



# Sustainability Integration Framework

*(formerly ESG Integration Framework)*

**PUBLIC**

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# Table of contents

<b>01</b>	<b>Introduction</b>	<b>2</b>	<b>04</b>	<b>Human rights approach</b>	<b>37</b>
01.1	Scope	3	04.1	Principles and standards	37
01.2	About this document	3	04.2	Governance	37
<b>02</b>	<b>Roles and responsibilities</b>	<b>4</b>	04.3	Integrating human rights due diligence in our business	<b>38</b>
<b>03</b>	<b>Sustainability approach</b>	<b>5</b>	04.4	Integrating respect for human rights in our business operations	39
03.1	NGO dialogue	5	04.5	Remedy and grievance mechanism	41
03.2	Sustainability in corporate standards and governance	5	<b>05</b>	<b>Sustainability integration in Allianz operating entities</b>	<b>42</b>
03.3	Sustainability referral process in insurance and investment	7	05.1	Allianz Global Corporate & Specialty SE	42
03.4	Sensitive business guidelines	8	05.2	Allianz Investment Management SE	42
03.5	Sensitive countries list	26	05.3	Allianz Global Investors	43
03.6	ESG scoring approach	27	05.4	Allianz Capital Partners	43
03.7	Active ownership	29	05.5	PIMCO	44
03.8	Risk dialogues	31	05.6	PIMCO Prime Real Estate	44
03.9	Exclusion policies	31	<b>06</b>	<b>External associations</b>	<b>46</b>
03.10	Asset manager selection, mandating, monitoring and review	33	<b>A</b>	<b>Appendix</b>	
03.11	Sustainability business opportunities	35	A1	Abbreviations	47
			A2	Document change log	48

# 01 Introduction

As a global insurer, investor and asset manager, understanding environmental, social and governance (ESG) issues - here referred to as sustainability - allows Allianz to reduce risks and capture opportunities in underwriting, claims, investment management and asset management. A focus on sustainability issues supports Allianz's core business and strategy and ensures living up to corporate values, demonstrating responsibility in decision-making and interactions with societal stakeholders.

By scrutinizing investments and insurance projects from a sustainability perspective, Allianz extends its understanding of risks and seizes potential business opportunities for the benefit of its shareholders, its customers and other stakeholders. Holistic assessment of risk is especially relevant to Allianz as a manager and carrier of risks that range from single events to decades as an insurance company.

Sustainability integration in insurance is carried out by all Allianz operating entities and global lines, through group-wide corporate rules and sustainability processes. Allianz integrates ESG factors into the investment of proprietary assets<sup>1</sup> and the management of third-party assets<sup>2</sup>. The investment of proprietary assets is steered by Allianz Investment Management SE (AIM), while third-party asset management is delivered by Allianz Asset Management (AAM) through its subsidiaries, Allianz Global Investors (AllianzGI) and the Pacific Investment Management Company (PIMCO).

The updated version of Allianz Sustainability Integration Framework further increases transparency by outlining the Allianz approach to integrating sustainability considerations into the core business.

Furthermore, this version of the Framework introduces our approach to managing human rights risks across our business and organization.

Following an overview of sustainability-related roles and responsibilities of the key Group functions in section 02, the Statement gives a detailed overview of Allianz's sustainability approach (governance, policies, standards and guidelines) in section 03. The goal of these sections is to provide the reader with a detailed overview and understanding of how Allianz manages its sustainability-related risks and opportunities through various governance processes. Section 04 provides our approach to managing human rights risks in our business and organization, referencing specific processes, where applicable.

Section 05 provides an overview of the sustainability processes embedded within Allianz operating entities (OEs). This rounds off the sustainability integration description from previous sections, by describing how sustainability is integrated at Allianz subsidiaries.

In the final part of the report (section 06), Allianz gives an overview of its membership in key external associations that promote the integration of sustainability in the insurance and investment industries.

<sup>1</sup> Proprietary assets include insurance investment portfolios, into which premiums collected from insurance customers flow.

<sup>2</sup> Third-party assets on the other hand are invested on behalf of asset management customers.

## 01.1 Scope

The processes and policies outlined in the Allianz Sustainability Integration Framework apply only to the insurance lines and the investment of proprietary assets of Allianz Group. Sustainability integration in third-party asset management is out of scope of this framework and governed by the respective entity's policies and processes.

## 01.2 About this document

The Sustainability Integration Framework is an important publication disclosing Allianz Group's standards and policies regarding sustainability business integration. Formal and binding corporate rules are published in the internal corporate rules book. While this publication provides details on Allianz's sustainability approach in insurance and investments of proprietary assets, regular updates on KPIs, targets, and achievements are published annually in the Group Sustainability Report and the Non-Financial Report<sup>1</sup>.

All disclosures on corporate responsibility can be found on the Allianz Group website at <https://www.allianz.com/en/sustainability>.

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<sup>1</sup> The Non-Financial Report is part of the Group Annual Report.

## 02 Roles and responsibilities

Key elements of the roles and responsibilities of actors involved in the sustainability governance of Allianz Group are outlined on our website.

For further details, please refer to the Allianz Group website at <https://www.allianz.com/en/sustainability>.

## 03 Sustainability approach

This section provides a transparent overview of the key processes and guidelines Allianz applies to its insurance and investment business.

### 03.1 NGO dialogue

A key component of this approach is direct engagement and dialogue with various internationally recognized non-governmental organizations (NGOs) to discuss sustainability topics.

The dialogue is a forum for direct exchange of ideas and points of view on such topics. Allianz listens to the concerns of its NGO partners and discusses potential solutions to address these concerns. The dialogue is a forum for Allianz to leverage NGOs ability in sustainability matters and receive input on the development and implementation of internal policies, programs, and plans related to sustainability.

The Dialogue takes various forms from roundtable sessions with all partners present to one-on-one exchanges with specific NGOs.

For certain projects, such as for example the ESG Scoring Approach project (see also section 03.6), Allianz also brings NGO partners on board to participate in the project team. This gives Allianz a critical and external viewpoint in the development process of such projects.

Many elements of the Allianz sustainability approach described in this chapter were developed in cooperation with or aligned with NGO dialogue partners. Through on-going dialogue, Allianz continuously improves its approach based in part on input from internal and external stakeholders.

### 03.2 Sustainability in corporate standards and governance

The cornerstone of the overarching sustainability approach at Allianz is the Allianz Standard for Reputational Risk Management (AS RRIM). It defines the Sensitive Business Guidelines (SBG) (see section 03.4), the Sensitive Countries List (SCL) (see section 03.5) alongside the Sustainability Referral Process (see section 03.3).

Deeper integration into the business processes of Allianz is achieved through reference of the AS RRIM and Sensitive Business Guidelines within the Allianz Standard for P&C Underwriting (ASU) and the Allianz ESG Functional Rule for Investments (EFRI). Furthermore, external business partners, such as external asset managers, are informed of the Sensitive Business Guidelines through the Allianz Sustainability Integration Framework.

Various operating entities and global lines also publish specific standards and rules regarding sustainability integration for their given organizational unit.

At working level, Global Sustainability and other functions have defined processes and procedures to support the proper implementation of the governance and requirements outlined in the Allianz Standards and Functional Rules.

The Sensitive Business Guidelines and the AS RRIM sustainability referral process (see section 03.3) apply across all insurance transactions as well as to investments in non-listed asset classes<sup>1</sup>.

For investments in listed asset classes<sup>2</sup>, Allianz integrates ESG factors through the requirements set out in the ESG Functional Rule

<sup>1</sup> Investments in non-listed asset classes include for example: real estate, infrastructure, renewable energy, private equity, private placements.

<sup>2</sup> Investments in listed asset classes include for example: tradeable equity and debt (e.g., stocks, bonds, ETFs, ...).

for Investments, which includes the Allianz ESG Scoring Approach (see section 03.6).

Allianz has developed a single approach to sustainability integration across insurance and investment lines of business. Nevertheless, due to differing roles as an insurer and an investor (including varying investment processes per asset classes) processes in some cases need to be differentiated. Table 1 provides an overview of the different processes which are applied across Allianz Group entities.

**Table 1. ESG Processes across Allianz business lines**

ESG Process	Internal Governance Document	Insurance	Proprietary Investments	
			Listed	Non-Listed
ESG Referral Process (03.3)	AS RRIM	•		•
ESG Sensitive Business Guidelines (03.4)	AS RRIM	•		•
Sensitive Countries List (03.5)	AS RRIM	•		•
ESG Scoring Approach (03.6)	EFRI		•	
ESG Engagement Approach (03.7.1)	EFRI		•	•
ESG Risk Dialogues (03.8)		•		
ESG Exclusion Policies (03.9)	AS RRIM, EFRI	•	•	•
Asset Manager Mandating, Selection and Review (03.10)	EFRI		•	•
ESG business opportunities (03.11)		•	•	•

### 03.3 Sustainability referral process in insurance and investment

#### 03.3.1 Background and principles

The global Allianz sustainability referral process and the Sensitive Business Guidelines for both insurance and investment transactions in non-listed asset classes were developed in 2013, through dialogue with NGOs as well as an ongoing internal stakeholder engagement process. Proposed changes or additions to the Referral Process as well as the accompanying Sensitive Business Guidelines (see section 03.4) are reviewed by Global Sustainability and approved at Board-level.

#### 03.3.2 Referral process

The sustainability referral process identifies potentially critical transactions in 13 sensitive business areas considered material by Allianz. All potentially sensitive business is screened on a transaction-by-transaction basis and referred for a detailed sustainability assessment, if

necessary. This avoids blanket exclusions and allows Allianz to mitigate potential sustainability risks associated with each specific transaction.

When a sustainability risk related to a (potential) transaction is detected, for example by an underwriter, investment manager, in one of the sensitive business areas during screening<sup>1</sup>, a mandatory referral is triggered. The transaction then undergoes an OE, global line and/or Group-level sustainability assessment (also see flowchart in Figure 1).

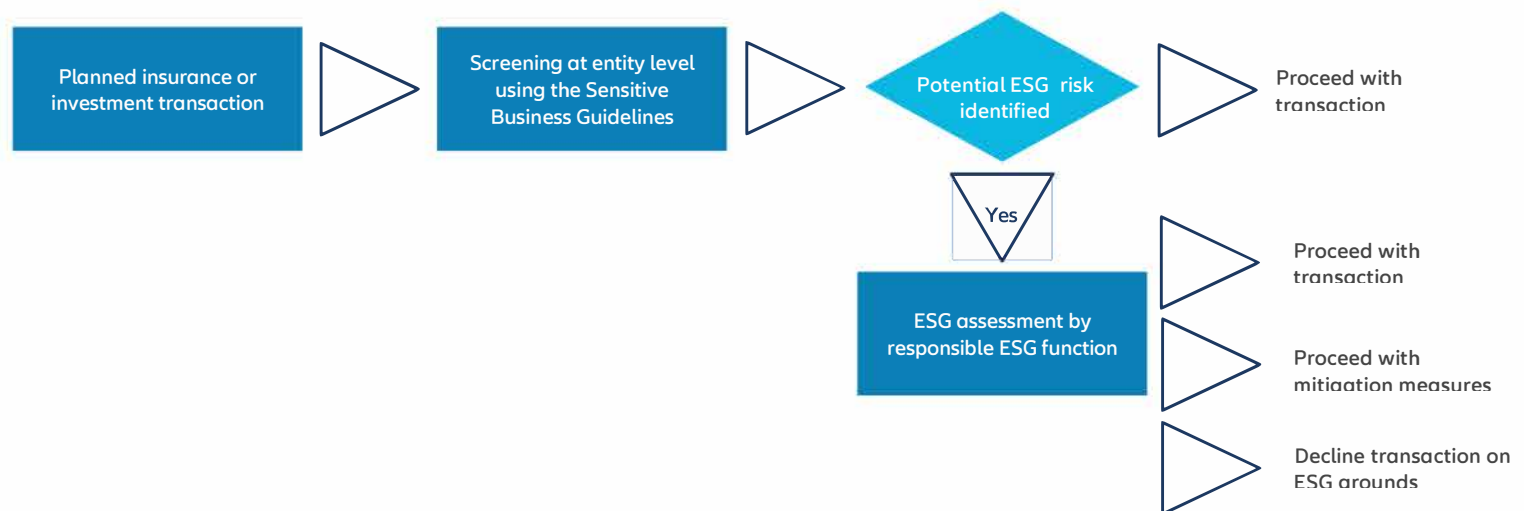
The process differentiates between single and multiple site risks. Single sites can undergo a more detailed sustainability assessment while for multiple sites (for example a global liability cover for a multinational) a more policy-based assessment is conducted.

