Allianz Global Investors Climate Policy Statement

DATE: 19-12-2024

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Allianz Global Investors

Table of Contents

I. Purpose and objective

The Climate Policy Statement outlines the views of Allianz Global Investors and Allianz Capital Partners ("AllianzGI") as an asset manager on climate change and how climate risks and opportunities are integrated into the investment process on behalf of the funds and discretionary mandates for which AllianzGI acts as appointed investment manager. Climate change refers to a significant and lasting change in the Earth's climate, primarily driven by human activities such as burning fossil fuels, deforestation, and industrial processes. We recognise that climate change poses substantial risks to the global economy, ecosystems, and communities. As part of our commitment to sustainability and following our fiduciary duties, we consider climate-related risks and opportunities into our investment strategies.

II. Introduction

The World Economic Forum's Global Risks Report 2024 highlights the urgency of addressing climate risks, as irreversible planetary changes could lead to a socio-environmental crisis within the next decade. According to the World Economic Forum, the trajectory of global warming will depend on the pace of decarbonisation and the implementation of climate solutions. Without substantial GHG emission reductions by 2030, global warming is likely to exceed 1.5°C, which might negatively affect the value of our managed assets, investment products, and corporate activities. Therefore, climate change is a critical issue for all stakeholders, and our climate policy aims to integrate risk mitigation into our daily investment process, while exploring opportunities to enhance asset value and market positioning. We integrate our climate policy into the investment process through various tools, such as our exclusion policies, our proprietary Net Zero Alignment Share methodology and consideration of the 16 mandatory SFDR Principal Adverse Impacts (PAIs). Our Sustainability Insights Engine (SusIE), which facilitates the consideration of climate data in the investment process, is an additional lever that we use to integrate our climate policy into our investment decisions.

Given the importance of climate change related risks and opportunities, we have joined Net Zero Asset Manager Initiative ("NZAMi") to collaborate with industry peers to meet climate goals aligned with the Paris Agreement (please see Exhibit 1). We have established years of climate research, risk analysis, proprietary tool development, engagement with investees on climate-related issues, and have taken action to understand and manage the risks and opportunities posed by climate change. Our parent company, Allianz SE, has also committed to decarbonising its asset owner portfolio as a founding member of the Net Zero Asset Owner Alliance and we support Allianz SE's climate initiatives, which are described in more detail in the climate change section of their Sustainability Integration Framework:

Allianz SE Sustainability Integration Framework

Exhibit 1. Net Zero Asset Managers Initiative Commitment

As a member of the Net Zero Asset Managers Commitment, AllianzGI is committed to:

1. Work in partnership with asset owner clients on decarbonisation goals, consistent with an ambition to reach net zero emissions by 2050 or sooner across all assets under management (AUM)
2. Set an interim target for the proportion of assets to be managed in line with the attainment of net zero emissions by 2050 or sooner
3. Review our interim target at least every five years, with a view to ratcheting up the proportion of AUM covered until 100% of assets are included

Source: The Net Zero Asset Managers initiative – An international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions

Beyond Climate Change

At AllianzGI, climate change considerations are combined with other sustainability pillars, planetary boundaries and inclusive capitalism, to create a comprehensive sustainability approach. Climate change is linked to planetary boundaries as this theme addresses the limits within which humanity can safely operate to avoid destabilising the Earth's system. We consider sustainability factors linked to biodiversity and water, which both are all impacted by climate change, through our Principal Adverse Impact ("PAI") Screening approach described in section 3.1. By addressing these boundaries, AllianzGI aims to protect natural resources and ecosystems. Our attention towards inclusive capitalism emphasises social inclusion and equitable growth. AllianzGI seeks to ensure that the benefits of sustainable investments are widely shared, promoting social equity and reducing inequalities. This includes supporting communities and workers affected by the transition to a low-carbon economy. The overlap between these three themes aims to ensure a holistic approach to sustainability is achieved.

Please visit the AllianzGI website for our approach to biodiversity:

AllianzGI Biodiversity Statement

III. Applicable area

This Policy Statement is applicable to listed equities, listed corporate fixed income and private markets assets managed by Allianz Global Investors and Allianz Capital Partners. This Policy Statement is not applicable to funds or discretionary mandates where AllianzGI has delegated the portfolio management to a third-party asset manager. An overview highlighting the applicability of measures to specific products per sustainable investment approach is available in the appendix.

IV. Governance

AllianzGI has a Sustainability Governance Committee ("SGC") which oversees Corporate and Product Sustainability approaches at AllianzGI including the management of reputational risks. It is responsible for all overarching sustainability-related topics, including sustainability frameworks relating to strategy, risk management, data frameworks and this Climate Policy Statement. The SGC remains responsible for the overall consistency of frameworks across asset classes. It oversees sustainability/corporate sustainability indicators as targets for AllianzGI. It has reporting obligations to the Legal, Compliance and Risk Committee and to the Executive Committee.

