

June 2024

**POLICY ON THE INTEGRATION OF  
SUSTAINABILITY RISKS IN THE  
INVESTMENT DECISION-MAKING  
PROCESS**

Our understanding of sustainability risks comprises environmental, social and/or governance (ESG) events or conditions which, if they occur, may potentially have material negative impacts on the assets, profitability or reputation of the Allianz Group or one of its group companies. Examples for sustainability risks include but are not limited to climate change, loss of biodiversity, breach of recognized labor standards, and corruption.

Allianz has implemented a Group-wide approach to integrate sustainability into the entire investment process for all insurance companies. This means that all customer insurance premiums (with the exception of premiums for unit-linked insurance products), are subject to the same sustainability criteria. This also applies to Allianz Life Luxembourg S.A. and the investment strategy for its insurance investment assets. Such Group-wide approach ensures that sustainability risks are considered along the entire investment decision making process, including Investment Strategy, Asset Manager Management, Investment Monitoring and Risk Management.

The asset management is performed by selected asset managers, whereby clear requirements are set for asset managers on the consideration of sustainability risks.

We follow a comprehensive and well-founded sustainability integration approach with respect to the investment of insurance investment assets comprising of the following six elements:

**1. Selecting, mandating and monitoring asset managers:**

We consider next to economic aspects also environmental, social and governance factors. All asset managers investing on behalf of Allianz are required to align with Allianz's long-term investment horizon, to express their views on climate change (in line with Allianz's climate objectives), and to include climate risks and opportunities sustainability in their investment process. In principle, all asset managers who manage Allianz insurance investment assets must have a qualified and appropriate sustainability policy in place. Allianz has defined mandatory and highly recommended criteria for a qualified sustainability policy that asset managers must comply with.<sup>1</sup> Furthermore, they are obliged to adhere to all Allianz defined exclusion criteria (details see point 4.). Asset managers are closely monitored by the investment function against fulfilling the respective exclusion criteria, following their own ESG policies and aligning their activities with Allianz long-term climate interests. Our own asset management is delegated within the Group to AIM, the objectives of the Allianz Group are de facto taken into account in our asset allocation planning.

This section is not applicable to unit-linked insurance products.

**2. Identifying, analyzing and addressing potential sustainability risks:**

Investment transactions into non-listed asset classes, such as real estate, infrastructure, private placements are screened by Allianz and Group-internal asset managers along defined ESG guidelines. These criteria are based on international best-practice standards and comprise aspects like biodiversity risk, risk to protected areas, workforce risk, risk to local communities, carbon intensity for high-emitting assets where a decarbonization plan is necessary and general sustainability risks and impacts. When an ESG risk related to a (potential) transaction is detected in one of the sensitive business areas during screening, a mandatory referral is triggered. The transaction then undergoes an OE, global line and/or Group-level ESG assessment, whether to proceed with the transaction, to proceed and require the mitigation and management of ESG risks, or to decline the transaction on ESG grounds. For investments into listed asset classes, such as sovereign bonds, corporate bonds and public equity, Allianz applies ESG data from the external data provider MSCI ESG Research in conjunction with own proprietary research to assess material ESG risks (such as carbon emissions, toxic emissions and waste, and labor management) and takes them into account in portfolio steering.

<sup>1</sup> Allianz has defined mandatory criteria for such an ESG policy such as a clear ESG governance structure, with clear roles and responsibilities, integration of ESG-specific principles and consideration of regulatory requirements.

### 3. Active Ownership:

- **Bilateral Engagement:** On behalf of all its insurance subsidiaries, Allianz SE enters into a dialogue with selected investee companies, where Allianz identifies systematic ESG risks including risks around good governance practices and selected PAI screening. The engagement aims to strengthen the investee company's management of ESG risks and spur improvements of its overall sustainability performance. Meaningful change can take several years and hence Allianz sees engagement as an ongoing process that can be both impactful and mutually beneficial. Allianz could not contribute to this positive change if it automatically withdrew its investments. However, if engagement turns out to be unsuccessful, Allianz might divest from certain issuers. In addition, Allianz internal asset managers Allianz GI and PIMCO conduct ESG-specific engagements on behalf of their assets under management, including Allianz insurance investment assets.<sup>4</sup>
- **Collaborative Engagement:** Collaborative engagements can take the form of multiple investors addressing a single company or multiple companies and their value chain in a single sector. Collaboration consolidates the efforts of the parties involved, allowing for more efficient and solution-oriented discussions at a greater level. Allianz supports collaborative engagements where possible as a more effective and efficient form of investment stewardship, in particular through initiatives such as the Climate Action 100+.
- **Asset Manager Engagement:** The asset manager engagement program covers private and public markets asset managers. Asset managers have intensive relationships with investee companies and the organizational structure, expertise and analytical skills to assess and engage companies, often through dedicated stewardship teams. Allianz clearly communicates its interests to asset managers and supports them to align their investments and stewardship activities to best represent the Allianz long-term interests on sustainability and climate topics.
- **Voting:** No voting rights are exercised by Allianz Life Luxembourg S.A. or its delegated asset managers managing equity mandates on our behalf.