The Referral Process consists of multiple levels of screening and assessments:

- Sustainability screenings are performed by local operating entities (OEs) and or global lines (GLs) to identify potentially sensitive transactions (for example by underwriters or investment

<sup>1</sup> Screening is the first phase of the referral process. It leads to the identification of potentially ESG-critical transactions at the underwriting or investment management level.

Figure 1. ESG Referral Process flowchart





managers). This is often linked to the overall due diligence related to the transaction in question.

- OE or GL assessments are carried out for those transactions that were identified during screening. These assessments are currently performed by Allianz Global Corporate and Specialty (AGCS) ESG Business Services for all P&C transactions<sup>1</sup>, by the PIMCO Prime Real Estate ESG team for investments in real estate, and by the Allianz Capital Partners ESG team for investments in infrastructure, renewables, and private equity. In case no local OE or GL ESG function is in place, for example in smaller entities, Global Sustainability supports the ESG assessment.
- Group Assessments under AS RRIM occur when an OE or GL assessment detects a material sustainability risk. These assessments are carried out by Global Sustainability together with other relevant risk and communications functions under AS RRIM and the Sensitive Business Guidelines.

Following the assessment by the OE/GL ESG function or Global Sustainability and other relevant risk and communications functions, a decision is made whether to

- proceed with a transaction,
- proceed with certain mitigation measures and/or conditions<sup>2</sup>,
- escalate for a Group sustainability assessment (at OE/GL level) or
- decline the business transaction (at Group level).

Should the original referring party disagree with the outcome of the sustainability referral process, the party can escalate the referral to the Group Finance and Risk Committee<sup>3</sup> (GFRC) for final review.

Allianz's ability to assess a transaction or place conditions on the business depends on several factors. For insurance, if Allianz acts as the primary insurer direct with the client it allows a greater degree of dialogue.

1 AGCS Business Services acts as both an OE and GL ESG function, by providing ESG assessment services to AGCS and all local operating entities for property and casualty transactions.

2 A condition can for example be approval subject to further information being provided, confirmation of facts by the client or longer-term engagement.

3 The GFRC is a committee of the Allianz SE Board of Management.

If the business is via a broker, Allianz is part of a consortium or has a minority share of the risk, it limits the ability to obtain further information or to engage proactively.

Implementation of the Referral Process across all Allianz entities is an ongoing process. The progress of this implementation as well as KPI regarding the referral process numbers are reported annually in the Group Sustainability Report.

### 03.4 Sensitive business guidelines

Along with the development of the sustainability referral process, sustainability guidelines were developed across thirteen sensitive business areas<sup>4</sup> material to Allianz Group. Each guideline is based on internationally recognized standards and best-practice.

Each guideline contains criteria, which are reviewed in the context of a given transaction, to decide whether the transaction must be referred for an OE/GL and/or Group Assessment. Information and data used for the review of sustainability criteria include for example publicly available sources, ESG-specific data providers, information supplied by the clients, brokers, co-insurers and/or investors. The Guidelines are not exclusion criteria, but criteria that assist all parties involved in the sustainability screening of a transaction to determine if the transaction is potentially sensitive and must therefore be referred.

During the full assessment, the assessing sustainability function uses the criteria as one element of the process to better understand the potential sustainability risks associated with a particular business transaction.

4 Sensitive business areas material to Allianz: Agriculture, fisheries and forestry, agricultural commodities investments, animal welfare in agriculture, betting and gambling, clinical trials, animal testing, defense, human rights, hydro-electric power, infrastructure, mining, nuclear energy, oil and gas, sex industry. The materiality of these issues was determined through a stakeholder dialogue with internal and external (NGO) partners.



### 03.4.1 Agriculture, Fisheries and Forestry

Allianz assists clients in many areas of the agricultural, fisheries and forestry sectors. Industry performs an essential role for society, which insurance and investment solutions can support.

There are a wide range of opportunities for agriculture to operate in a more environmentally or socially responsible manner, thus all business activities should seek to incorporate methods or forms of sustainable practices in operations where feasible. In many cases, sustainability-related risks can be mitigated and avoided through the application of specific measures.

#### External Standards and Sources

The Allianz screening approach criteria are informed by use of various multi-stakeholder initiatives such as:

- Commodity specific initiatives including the Marine Stewardship Council (MSC), the Roundtable on Sustainable Palm Oil (RSPO), the Forestry Stewardship Council (FSC), the Aquaculture Stewardship Council, and Greenpeace International Blacklist (fisheries),
- Global Reporting Initiative (GRI) Food Sector Disclosures guidance,
- UN Food and Agriculture Organization (FAO) Guidelines,
- US Department of Labor and US Department of State List of Products Produced by Forced or Indentured Child Labor
- International human rights standards (for additional details see the ESG guidelines on human rights)

#### Screening and assessment criteria

Following an assessment of company, sector and country-specific ESG risk databases, agriculture-related transactions are screened on the following criteria:

##### Risks related to agricultural practices

- Application of monoculture techniques impacting the environment
- Conversion of food crops to energy crops
- Inappropriate use of pesticides, fertilizers, insecticides or other chemicals (including neonicotinoids)
- Site clearing done using fire or located on marginal, fragile soils

##### Biodiversity risks

- Absence of mitigation measures to reduce impacts on endangered species
- Impact on endangered species listed in the IUCN Red List

##### Environmental risks

- Upstream/downstream impacts (incl. fisheries, pollution, flood risk changes, socio-economic impacts)
- Risks related to fisheries practices
- Unconventional aquaculture practices (including use of wild caught juveniles, use of excessive amounts of medicine/chemicals, use of fish oil/meal feed or has a history of poor site selection (e.g., effluent discharge))
- Unconventional fisheries practices (including bottom trawling, beach seining, large-scale pelagic driftnets, poisons, explosives, muroami techniques, lack an approach to bycatch reduction)

##### Risks related to forestry practices

- Deforestation of primary forest
- Illegal logging activity or unsustainable harvesting/use of rare species

Risks to local communities

- Absence of a benefit sharing agreement or compensation
- Free, prior and informed consent (FPIC) of impacted parties not obtained
- Incidents of harm to local populations and/or the environment from pollution related to the project

Risks to protected areas

- Project located 30km or less from a site of environmental, social and/or cultural significance (UNESCO World Heritage Sites, RAMSAR sites, IUCN Category I-VI Protected Areas, Natura 2000, Key Biodiversity Areas)
- Reputational risks
- Negative reputational impacts on Allianz stakeholders (i.e. investors, customers, business partners, regulators, employees)

Resettlement risks

- Incidents of physical harm in relation to resettlement
- Relocation of people and land/water/property rights (incl. native peoples)
- Resettled persons not duly consulted

Workforce risks

- Disregard for labor rights including collective bargaining and unionization rights
- Involvement in child labor
- Involvement in forced labor or human trafficking
- Sub-standard working conditions (e.g., Health and safety standards, wages, etc.)

Agricultural commodity investments

- Allianz does not invest proprietary assets in physical agricultural commodities



### 03.4.2 Animal Welfare

Allianz supports clients in many areas of the agriculture sector including animal husbandry. The industry performs an essential role for society which insurance/investment supports.

There are a wide range of opportunities for operating in a more environmentally or socially responsible manner. All business activities should seek to incorporate methods or forms of sustainable practices in operations where feasible. This should not contravene cultural or religious requirements for the production of animal-related foodstuffs.

#### External Standards and Sources

The Allianz screening approach criteria are informed by

- various national, EU and international regulations, standards and best practice guidance on humane treatment of animals and
- Royal Society for the Prevention of Cruelty to Animals (UK) standards.

#### Screening and assessment criteria

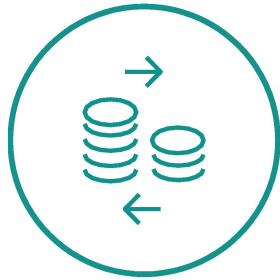
Following an assessment of company, sector and country-specific ESG risk databases, animal welfare-related transactions are screened on the following criteria:

#### Risks related to agricultural practices

- Absence of assurance or certification of farm's management of animal welfare
- Absence of mitigation of negative impacts on animal wellbeing
- Animal living conditions below sector average
- Animal transport (incl. loading and unloading) exceeding 8 hours
- Inappropriate use of antibiotics, hormones or other growth promoting substances
- Non-adherence to regulatory requirements on GMO labeling
- Occurrence of routine mutilation (e.g., teeth clipping, tail docking, dehorning, de-budding/de-horning, mulesing or beak trimming) without anesthetic or other distress reducing measures
- Slaughter practices without pre-slaughter stunning

#### Reputational risks

- Negative reputational impacts on Allianz stakeholders (investors, customers, business partners, regulators, staff, ...)



### 03.4.3 Betting and Gambling

Allianz respects national attitudes to recreational activities such as betting & gambling. As well as a source of leisure activity and employment, Allianz understands the potentially negative societal impacts which betting and gambling can have. It is important that operators in this industry understand their impact and take measures to reduce any negative aspects.

#### External Standards and Sources

The Allianz screening approach criteria are based on:

- national regulations
- standards of the best practice of industry leaders recognized for their corporate responsibility in the sector.

#### Screening and assessment criteria

Following an assessment of company, sector and country-specific ESG risk databases, betting and gambling-related transactions are screened on the following criteria:

##### Governance risks

- Potential involvement in illegal activities such as money laundering and organized crime

##### Reputational risks

- Negative reputational impacts on Allianz stakeholders (investors, customers, business partners, regulators, staff, ...)

##### Risks associated with betting and gambling

- Absence of prevention measures against excessive gambling
- Absence of prevention measures against underage gambling
- Absence of support for customers with gambling-related behavioral problems, incl. self-exclusion.
- Use of improper marketing practices



#### 03.4.4 Clinical Trials

The role of clinical trials is vital to the ongoing development of medical progress. Allianz is committed to supporting customers as an insurer and investor in this sector.

Due to the important role and wide range of standards which clinical trials operate under, it is important to ensure that all activity in this area is transparent, does not breach generally accepted standards of research and medical ethics and does not exploit vulnerable people.

##### External Standards and Sources

The Allianz screening approach criteria are informed by

- national and international transparency and ethical standards and
- Guidelines for Clinical Trial and Medical Research of the Medical Research Council (UK).

##### Screening and assessment criteria

Following an assessment of company, sector and country-specific ESG risk databases, clinical trial-related transactions are screened on the following criteria:

##### Risks related to bio-medical research practices

- Inadequate medical, ethical and scientific review of the trial
- Involvement of children and/or pregnant women in the clinical trial
- Involvement of illiterate participants and/or participants that did not provide fully informed prior consent
- Trial located in regions with vulnerable populations (developing countries, high unemployment)

##### Reputational risks

- Negative reputational impacts on Allianz stakeholders (investors, customers, business partners, regulators, staff, ...)



