The key to excellent client service is understanding each client's unique needs and acting in their best interests. Through our consultative approach, almost 600 relationship managers globally ensure that we offer solutions that truly address our clients' needs. By being active, we can customise solutions and aim to optimally position our clients, even in times of market adversity.

We continue to develop our services in line with clients' needs. With 60 investment advisers globally, risklab, an advisory team within AllianzGI, helps our clients to meet their investment goals through specialist advice and solutions.*

Risklab is investing to evolve our capabilities in ESG advice in the areas of:

- ESG portfolio strategy advice
- Portfolio analysis and benchmarking
- Sustainable portfolio construction and optimisation
- Customised ESG solutions.

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

Highlights from the 2020 Greenwich Report include:

- Ninth consecutive year as Greenwich Quality Leader in institutional investment management in Germany, and third consecutive year in Europe
- Second consecutive year as Greenwich Quality Leader in overall European intermediary distribution quality
- Greenwich Quality Leader in both institutional and intermediary services in Asia
- Leading ESG Investment Manager for Institutional Clients in Continental Europe in 2020.

* Advice is provided through local expertise, as far as permissible by applicable law, leveraging advice from the global team

04.2 Human resources

We foster a working environment where our people, performance and clients matter equally. We take a strong stance regarding inclusion and taking care of the health, well-being and safety of our employees.

As one of our biggest differentiators, our culture helps us attract and retain the talent we need to elevate the active asset management experience and to deliver excellence for clients today and in the future. Our culture is active, investment-oriented and client-centric. Our values and people attributes are at the core of all our activities.

Our values and people attributes:

Trust, founded on our values. We foster trust as a prerequisite for how we build and sustain our business. We aim to be sustainable in everything we do, and create trust by living our values of excellence, passion, integrity and respect.

Collaborative leadership. We promote active collaboration, take ownership of final outcomes and win together as a team, in order to be at our best and serve our clients most effectively.

Customer and market excellence. We put the client first and create value for our clients through our commitment to excellence – from how we invest to how we deliver a high-quality service. Investment returns are the most important proof points, and we always strive to be solutions oriented and offer new sources of alpha.

Inclusion and diversity. We benefit from and encourage diversity in our workforce, and we build an inclusive culture. We believe in the benefits of a diverse workforce. A mix of experience, backgrounds and outlooks helps us understand diverse client needs and deliver optimal outcomes.

Entrepreneurship. We think out of the box and understand failure as a learning opportunity. By embracing agile ways of working and continuous innovation, we display an open-minded, entrepreneurial spirit. We believe that creating and sharing value through active asset management is sustainable only by constantly evolving what we do, being courageous and making tough choices, – in line with dynamic client needs.

Inclusive Meritocracy

Inclusive Meritocracy is the term Allianz uses to describe a working environment where both people and performance matter. The Allianz People Attributes are at the core of all activities and AllianzGI employees live by these principles which lie at the heart of our corporate culture. The People Attributes also impact all areas of people management – from talent acquisition and strengthening the feedback culture to people development, promotion and reward.

The Inclusive Meritocracy Index (IMIX) measures our progress towards Inclusive Meritocracy and covers aspects of leadership, performance and corporate culture. In 2020, Allianz Group reached its 2021 target of an Inclusive Meritocracy Index (IMIX) score of 73%. The target for 2021 has been increased to 74% as a result. In 2020, 71% of our employees responded favourably on this index.

Inclusion and diversity

We believe that building an inclusive organisation will unlock the power of our diversity and drive performance and innovation to create long-term value for our clients and society.

Consistent with the Allianz Group Code of Conduct, we have zero tolerance for discrimination and harassment in the workplace. Everyone who works at AllianzGI is responsible for co-creating an inclusive culture and acting in accordance with our commitment to inclusion & diversity (I&D), as outlined in our Global I&D policy and zero-tolerance approach for discrimination and harassment in the workplace. This is embedded in a Behavioural Goal in each employee's personal year-end performance appraisal.

