



ir2020

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Active is: Investing sustainably

Integrated ESG, SRI and Impact
Investing at AllianzGI
Januar 2020



**For fund distributors and
professional investors only**

Value. Shared.



Allianz 
Global Investors

Did you know that...

... the **10 Points of the EU Sustainable Finance Action plan** wants the finance sector to play a key role towards a **sustainable economy**.¹

AllianzGI is actively involved in advising the EU Commission in its Technical Expert Group.¹

...retail and institutional investors need to **specify their sustainability preference** within IDD and MiFID II.⁷

According to market surveys more than two third of retail investors will request a sustainability preference

... global warming will require **increasingly drastic global policy measures** if Paris climate targets will not be met by 2030. ⁴

AllianzGI was one of the first asset managers to launch a Green Bond fund in 2015.

...71% of institutional investors globally plan to **integrate ESG** into their investment process by 2030.³

EU Pension funds will need to do ESG stress tests for their portfolios from 2019 onwards.⁵

...3 in 4 investors in **Europe find sustainability important** or very important.⁶

Only 14% of retail investors think that sustainable investing weighs on investment performance.⁶

ESG tail risk management mitigates extreme losses thus contributing to a better risk-adjusted performance over a market cycle ²

¹ Source: EU Commission (https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance_en); ² Source: risklab (<https://www.ipe.com/esg-risk-in-a-portfolio-context/34522.article>);

³ Source: "Staying active: how to regain trust in active management" (AllianzGI report); ⁴ Source: IPCC (<https://www.ipcc.ch/sr15/chapter/summary-for-policy-makers/>); ⁵ Source: IPE <https://www.ipe.com/news/pensions/eiopa-confirms-esg-risk-assessment-in-2019-pension-fund-stress-tests/www.ipe.com/news/pensions/eiopa-confirms-esg-risk-assessment-in-2019-pension-fund-stress-tests/10028307.fullarticle>

⁶ Source: AllianzGI ESG retail survey; ⁷ Source: ESMA https://www.esma.europa.eu/sites/default/files/library/2018-esma35-43-1210-ipisc_cp_mifid_ii_sustainability.pdf

AllianzGI is a global leader in sustainable investing committed to continuous progress

Signatory of:



since 2007

A+

... received for the third year in a row
for **Strategy & Governance**

AllianzGI has **scored**
A or A+
in all categories

... and has been awarded
across the globe...



BENCHMARK
FUND OF THE YEAR
AWARDS 2018

- Hong Kong: Outstanding Sustainable Investor Awards
- Singapore: Sustainable Investment Overall Leader
- Taiwan: Sustainable Investment Outstanding Achiever



BEST OF THE BEST
2018/ 2019
Asia Asset Management
Best Application of ESG Award

A ranking, a rating or an award provides no indication of future performance and is not constant over time. For more information on our ESG approach and various activities in this area please visit our website: <https://www.allianzgi.com/en/our-firm/our-esg-approach>. In the ESG reporting section you will be able to find our PRI (Principles for Responsible Investment) Transparency Report 2018. The Assessment Report can be provided upon individual request. A ranking, a rating or an award provides no indication of future performance and is not constant over time.

A pioneer in sustainable investing

Active involvement in...

1999

First global SRI equity strategy launched

2002



Allianz becomes participant of UN Global Compact

2007



First SRI fixed income strategy launched

2008

First ethical strategy launched

2010

AllianzGI becomes a signatory to Carbon Disclosure Project ¹

... various global and regional initiatives...

Member of...



First listed impact strategies

2015

First multi asset SRI strategy launched

2014



AllianzGI becomes member of the Asian Corporate Governance Association ³

2013

First impact strategy for renewable energy

2012

AllianzGI joins the Italian Sustainable Investment Forum ²

2011



Adhering to the "Green Bonds Principles" ⁴



2016



AllianzGI joins the Institutional Investors Group on Climate Change ⁵

2017



First ESG integrated strategies launched
Supporting the work of IIRC ⁶ and member of...

2018



Member of the Technical Expert Group on Sustainable Finance for the EU Commission ⁷
Member of...