### 03.4.5 Animal Testing

Allianz appreciates the sensitivity around the debate on animal testing. There is a lack of internationally available standards in relation to animal testing. Where testing involving animals occurs, the following principles should be considered: scientific method applied, up-to-date procedures and protocols used, best practice utilized, reduction of pain, suffering, distress, lasting harm avoided, use of alternatives before animal testing sought, continuous improvement of care and housing standards for test subjects.

#### External Standards and Sources

The Allianz screening approach criteria are informed by

- the Guiding Principles of Replacement, Reduction and Refinement outlined by the European Commission Directorate-General for Environment and
- the EU Directive on the protection of animals used for scientific purposes.

#### Screening and assessment criteria

Following an assessment of company, sector and country-specific ESG risk databases, animal testing-related transactions are screened on the following criteria:

#### Risks related to bio-medical research practices

- Animal living conditions below sector average
- Inadequate medical, ethical and scientific review of the trial
- Non-adherence to best practice standards or codes
- Performance of invasive procedures without anesthetic
- Use of Great Apes (e.g., chimpanzees, bonobos, orangutans, etc.)
- Use of subjects caught in the wild

#### Reputational risks

- Negative reputational impacts on Allianz stakeholders (investors, customers, business partners, regulators, staff, ...)



### 03.4.6 Defense

The defense sector plays a critical role in providing the means for national and regional security policies. Allianz recognizes the right of sovereign states to arm themselves but applies certain restrictions to business related to the defense sector.

Allianz excludes investments in and does not provide insurance for companies involved in the development, production, maintenance and trading of controversial weapons. For details, please also see section 3.9.1.

Banned or controversial weapons are those that fall under the scope of the following international conventions:

- **Anti-personnel landmines** as defined in Article 2 of the Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (Ottawa Treaty)
- **Cluster munitions** as defined in Article 2 of the Convention on Cluster Munitions
- **Biological and toxin weapons** as defined in Article I of the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (Biological Weapons Convention)
- **Chemical weapons** as defined in Article II of the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (Chemical Weapons Convention)

In insurance, all business related to the development, production, maintenance, and trading of controversial weapons must be referred to for an ESG assessment. Based on the outcome of this assessment, Allianz restricts business with companies with confirmed involvement in controversial weapons.

Likewise, any insurance business related to the transport of conventional and controversial weapons to

- countries with severe human rights abuses such as those listed on the Sensitive Country List (see section 3.5), and/or
- zones of conflict, civil war or war

must also be referred.





### 03.4.7 Human Rights

Allianz is a signatory to the United Nations Global Compact which supports key principles in upholding human rights. Allianz endeavors to ensure its operations and interactions with business partners, insurance clients and investing companies do not conflict with those commitments. Any apparent breach should be addressed to partners whilst respecting local laws and customs.

#### External Standards and Sources

The Allianz screening approach criteria are informed by the

- UN Declaration of Human Rights,
- International Labor Organization Standards,
- UN Global Compact, and
- Guiding Principles for Business and Human Rights.

#### Screening and assessment criteria

Following an assessment of company, sector and country-specific ESG risk databases, human rights-sensitive transactions are screened on the following criteria:

##### Governance risks

- Absence of anti-bribery and anti-corruption plans/systems/procedures

##### Risks to local communities

- Absence of a benefit sharing agreement or compensation
- Free, prior and informed consent (FPIC) of impacted parties not obtained
- Incidents of harm to local populations and/or the environment from pollution related to the project

##### Reputational risks

- Negative reputational impacts on Allianz stakeholders (investors, customers, business partners, regulators, staff, ...)

##### Resettlement risks

- Incidents of physical harm in relation to resettlement
- Relocation of people and land/water/property rights (incl. native peoples)
- Resettled persons not duly consulted

##### Workforce risks

- Disregard for labor rights including collective bargaining and unionization rights
- Employee rights not taken into consideration (for any outsourcing/restructuring program)
- Incidents of physical harm or inappropriate conduct of security personnel
- Involvement in child labor
- Sub-standard working conditions (e.g., health and safety standards, wages, etc.)
- Sub-standard working conditions of (sub-)contractors



### 03.4.8 Hydro-Electric Power

Allianz is a supporter of sustainable methods of energy generation. Every HEP installation is different and with the right planning, many of the social and environmental risks can be mitigated. As an insurer Allianz is committed to working with clients to reduce risk in all aspects of their project.

#### External Standards and Sources

The Allianz screening approach criteria are informed by

- the World Commission on Dams report,
- the International Hydropower Association Sustainability Protocol and
- international human rights standards (for additional details see the guideline on human rights).

#### Screening and assessment criteria

Following an assessment of company, sector and country-specific ESG risk databases, hydropower-related transactions are screened on the following criteria:

##### Biodiversity risks

- Absence of mitigation measures to reduce impacts on endangered species
- Impact on endangered species listed in the IUCN Red List

##### Environmental risks

- Absence of plans for decommissioning / end-of-life
- Environmental and regulatory licensing and permitting processes not started or incomplete
- Environmental impact assessment not conducted or not conducted in line with national or international standards and the necessary public consultation (including all supporting infrastructure, i.e., power lines, access roads)
- Upstream/downstream impacts (incl. fisheries, pollution, flood risk changes, socio-economic impacts)

##### Governance risks

- Absence of anti-bribery and anti-corruption plans/systems/procedures

##### Risks to local communities

- Absence of a benefit sharing agreement or compensation
- Free, prior and informed consent (FPIC) of impacted parties not obtained
- Health impacts have not been assessed and/or taken into consideration

##### Risks to protected areas

- Project located 30km or less from a site of environmental, social and/or cultural significance (UNESCO World Heritage Sites, RAMSAR sites, IUCN Category I-VI Protected Areas, Natura 2000, Key Biodiversity Areas)

##### Reputational risks

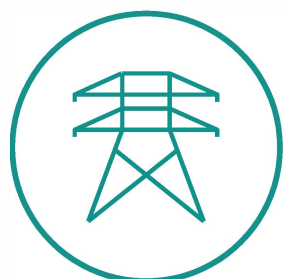
- Negative reputational impacts on Allianz stakeholders (investors, customers, business partners, regulators, staff, ...)

##### Resettlement risks

- Incidents of physical harm in relation to resettlement
- Relocation of people and land/water/property rights (incl. native peoples)
- Resettled persons not duly consulted

##### Workforce risks

- Disregard for labor rights including collective bargaining and unionization rights
- Involvement in child labor
- Involvement in forced labor or human trafficking
- Sub-standard working conditions (e.g., health and safety standards, wages, etc.)



### 03.4.9 Infrastructure

Infrastructure encompasses a wide range of areas, such as:

- transport infrastructure (roads, bridges, rail, airports),
- commercial buildings (shopping centers, office towers, sports stadiums),
- energy (power plants<sup>1</sup>, transmission lines),
- social services (schools, hospitals),
- environmental services (waste facilities, water treatment) and
- telecommunications.

Allianz is a major investor in and insurer of infrastructure applying risk management expertise for clients. Due to the size of some infrastructure programs the environmental or social risk can be significant, but also feasible to be mitigated through best practice management of the issues.

The ESG Guideline on Infrastructure also applies to our real estate investment transaction policies.

#### External Standards and Sources

The Allianz screening approach criteria are informed by

- IFC E&S Performance Standards,
- GRI Sector Guidance on Construction and Real Estate,
- international human rights standards (see also human rights guideline, section 3.4.7), and
- coal-specific information sources, including the International Energy Agency (IEA) and NGOs.

#### Screening and assessment criteria

Following an assessment of company, sector and country-specific ESG risk databases, infrastructure-related transactions are screened on the following criteria<sup>2</sup>:

##### Biodiversity risks

- Absence of mitigation measures to reduce impacts on endangered species
- Impact on endangered species listed in the IUCN Red List

##### Environmental risks

- Absence of plans for decommissioning / end-of-life
- Environmental impact assessment not conducted or not conducted in line with national or international standards and the necessary public consultation (including all supporting infrastructure, i.e., power lines, access roads)
- Upstream/downstream impacts (incl. fisheries, pollution, flood risk changes, socio-economic impacts)

##### Governance risks

- Absence of anti-bribery and anti-corruption plans/systems/procedures

##### Risks to local communities

- Absence of a benefit sharing agreement or compensation
- Free, prior and informed consent (FPIC) of impacted parties not obtained
- Incidents of harm to local populations and/or the environment from pollution related to the project

##### Risks to protected areas

- Project located 30km or less from a site of environmental, social and/or cultural significance (UNESCO World Heritage Sites, RAMSAR sites, IUCN Category I-VI Protected Areas, Natura 2000, Key Biodiversity Areas)

<sup>1</sup> Excluding hydropower (see 3.4.8) and nuclear (see 3.4.11), as covered by separate guidelines.

<sup>2</sup> Certain criteria may not be applicable to all types of infrastructure projects.

Reputational risks

- Negative reputational impacts on Allianz stakeholders (investors, customers, business partners, regulators, staff, ...)

Resettlement risks

- Incidents of physical harm in relation to resettlement
- Relocation of people and land/water/property rights (incl. native peoples)
- Resettled persons not duly consulted

Workforce risks

- Disregard for labor rights including collective bargaining and unionization rights
- Incidents of physical harm or inappropriate conduct of security personnel
- Involvement in child labor
- Involvement in forced labor or human trafficking
- Sub-standard working conditions (e.g., health and safety standards, wages, etc.)
- Sub-standard working conditions of (sub-)contractors

#### 03.4.9.1 Exclusions regarding investments in and insurance of coal-related infrastructure

For details on Allianz's restrictions on proprietary investment in and insurance of fossil-fuel based business models, please refer to the Allianz Energy Guidelines at <https://www.allianz.com/en/sustainability/climate-change.html>.



### 03.4.10 Mining

The mining sector is a major part of the global economy. Allianz aims to support the sector as an insurer and investor. Allianz is supportive of measures taken to mitigate or avoid environmental and social risks.

#### External Standards and Sources

The Allianz screening approach criteria are informed by

- the IFC Environmental and Social Performance Standards and Guidance Notes,
- the GRI Mining Sector Guidelines,
- the Extractive Industry Transparency Initiative,
- the International Council on Mining and Metals,
- the International Cyanide Management Code and
- international human rights standards (see also human rights sensitive business area).

Furthermore, particular attention is paid to operations in countries listed in the United States Department of Labor (US DoL) List of Goods Produced by Child Labor or Forced Labor.

#### Screening and assessment criteria

Following an assessment of company, sector and country-specific ESG risk databases, mining-related transactions are screened on the following criteria:

##### Biodiversity risks

- Absence of mitigation measures to reduce impacts on endangered species
- Impact on endangered species listed in the IUCN Red List

##### Environmental risks

- Absence of plans for decommissioning / end-of-life
- Environmental impact assessment not conducted or not conducted in line with national or international standards and the necessary public consultation (including all supporting infrastructure, i.e., power lines, access roads)
- Improper storage and disposal of mine tailings
- Use of cyanide or cyanide-related processes
- Use of mountain and/or hill-top removal mining methods

##### Governance risks

- Absence of anti-bribery and anti-corruption plans/systems/procedures

##### Risks to local communities

- Absence of a benefit sharing agreement or compensation
- Free, prior and informed consent (FPIC) of impacted parties not obtained
- Health impacts have not been assessed and/or taken into consideration

##### Risks to protected areas

- Project located 30km or less from a site of environmental, social and/or cultural significance (UNESCO World Heritage Sites, RAMSAR sites, IUCN Category I-VI Protected Areas, Natura 2000, Key Biodiversity Areas)

Reputational risks

- Negative reputational impacts on Allianz stakeholders (investors, customers, business partners, regulators, staff, ...)