2020 was marked by the redefinition of our I&D strategy, focused on three key pillars:

Workplace – how does it feel to work at AllianzGI?

Focusing on how our employees from majority and minority groups can feel more included and valued in our workplace.

Workforce – who do we recruit and how do we develop our people?

Attracting and developing a large variety of talents to grow the diversity of our workforce.

Marketplace – what do we do to serve our social purpose?

Using our responsible investor values to make a positive contribution to society.

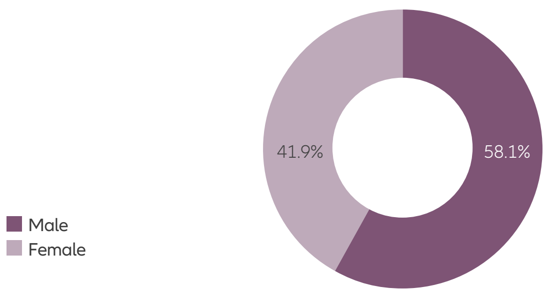
For each of these pillars, we aim to nurture a healthy workforce and support all dimensions of diversity – ethnicity, sexual orientation, gender identity, age, disability, thoughts, skills and backgrounds. Because we are all defined by more than just one of those traits, we address our I&D challenges with an intersectional lens.

82%

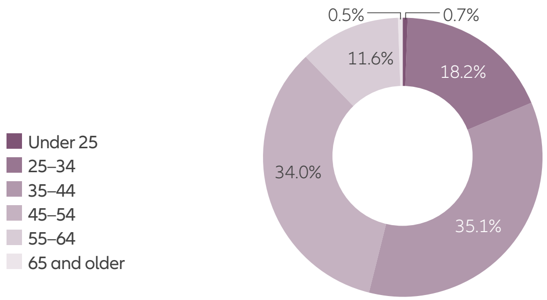
of Allianz Global Investors employees said they are comfortable talking about their background, identity and their true self at work.

Staff snapshot (as of 31 December 2020)

Gender



Age



Gender equality

Achieving gender equality means supporting both women and men in achieving their goals and raising their potential. For many years, we have devised ambitious targets to improve female representation across the firm and in senior management roles in particular.

Our extensive gender equality plan spans talent attraction, hiring, compensation benchmarking and specific development opportunities for women. We have made good progress and will continue our efforts to achieve gender equality.

In 2020, Allianz Group defined new targets to have female representation of 20% at Executive Committee (ExCo) level, 30% at MD level (excluding ExCo) and 35% at director level by 2023. We have achieved gender parity in the Executive Committee. As of February 2020, 26% of AllianzGI first-tier managers (reporting to the Executive Committee) were women and there was 34% female representation at the second management tier.

We partner with organisations such as the Diversity Project and 100 Women in Finance to make the financial services industry and our company more attractive for women from all backgrounds.

We have signed the Women in Finance Charter, a commitment by the UK government and signatory firms to work together to build a more balanced and fair industry. The Charter commits firms to supporting the progression of women into senior roles in the financial services sector. In 2020, we hosted 12 young women as part of the Lord Mayor of London's Appeal "She Can Be", to help them appreciate the variety of options available to them in the asset management industry.

Black Lives Matter

We have endorsed the Black Lives Matter movement and stand in solidarity with all Americans and all people in the fight for equality. We are committed to continue our efforts to fight systemic racism and are reviewing our policies related to anti-discrimination and anti-harassment. In March 2021, we published a guide on how to talk about ethnic diversity in the workplace. We have also engaged with a new initiative – #100blackinterns – to tackle the underrepresentation of black people across the UK's investment industry.

LGBT+

Creating an LGBT+ inclusive workplace is a priority for us, and we work to make sure every employee can be their authentic self at work. We became a signatory of the UN Standards of Conduct for Business in 2019 to support LGBT+ equal rights and fair treatment. The Standards set out five actions that companies should take to align their policies and practices with international human rights standards and tackle discrimination in the workplace and the broader community. We have continued to raise awareness on LGBT+ rights by surveying our employees and giving them a voice on the topic. We published a guide on LGBT+ inclusion, aimed at improving the understanding of sexual orientation and gender identity and fighting misconceptions. Our senior leaders showed their support to the LGBT+ community by taking part in LGBT Great's #Project1000 campaign on social networks.