V. Our approach

Climate change is anticipated to have a significant impact on worldwide economies and the various areas in which AllianzGI invests. We have identified a wide range of transitional and physical risks and opportunities associated with climate change across short, medium and long-term timeframes. We base our approach to climate-related risks and opportunities on the understanding that they could have significant financial implications, and we recognise that these climate-related factors may increasingly affect the value of our clients` portfolios as time progresses. As an asset manager, we integrate sustainability considerations, especially concerning climate change, into various aspects of our investment approach, processes, product development and business operations.

From the integration of climate data to engagement and exclusion policies, we have a range of approaches to embed climate change risks and opportunities into our business from different angles. In the next sections, we highlight our approach to climate change as an asset manager.

Supporting climate ambitions through investment

1. Decarbonisation targets

We submitted our first NZAMi interim targets at the beginning of 2022, covering listed equity, corporate debt, infrastructure equity and infrastructure debt. These targets reflect those set by our parent company Allianz SE in 2021 for its proprietary assets as a member of the UN-convened Net-Zero Asset Owner Alliance ("NZAOA"). For AllianzGI, these assets represent 14%[1], of our total assets under management.

- **Listed equity and corporate bonds** – 25% GHG reduction, scope 1 and 2, by the end of 2024 (baseline year: 2019)
- **Infrastructure equity** – 28% GHG reduction, scope 1 and 2, by the end of 2025 (baseline year: 2020)
- **Infrastructure debt** – our target is to grow the share of low-emitting and EU taxonomy-eligible assets

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

2. Sustainability Research

To identify, monitor and analyse the most relevant sustainability issues, our Sustainability Research team builds and formulates views through three interconnecting perspectives – thematic, sector and company research. For example, thematic research informs the materiality of sustainability factors for different sectors, which are then reflected in company analysis and engagement. Inversely, insights from company analysis and engagement are integrated to refine and enhance our thematic and sector research frameworks. This ensures a robust and holistic approach.

2.1 Thematic research

At AllianzGI, we have identified three strategic themes that we believe are critical to our investors, to us as a business, and to wider society: climate change, planetary boundaries, and inclusive capitalism. We use these themes to inform targeted engagement and research designed to ensure we identify the most material risks and opportunities for our business, and to shape our future impact. The research team shares thematic insights internally and externally through papers and publications. Recent publications include 'Rewiring technology for sustainable growth' which highlights technology's role in the net-zero transition, and 'Energy transition: time to clear the air' which discusses the complexities of the energy transition. Please visit the AllianzGI website for thematic papers on climate change and other sustainability topics:

AllianzGI Sustainability Thought Leadership

2.2 Sector research

We view sector research as the glue between thematic and company research, and we continue to develop our proprietary sustainability sector frameworks for 24 sectors. The sector frameworks summarise key sustainability metrics that are common to all sectors and include in-house views on materiality for 16 factors and a thorough analysis by our sustainability analysts.

At AllianzGI, climate change is analysed as a factor under the Environment pillar. With this, sustainability analysts identify and assess the science, regulatory response, and business implications of climate change closely. They look at the risks and opportunities of climate change within 24 sectors and use this to empower the investment platform to focus and engage on what is most material. We consider materiality through two lenses, the first being how the risk of climate change impacts the value of the assets we manage, the second being how the operations of our investee companies could impact climate. Within

[1] As at 31 December 2023.

these frameworks, we assess each sector's practices regarding emissions, exposure to physical and transition risks, and the business opportunities associated with climate change mitigation and adaptation. Our Sustainability Research team has identified climate change as a significant material topic across various sectors, including but not limited to the following:

- Energy
- Utilities
- Metals and Mining
- Chemicals
- Transportation
- Construction Materials & Building Products

When analysing each of our 24 sectors, we identify relevant KPIs to measure the materiality of climate change for the industry. Such KPIs are emissions intensity, having a validated science-based target in line with 1.5 degrees, carbon footprint of the sector and the sector's influence on climate change. Emissions intensity for example is measured by the amount of scope 1 and 2 emissions divided by millions (USD) revenue. We conduct 'deep dives' to explain the drivers of materiality in more detail, in 2024 this involved 8 deep dives related to climate change. Deep dives consist of identifying the materiality drivers of the sector, outlining leading and lagging practices in the industry and providing specific engagement questions for relevant issuers on their practices.