Resettlement risks

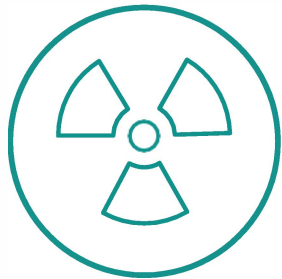
- Incidents of physical harm in relation to resettlement
- Relocation of people and land/water/property rights (incl. native peoples)
- Resettled persons not duly consulted

Workforce risks

- Disregard for labor rights including collective bargaining and unionization rights
- Incidents of physical harm or inappropriate conduct of security personnel
- Involvement in child labor
- Involvement in forced labor or human trafficking
- Sub-standard working conditions (e.g., health and safety standards, wages, etc.)

03.4.10.1 Exclusions regarding investments in and insurance of coal-related mining activities

For details on Allianz's restrictions on proprietary investment in and insurance of fossil-fuel based business models, please refer to please refer to the Allianz Energy Guidelines at <https://www.allianz.com/en/sustainability/climate-change.html>.



### 03.4.11 Nuclear Energy

Allianz respects the decisions of national governments on the production and use of nuclear energy, as well as the operation of research reactors or facilities used to produce radioisotopes for medical or other purposes.

#### External Standards and Sources

The Allianz screening approach criteria are informed by documentation, best-practice and guidance from

- 1 the International Atomic Energy Agency,
- 2 the European Bank for Reconstruction & Development and
- 3 international human rights standards (see also human rights sensitive business area).

#### Screening and assessment criteria

Following an assessment of company, sector and country-specific ESG risk databases, nuclear energy-related transactions are screened on the following criteria:

##### Environmental risks

- Absence of plans for decommissioning / end-of-life
- Environmental impact assessment not conducted or not conducted in line with national or international standards and the necessary public consultation (including all supporting infrastructure, i.e., power lines, access roads)
- Upstream/downstream impacts (incl. fisheries, pollution, flood risk changes, socio-economic impacts)

##### Environmental risk management

- Occurrence of geological and environmental events and disasters (floods, seismic activity, landslides, etc.)

##### Risks to local communities

- Evacuation and crisis response plans not in-place or not in line with IAEA Fundamental Safety Principles

##### Nuclear safety risks

- Design and operating plan of facility not in line with IAEA safety standards and requirements
- Inadequate oversight by an independent national nuclear regulator
- Inadequate transport and storage management plans in line with IAEA definitions
- Nuclear facility not located in a member country of the IAEA allowing access to IAEA inspectors
- Nuclear facility not located in a signatory country to the non-proliferation treaty and its amendments
- Nuclear Steam Supply Systems (NSSS) in non-compliance with relevant IAEA standards and requirements

##### Reputational risks

- Negative reputational impacts on Allianz stakeholders (investors, customers, business partners, regulators, staff, ...)



### 03.4.12 Oil and Gas

The oil & gas sector continues to play the dominant role in supplying the energy needs of the global economy. Allianz aims to support the sector as an insurer and investor as long as organizations take measures to mitigate or avoid environmental and social risks. Naturally with new forms of energy production there can be increasing levels of risk which can be mitigated with the right technical expertise.

#### External Standards and Sources

The Allianz screening approach criteria are informed by

- 1 the IFC Environmental and Social Performance Standards and Guidance Notes,
- 2 the GRI Oil & Gas Guidance,
- 3 the Extractive Industries Transparency Initiative,
- 4 the IPIECA Oil and Gas Guidance and
- 5 international human rights standards (see also human rights sensitive business area).

#### Screening and assessment criteria

Following an assessment of company, sector and country-specific ESG risk databases, oil and gas-related transactions are screened on the following criteria:

##### Biodiversity risks

- Absence of mitigation measures to reduce impacts on endangered species
- Impact on endangered species listed in the IUCN Red List

##### Environmental risks

- Absence of plans for decommissioning / end-of-life
- Environmental and regulatory licensing and permitting processes not started or incomplete
- Environmental impact assessment not conducted or not conducted in line with national or international standards and the necessary public consultation (including all supporting infrastructure, i.e., power lines, access roads)
- No water reclamation/reuse from oil sands tailings ponds
- Upstream/downstream impacts (incl. fisheries, pollution, flood risk changes, socio-economic impacts)

##### Environmental risk management

- Absence of spill management/response/remediation management plan

##### Governance risks

- Absence of anti-bribery and anti-corruption plans/systems/procedures

##### Risks to local communities

- Absence of a benefit sharing agreement or compensation
- Free, prior and informed consent (FPIC) of impacted parties not obtained
- Incidents of harm to local populations and/or the environment from pollution related to the project



Risks to protected areas

- Project located 30km or less from a site of environmental, social and/or cultural significance (UNESCO World Heritage Sites, RAMSAR sites, IUCN Category I-VI Protected Areas, Natura 2000, Key Biodiversity Areas)
- Project located in polar regions, where salvage and pollution remediation could be an issue

Reputational risks

- Negative reputational impacts on Allianz stakeholders (investors, customers, business partners, regulators, staff, ...)

Resettlement risks

- Incidents of physical harm in relation to resettlement
- Relocation of people and land/water/property rights (incl. native peoples)
- Resettled persons not duly consulted

Workforce risks

- Disregard for labor rights including collective bargaining and unionization rights
- Incidents of physical harm or inappropriate conduct of security personnel
- Involvement in child labor
- Involvement in forced labor or human trafficking
- Sub-standard working conditions (e.g., health and safety standards, wages, etc.)

#### 03.4.12.1 Exclusions regarding investments in and insurance of oil & gas activities

For details on Allianz's restrictions on proprietary investments in and insurance of fossil-fuel based business models, please refer to the Allianz Energy Guidelines at <https://www.allianz.com/en/sustainability/climate-change.html>.



### 03.4.13 Transactions related to the Sex Industry

Allianz does not wish to be associated with any business where human rights are violated. Allianz requires all clients to adhere to national (and international) legislative requirements in relation to pornography, prostitution and the sex industry.

#### External Standards and Sources

The Allianz screening approach criteria are informed by

- national and international legislation and best-practice, and
- international human rights standards (see also human rights sensitive business area).

#### Screening and assessment criteria

Following an assessment of company, sector and country specific ESG risk databases, transaction in this sector is screened on the following criteria:

##### Reputational risks

- Negative reputational impacts on Allianz stakeholders (investors, customers, business partners, regulators, staff, ...)

##### Workforce risks

- Disregard for labor rights including collective bargaining and unionization rights

##### Involvement in child labor

- Involvement in forced labor or human trafficking
- Sub-standard working conditions (e.g., health and safety standards, wages, etc.)

### 03.5 Sensitive countries list

The AS RRIM also contains the sensitive countries list. This list was developed to identify transactions in countries where systematic human rights violations occur and refer those transactions to the referral process for human rights.

Criteria, to determine if systematic human rights violations occur in each country, are based on a range of international human rights country-level assessments ranging from conflict zones to corruption levels:

- Heidelberg Institute for International Conflict Research (Country Indexes)
- Transparency International – Corruptions Perceptions Index
- UNICEF Child Labor Database
- Global Slavery Index
- Pew Research Government Restrictions on Religion Index
- Minority Rights Group International – Peoples Under Threat
- United Nations Development Programme – Gender Inequality Index
- ILGA – List of Countries with State Sponsored Homophobia

The Allianz ESG Guideline on Human Rights (see section 03.4.7) is applied to any business in those countries, unless restricted by legal and economic sanctions and restrictions that are in place, in which case such transaction is already addressed under separate processes managed by legal and compliance functions.

Global Sustainability updates the Sensitive Countries List.

### 03.6 ESG scoring approach

#### 03.6.1 Motivation and background

The primary objective of Allianz’s investment approach (for proprietary investments such as customers’ insurance premiums) is to achieve the highest and stable investment returns for customers in the long term. In this respect, it is becoming increasingly important to take environmental, social and governance risks and opportunities into consideration early in the investment process, as these may impact financial performance in the mid and long term.

Through the ESG Scoring Approach, Allianz’s investment professionals have access to in-depth extra-financial information on listed issuers. This allows them to systematically take ESG risks and opportunities into consideration, when making investment decisions.

Ultimately, the integration of ESG-related information supports the achievement of Allianz’s primary investment objective.

The approach was developed by Global Sustainability and AIM SE in close collaboration with the asset managers AllianzGI and PIMCO. Furthermore, three NGOs (Transparency International, WWF and Germanwatch) were involved in the set-up of the ESG Scoring approach and their ability on ESG topics was an important input for shaping the overall approach.

Based on ESG ratings and scoring data provided by MSCI ESG Research, Allianz has developed its approach to systematically integrate ESG risks and opportunities in its investments, assessing them along 35 key environmental, social and corporate governance issues. These issues include for example carbon emissions, product safety and quality, data protection and corruption (see Table 2

**Table 2. Pillars, Themes and Issues of the ESG Rating by MSCI ESG Research**

3 Pillars	10 Themes	35 ESG key issues
Environment	Climate Change	Carbon Emissions, Financing Environmental Impact, Product Carbon Footprint, Climate Change Vulnerability
	Natural Resources	Water Stress, Raw Material Sourcing, Biodiversity and Land Use
	Pollution and Waste	Toxic Emissions and Waste, Electronic Waste, Packaging Material and Waste
	Environmental Opportunities	Opportunities in Clean Tech, Opportunities in Renewable Energy, Opportunities in Green Building
Social	Human Capital	Labor Management, Human Capital Development, Health and Safety, Supply Chain Labor Standards
	Product Liability	Product Safety and Quality, Privacy and Data Security, Chemical Safety, Responsible Investment, Financial Product Safety, Health and Demographic Risk
	Stakeholder Opposition	Controversial Sourcing, Community Relations
	Social Opportunities	Access to Communications, Access to Health Care, Access to Finance, Opportunities in Nutrition and Health
Governance	Corporate Governance	Board, Ownership and Control, Pay, Accounting
	Corporate Behavior	Business Ethics, Tax Transparency

for an overview). See section 03.6.2 for a detailed overview of the scoring process.

The ESG Scoring Approach is governed through the Allianz ESG Functional Rule for Investments (EFRI). The initial implementation of the Scoring Approach was piloted on the portfolios of Allianz Life Germany (Allianz Lebensversicherungs-AG) and Allianz Health Germany (Allianz Private Krankenversicherungs-AG) and by the end of 2017 the process was rolled out to all in-scope<sup>1</sup> Allianz proprietary portfolios globally.

## 03.6.2 Scoring process

### 03.6.2.1 ESG data integration

Quantitative ESG data from MSCI is integrated into Allianz's investment management information systems. From there, all investment management staff, as well as the respective portfolio management and analyst teams at AllianzGI and PIMCO have access to the MSCI data. Further qualitative and quantitative ESG research and data is accessible through the MSCI ESG Manager tool.

### 03.6.2.2 Setting the ESG threshold

Companies with a low ESG performance are generally linked to high ESG and reputational risks. In order to identify companies with a low ESG performance, the scoring process uses an ESG threshold. The threshold is set in the following way:

All corporate issuers in the MSCI ESG Rating universe<sup>2</sup> are grouped by region (Europe, North America, Asia-Pacific and Emerging Markets). For sovereign issuers no regional categorization is done.

The threshold is set at the bottom 10 percent in ESG performance for each issuer group. In other words, the 10th percentile score is set as the threshold for a given regional group. Allianz flags all issuers below the respective threshold.

The ESG threshold is reassessed based on ESG data every three years. Thresholds are incorporated into the investment management

<sup>1</sup> For example, assets owned by Allianz Austria are excluded from the Group ESG Scoring Approach, as this OE has developed their own ESG scoring approach.