Supporting people with disabilities

We work to raise awareness and understanding of the different forms disability can take, both visible and invisible, and promote disability inclusion. This includes marking the International Day of People with Disabilities globally since 2017. In addition to our digital Disability Flyer, we have created a video showcasing specific Windows 10 accessibility features aimed at improving the daily work of people with disabilities. We also partnered with Lions Clubs and collected 370 unwanted pairs of glasses and made a tangible contribution to prevent avoidable blindness.

Training and development

We face strong competition for highly skilled professionals and believe in the importance of lifelong learning. The skillset that leaders and professionals need to succeed is constantly changing and we are evolving a wide range of learning and development approaches to develop a workforce that is fit for the future.

We offer a wide range of internal development opportunities. Being a global company, virtual and remote learning was already well-integrated in our training and development offers before the pandemic and it meant we were well placed to continue developing our people. The roll out of Modern Workplace enabled a seamless transition to virtual delivery of all our programmes.

Development at AllianzGI is about creating opportunities for employees to build and expand their capabilities. We want to create an environment which encourages and supports everyone to develop the skills and knowledge they need to be successful in their current roles and to prepare for potential future roles.

The Global Graduate Programme (GGP) gives candidates the opportunity to gain a unique and immersive start in the world of active asset management in a truly global, engaging and diverse environment. The programme prepares employees for their next professional steps while creating value for our clients, colleagues and individual employees. The GGP includes a comprehensive overview of the firm, job rotations between different departments and dedicated learning modules, giving graduates access to company insights and a broad network. We hired 12 new graduates to take part in the programme in 2020.

We have rolled out a new leadership development program for all people managers, irrespective of their level. The mandatory Allianz-wide #lead programme includes online digital modules and virtually facilitated training classes.

Next to this, we enable employees to actively manage their learning activities via an Allianz-wide Learning Platform which provides a rich source of learning content, allowing everyone to learn anytime and anywhere. Relationship- and experience-based learning complements our offerings. Via a digital platform which is self-managed and crowd-sourced, we facilitate mentoring (relationship-based learning) and opportunities to participate and learn from various projects and stretch assignments (experience-based learning).

Performance management and transparent feedback

To maximise business success, we must continuously ask ourselves how we can best contribute to everything we do. By setting global, functional and individual goals that align with our strategy, values (passion, excellence, respect, integrity) and employee and client value propositions, we create a firm-wide understanding of performance excellence. We embed high standards through continuous feedback, regular appraisals and structured goal setting. Our revamped performance management approach increases the focus on driving performance, alongside the traditional measurement of performance.

Engaging our employees

Employee engagement is a high priority – an engaged workforce performs better, is more committed and accountable, and delivers a strong customer focus.

The annual Allianz Engagement Survey (AES) is our main platform for gathering employee feedback and promoting a high-performance culture. We encourage managers and employees to discuss the results within their teams and to agree on actions to address areas for improvement. On-demand pulse surveys and discussion tools increase dialogue across functions and levels and enable us to better understand employee sentiment and engagement throughout the year.

We saw a decline in our AES scores this year related to corporate restructurings and associated impacts on perceptions around the importance of employees and career development opportunities. We have listened to feedback and are putting actions in place to drive improvements in these areas over the coming year.

Reflections around Covid-19 and its impact on the work environment showed that our people managers have done exceptionally well during an unprecedented year. AES topics related to employees' immediate proximity and day-to-day experience – such as "my colleagues", "my manager" and "my job" – are strong, stable and improving.