### 4. Excluding certain countries, sectors and companies from insurance investment assets<sup>2</sup>:

This covers:

- (1) Exclusion of companies producing or associated with controversial weapons,
- (2) Exclusion of coal-based business models,
- (3) Restriction of certain sovereign bonds from countries associated with severe human rights violations and significant issues managing ESG concerns,
- (4) Exclusion and restriction of single issuers with high ESG risks as a result of the engagement process, where engagement has not been successful,
- (5) Restriction of unconventional oil and gas and oil and gas based business models.

### 5. Climate change risks and decarbonization commitment:

Limiting global warming and mitigating climate change is a top priority for Allianz. Allianz is committed to helping to deliver the 2015 Paris Climate Agreement and believes that reaching its goal calls for a rapid decarbonization of the global economy towards net-zero emission levels by 2050. Allianz identifies and manages climate-related risks and opportunities by:

- Committing to fully phase-out of coal-based business models across its insurance investment assets by 2040, at the latest. Allianz will reduce the thresholds from the current 25% to eventually 0% in 2040 at the latest.
- Restricting funding in oil and gas based business models.<sup>3</sup>

<sup>2</sup> Please note that the above mentioned exclusions for proprietary investments do not apply to index-linked instruments, index-linked structured products and seed money. Moreover, for mutual funds we apply the exclusions on a best effort.

<sup>3</sup> For more information please see [Allianz statement on oil sands business models](#) and [Statement on oil and gas business models](#).

- As a founding member of the UN-Convened Net-Zero Asset Owner Alliance (AOA) Allianz commits to align its proprietary portfolio with a maximum 1.5°C temperature rise, i.e. net-zero greenhouse gas emissions by 2050. Allianz has set interim targets for various selected asset classes such as corporate bond and traded equity portfolio, real estate direct and joint venture assets, infrastructure equity, and private debt.<sup>4</sup> The interim targets are renewed on a 5-year basis from a 2019 base year.

#### **6. Climate change stress-tests and scenario analysis:**

Climate change (especially for transition and physical risk) considerations are an integral part of Allianz insurance and investment strategy. Allianz Group applies various quantitative and qualitative approaches to carry out climate stress testing and scenario analysis in consideration of the long time horizons over which climate change may unfold and the high uncertainty over the direction of future climate and economic developments. Allianz Group performs sensitivity and scenario analyses with time horizons up to 2050 and including scenarios for orderly or disorderly transition as well as no transition with increased levels of physical risk.

For more information on Allianz's management of ESG risks in investment processes, please see [Allianz Group Sustainability Report 2023](#), and [Allianz Sustainability Integration Framework](#).

This statement is updated on a regular basis. Latest changes concern updates in the sections "1. Selecting, mandating and monitoring asset managers" and "2. Identifying, analyzing and addressing potential sustainability risks" as well as adaptations to the wording.

<sup>4</sup> For more information on Allianz climate targets please see the [Allianz Group Sustainability Report](#).

Allianz is a global leader in insurance and financial services with 125 million customers in over 70 countries and more than 157,000 employees. Allianz is the number-one insurance brand in the Interbrand Global Brand Rankings 2023 and the most sustainable insurer in the Dow Jones Sustainability Index 2023. In the Benelux countries, Allianz offers a wide range of products and services through its insurance brokers to private individuals, the self-employed, SMEs and large corporations. From investment to retirement savings, from car insurance to fire insurance, and from cyber insurance to group insurance. In Belgium and Luxembourg, Allianz has over 950,000 customers, more than 740 employees and sales of over 1.5 billion euros. In the Netherlands, Allianz serves more than 910,000 customers through its brokerage channel and its direct insurance subsidiary Allianz Direct. Allianz employs around 770 people in the Netherlands and has sales of 1.9 billion euros.

Would you like more information? Then visit [www.allianz.lu](http://www.allianz.lu).

Any complaint relating to the contract or to a malfunction of Allianz Life Luxembourg may be addressed to the Complaints Department of Allianz Life Luxembourg S.A. by post to Service Complaints - Allianz, 14, Boulevard F.D. Roosevelt L-2450 Luxembourg, by e-mail to: [Plaintes\\_ALL@allianz.lu](mailto:Plaintes_ALL@allianz.lu), or via our website: [www.allianz.lu](http://www.allianz.lu).

If you do not receive a satisfactory response, you may:

- request a second analysis by Allianz Management or its delegate;
- follow the out-of-court dispute resolution procedure with the Commissariat aux Assurances (CAA), Allianz's supervisory authority, subject to a waiting period of 90 days from the date on which the claim was sent to Allianz, and foreclosure after a period of one year from the date on which the claim was submitted to Allianz.

The request for out-of-court settlement may be submitted in Luxembourgish, German, French or English in written form, either:

- by post to CAA (11, rue Robert Stumper, L-2557 Luxembourg),
- by fax to CAA (22 69 10),
- by e-mail ([reclamation@caa.lu](mailto:reclamation@caa.lu)),
- online on the CAA website (FR, EN, DE form).