<sup>2</sup> All issuers rated by MSCI ESG Research.

information system and communicated to asset managers.

### 03.6.2.3 Operationalizing the ESG scoring process

When analyzing current investments in each portfolio and when selecting new investments, an asset manager must take the investment's ESG score and applicable threshold into account.

This means that investments in issuers below the threshold are to be avoided. This applies to existing investments, reinvestments and new investments. Should an asset manager hold investments below the threshold, a comply-or-explain clause becomes effective. Asset managers must justify these investments and properly document in biannual ESG review meetings with AIM supported by Global Sustainability.

Examples for valid justifications include regulatory requirements, market availability or proprietary research findings.

### 03.6.2.4 Systematic engagement

Further, Allianz subject's issuers below the threshold in its portfolio to a systematic, goal-oriented and time-limited engagement process. Such engagements are conducted on a case-by-case basis either by AIM and/or the respective asset manager(s). Details on the engagement approach are described in section 03.7.1.

### 03.6.2.5 ESG-specific asset manager reviews

ESG integration (including the ESG scoring approach) is part of the regular asset manager review and ESG-specific asset manager review meetings. Implementation of the scoring requirements is a measured KPI, relevant to the financial compensation of the asset management firms (see also section 03.10.2).

## 03.7 Active ownership

### 03.7.1 Engagement approach

For Allianz, active ownership is an integral part of the sustainability integration approach. Through systematic engagement with its invested companies, Allianz intends to improve these companies' management of material sustainability risks and issues.

The principal engagement approach is mainly linked to the ESG scoring approach. All issuers below the applicable ESG scoring threshold (see section 03.6 for details) are potential candidates for engagement. Furthermore, Allianz engages issuers with alleged involvement in human rights incidents.

Engagement is driven by a team of experts from AIM SE supported by Global Sustainability.

#### 03.7.1.1 Objectives of the engagement approach

To address these sustainability risks, clear objectives are defined at the onset of each engagement:

- Encourage stronger governance and management oversight regarding sustainability topics
- Encourage additional disclosure on e.g., ESG-related policies, processes and programs
- Encourage setting ESG-related targets and disclosing KPIs
- Encourage assurance, audit, and/or verification of approach (e.g., policies, KPIs & targets)
- Call for the adoption of or adherence to international standards, best-practice, and/or frameworks
- Clarification of controversies/allegations
- In certain cases, additional objectives may be adopted for a given engagement.
- Through these objectives Allianz aims
  - to raise awareness for ESG risks that can have material business impacts,
  - to better understand companies' approaches to addressing these risks, and to act as a partner for its investing companies to improve their non-financial performance.

### 03.7.1.2 Material engagement topics

Based on Allianz's sustainability work over the past years, certain material engagement topics have been identified to assist prioritization of engagement activities.

The most material sustainability concerns for Allianz and its stakeholders include:

- Climate change (carbon emissions, etc.)
- Natural capital (water stress, raw material sourcing, etc.)
- Pollution and waste (lacking environmental management system, toxic emissions & waste, etc.)
- Human capital and human rights (child labor, supply chain labor standards, health & safety, etc.)
- Involvement in highly controversial projects

Allianz sees potential mid-term to long-term investment and reputational risks from these sustainability issues. The aforementioned topics are considered high priority engagement topics, thus Allianz generally engages all companies that have issues in these areas.

For other sustainability concerns, Allianz closely monitors companies' performance and reviews annually to decide, on a case-by-case basis, if an engagement should be initiated with the respective company.

#### 03.7.1.3 Engagement selection

Based on the initial research and prioritization of companies falling under our sustainability scoring threshold, Allianz prepares a short list of companies to be engaged.

To avoid duplicate engagements from Allianz Group with the engaged companies, the short list is reviewed with the engagement teams at AllianzGI and PIMCO. Any companies already being engaged by those asset managers are filtered out from the engagement list.

#### 03.7.1.4 Engagement operationalization

Following this prioritization and selection, the engagement team conducts in-depth research for each company on the list using information from MSCI ESG Research, various other ESG data and intelligence providers, and the respective corporate disclosures and

publications of each company. The results of this in-depth research, along with any supporting documents, are summarized and documented for future reference.

The engagement team then contacts the investor relations, sustainability, and/or other relevant corporate functions by e-mail with initial questions linked to the identified ESG risks and engagement objectives for the given company. Based on the company's response to these questions, Allianz conducts additional research and continues engagement activities through conference calls and meetings as needed to clarify all open points and address any potential risks.

#### 03.7.1.5 Engagement evaluation, monitoring and exclusions

Considering the information obtained through the dialogue, the engagement team discusses potential next steps regarding the invested company.

If the company's answers have shown significant action or willingness to improve their risk management and/or solve and avoid further sustainability issues and controversies in future, the company engagement will be closed. Allianz will then either

- 1 continue to monitor the company's future performance, or
- 2 remove the company from the future engagement list.

This depends on the level of success of the engagement's outcome.

Should answers be insufficient, the company shows no willingness to improve its sustainability performance, or if the company has not responded to any of Allianz's engagement communications over a given timeframe, the Chair of the Group Sustainability Board approves the restriction of that company from all proprietary portfolios based on the recommendation from AIM SE and Global Sustainability. Exclusions of companies based on the engagement approach are also described in section 03.9.3.

These decisions are taken once per year. Companies are reviewed and reassessed annually

#### 03.7.1.6 Engagement reporting

Allianz reports on its engagement approach, activities and outcomes in the PRI Transparency Report and in the Group Sustainability Report.

For further details, please see the Group Sustainability Report at <https://www.allianz.com/en/sustainability>.

#### 03.7.2 Other engagement activities

In addition to the ESG Scoring Engagement, Allianz has established processes for additional engagement triggers:

- Engagement towards a net-zero transition: As part of the exclusion of specified fossil-fuel based business models, Allianz may engage companies to clarify their strategies and to encourage these companies to climate-proof their business activities.
- Collaborative engagement: Allianz works with other asset owners, asset managers and the Principles for Responsible Investment (PRI) initiative to identify and evaluate opportunities for collaborative engagement. Participation in such engagement activities is based on a case-by-case assessment.
- Engagement by internal asset managers: PIMCO and AllianzGI both conduct engagements on behalf of Allianz as well as their third-party clients. The asset managers report on their engagement activities on their websites.

### 03.7.3 Voting

For equity investments managed by AllianzGI on behalf of Allianz Group insurance entities, AllianzGI exercises the voting rights. AllianzGI conducts voting activities in line with their Global Corporate Governance Guidelines, which include consideration of ESG concerns. AllianzGI makes records of voting decisions available publicly.

For further details please see the active stewardship section of the AllianzGI ESG page at [allianzgi.com/en/our-firm/esg/our-approach](https://allianzgi.com/en/our-firm/esg/our-approach).

Other asset managers managing equity investments on behalf of Allianz are encouraged to exercise voting rights.

## 03.8 Risk dialogues

Within the industrial insurance business unit, the client risk dialogue is an established approach to address specific risks and provide expertise in managing those. This approach benefits both the client and Allianz. For insurance-related sustainability risks, Allianz also may engage and perform a risk dialogue with insurance clients in case significant risks are identified. The goal of these dialogues is to address and better understand the risks identified and mitigation measures in place. Since the establishment of the AGCS ESG Business Services function (see also section 05.1) in 2014, many of these dialogues have taken place across various industries and regions.

## 03.9 Exclusion policies

### 03.9.1 Controversial weapons exclusions

#### 03.9.1.1 Investment exclusions

Allianz enforces a Group-wide exclusion policy relating to banned or controversial weapons and investments of proprietary assets.

Banned or controversial weapons are those that fall under the scope of the following international conventions:

- Anti-personnel landmines as defined in Article 2 of the

Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on their Destruction (Ottawa Treaty)

- Cluster munitions as defined in Article 2 of the Convention on Cluster Munitions
- Biological and toxin weapons as defined in Article I of the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (Biological Weapons Convention)
- Chemical weapons as defined in Article II of the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on their Destruction (Chemical Weapons Convention)

All investment transactions<sup>1</sup> in companies related to the development, production, maintenance and trading of banned weapons under the above-listed international agreements are prohibited.

Allianz reassesses the exclusion list at regular intervals, using inputs provided by an external ESG data provider to determine if businesses are potentially involved in controversial weapons. Should specific risks arise outside the regular revision cycle of the exclusion list, the list may also be updated on an ad-hoc basis.

### 03.9.1.2 Insurance exclusions

For insurance restrictions regarding controversial weapons, please see section 03.4.6.

### 03.9.2 Energy Guidelines<sup>2</sup>

To limit global warming to 1.5°C by the end of this century with reasonable probability of success, a complete overhaul of our economy is needed. The necessary greenhouse gas (GHG) emissions reduction entails that fossil-fuel based energy generation will have to be drastically reduced in the coming decades.

<sup>1</sup> Allianz takes these exclusions very seriously. The ability to apply this exclusion policy nevertheless varies for some types of investments, such as when for example, restricted companies are listed on major stock exchange indices, or when they are part of an investment fund managed by other organizations, it is not feasible for the exclusion policy to be applied.

<sup>2</sup> This section of the Allianz Sustainability Integration Framework integrates the Allianz Energy Guidelines (February 2023)



Prompt and well-managed transition plans need to be urgently developed by all players: financial institutions, corporates, governments. Society must not lock in new energy infrastructure that is later made obsolete to meet the climate goals. New energy spending needs to be justified within a scientifically acceptable 1.5°C climate pathway. This will give us a chance for a controlled reduction of emissions in an orderly transition, before the climate crisis grows too large, resulting in a potential disruptive transition with irreversible environmental and social consequences.

Allianz is committed to limiting global warming to 1.5°C.<sup>3</sup> To drive this transition, Allianz has set ambitious climate and environmental targets, and collaborates with international organizations, companies and civil society. Allianz is a founding member of the UN-convened Net-Zero Asset Owner Alliance<sup>4</sup> and participates in the Energy Transitions Commission<sup>5</sup>, Climate Action 100+<sup>6</sup> as well as The Investor Agenda<sup>7</sup>.

Allianz started to restrict financing coal-based business models already in 2015. In 2021, Allianz restricted oil sands, followed by a fully-fledged oil and gas guideline in 2022. They are rooted in the belief that thermal coal can already be fully substituted by renewable energy, while oil and gas need to be reduced over the coming decades without a full phase-out by 2040 already as for thermal coal.

As reaching net zero requires a drastic four-fold increase in renewable energy this decade, Allianz Group will continue to support traditional energy companies to rapidly transition to clean energy business models, including green hydrogen, geothermal, bioenergy, on and offshore wind, solar and tidal. So even if companies' conventional business is in scope of restriction, green business can be continued.

For further details please refer to the Allianz Energy Guidelines at <https://www.allianz.com/en/sustainability/climate-change/energy-guidelines.html>.

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<sup>3</sup> Along no and low overshoot temperature pathways as put forward by the IPCC Special Report on 1.5°C.

<sup>4</sup> <https://www.unepfi.org/net-zero-alliance>

<sup>5</sup> <https://www.energy-transitions.org/>

<sup>6</sup> <https://www.climateaction100.org/>

<sup>7</sup> [www.theinvestoragenda.org](http://www.theinvestoragenda.org)

### 03.9.3 Exclusion of specific issuers following engagement on ESG concerns

As an outcome of the engagement approach, certain companies with material ESG concerns may be added to the exclusion lists by the Chair of the Group Sustainability Board upon advice of the engagement team at AIM and Global Sustainability (see section 03.7.1 for details).

Implementation of these exclusions is managed and monitored following the same processes as the controversial weapons and fossil-fuel exclusions.