2.3 Company research

Our company research process begins with a close monitoring and analysis of a focus universe, a select group of issuers that are closely monitored and analysed. This group is chosen based on their representativeness, controversy or divisiveness. For these issuers, we conduct an in-depth assessment, incorporating our findings into sector views through sectoral materiality maps. Beyond this focus universe, we also conduct ad-hoc reviews on over 250 companies annually, prompted by controversies, requests from internal and external clients, or data discrepancies. This layered approach strengthens our research and supports our investment decisions. Our evaluation process starts with identifying and assessing a company's policies and targets for climate change mitigation and environmental protection, for example looking at a company's emissions reductions targets and timelines for Scope 1, 2, and 3 emissions, or a commitment to reduce flaring. Next, we evaluate the implementation of these policies, examining the effectiveness of specific measures and targets, such as looking at green capex, energy efficiency improvements, or use of renewable electricity. We then assess performance metrics to gauge the impact and progress of these measures, such as past 3-year trends for Scope 1, 2, and 3 emissions or methane emissions. In cases of controversies, we analyse the company's responsiveness, including the remediative actions taken and any preventative measures introduced to avoid recurrence.

3. Active Stewardship

3.1 Engagement

Our engagement activities are also categorised into the three guiding sustainability themes: climate change, planetary boundaries, and inclusive capitalism. Based on the belief that climate change is one of our planet's most pressing challenges, with significant impact on worldwide economies and potentially on the value of our holdings, our engagement seeks to understand whether and how companies are taking action to tackle climate change. The focus of thematic engagement is driven by topics where we observe particular interest from our clients or increased regulatory requirements.

We engage with investee companies in all sectors on climate, as every sector has a role to play in decarbonising the global economy. We expect investee companies to demonstrate the following:

- Climate commitments and targets – commitment to a net-zero pathway by 2050, including short- and medium-term targets and report transparently, consistently, and credibly on progress. Set scope 1, 2 and relevant scope 3 targets.

Set science-based targets taking into account sector framework availability. Report on the extent to which they leverage carbon offsets and if so, which ones.

- Climate governance – Establish board responsibility for climate strategy and implementation. Align executive compensation with net-zero targets and ambitions, including relevant ESG key performance indicators (KPIs).
- Climate transition plan – Implement an action plan to reduce emissions not only in own operations but also across the value chain. Report consistently on climate-related risks, whether physical or transitional. Align capital expenditure with their climate transition strategy. Monitor lobbying activity to ensure that membership of industry lobby groups does not contradict with commitment to address climate change.
- Climate disclosure – Disclose progress on emissions reduction, including Scope 1, 2, and relevant Scope 3 categories, and endorsing the Taskforce on Climate-related Financial Disclosures (TCFD) recommendations.

Climate change is discussed in a large number of our engagement meetings, particularly with portfolio companies in high-emitting sectors, and from different entry points - from the Stewardship Team to the Investment Teams. In addition, we have set up specific thematic engagement projects and identified focus sectors to maximise our impact. We complement our bilateral engagements with investee companies in the oil and gas, utilities and financials sectors with collaborative engagement initiatives through Climate Action 100+, Institutional Investors Group on Climate Change and other organisations.

If we conclude that a substantial portion of our concerns cannot be resolved through standard interactions with investee companies, and we believe that an engagement has failed against the pre-defined objective, we consider escalation trajectories. Our decision on escalation depends on the development of the engagement to date. We consider the nature and magnitude of the unresolved concerns, the relevance of our holdings in certain funds and considerations around the scope to escalate to a more senior level within the company.

Initially, engagement is typically escalated by requesting additional meetings with management. We prefer to address matters of concern directly with the board chairperson, lead or senior independent director, or other non-executive board members. If we have the impression that direct interaction has been unsuccessful, we may decide to follow up in writing to the board.

Where direct engagement does not progress satisfactorily or where our shareholding is insufficient for an effective escalation in our own right, we consider other options. These may include:

- Forming ad-hoc coalitions with other institutional investors on matters of concern
- Joining collaborative engagement initiatives coordinated by investors, associations and other organisations, seeking to address market or industry-wide concerns. In all cases we retain full discretion to exercise our rights including voting
- Expressing concerns through advisers to the company, for example in merger and acquisition (M&A) situations
- Pre-announcing our votes – thus making our voting decision public prior to the AGM
- Co-filing/filing resolutions at shareholder meetings as a way of enhancing key engagements
- Reducing or exiting our investment position when appropriate (any decision to exit an investment position is taken at a portfolio level)

Please visit the AllianzGI Engagement Policy Statement and AllianzGI Sustainability and Stewardship Report for further details on our engagement activities on climate change:

AllianzGI Engagement Policy Statement

AllianzGI Sustainability and Stewardship Report 2023

3.2 Proxy Voting

Exercising voting rights at shareholder meetings is a fiduciary responsibility and a core part of our role as active investors. It allows us to influence key issues affecting the long-term development of investee companies and our engagement activities help inform our votes at annual general meetings. We have established an escalation strategy including among others (co-)filing shareholder resolutions, pre-announcing our vote decisions, and targeted vote decisions e.g. on climate transition plans (so-called Say on Climate) or director elections (against the Chair of the Sustainability Committee, Chair of the Board).