We continue to take action to improve areas highlighted for improvement in the 2019 employee survey, including:

- **Career and development:** Global roll out of the Opportunity Platform to provide short-term collaboration opportunities, mentoring, reverse mentoring and more – connected to AllianzU with AllianzGI-specific learning paths for career development
- **Leadership development:** A new mandatory development programme for all people managers, #lead, rolled out across the Allianz world, reflecting the importance of leadership and aligned people management standards at any Allianz operating entity
- **Workload and process simplification:** Multiple process automations within and across functions and global roll out of a source-to-pay solution
- **Tools, information and digital literacy:** Global roll out of a universal software system along with an AllianzGI wide Digital Literacy Programme
- **Senior management and strategy:** In 2021 we began our Livingroom sessions, giving each employee the chance to meet informally with a member of our International Management Group, to discuss our business and strategy as part of a small group. We completed 270 of these sessions within the first three months of 2021.

2020 employee survey result highlights

91%

said "In my working environment colleagues and I cooperate to get the job done." (+1%p)

87%

said "My manager and I work together in an atmosphere based on mutual trust and respect." (no change)

84%

said "My manager listens and responds to my ideas and concerns." (+2%p)

84%

said "Access to flexible work arrangements at our company meet my current needs with regard to where and when I perform my tasks." (+6%p)

83%

said "My job is a good fit for my abilities and experience." (+12%p)

83%

said "My manager clearly communicates what is expected of me." (+2%p)

83%

said "I get a sense of accomplishment from my work." (no change)

Health and wellbeing

The health and wellbeing of our people directly impacts our business success. We strive to create a productive workplace where employees are empowered to balance work, career development and personal priorities.

Since the beginning of the pandemic, we have developed a number of tools and resources to support colleagues across the business in navigating the challenging situation. To promote wellbeing while working remotely, we published a guide on living and working well from home. We also provided managers with FAQs on how to effectively manage remote working teams, actively promoted our Employee Assistance Programmes and held weekly feedback polls on our intranet to maintain employee engagement and share targeted communication in response to their needs.

Initiatives to help teams and individuals stay healthy and connected during the sustained period of remote working included virtual yoga and mindfulness sessions, Employeegram, a group-wide Instagram-style channel for sharing pictures and starting conversations, and the Random Virtual Coffee App, initially launched in Germany, France and the US, and rolled out globally to all employees in April 2021.

To maintain real-time engagement between employees and management we held regular "Ask the ExCo" webcasts where Executive Committee members and guests have an open dialogue with colleagues, including an "ask anything" Q&A.

Engagement activity was underpinned by a "coronavirus portal" on our intranet to provide a single source of all the information and support available to colleagues, from travel advice to health and wellbeing resources.

Tackling work-related stress

Stress is a major health-related challenge facing today's workforce, especially for people in service-oriented, desk-based jobs. We track work-related stress through the Allianz Group Work Well index (WWi®), a scientifically validated tool introduced in 2015 that measures work-related psychosocial stress. It is based on 10 equally weighted metrics including demands, rewards, control, support and social capital. A higher index score is associated with better employee health and productivity. In 2020, our score remained at a stable level of 66% (2018 and 2019: 66%).

84%

of employees feel that our flexible work arrangements meet their needs according to the recent employee engagement survey.

04.3 Compliance and data privacy

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

Code of Ethics

We have embedded robust business policies and processes with regard to ethics and client confidentiality. These are detailed in the Allianz Global Investors Code of Ethics and echo Allianz SE's overall group standards.

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

The Compliance function oversees the effective implementation of all regulations stipulated in the Code of Ethics regarding acceptable business practices, conflicts of interest policies and expected standards of ethical behaviour within all departments of AllianzGI. In addition, it ensures every employee participates in regular compliance training. A key issue of importance for compliance with the Code of Ethics is personal account dealing, which is monitored via a computer-based system (StarCompliance).

Our Anti-Money Laundering (AML) policy and Know Your Customer (KYC) guidelines reflect the current requirements of the fifth EU AML Directive, the recommendations of the Financial Action Task Force on Money Laundering (FATF), and the German Anti-Money Laundering Act and other European AML laws. AllianzGI has implemented procedures and controls to prevent money laundering and terrorist financing.