### 03.9.4 Exclusion of sovereign issues with elevated human rights risks and other ESG concerns

The threshold for the Sovereign issuers is reviewed every three years. As part of the exclusion process Global Sustainability and AIM conduct a review of the human rights and sustainability performance of sovereign issuers. Issuers falling below the threshold represent a high level of risk of human rights and sustainability concerns. When new sovereign issuers are added to the restricted list, any investments in that sovereign or sub-sovereign entities related to that sovereign must be sold.

Data on the human rights and ESG performance is gathered from ESG data providers and reviewed by Global Sustainability.

In case of severe concerns about human rights and sustainability, Global Sustainability in alignment with AIM and other functions can recommend restricting all investments in a country (sovereign and corporate issuers).

In cases where an Allianz operating entity is located in a country in scope of these exclusions, this specific entity is exempt from application.

### 03.9.5 Implementation of exclusions

Global Sustainability works with Group Risk to implement the exclusions into the investment systems through the Group Risk Global Restrictions (GRGR) List. This list is updated regularly and integrated into Allianz's investment data systems. Internal and external asset managers are informed about changes to the GRGR

list immediately. In underwriting, the exclusions are implemented through the AS RRIM processes.

The composition of the exclusion lists is reviewed regularly and updated when necessary.

### 03.9.6 Monitoring of exclusions

AIM has set up an automated system to monitor asset managers' compliance with the exclusion policies. In case of non-compliance, the responsible investment function works with the asset manager to remediate the issue immediately.

Local OE investment management functions are also responsible for monitoring exclusions.

## 03.10 Asset manager selection, mandating, monitoring and review

The Allianz ESG Functional Rule for Investments (EFRI) outlines the key requirements for sustainability integration by internal<sup>1</sup> and external<sup>2</sup> asset managers. Furthermore, Functional Rule defines the selection process and criteria for external asset managers and requires both internal and external asset managers who are investing proprietary assets on behalf of Allianz to integrate sustainability considerations as an integral part of their investment process.

The Functional Rule covers all new and updated asset manager mandates.

### 03.10.1 Requirements for asset managers

The specific requirements for asset managers listed in the EFRI include:

- Disclosure of asset manager's ESG policy and application thereof to Allianz proprietary assets

<sup>1</sup> Internal asset managers: Allianz Global Investors, Allianz Capital Partners, PIMCO Prime Real Estate, PIMCO and assets managed internally by local entities, AIM SE or Allianz SE.

<sup>2</sup> External asset managers: Any third-party investing proprietary assets on behalf of AIM.

- Implementation of the ESG exclusion policies (controversial weapons and coal)
- Compliance to the corresponding Sensitive Business Guideline (for non-listed assets) and/or consideration of the Sustainability Integration Framework (for listed assets) for any transaction in a sensitive business area
- Immediately disclose and report any ESG-related issues, conflicts, concerns and breaches to AIM
- Provide ESG-related information for external reporting to AIM upon request
- Report on ESG-related topics to AIM within the annual asset manager review

Where no policy is in place, a commitment must be made to develop one over a pre-defined period. AIM monitors compliance with these requirements and reports on these in the Group Sustainability Report.

#### Minimum Standards for ESG Policies

An asset manager's ESG Policy is defined as a written document which shall fulfil the following criteria:

- State the ESG-specific principles according to which the asset manager acts and decides
- Describe the applied approaches of ESG integration (such as investment research, exclusions, best-in-class approaches, monitoring, reporting, control mechanisms to ensure the proper implementation of the integration process etc.),
- Outline the available and employed resources,
- list annual ESG specific-targets, and
- is an official company document approved by the responsible board or committee.

An asset manager who is a signatory of the UN-backed Principles for Responsible Investment (PRI) will also need to have at least a score of a "B" in the latest PRI assessment and/or have an adequate ESG integration approach.

#### 03.10.2 Annual review

Discussion of ESG-related topics is an inherent part of regular annual asset manager reviews. Since 2014, ESG-specific annual reviews with asset managers are conducted in addition to general review meetings. The purpose of these reviews is to assess the asset managers' ESG policies, their application and related processes.

### 03.11 Sustainability business opportunities

In addition to its sustainability risk management approach, Allianz also sees certain sustainability-related trends as business opportunities. Allianz also capitalizes on specific growth opportunities linked to such sustainability developments. Examples include the transition to a low-carbon economy and the need for greater environmental protection and social inclusion.

Year-on-year information on Allianz's sustainability business opportunities is published in the Group Sustainability Report.

#### 03.11.1 Sustainable solutions

Across Allianz Group, local OEs and global lines offer a variety of products and services<sup>1</sup> with environmental or social benefits, or that address a societal issue.

Products fall into four product groups:

- Sustainable insurance solutions: Sustainable insurance solutions are products and services that directly address environmental and/ or social risks and opportunities.
- Insurance solutions with a sustainability component: Standard insurance products with additional environmental and/ or social benefits (such as add-ons to home or car insurance products).
- Emerging consumer solutions: Emerging consumer solutions include affordable microinsurance and other insurance products that cater to customers entering financial services markets for the first time.
- Sustainable asset management solutions: Sustainable asset management solutions include the ESG and Socially Responsible Investment (SRI) products and strategies offered to third-party asset management clients.

In order to be classified as a sustainable solution, a product or service must fulfil at least two of the six criteria in the sustainable solutions definition.

<sup>1</sup> Sustainable solutions can be insurance, assistance service solutions.

### Sustainable solutions definitions

#### Environmental criteria<sup>2</sup>

- 1 Support the development of a technology/market focusing on the environment and/or climate change (e.g. renewable energy, environmental goods and services, green infrastructure). Reduce the client's exposure to financial (risk reduction) and/or regulatory risks (e.g., CO2 regulations, environmental pollution liability).
- 2 Conservation or mitigation of at least one of the following: natural resources, biodiversity, environment or climate change (e.g., encouraging or rewarding environmentally responsible behavior that improves energy efficiency or avoids pollution).
- 3 Protection from environmental risks and adaptation to climate change impacts through managing clients' risks (e.g., weather risks) and/or fostering risk awareness and/or providing incentives for reducing risk exposure.

#### Social criteria

- 4 Enable and/or support those that tackle social challenges and issues faced by socially disadvantaged groups<sup>3</sup>. These include products that 'help the helper' (for e.g., travel insurance for charity workers, insurance solutions tailored for social value-adding products/services that would otherwise not be insured).
- 5 Fosters socially responsible behavior by offering specifically tailored solutions for socially disadvantaged groups (for e.g., reducing the risk of underserved groups by providing otherwise unavailable access to financial services). A discount on such policies would partly apply.
- 6 Raises awareness through various activities (e.g., cause-related marketing or support schemes) to prevent and mitigate social challenges in relation to socially disadvantaged groups.

For products categorized as sustainable under the definition, Allianz tracks and publishes key metrics such as revenue. For further details

<sup>2</sup> Initial environmental criteria were developed in conjunction with WWF and KPMG in 2011.

<sup>3</sup> Socially disadvantaged groups are defined as populations that are excluded in their local society for reasons that may be tied to age, sex, disability, race, ethnicity, origin, religion or economic or other status.

about the sustainable solutions performance please see the Group Sustainability Report at <https://www.allianz.com/en/sustainability>.

### 03.11.2 Green energy and renewables insurance

The global energy system is changing rapidly, with renewables starting to gain meaningful market share across most markets. Generating electricity from renewable sources is becoming progressively more effective and acquiring growing significance. Modern critical infrastructures are becoming increasingly smarter and interconnected which expose them to cascading and ripple effects and high impact threats, such as cyber and terrorist attacks or extreme weather events. Building and operating plants that generate green energy is a process that poses a number of different risks for investors, construction companies, operators and manufacturers.

Allianz is the major insurer of green energy projects globally throughout all stages of the project lifecycle, from planning to decommissioning with a variety of insurance, such as erection and construction all risk insurance, liability insurance, marine insurance and technical advisory solutions.

### 03.11.3 Sustainability opportunities in proprietary investments

When looking at investment opportunities linked to sustainability topics, Allianz's key focus is to enable the transition to a low-carbon economy, promote sustainable development, and to address environmental or climate-related concerns through

- equity and debt investments in renewables,
- investments in green, social and sustainability bonds,
- investments in certified sustainable buildings,
- investments in infrastructure in developing economies,
- Impact investments, and
- green infrastructure.

## 04 Human rights approach

This section provides a transparent overview of our approach and policies integrating human rights into our business activities and organization.

### 04.1 Principles and standards

Companies from all industries have an increasing responsibility to incorporate human rights issues into their business standards, wherever they operate.

As participant of the United Nations (UN) Global Compact since 2002<sup>1)</sup>, Allianz Group is committed to respecting human rights, as enshrined in the International Bill of Human Rights and the core International Labor Organization Conventions.

Allianz recognizes the importance of human rights, as both a value-based issue and a business issue.

Human rights are relevant for Allianz across its various roles – as an insurer and investor, as an employer, as a company (including in our supply chain), and as a corporate citizen. Allianz has different processes in place for each of these dimensions and continuously aims to improve the incorporation of human rights into its business based on the principles enshrined in the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.

For the people who work at Allianz, human rights are embedded in our globally binding [Allianz Group Code of Conduct](#) while for the people working for, or being affected by, our suppliers, respect for human rights is required by our [Vendor Code of Conduct](#).

Bound by the German Supply Chain Due Diligence Law, Allianz is constantly improving its human rights risk management system for its own operations and its supply chain globally.

For more information on Allianz's human rights commitments, please visit the dedicated human rights section on our website at <https://www.allianz.com/en/sustainability/ratings/business/human-rights.html>

### 04.2 Governance

Human rights fall under the responsibility of the Group Sustainability Board.

Established in 2012, the Group Sustainability Board is the highest governing body for sustainability-related issues. It meets quarterly and is responsible for ensuring sustainability integration across all business lines and core processes dealing with insurance and investment decisions. It also has oversight of human rights-related topics and associated stakeholder engagement. Allianz is committed to an open dialogue and regular engagement with NGOs and human rights experts.

The Allianz Chief Human Rights Officer monitors the effectiveness of the Group's human rights risk management system worldwide and reports to the Group Sustainability Board and the Executive Board of the Allianz SE annually on human rights risks, mitigations and remedies where needed.

While large, German-based entities have themselves appointed a human rights officer under the German Supply Chain Due Diligence Law, in other Operating Entities worldwide, a Sustainability Lead co-ordinates local human rights risk management. Local risk owners – depending on the area of focus, they may work in sustainability, operations, HR, procurement, investment or underwriting – are responsible for assessing and mitigating human rights risks in their area.

## 04.3 Integrating human rights due diligence in our business activities

### 04.3.1 Integration across all core business activities

As a corporate insurer and investor, Allianz has developed a human rights due diligence process as part of its overall sustainability approach. This process is integrated into its broader geographic risk management system to ensure a quick and rigorous implementation. The organization uses a combination of a sector- and country approach for its due diligence. Allianz has developed thirteen guidelines for sensitive business sectors, which include a sector-specific human rights guideline (see [section 03.4.7](#)). Thus, relevant human rights aspects are reviewed as part of the overall risk assessment for any insurance and investments into non-listed asset classes in the respective sector.

In addition, Allianz has developed a watch list for sensitive countries where systematic human rights violations occur. For any business in those countries, the Sensitive Business Guideline for Human Rights (see [section 03.4.7](#) for the guideline and [section 03.5](#) for additional details about the sensitive countries list) is being applied.

When a human rights risk is identified by an underwriter or investment manager by applying a sector guideline or the Sensitive Business Guideline for Human Rights, a mandatory referral process starts for further due diligence by sustainability experts and the involvement of central units such as the risk and communication departments.

Where an issue is detected and the (re)insurer / investor has leverage (in a lead position or with good contact with the client/broker/investee company), engagement is encouraged to address and mitigate the human rights risk.