Supporting shareholder proposals is another way in which we signal important issues and our expectations to companies. AllianzGI customarily reviews shareholder proposals for all of our holdings. We prefer to evaluate shareholder proposals on a case-by-case basis taking into account the nature of the proposal and the company's course of action. AllianzGI generally supports shareholder proposals

- asking companies to report on their climate change strategy in alignment with the Paris Agreement and within the framework described above as well as environmental policies.
- seeking information on climate-related financial, physical or regulatory risks and how the company identifies, measures, and manages such risks.
- calling for the reduction of GHG emissions, subject to our assessment of the company's efforts and improvements achieved.
- requesting a report/disclosure of a company's goals on GHG emissions from operations and/or products, as well as progress against these goals.
- requesting that a company reports on its energy efficiency policies and the feasibility of developing/switching to renewable energy sources.

We note that key issues raised by shareholder resolutions may vary from year to year and the list above is not extensive. We thus review our approach continuously to adapt our voting policy.

Please visit the AllianzGI Global Corporate Governance guideline for further details on our engagement activities on climate change:

AllianzGI Global Corporate Governance guideline

4. Integration of Climate change considerations into the Investment Process

4.1 Sustainability Risk Management

Integrating data related to climate change into the investment process allows investors to reflect material aspects into investment decisions. As part of our approach to assessing sustainability risks, we are integrating external sustainability research data and/or internal research and analysis and Principal Adverse Impact ("PAI") indicators related to climate change in all investment decisions.

Sustainability risk assessment

For publicly listed asset classes, sustainability risks are assessed using external sustainability research data and/or internal research and analysis. Allianz Global Investors considers the Sustainability Risks in the investment process through pre-trade warnings to portfolio managers who are in the process of investing in securities for which the issuer has been assessed to possess a potential Sustainability Risk. The portfolio manager can use this as a trigger to perform in-depth research regarding those securities. This ensures that portfolio managers are being made aware of potential Sustainability Risks ahead of making the investment decision. Furthermore, Allianz Global Investors is performing a regular portfolio screening of Sustainability Risks and providing transparency to portfolio managers on the Sustainability Risk profile of their respective portfolios.

For private market asset classes sustainability risks are screened alongside sustainability risk guidelines or using minimum exclusion lists.

Please visit the AllianzGI website for further details on our Sustainability Risk Management Policy Statement:

[Sustainability Risk Management Policy Statement]

PAI screening

'Principal adverse sustainability impacts' are defined as impacts of investment decisions that result in negative effects on sustainability factors. We have a framework in place to identify and assess these impacts, which is based on the 16 mandatory PAI indicators as defined by the EU Sustainable Finance Disclosure Regulation ("SFDR"). PAI indicators are considered for publicly listed asset classes either as part of the application of exclusion criteria or through thresholds on a sectorial or absolute basis. AllianzGI has implemented pre-trade warnings for investment in securities which are not meeting thresholds. The portfolio manager can use this as a trigger to perform in-depth research regarding those securities. However, for funds classified as Article 9 under the SFDR, investments in securities issued by companies or sovereigns which are not meeting the thresholds are not investible. For private market asset classes, PAI risks are considered during the origination and structuring phases, often through project and fund-specific due diligence questionnaires.

The following PAI indicators are related to climate change:

- Greenhouse gas emissions
- Carbon footprint
- Share of non-renewable energy consumption and production
- Exposure to companies active in the fossil fuel sector
- Violations of UNGC principles and OECD guidelines for multinational enterprises (which comprise also environmental norms)

Please visit the AllianzGI website for further details on our Principal Adverse Impact (PAI) Statement:

[AllianzGI Principal Adverse Impact Statement]

4.2 Exclusions

Our firm-wide exclusion policy[2] as well as our sustainable minimum exclusion policy[3] are examples of our commitment to incorporate and consider climate change in our investment process. By excluding coal based business models, we address the sector where the climate-related risk is evaluated as the highest:

Coal

Coal combustion is the largest single source of global temperature increase, contributing significantly to the rise in greenhouse gas emissions[4]. The necessary greenhouse gas (GHG) emissions reduction entails that fossil-fuel based energy generation will have to be drastically reduced in the coming decades. For this reason, in our firm-wide exclusion policy, we

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[2] This Policy is in general applicable to mutual funds for which Allianz Global Investors is acting as management company unless certain exemptions apply.

[3] The sustainable minimum exclusion policy applies to of all our SFDR article 8 and 9 mutual funds (except the AllianzGI Green Bond fund which applies different thresholds.