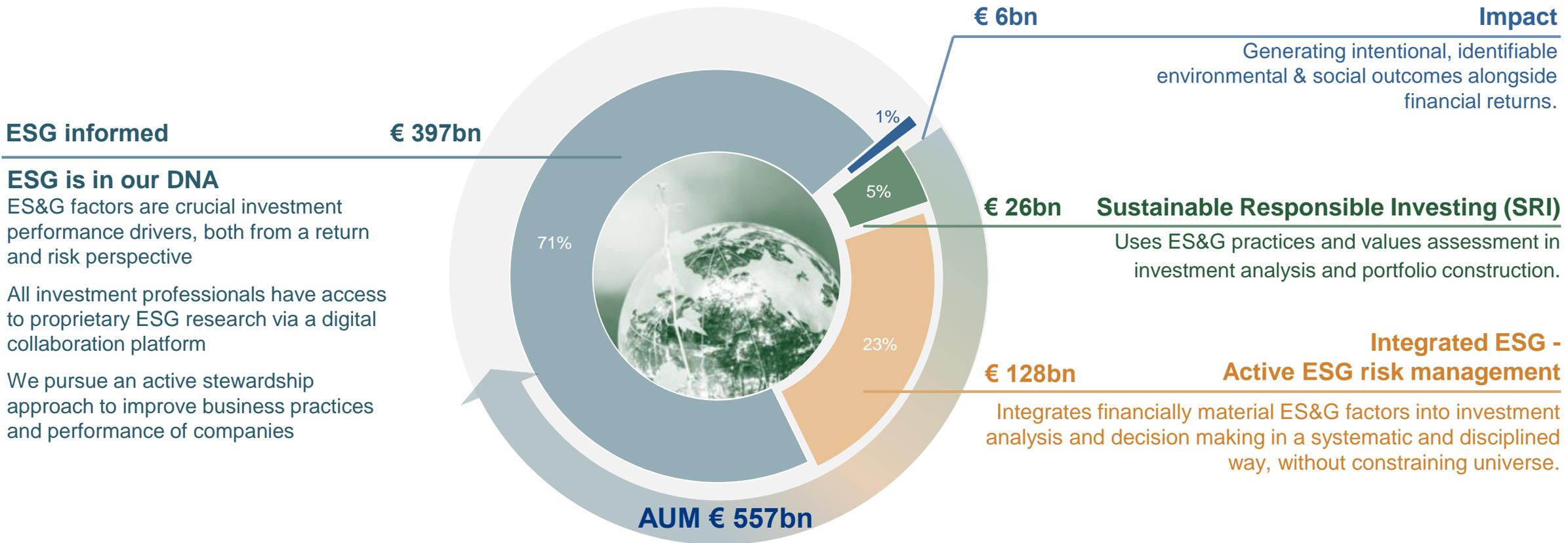
2019

Andreas Utermann becomes member of Climate Finance Leadership Initiative

The Graphic only shows a selection of Initiatives AllianzGI participates in: ¹ <https://www.cdp.net/en>; ² <http://finanzasostenibile.it/forum-finanza-sostenibile-eng>; ³ <https://www.acga-asia.org/who-we-are.php>; ⁴ <https://www.climatebonds.net/market/best-practice-guidelines>; ⁵ <https://www.iigcc.org>; ⁶ <http://integratedreporting.org>; ⁷ <http://ec.europa.eu/>;
Source: Allianz Global Investors, 2019. For illustrative purposes only.

Active is: Unlocking the potential of ESG

We are committed to integrating ES&G factors into all investment decisions and across all asset classes





An ESG pioneer since 2000

PRI top score A+ on ESG strategy and governance

Allianz SE sustainability leader and within DJSI

Data as at 30 September 2019. Source: Allianz Global Investors. Any differences in totals are due to rounding. Impact comprises different strategies targeting climate transition, environmental projects and renewable energy. Environmental, social, governance (ESG); Sustainable & responsible investing (SRI); Dow Jones Sustainability Index (DJSI); Principles for responsible investing (PRI). Sustainability leadership and inclusion in the DJSI are based on the research of and an evaluation of questionnaires submitted to RobecoSAM. The PRI assessment report is based on information reported directly by signatories. Moreover, the underlying information has not been audited by the PRI or any other party acting on its behalf.

Sustainable investment offerings at AllianzGI



Integrated ESG

Delivering financial returns and enhancing the investment process by **assessment of material ES&G risks** and their impact on Investment value

- Fully **incorporates ESG into fundamental research - no ESG overlay**
- Builds on existing investment strategies and track record - **unconstrained investment universe**
- **Risk/ reward analysis: ESG tail risk management** aims to mitigate extreme losses contributing **to a better risk-adjusted performance** over a market cycle

Comply or explain approach when taking ESG risk



SRI

Building sustainable portfolios by delivering sustainable financial returns based on the **assessment of ESG practices**

- **Targets offering both SRI and financial return** through a number of different approaches
- **Focused investment universe**
- **ESG quality often determines eligibility** for portfolio and influences weightings

Established SRI portfolios based on evolutionary process



Impact

Promoting **social and environmental goals and/or outcomes** alongside financial returns

- ES&G factors provide a **framework to identify areas of social or environmental need**
- Investing in **enablers of positive change** or generating **intentional and measurable outcomes** in addition to financial returns