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

Further key responsibilities of the Compliance function include:

- Implementation of regulatory requirements into the business processes of AllianzGI
- Management of conflicts of interest
- Anti-Money Laundering and Anti-Bribery/Fraud monitoring
- Setting up information barriers to prevent confidential information from being passed on
- Monitoring of personal account dealings
- Prevention of insider trading and market abuse
- Monitoring trading activities in order to ensure best execution to all clients
- Investment guideline coding and monitoring: AllianzGI checks portfolios for compliance with investment guidelines on both pre and post-trade bases
- Employee regulatory training
- Implementation and maintenance of an effective Compliance Programme (including the execution of a Compliance Risk Analysis and an annual Compliance Self-Assessment).

Data privacy

We are committed to protecting the privacy rights of our employees, clients, business partners and other third-parties when processing their personal data. Personal data includes any information related to an identified or identifiable individual. We adhere to strict data privacy laws as well as to the Allianz Privacy Standard (APS).

The data privacy function of AllianzGI is handled by the Global Data Protection Officer (DPO). The DPO informs, advises and issues recommendations regarding compliance with applicable data privacy laws and regulations, the APS, and other internal standards and guidelines. The DPO works in close cooperation with the respective Information Security Officer to ensure that adequate data protection-related technical and organisational measures are in place. This includes controls regarding confidentiality and integrity, availability and resilience as well as procedures for regular testing.

Risk management

The Global Risk Management function manages four main risk categories: portfolio risk, business risk, operational risk and reputational risk. Portfolio risk is defined as the risk of changes in the value of investment portfolios that can be perceived not to be in line with the risk profile of the respective portfolio communicated to the investor – including the risk that the company is exposed to market risk and credit risk in the portfolio via implicit or explicit performance promises. Portfolio risk also includes risk relating to: liquidity, counterparty and settlement, and portfolio compliance.

Operational risk is defined as the risk of loss inherent in our internal organisational setup, 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. Our definition of operational risk includes risk relating to: projects, outsourcing and third parties, legal, regulatory and compliance, IT and business continuity, corporate tax/finance and people.

Business resilience

Business resilience (business continuity and disaster recovery) is an essential component of our service commitment to our clients and its importance came to the fore in 2020. Our business resilience framework is a multi-tiered risk defence model with input from steering groups, a corporate resilience organisation and directly from each function within our firm. The programme is subject to oversight by Allianz Group and Allianz Asset Management (AAM). Annual self-assessments are submitted to AAM in accordance with group requirements. The programme is subject to periodic audit reviews by the AAM audit department.

The business resilience team is responsible for administering the programme and ensuring all business functions comply with the framework. Its role includes identifying threats, creating guidelines and policies, developing tools and best practices, and delivering training and awareness.

Functional business recovery plans are designed by functions to ensure that key business processes can resume in the event of a serious interruption to business activities. These plans cover scenarios involving the loss of staff, facility, technology and third-party support. We review our functional recovery plans at least once a year to ensure their feasibility and effectiveness. Tests are performed and results analysed to enhance the effectiveness of business continuity management.

IT and IT security

As part of Allianz Group, we comply with the Allianz Group Information Security Framework, which sets out minimum requirements for information security. Our approach is based on the requirements and methods of the International Organization for Standardization ISO 27001 and 27002.

We monitor the cyber threat and risk landscape and leverage state-of-the-art techniques and tools to prevent data breaches of any kind. These include dynamic malware inspection and continuous monitoring of all systems. We use a robust framework to detect and respond to any cybersecurity or information security incident.

04.4 Environmental management

The Allianz Group has been carbon-neutral since 2012. As part of this commitment, we offset our carbon emissions by retiring carbon credits created via investments in sustainable forest protection projects. The savings in emissions are independently measured and certified once a year.

As a signatory to the RE100 initiative, Allianz has committed to source 100% of power for its group-wide operations from renewable sources by 2023. AllianzGI in Europe has made major steps towards achieving this goal, with 92% of our energy coming from renewable sources.