[4] https://www.iea.org/energy-system/fossil-fuels/coal

exclude companies that derive more than 30% of their revenue from coal extraction (10% for funds subject to the sustainable minimum exclusion policy) and companies where more than 30% of electricity production is based on coal (funds subject to the sustainable minimum exclusion policy also exclude utility companies that generate more than 20% of their revenues from coal).

AllianzGI's position on oil and gas

At AllianzGI, we acknowledge that thermal coal is the biggest contributor to climate change and therefore set limits for investing in companies with coal related business models subject to specific revenue thresholds for conventional and ESG related mutual funds. The oil and gas sector, however, continues to play an important role in meeting the energy needs of the global economy and society. AllianzGI wants to support the sector as an investor as long as companies take measures to commit to transition pathways. We have therefore developed the tools necessary to assess the transition pathways in the investment decision process and strive to induce climate mitigation action through active climate engagement.

Consideration of climate change

AllianzGI has established the following exclusion policies:

A firm wide policy for all mutual funds restricting investments in coal-based business models (subject to revenue or production thresholds). For sustainable mutual funds disclosing according to SFDR Art 8/9 AllianzGI requires two binding sustainability elements. Our mutual funds classified as Art 8/9 apply stricter restrictions of coal-based business models (details can be found in section 3.2 Exclusions). The second binding element is depending on the sustainable investment approach of the fund (e. g. a lower GHG intensity than the benchmark). SFDR Art. 9 funds are in addition applying a "do no significant harm" screening for all investments, which is further restricting investments in fossil fuels related to unconventional oil and gas and companies with higher GHG intensities than peers.

Assessing companies transition pathways

AllianzGI has developed a proprietary methodology that allows portfolio managers to assess the credibility of the transition plans and the likely Net-Zero compliant path of a company. This methodology is based on the Net-Zero Investment Framework of the IIGCC's Paris Aligned Investment Initiative.

Our climate engagement

AllianzGI wants to support the transition of the oil and gas sector as an investor and induce companies to commit to transition pathways. For this reason, companies from the oil and gas sector are not part of the minimum exclusions for sustainable funds classified as SFDR Art 8/9. Through constructive and critical dialogue as well as exercising of voting rights, AllianzGI engages with companies to convince them adapting their business models and make the transition to a low-carbon energy supply. We are reporting on the stewardship efforts as part of the annual Sustainability and Stewardship report by disclosing engagement numbers and stewardship outcomes of our engagements focusing on climate change and energy transition.

Environmental controversies

We screen out companies based on their involvement in controversial practices against international norms according to our sustainable minimum exclusion policy in all SFDR Article 8 and 9 mutual funds. The core normative framework consists of the Principles of the UN Global Compact and the OECD Guidelines for Multinational Enterprises. Three principles from the UN Global compact are related to climate change:

- Principle 7: Businesses should support a precautionary approach to environmental challenges
- Principle 8: Businesses should undertake initiatives to promote greater environmental responsibility
- Principle 9: Businesses should encourage the development and diffusion of environmentally friendly technologies

Securities issued by companies having a severe violation of these frameworks are restricted from the investment universe.

4.3 Data

We are committed to equip our investment professionals with climate related data and prioritize high-quality, reliable data to assess climate risks and opportunities. This includes utilising advanced analytics and proprietary methodologies to evaluate the environmental impact of our investments.

Our investors and analysts have access to data and specialised tools, allowing them to analyse the impact of companies and investments on key climate indicators. We can differentiate climate-related data and tools into two categories:

Climate-related data

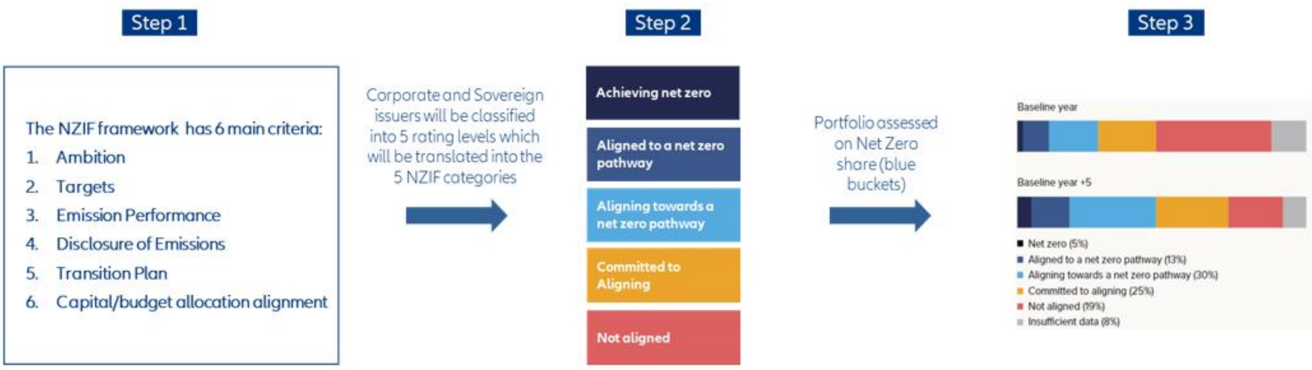
We leverage different data sets from external data providers:

- We track carbon emissions across our investment portfolios, including Scope 1 (direct emissions), Scope 2 (indirect emissions from purchased electricity), and Scope 3 (all other indirect emissions).
- We evaluate how companies are measuring and managing climate risks, including physical risks (e.g., extreme weather events) and transition risks (e.g., regulatory changes).
- We track the outcomes of our engagement with companies on climate-related issues, including improvements in disclosure and climate strategies.
- Lastly, we use scores to measure companies' commitments on mitigating impacts related to climate change.

Climate KPIs

- **Carbon intensity (tons of CO_2e Scope 1+2 per million USD revenue):** The KPI measures the amount of carbon dioxide (CO_2) emissions generated per million dollars of revenue by companies in a portfolio. This metric allows us to assess and compare the emissions efficiency of companies, reflecting how much carbon is produced relative to their economic output. Providing carbon intensity as a KPI helps AllianzGI track and manage the climate impact of its portfolios over time, encouraging a shift towards companies with lower emissions relative to their revenue, thus supporting the broader goal of achieving net-zero carbon emissions by 2050.

- **Net-zero alignment share**: The net-zero alignment share methodology aims to assess the credibility of a company's transition plan and net-zero pathway. This alignment is assessed based on factors such as the companies' decarbonisation targets, transition strategies, and adherence to science-based pathways for reducing emissions. It is based on the Net Zero Investment Framework from IIGCC's Paris Aligned Investment Initiative.



Tool

Sustainability Insights Engine (SusIE) – Our in-house digital sustainability platform, SusIE was launched in 2022 as an internal tool to enable ESG informed investment decision-making. This tool provides enhanced access to sustainability data including key climate-related data and KPIs as well as various research output across our investment platform.

Scenario analysis

To assess the impact of climate related risks at entity level, we consider the 2019 Bank of England climate scenarios (Bank of England General Insurance Stress Test 2019). The scenarios are based on the Paris Agreement, and they capture three different climate transition responses: disorderly transition, orderly transition and hothouse world. The stress tests evaluate how each scenario could impact financial risks through physical and transition risks. Climate stress tests results at company level and by asset class are performed and reported on a quarterly basis, to the Legal, Risk and Compliance Committee and the AllianzGI Board.

Please visit the TCFD report on the AllianzGI website for further details on our scenario analysis:

AllianzGI TCFD Report

5. Dedicated Sustainability Strategies

5.1 SRI strategies

Allianz Global Investors' dedicated SRI strategies use a combination of quantitative ESG analysis based on the "positive screening" approach, together with a "negative screening" non-investable rule as an essential part of their investment process. In more detail, the portfolio construction applies sustainable minimum exclusions and selection using a certain minimum SRI rating, thereby having a negative and positive screening procedure.

Climate change is incorporated into the quantitative ESG analysis in the form of our proprietary SRI ratings. Our model assigns each issuer a rating in four domains, which include Environment, Social, Corporate Governance, and Business Behaviour. The weightings of these domains and underlying indicators vary by sector and depend on the indicator and domain materiality per sector. This leverages the materiality assessment from our sector research (chapter 2.1). More specifically, climate metrics that impact issuers' SRI scores include energy consumption, emissions targets and physical risk.

5.2 SDG-aligned strategies

We offer thematic investment strategies for clients who want to invest in companies which are enablers of UN Sustainable Development Goals ("SDGs"). Our SDG-aligned investment strategies invest in companies that provide goods or services that contribute towards one or more of the UN SDGs. As part of our SDG-aligned strategies, we are offering investment strategies which are directly related to mitigating climate change:

- Allianz Clean Planet - invests in companies whose products and solutions are designed to contribute to a clean planet. This broad theme is broken down into three categories – clean soil, clean air and clean water.
- Allianz Smart Energy - invests in companies involved in the transition towards cleaner energy generation, efficient energy storage and sustainable energy consumption.
- Allianz Global Water - invests in companies that offer solutions to improve water supply, water efficiency and water quality.

5.3 Green bonds strategy

Our green bonds strategy aims to participate in the mobilisation of capital to support the transition to a low-carbon society, natural capital preservation and adaptation to climate change. This favours the reallocation of investments to a less carbon-intensive economy. As defined by the International Capital Markets Association, green bonds are any type of bond instrument where the proceeds will be exclusively applied to finance or re-finance, in part or in full, new and/or existing eligible green projects and which are aligned with the four core components of the Green Bond Principles. Our investment in green bonds unlocks enablers of energy and climate transition. For example, AllianzGI invests in companies that develop large offshore wind farms, implement solutions to lower the impact of carbon-intensive freight activity or promote the circular economy through recycling.