If no mitigation measures exist or if leverage cannot be increased, the risk might be unacceptable. Factors which may influence this decision include the severity of the human rights violation, the significance of the business relationship as well as own values.

### 04.3.2 Engagements with investees and clients

Human rights issues can also trigger systematic dialogues through Allianz's investee engagement processes. For further details, please see [section 03.7.1](#).

In the insurance business, Allianz may also engage clients on human rights grounds through our risk dialogues. For further details, please see [section 03.8](#).

### 04.3.3 Investment exclusions of sovereign issuers

Allianz restricts investments into sovereign issuers of countries with an elevated risk of human rights violations. In very severe cases, Allianz may restrict investments not only in governmental issuers but also all issuers (sovereign and corporate) within the given country. The organization regularly reviews these country lists taking data from external data providers and in-house human rights research into consideration.

For further details, please see [section 03.9.4](#).

## 04.4 Integrating respect for human rights in our business operations

### 04.4.1 Human resources

As an employer Allianz respects international human rights standards for its own workforce. Allianz applies the Universal Declaration of Human Rights throughout its worldwide operations, it is a participant in the United Nations Global Compact (UNGC) and has integrated its ten principles into the company's globally binding Code of Conduct. Allianz also respects the OECD Guidelines for Multinational Enterprises. To support employee rights, it was one of the first companies to create pan-European worker participation standards and establish a European SE Works Council under the legislation for Societas Europaea (SE) companies.

Allianz also endorses the International Labor Organization's (ILO) Declaration on Fundamental Rights and Principles at Work, including the ILO Declaration on the freedom of association and the right to collective bargaining. In countries where local law prohibits formalized unions and works councils, Allianz respects local laws but does not obstruct parallel means of association and bargaining, and strives to act in the spirit of the UNGC principles.

#### 04.4.1.1 Equal Remuneration

To support the UN Sustainable Development Goals on achieving gender equality, Allianz is committed to striving for equal pay, equal work, and work of equal value for all employees regardless of gender, sexuality, ethnic background, family status or other demographic factors, and to fostering a culture of inclusion and meritocracy.

To put its commitment into practice, Allianz will:

- Close all unjustified pay gaps over the short term
- Conduct a periodic equal pay review and take actions where necessary
- Analyze in-depth data, issues and relevant trends contributing to equal pay gap to provide a more granular understanding of the reasons behind

- Provide training and guidance to those directly involved in decisions about pay
- Review proposed pay awards prior to the compensation committee approval to ensure awards are fairly spread and to make any changes if required
- Carry out a bi-annual external audit/certification to examine existing and future pay practices

#### 04.4.1.2 Diversity and inclusion

Allianz believes in equality of opportunity and that diverse minds and abilities make the company more innovative, more resilient, and better equipped for the future. Allianz is committed to providing a fair and inclusive working environment where everyone can succeed regardless of gender, age, ability, religion, sexual orientation or cultural background.

The diversity of our workforce enables Allianz to utterly understand the needs of its equally diverse customers. Fostering an inclusive culture benefits the business and ensures Allianz as a credible, trustworthy partner. Consistent with the Allianz Group Code of Conduct, there is zero tolerance of discrimination and harassment in the workplace.

As part of the diversity and inclusion governance, the Global Inclusion Council has been in place since 2007. It is chaired by an Allianz SE Board Member and consists of senior executives from around Allianz Group. The Council played a key role in defining the Diversity and Inclusion Strategy 'Inclusive 21' that is built around three pillars: Employees, Customers, and Brand & Reputation. The strategy aims to embed diversity and inclusion in the whole business.

To bring our strategy, 'Inclusive 21' to life we rely on a robust and global network of employee resource groups. Following the successful creation of the global employee networks Allianz NEO (focusing on gender inclusion) and Allianz Pride (focusing on LGBT inclusion), further global network boards have been established with focus on generations (Allianz ENGAGE), multi-cultural (Allianz GRACE) and disability inclusion. These networks ensure our employees have access to a community that makes them feel they belong.



Additionally, Allianz continuously trains its leaders and employees on the topic of inclusion to raise awareness and reduce the negative impact of bias in, for example, recruiting and talent management.

For more details on Allianz's no discrimination approach, see the Allianz Group Code of Conduct.

For more details on diversity and inclusion programs and targets, see Allianz Group Sustainability Report at <https://www.allianz.com/en/sustainability>.

#### 04.4.1.3 Striving for equality for all

The commitment to foster equality goes to the core of Allianz's Diversity and Inclusion approach. In 2020, Allianz's CEO Oliver Bäte signed a pledge to support the UN Women's Empowerment Principles and the UN LGBT Code of Conduct. This was followed in October 2020 by Allianz signing the B Team's Principles for Equality, which aim to ensure equitable, safe, and dignified workplaces that respect human rights and allow people to thrive. We also signed The Valuable 500 commitment, a global movement working to put disability on the agenda of business leadership. Allianz officially joined this movement and confirmed we will continue working on increasing disability inclusion.

For more details on Allianz's progress on gender equality and additional diversity initiatives, see the latest Allianz Group Sustainability Report at <https://www.allianz.com/en/sustainability>.

#### 04.4.2 Procurement Operations

As a company, Allianz respects and applies international human rights standards for the workforce of its suppliers and promotes sustainability standards in its supply chain. The Global Sourcing and Procurement department works with current and potential suppliers. In practice, this means ensuring that suppliers, registering in Allianz Group's supplier network are assessed on whether they abide by the sustainability standards outlined in the Allianz Vendor Code of **Conduct**, which is aligned with International Labor

Organization (ILO) standards, the principles of the United Nations Global Compact and the organization's globally binding Allianz Group Code of Conduct.

For further details, please see section 04.3.1.

#### 04.4.3 Human rights integration across distribution and sales

According to the UN Guiding Principles on Business and Human Rights, businesses play a pivotal role in preventing and mitigating any adverse human rights impacts linked to their products or services.

Since 2011, Allianz has a global Sales Compliance Program in place, which describes standardized processes and controls for communication, monitoring, and review. The program is managed by Group Compliance. In 2020, the Sales Compliance Framework was revised to reflect recent developments in regulatory standards and to condense its existing sales compliance requirements into a new corporate rule, the Allianz Standard for Sales Compliance. This Standard is now the organization consolidated framework for customer protection. It outlines rules and principles for compliant and ethical sales practices across the Allianz Group and specifies key principles to ensure appropriate fairness and transparency to customers, including in respect of the remuneration of distributors, and to address the sales compliance risks arising in its business segments.

These responsible sales controls reflect Allianz's clear commitment to fairness and transparency as formulated in Allianz's Code of Conduct. This Code emphasizes that being fair and transparent with its customers about its products and services, including their limitations, is the best guarantee to enjoy customers' long-term trust.

For further details on the Allianz Customer Program and its model, please see Group Sustainability Report at <https://www.allianz.com/en/sustainability>.

#### 04.4.4 Data protection and human rights

According to the Universal Declaration of Human Rights and to several other international treaties, data privacy is a fundamental human right. As such, Allianz takes data privacy and protection risks very seriously, and it is enforcing robust security and privacy controls to give its customers comfort that their personal data is safe and secure. At Allianz SE, data privacy matters are managed by the Group Privacy function which is also responsible for the Allianz Privacy Standard and compliance with different regulatory developments.

The Allianz Privacy Standard defines rules and principles for collecting and processing personal data. Established in 2018, it sets out six privacy principles Allianz expects all its employees to respect due care, purpose specification, reasonable limitation, transparency and openness, choice and consent, and privacy by design. Allianz also publishes a Privacy Notice, which clearly states what information we collect and why.

Equally important is the security of the personal data Allianz handles. As part of its robust Information Security Framework, Allianz entities globally apply strict security processes, standards, and tools. The framework also defines minimum requirements that are based on the ISO 27001 Standard for information security management. This standard specifies various requirements for three fields: vulnerability assessment along the software development value chain (including penetration tests and security audits), systems monitoring via multi-level security systems, and effective IT security management and business continuity management.

Allianz keeps abreast of regulatory and industry developments and aims to reflect these in its operational and governance processes and procedures. For example, in response to the changes in the EU General Data Protection Regulation (GDPR) that came into force in May 2018, the Allianz Privacy Renewal Program (APRP) was initiated – a major effort to align Allianz’s privacy practices with the requirements of the GDPR.

Additionally, Allianz addresses new data privacy developments in different jurisdictions where Allianz does business. This includes for example, responding to judicial and regulatory statements on the GDPR, including concerns about cross-border data transfers and the

use of social media.

In response to the increasing regulatory initiatives and public debates on ethics and artificial intelligence (“AI”) worldwide, we have set up the Allianz Data Ethics Project including experts from various functions and Allianz Group companies. Aiming to further strengthen the internal governance framework for AI, in 2020 we developed an AI Practical Guidance for our data science/analytics departments, extended our risk assessment activities to include ethical assessments.

For further details, please see the Group Sustainability Report at <https://www.allianz.com/en/sustainability>.

#### 04.5 Remedy and grievance mechanism

Allianz aims to identify, prevent, or mitigate adverse human rights impacts linked to its business activities and operations. In concrete terms, Allianz seeks to:

- Apply its responsibilities across all its business activities
- Engage in continuous dialogue with stakeholders to ensure on-going improvement
- Develop grievance mechanisms for all stakeholders
- Regularly assess human rights risks and perform human rights due diligence
- Remedy any adverse human rights impacts for which Allianz is responsible for
- Track performance about human rights impacts and remedies

Internal and external stakeholders are given the opportunity to raise allegations of human rights violations involving Allianz through our Group-level complaint system. Human rights-related complaints will then be investigated and addressed by Group Compliance.

Details about the grievance mechanism process or to file a human rights-related complaint please visit the following link [Voice Your Concerns \(allianz.com\)](https://www.allianz.com/en/voice-your-concerns).

## 05 Sustainability integration in Allianz operating entities

This section gives an overview of the sustainability integration approaches and processes in selected operating entities of Allianz Group.

### 05.1 Allianz Global Corporate & Specialty SE

#### 05.1.1 AGCS ESG Business Services

AGCS ESG Business Services acts as a center of competence for ESG and central contact point for Allianz Group's Property & Casualty (P&C) underwriters globally. As part of the ESG Referral Process (section 03.3), the AGCS ESG Business Services team ensures all potentially ESG critical business transactions are screened and assessed in-detail to allow informed decision making. If ESG risks cannot be mitigated or reputational impacts are likely to affect Allianz Group, a transaction is escalated for a Group-level ESG assessment to determine, if and if so, under which conditions, the local underwriting can proceed. An example of a condition is an ESG Risk Dialogue with clients. ESG Risk dialogues are an important tool to engage with clients and directly address issues of concern. This engagement is beneficial for both sides. It improves the understanding of the risk in focus and increases expertise on both sides to manage and mitigate the risks accordingly.

A systematic approach concerning communication to and training for underwriters globally ensures awareness and understanding of critical topics and sectors, as well as applicable processes to follow. A related ESG training module has been already available via the "Underwriting Academy" for AGCS underwriters, a similar module for all other underwriters in the Allianz Group have been made available since 2018.

In addition, the unit is responsible for developing guidance on new and emerging ESG issues that might become relevant for Allianz clients and business. This includes conducting research to understand the relevance of ESG factors on claims and underwriting profitability. Our research shows that this extra-financial information provides signals that are relevant for our underwriting decisions.

For additional details, please see the [article on the AGCS website](#).

Additionally, AGCS ESG Business Services publish external ESG Risk Briefings on current and emerging ESG topics on a quarterly basis. ESG Risk Briefings can be found online at the AGCS website ([agcs.allianz.com](https://agcs.allianz.com)) in the Expert Risk Articles section.