In 2020, lower energy and paper consumption coupled with a large decrease in business travel activities reduced our total GHG emissions per employee by 46% compared to 2019.

This fall in energy, paper, water and waste consumption is a direct consequence of reduced office use resulting from the Covid-19 pandemic. Travel restrictions around the globe led to a big reduction in our CO_2 footprint. We expect the new Global Travel Policy to have a further positive impact in 2021, as it encourages employees to consider alternatives to travel, including video conferencing and other tools that proved successful during the pandemic.

Besides the impact of Covid-19 on non-financial data, initiatives are ongoing in all offices to improve our CO_2 footprint and decrease water and waste consumption per employee.

Allianz Global Investors environmental data at a glance

	2019	2020
Total GHG emissions (tons per employee)	3.5	1.9
Energy consumption	1.6	1.4
Business travel	1.9	0.5
Paper consumption	0.03	0.02
Share of renewable energy in the mix (%)		
Share of renewable energy	46	47
Water consumption (cubic metres per employee)		
Water consumption	26	21
Waste output (kg per employee)		
Waste output	149	90

In 2020, we set new targets to be achieved by 2025 (baseline year 2019):

- 34% reduction of GHG emissions per employee
- 20% reduction of business travel (km travelled per employee)
- 10% reduction of energy consumption in office buildings (per employee)
- 20% reduction of paper consumption (per employee)
- 10% reduction of water consumption (per employee)
- 11% reduction of waste output (per employee).

Responsible procurement

Sustainability is a key driver for the future success of our procurement function. Our procurement processes are designed to deliver best value for money for our business functions, while reflecting ESG requirements to the best extent possible.

We focus on sustainable processes and supply chains, and on the smart procurement of goods and services. Our targets look beyond cost reduction to include efficiency gains and waste elimination.

We have introduced a new simplified Global Travel Policy that enables us to reduce costs and CO_2 emissions. We are also developing a new supplier management process that will focus on integrity of our suppliers and support the development of a sustainable supply chain. In category management, we are implementing measures to buy recycled paper only, increase use of renewable energy and reduce packaging.

04.5 Corporate citizenship

Beyond our core operations and sustainable investing, we seek to use our resources and employee skills to have a positive impact and contribute to the social and economic development of communities.

Shaping the future of sustainability

Our partnership with the German division of the global student network, Enactus, aims to drive social impact among younger populations. Enactus's mission is to "engage the next generation of entrepreneurial leaders to use innovation and business principles to improve the world".

Our employees support and mentor teams of university students as they create sustainable solutions that address the UN SDGs. The partnership complements our focus on impact, SDG-aligned and sustainable investments. Beyond the potential positive impact of projects, it also provides opportunities for senior employees within AllianzGI to mentor the business leaders of tomorrow.

Supporting our communities

In addition to helping our clients navigate the Covid crisis, we have been acutely aware of its impacts on communities. Beyond the outreach and volunteering of individual employees, AllianzGI supported a range of initiatives in communities local to our operations, including:

- Charities supporting children with cancer in Germany, children's charities in the world's poorest areas and Save the Children's coronavirus relief fund in Hong Kong
- An organisation tackling social exclusion in France
- Local projects helping to provide food to disadvantaged communities in France, Germany, Hong Kong, Italy, Singapore, the UK and US
- A charity working with children and adults with developmental disabilities in Hong Kong
- Médecins Sans Frontière efforts to provide medical assistance to regions afflicted by endemic diseases.

Championing the plight of bees in Germany and beyond

One project that has emerged from our partnership with Enactus is Place to Bee, a scheme to support the restoration of the wild bee population in Germany. Just over half of the 580 domestic wild bee species in Germany are classified as threatened and the loss of these pollinators could cause harvests to collapse by up to 90%.