5.4 KPI-based strategies

Our KPI-based approaches use Climate-KPIs highlighted in section 4.3 as binding element on product level. They allow us to choose between two objectives. First, to outperform a reference investment universe or benchmark, or a defined threshold on at least one environmental or social KPI. And second, to achieve an improvement over time against a chosen environmental or social KPI. Our climate related KPIs are:

- GHG intensity KPI - an approach used to target scope 1 and 2 emissions, to promote decarbonisation
- Net-zero alignment share KPI - aims to assess the credibility of a company's transition plan and net-zero pathway. It is based on the Net Zero Investment Framework from IIGCC's Paris Aligned Investment Initiative.

Our goal is to continuously expand the list of available KPIs.

5.5 Impact framework

For our private market impact strategies, we introduced the AllianzGI impact framework to facilitate the due diligence and selection of investments that contribute to significant positive impact. The approach supports rigorous measurement and management of impact over the lifecycle of the investment to ensure that impact is being delivered.

AllianzGI defines impact investing as intentionally targeting positive, measurable environmental and/or social outcomes – alongside financial returns – by investing in companies delivering goods and services that seek to provide solutions to environmental or social problems.

From a climate perspective, we apply the impact framework to assess the extent to which investments contribute to positive, measurable outcomes, such as emissions avoided due to the goods or services provided by a company. Some climate-related investments may be assessed to have more than one 'impact pathway' associated with it – e.g. a sustainable agriculture solutions provider may contribute both to climate mitigation and broader environmental outcomes such as reduction in biodiversity loss; or a financial institution providing 'green loans' to small and medium-sized enterprises and individuals in emerging markets may be contributing to climate mitigation and resilience, as well as financial inclusion objectives. In each case, we leverage available data and research to quantify potential contribution ex-ante, and then measure, manage and report this impact post-investment.

As part of the impact assessment process, we additionally assess for potential negative impacts (including climate-related impacts), alongside an investment's positive contribution, to seek to avoid unintended negative outcomes.

6. Dedicated client advisory and solutions

AllianzGI's risklab advisory team is a core part of our overall offering to institutional investors. With 60 advisers globally, risklab helps our clients meet their investment goals through specialist advice and solutions. The sustainable investment experts in risklab's advisory and solutions unit, provide advisory services to our clients to help with portfolio decarbonisation and climate risk considerations in their investment strategy. In 2023, the team helped 50 clients understand and enhance the sustainability profiles of their portfolios. The dominant topics for our clients were understanding and managing three types of sustainability facets: controversies, financed carbon emissions and climate risks. To perform tailored portfolio analysis using sustainability analytics, risklab uses its proprietary data tool SARAH (Sustainability Analytics, Research and Advisory Hub). This is the basis for risklab's sustainable investment advice, and it enables the assessment and improvement of sustainability characteristics of a client's portfolio.

Climate Navigator

Our Climate Navigator capability offers analysis that helps investors think about future climate scenarios and quantify what they mean in terms of expected returns, as well as extra financial impacts. We can now simulate asset class returns for traditional and sustainable investing approaches – and therefore expanded portfolio returns – in different Network for Greening the Financial System (NGFS) scenarios. This helps clients to position themselves for those scenarios. It also allows clients to take a forward-looking perspective on asset class returns in likely climate scenarios. The Climate Navigator encompasses both traditional and sustainable investment approaches, therefore it can form the basis for a decision on which approach to take to prepare the portfolio for climate change.

7. Industry Collaboration and Public Policy Engagement

7.1 Industry collaboration

As investors' concerns about climate change are growing, there is a need for clear and consistent information about the risks and opportunities presented by climate change. AllianzGI supports this need through industry engagement to proactively shape industry initiatives and sustainability standards, as part of our fiduciary duty in the best interest of our clients. Collaboration with industry is conducted through various channels such as industry consultations and memberships, to associations and initiatives. AllianzGI responded to the urgency to tackle climate change by joining the Net Zero Asset Managers Initiative in 2021. Our purpose as a member is to support the goal of net-zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius. AllianzGI is also part of the Climate Action 100+ working group, an initiative that promotes climate action in the financial industry, aiming to mitigate financial risk and maximise the long-term value of assets. Our collaboration with industry serves to build a sound methodology for dealing with climate change in the financial industry as well as creating a forum to exchange ideas and expertise.