Deep expertise across public and private markets

Leveraging global research and collaboration platform

Active stewardship: Engagement and proxy voting

Company-level ESG Risk Analysis

- 
- Use 3rd party research as a starting point, but arrive at a proprietary view of ESG risks
 - Identify Environmental, Social and Governance factors that can impact the business
 - Assesses materiality to determine which ESG factors (if any) represent material risks
 - When assessing material risks, focus on:
 - Business Model
 - Strategy execution and key value drivers
 - Legislative and regulatory developments
 - Key stakeholders (*e.g. customers/consumers, employees, suppliers, regulators, investors, providers of finance, local communities*)
 - Operations
 - Seek evidence of risk management strategy and mitigation measures
 - Do not rely on on company disclosures only; as an active manager, seek answers directly from companies to reach our conclusions
 - Discuss and debate ESG research findings as a means of “crowdsourcing” insights from the entire investment platform
 - Arrive at a proprietary view of ESG risks thus getting a stronger and more accurate signal

AllianzGI Global Corporate Governance Guidelines



- General framework for our proxy voting analysis
- Guidelines are not rigid rules
- Case by case analysis
- Votes are cast in the long-term interest of the company and its investors
- Topics covered by AllianzGI Guidelines:
 - Board of Directors
 - Audit and Risk Management
 - Shareholder Rights, Capital Authorities, Corporate Transactions
 - Remuneration
 - Sustainability Issues
 - Shareholder Proposals



ESG related policies on www.allianzgi.com/en/our-firm/our-esg-approach

Deep dive: Board of Directors



Source: Allianz Global Investors, 2020. For illustrative purposes only.

Capital issuance authorities & share buybacks

Protect shareholders from unwanted dilution

Capital issuance authorities

... with
pre-emption rights

General threshold

33% of issued capital

Note

To be aggregated with other pre-emptive share issuance authorities

... without
pre-emption rights

10% of issued capital

To be aggregated with other non pre-emptive share issuance authorities

- All shareholders participate on equal terms
- Company cannot use cash in a more productive way
- No significant premium to the market price
- Explain use of financial derivatives

Share buybacks

Share repurchase
programs

10% of issued capital

Remuneration of executive directors (1)

Structure and level of executive remuneration should be designed to promote long-term success of the company

General principles

- STI and LTI that align executives with shareholders
- Superior rewards for superior performance
- No significant salary increase without material change in business or role
- No multi-year guarantees
- But: Remuneration policies will differ on circumstances

Incentive plans

- Certain proportion in shares including deferrals
- Relevant KPIs and robust performance targets
- Clearly defined award opportunity
- LTI performance period: no less than 3Ys, rather 5Ys
- No vesting for performance inferior to peer group
- Vesting scale designed to higher level of performance
- Claw-back policy

Targets

- Link between performance KPIs and targets, and the mid- and long-term goals of the company
- Healthy mixture of KPIs: do not rely overly on single KPIs
- Integrate ESG issues into performance measurement
- Incorporate risk considerations
- Secondary assessment on vesting if LTI is based on annual performance assessment

Remuneration of executive directors (2)

Clear disclosure & transparency

- Clear and concise description of the compensation model
- Retrospective disclosure of targets if ex-ante disclosure is commercially sensitive
- Disclosure of structure / quantum of pay for each director
- No retrospective amendments to terms of incentive schemes

Shareholding

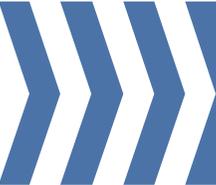
- Companies should require substantial shareholding
- Alignment of executives' interests with shareholders

Say on Pay

- All companies that received high levels of dissent on their remuneration proposals should understand the rationale behind negative votes and address investor concerns

Summary & Key Take Aways

- Increased shareholder demand on corporate governance in combination with client & regulatory tailwind for ESG: **ESG engagement dialogue is here to stay!**
- Continue to **improve independence level** and **competence profile** of Boards and Committees
- **Remuneration**: High standards of **disclosure and transparency**
- **Explain** issues which are not easy to understand from the outside (e.g. low participation in Board meetings, plans to change the auditor)

 Please get in touch early on:

We are happy to engage on Environmental, Social and Governance issues!

Disclaimer

Investing involves risk. The value of an investment and the income from it may fall as well as rise and investors might not get back the full amount invested. Past performance is not a reliable indicator of future results. If the currency in which the past performance is displayed differs from the currency of the country in which the investor resides, then the investor should be aware that due to the exchange rate fluctuations the performance shown may be higher or lower if converted into the investor's local currency. The views and opinions expressed herein, which are subject to change without notice, are those of the issuer companies at the time of publication. The data used is derived from various sources, and assumed to be correct and reliable, but it has not been independently verified; its accuracy or completeness is not guaranteed and no liability is assumed for any direct or consequential losses arising from its use, unless caused by gross negligence or wilful misconduct. The conditions of any underlying offer or contract that may have been, or will be, made or concluded, shall prevail.

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