Place to Bee connects landowners with sponsors who want to encourage biodiversity. The organisation helps to arrange the details of the lease and works with experts to ensure land is adapted and maintained to prioritise the needs of bees. By protecting the bees' natural habitat and creating new natural areas to encourage biodiversity, the project aims to support the recovery of threatened species. Our employees have supported the project start-up with seed funding while also mentoring and advising the project team on its journey to foster impactful social entrepreneurship.

In addition, allied with our investment in a German solar plant, we have worked with a local beekeeper to ensure that the land surrounding the plant is hospitable to native insect species. The project launched in Germany in 2020 and we will expand it to other European sites during 2021 and beyond.

"Enactus is the world's largest experimental learning platform, dedicated to creating a better world while developing the next generation of entrepreneurial leaders and social innovators."

Prof Dr Oliver Faber
Managing Director / Country Leader
Enactus Germany

Initiative	Allianz Global Investors' Position	Since
30% Club France	Member	2021
ACGA (Asian Corporate Governance Association)	Member	2013
AFG (Association Francaise de la Gestion financiere)	Member	since inception
	Member Corporate Governance Committee	since inception
	Member SRI Label specifications	2019
	Member of Diversity working group	2020
	Member Technical Committee Responsible Investment	2019
AIGCC (Asian Investor Group on Climate Change)	Member	2018
Bloomberg Roundtable on EU Sustainable Finance	Participant	2019
BVI (Bundesverband Investment und Asset Management)	Member	2011
	Member of the working group on responsible investing	2011
	Member of the working group on corporate governance	2015
	Member of the working group on ESG risk management	2019
CDP (Carbon Disclosure Project)	Investor Member	2015
CBI (Climate Bonds Initiative)	Partner	2015

Initiative	Allianz Global Investors' Position	Since
CFLI (Climate Finance Leadership Initiative)	Founding Member	2019
CII (Council of Institutional Investors)	Member	2017
Climate Action 100+	Participant	2017
The Conference Board	Co-Chair Corporate Governance Council II	2019
DVFA (Deutsche Vereinigung für Finanzanalyse und Asset Management)	Board Member/Sponsor	2005
	Member Kommission Sustainable Investing	2018
	Member Kommission Corporate Governance	2015
EFAMA (European Fund and Asset Management Association)	Member Stewardship, Market Integrity, ESG Investment Standing Committee	since inception
ELFA (European Leveraged Finance Association)	Member/ Member of ESG Committee	2020
FAIRR Initiative	Member	2019
FIR (Forum pour l´Investissement Responsable)	Member	2009
FFS (Forum per la Finanza Sostenibile)	Board member	2011
FNG (German, Austrian and Swiss Sustainable Investment Forum)	Member	2013

Initiative	Allianz Global Investors' Position	Since
GBP (Green Bond Principles)	Member	2015
	Member Advisory Council Green Bonds and Social Bonds	2019
GIIN (Global Impact Investing Network)	Member	2018
IA (The Investment Association)	Member	2015
	Member Stewardship Committee	2016
	Member Sustainable and Responsible Investment Committee	2018
ICGN (International Corporate Governance Network)	Member	2015
The Investor Forum, UK	Underwriting signatory	2015
The Investor Mining & Tailings safety Initiative	Participant	2019
Nasdaq Sustainable Bond Network	Member of the advisory board	2019
Net Zero Asset Manager Initiative	Member	2021
PRI (UN Principles for Responsible Investment)	Signatory	2007
	Member of the Infrastructure Advisory Committee	2017
	Member of the Global Policy Reference Group	2018
	Member Sovereign Working Group	2018
	Member working group on ensuring a sustainable financial system in Covid-19 recovery phase	2020
SASB (Sustainability Accounting Standards Board)	Member SASB Alliance	2020
	Member SASB Investor Advisory Group	2020
SpainSIF (Spain Sustainable Investment Forum)	Member	2018
TCFD (Taskforce on Climate-related Financial Disclosures)	Supporter	2019
US CFTC (US Commodity Futures Trading Commission)	Member Climate-Related Market Risk Subcommittee	2019
WBA (World Benchmarking Alliance)	Member	2019

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