Please visit the AllianzGI website for more details on the sustainability initiatives in which AllianzGI participates:

Sustainability Initiatives Overview List

7.2 Public policy engagement

AllianzGI aims to actively conduct dialogue with public policymakers or regulators to support the evolution of a sustainable finance landscape to enable climate change investment. With regards to climate change, sustainable financial regulation encompasses the area of public policy in which we are most actively engaging in to guide policy makers in implementing effective regulation. Our membership in the EU Platform on Sustainable Finance, an advisory body assisting the European Commission in developing sustainable finance policies, exemplifies our commitment to ensuring public policy development.

8. Reporting

We aim to be as transparent as possible in our climate-related footprint and hence provide comprehensive qualitative and quantitative information in our various reports:

8.1 Corporate-level disclosure

8.1.1 Voluntary disclosure

- Our annual **Task Force on Climate-related Financial Disclosures (TCFD) report** provides detailed information on our climate-related governance, strategy, risk management, metrics, and targets, in accordance with the TCFD Framework.

- Our **Sustainability and Stewardship report** offers comprehensive insights into how we integrate sustainability - related risks and opportunities throughout the investment value chain, including investment products, company and sector analysis, and stewardship activities in the reporting year.

- As a signatory to the UN PRI, we are committed to providing transparency on the actions we are taking across our business on responsible investment, including climate change. As a signatory of NZAMi, we are supportive of the NZAMi goal of achieving net-zero GHG emissions by 2050. We report our progress on our overall approach on climate change and NZAMi commitments through our annual **PRI progress reporting** and TCFD reporting. The full **PRI transparency** report is available on the AllianzGI website.

8.1.2 Legal disclosure

- Our climate-related approaches are integrated into our entity-level statement on principal adverse indicators, as per the Sustainable Finance Disclosure Regulation ("SFDR") and reported annually since 2023. Principal adverse impacts ("PAI") are negative effects on sustainability factors. Sustainability factors include environmental, social and employee matters, respect for human rights, anti-corruption, and anti-bribery matters. The statement covers 16 mandatory PAI indicators (as set out in Annex I Table 1 No. 1–16 of the SFDR Delegated Regulation) as well as the two selected PAI indicators. Please refer to section 4.1 for climate-related PAI indicators.

- AllianzGI UK LTD is required to publish separate annual **TCFD-related entity and product level reports** pursuant to the Financial Conduct Authority's ("FCA") ESG Sourcebook rules. Similarly, AllianzGI Taiwan Ltd is required to publish a separate annual climate risk disclosure based on the TCFD recommendations pursuant to the Securities Investment Trust & Consulting Association's ("SITCA") policy statement setting out rules and guidance of sustainability report for asset managers including a specific section for climate risk disclosure.

8.1.3 Other reporting

In addition, we provide real-time disclosure of all votes cast, including commentary on votes against management and abstentions. You can access this information through the following website.

[Global Proxy Voting Overview]

8.2 Product level-disclosure

At the product level[5], we produce a monthly Sustainability report that provides an overview of the sustainability related performance of the product which includes various climate-related metrics such as greenhouse gas (GHG) emissions, GHG intensity, GHG footprint by sector and location, and taxonomy alignment share. For dedicated strategies, this report can also include information on engagement activities such as the number of companies engaged by topic, engagement by location, and by sector. Clients can access this report upon request.

For all of our published policy documents and disclosures please visit our website:

Policies and reporting | Allianz Global Investors

VI. Policy Statement updates and maintenance

This Policy Statement will be available on the AllianzGI website:

Allianz Global Investors Climate Change Policy Statement

AllianzGI reviews its Climate Policy Statement at least annually or more frequently if material changes to the regulatory or market environment occur that may require adjustments.

[5] Retail funds, institutional mandates, German special Funds (AIFs), and dedicated funds except private markets investments.

Appendix

Overview of fund categories in scope for Climate Policy Statement

Measure	Conventional funds	ESG risk-focused	Sustainability-focused	Impact-focused
Included in the investment process				
PAI screening	All funds	All funds	All funds	All funds
Sustainability Risk Assessment	All funds	All funds	All funds	All funds
Investment restriction / binding element				
Firm-wide exclusions[6]	Mutual funds and institutional funds and mandates in scope	Mutual funds and institutional funds and mandates in scope	Mutual funds and institutional funds and mandates in scope	Mutual funds and institutional funds and mandates in scope
Sustainable minimum exclusions			Sustainable mutual funds	Impact-focused mutual funds[7]
SRI Ratings			SRI funds	
KPI approach			KPI-based funds	
Impact Framework				Private markets Impact-focused funds

[6] Institutional funds and mandates apply the firm-wide exclusion policy as follows: Opt-in for existing ones before July 2021, opt-out for new ones since July 2021; for more information please refer to the AllianzGI Exclusion Policy

[7] Private markets funds apply the Allianz Sustainability Integration Framework