### 05.2 Allianz Investment Management SE

Investment management is an integral part of the insurance business, as the premiums of Allianz clients are invested and converted into investment returns. Allianz Investment Management SE (AIM) pools and manages all proprietary assets on behalf of insurance operating entities across a range of asset classes, sectors and countries to meet long-term liabilities. As a result, Allianz is both directly and indirectly connected with other businesses, sectors and economies. AIM SE systematically integrates sustainability considerations across the entire investment portfolio<sup>1</sup>.

<sup>1</sup> Sustainability integration processes and coverage vary by asset class and between the type of portfolio and mandate. Minimum standards for sustainability integration are in place for covering all investments through the Allianz ESG Functional Rule for Investments.

### 05.3 Allianz Global Investors

Allianz Global Investors (AllianzGI) is one of the investment management industry's responsible investment pioneers, tracing its ESG credentials back over twenty years. It is the conviction of AllianzGI that ESG factors are important investment performance drivers which can only be realized fully through a truly active approach to asset management. Recognizing the value that ESG factors can add to portfolios and to its clients, AllianzGI aims at integrating ESG factors into all investment decisions, across all asset classes.

AllianzGI's dedicated Sustainability team works hand in hand with analysts and portfolio managers, providing ESG knowledge and insights that support better investment decisions as they consider ESG risks and opportunities that may not have been fully priced by the markets. The team offers specialist expertise across the entire spectrum of ESG-related requirements, including: ESG research (both company-specific and thematic), Proprietary ESG rating model covering over 10,000 issuers, Research to support proxy voting as well as company and policy-level engagement.

AllianzGI's research platform facilitates and systematically records its international network of investors debating and assessing ESG risks and opportunities in a global universe of corporate issuers, sectors and themes. The platform allows AllianzGI to "crowdsource" insights from the entire firm, giving them a truly holistic view on each and every issuer.

AllianzGI is committed to active stewardship of the assets it manages for its clients, and strives to steer investee companies towards sustainable business success and clear climate strategies through corporate dialogue and proxy voting. AllianzGI routinely engages in dialogue with investee companies and seeks proactively to present a viewpoint and effect change where necessary. AllianzGI's investment views are influenced by the outcomes of engagements and are linked to the proxy voting process, forming a consistent stewardship approach.

Given the diversity of investors' objectives and requirements AllianzGI provides sustainable investing processes with a broad

range of approaches, adaptable to different levels of ESG incorporation and client preferences. In particular, AllianzGI is committed to delivering high performing climate investment solutions, which aim at climate change risk, climate innovation opportunities and driving real environmental impact.

For additional details about the AllianzGI ESG approach, please go to [www.allianzgi.com/en/our-firm/our-esg-approach](http://www.allianzgi.com/en/our-firm/our-esg-approach).

### 05.4 Allianz Capital Partners

Allianz Capital Partners (ACP), as the alternative asset manager for the Allianz Group, turns premiums from insurance customers into investment returns. Investments in infrastructure, renewables assets as well as in private equity funds enhance the overall Allianz investment portfolio in several dimensions. In addition to integrating ESG principles in the investment selection process, ACP also incorporates these into its ownership policies and practices and aims for appropriate disclosure on ESG issues by the entities in which ACP invests.

#### ACP ESG/Reputational Risk Procedure

ESG issues are integrated in infrastructure, renewable energy and private equity investments through the ACP ESG/Reputational Risk Procedure, which is based on the ESG Sensitive Business Guidelines of the Allianz Standard for Reputational Risk Management (AS RRIM) and the Allianz ESG Functional Rule for Investments (see more details on these Group processes in section 03).

- Each investment is screened for potential ESG risks during due diligence. Should any concerns arise during this screening process, the transaction will be referred to the relevant ESG experts within Allianz Capital Partners (ACP) and/or Global Sustainability. The outcome of the ESG assessment will lead to a transaction proceeding in the regular investment processes of ACP, or
- additional information being needed, or certain conditions being attached prior to proceeding, or
- a transaction being declined on ESG grounds.

In addition to the ESG risk screening, ACP also performs checks that none of the parties involved in a given transaction are listed in Allianz Exclusion Policies (see section 03.7).

## 05.5 PIMCO

PIMCO defines ESG Integration as the consistent consideration of material ESG factors into the investment process to enhance clients' risk-adjusted returns. Material ESG factors are important considerations when evaluating long-term investment opportunities and risks for all asset classes in both public and private markets.

Integrating ESG factors into the evaluation process does not mean that ESG information is the sole or primary consideration for an investment decision; instead, PIMCO's portfolio managers and analyst teams evaluate and weigh a variety of financial and non-financial factors, which can include ESG considerations, to make investment decisions. The relevance of ESG considerations to investment decisions varies across asset classes and strategies and client instructions.

By increasing and diversifying the information assessed by the portfolio management team where relevant PIMCO believes that this enables to generate a more holistic view of an investment, which could lead to opportunities to enhance returns for their clients. Portfolios dedicated to ESG principles don't need to be one-size-fits-all.

Certain clients desire portfolios that seek to deliver strong risk-adjusted returns and sustainability objectives, like reduced carbon footprint, active engagement with issuers, meaningful green bond allocations and a tilt toward high quality ESG issuers. For those clients, PIMCO launched a suite of dedicated ESG offerings that seeks to deliver attractive investment returns while also achieving positive ESG outcomes through its investments. These ESG dedicated portfolios build on PIMCO's nearly 50-year core investment processes, while actively incorporating PIMCO's clients' sustainability objectives. Clients around the world define their ESG objectives differently – and that customization is important.

As one of the world's largest bondholders, PIMCO has a large and important platform with which to engage issuers to drive meaningful change on sustainability dimensions. Engagement is an essential tool for delivering impact in ESG investing. PIMCO believes that ESG investing is not only about partnering with issuers that already demonstrate a deeply unified approach to ESG, but also about engaging with those with less advanced sustainability practices. This can be a direct way for PIMCO to influence positive changes that may benefit all stakeholders, including investors, employees, society and the environment.

For additional details about PIMCO's approach to ESG investing, please also see:

<https://www.pimco.com/en-us/investments/esg-investing/>

## 05.6 PIMCO Prime Real Estate

PIMCO Prime Real Estate, our dedicated real estate investment and asset manager, develops and executes tailored portfolios and investment strategies for Allianz insurance companies and pension funds around the world, as well as for third-party clients with capabilities that include direct and indirect investments and commercial real estate loans.

PIMCO Prime Real Estate's sustainability integration framework is designed to improve the ESG performance and transparency of real estate assets and address issues such as physical climate risks, reducing the risks of obsolescence and depreciation. Alongside this, it looks at the social impact of the buildings on the community that uses them. The framework is based on three key areas of activity: assess, engage and improve.

- 1 Assess: Assets are screened for potential ESG issues, particularly during the acquisition phase. Every new equity investment undergoes a thorough due diligence process including technical and environmental due diligence and property-related ESG assessment. Any new office, retail or logistics investment (equity) must have an environmental or sustainability certification that is either globally recognized (such as LEED or BREEAM) or locally dominant (for example HQE in France and DGNB in Germany).

For new fund investments, fund managers are required to have an ESG policy or to be PRI signatory.

- 2 Engage: During the management phase, a collaborative engagement strategy seeks to influence business partners to strengthen ESG activities. This includes ensuring ESG topics are considered as part of performance review meetings with joint venture partners, supporting external property managers to improve ESG standards and performance, and engaging with tenants to influence their choice in fuel.
- 3 Improve: We aim to measure and improve the ESG performance of our entire real estate portfolio. This includes seeking out pilot 'lighthouse' projects and group-wide initiatives, such as procuring certified green energy and investing in onsite energy production and energy efficiency measures like installing LED lighting.

As a responsible investor and manager of one of the world's largest real estate portfolios, Allianz Real Estate strives to incorporate ESG factors into its investment cycle for its real estate business. It is working towards reducing the GHG emissions of its real estate portfolio to net zero by 2050, in line with the Group's commitment, and increasing the share of properties that have an environmental or sustainability certification.

For further details about PIMCO Prime Real Estate's sustainability approach, please also see:

<https://pimcoprimerealestate.com/en/sustainability>

## 06 External associations

Collaboration and long-term partnerships are instrumental in delivering positive change. Allianz's businesses are members of a wide range of sustainability-related initiatives and principles.

The world is changing fast, and our ambition is to shape the direction of travel through our contributions to partnerships, thereby fostering SDG 17, Partnerships. We focus in particular on 17.3, Mobilize additional financial resources for developing countries from multiple sources and 17.17, Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

These include for example:

- Founding member of the U.N.-Convened Net-Zero Asset Owner Alliance (NZAOA), co-leading the Engagement track and the Monitoring, Reporting and Verification (MRV) track
- Providing our expertise to the EU regulator via membership in the EU Sustainable Finance Platform
- Member of the U-N. High-level Expert Group on the Net-Zero Emissions Commitments of Non-State Entities (HLEG)

For further details, please see the Group Sustainability Report at <https://www.allianz.com/en/sustainability>.

# A Appendix

## A1 Abbreviations

AGCS	Allianz Global Corporate and Specialty SE	UK	United Kingdom
AIM	Allianz Investment Management SE	UNDP	United Nations Development Programme
AllianzGI	Allianz Global Investors GmbH	UNEP	United Nations Environment Programme
AS RRIM	Allianz Standard for Reputational Risk Management	UNEP-FI	United Nations Environment Programme Finance Initiative
ASU	Allianz Standard for Underwriting	UNICEF	United Nations Children's Fund
EFRI	Allianz ESG Functional Rule for Investments	US	United States
ESG	environmental, social and (corporate) governance	US DoL	United States Department of Labor
EU	European Union		
FAO	United Nations Food and Agriculture Organization		
FPIC	free, prior and informed consent		
GRI	Global Reporting Initiative		
IAEA	International Atomic Energy Agency		
IFC	International Finance Corporation		
ILGA	International Lesbian, Gay, Bisexual, Trans and Intersex Association		
km	kilometer (1 km = 0.62 miles)		
L&H	Life and health		
MSC	Marine Stewardship Council		
OE	operating entity		
OECD	Organisation for Economic Co-operation and Development		
P&C	Property and casualty		
PIMCO	Pacific Investment Management Company		
PRI	Principles for Responsible Investment		
PSI	Principles for Sustainable Insurance		
RSPO	Roundtable on Sustainable Palm Oil		
SBG	Sensitive Business Guidelines		
SCL	Sensitive Countries List		



## A2 Document change log

Version	Changes	Prepared	Reviewed and Approved
1.0	First publication of the Allianz Statement on ESG Integration	2016-06-20 Group ESG Office  Nico Ahn Dr. Urs Bitterling Katharina Latif Luise Seyfferth James Wallace	2016-06-29 Group ESG Board
2.0	Update of the Allianz Statement on ESG Integration to include additional information regarding the ESG Scoring Approach	2017-09-14 Group ESG Office  Nico Ahn Luise Seyfferth	2017-09-29 Group ESG Board
3.0	Update regarding the new approach to Coal-based Business Models and the ESG Engagement Approach	2018-09-26 Group ESG Office  Nico Ahn	2018-10-05 Group ESG Board
4.0	Addition of human rights policy, revision of the Coal-approach to reflect the 2020 revision, updates to reflect the reorganization of sustainability and ESG functions.	2021-03-16 Global Sustainability  Nico Ahn Belén Barona Galeas	2021-03-29 Group ESG Board
5.0	Addition of energy guidelines, updates to reflect the changes in sustainability governance roles and responsibilities, and partnership approach, document update to 'Sustainability Integration Framework'	2023-07-11 Global Sustainability  Simple Prasad Petra Vielhaber	

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