



# Allianz Insurance Asset Management Company

## ESG Policy

# 01 INTRODUCTION

## ■ 1.1 Rationale and Scope

The ESG Policy ('the Policy') is developed by Allianz Insurance Asset Management Company ('IAMC') to adopt and incorporate the Allianz Group's Environmental, Social and Corporate Governance ('ESG') Policy and Guidelines ('AZ Group ESG Policy and Guidelines'), which include the Allianz ESG Functional Rule for Investments ('ESG FR'), Allianz ESG Integration Framework, Allianz Standard for Reputational Risk and Issue Management ('AS RRIM') for the management of reputational/ESG risks and issues within the Allianz Group.

IAMC integrates ESG factors into the investment of proprietary asset and the management of third-party assets.

## ■ 1.2 ESG Sustainable Investment

IAMC adopt and incorporate ESG into operation and investment. Main ESG factors include:

- Environment: Climate change, Natural capital, Pollution & Waste, Environmental opportunities and etc.
- Social: Human capital, Product liability, Stakeholder opposition, social opportunities and etc.
- Governance: Corporate governance, Corporate behavior and etc.

## ■ 1.3 Objectives

IAMC follows the 3E principles ("Exclusion, Evaluation and Engagement") of sustainable development from Allianz Group. Key components on respective principles are:

The objective of ESG sustainable investment includes:

- Serve and implement the national strategy on sustainable development by supporting sustainable investment on green energy transition, environment protection, and facilitate the decarbonization of China economy.
- Allianz as an asset owner is a member of the UN-convened Net Zero Asset Owner Alliance. As the subsidiary of Allianz, IAMC follows the ESG policy to support the decarbonation of the portfolio.
- As a investment manager, incorporate ESG issues into investment research, investment analysis, investment decision making, risk management and other investment processes to assess the sustainability, mitigate the ESG risk and achieve the long term investment return.
- Being active owners and incorporate ESG issues into our ownership policies and practices, and promote acceptance and implementation of the principles within the investment industry.

## 02 GENERAL PRINCIPLES AND COMMITMENTS

### ■ 2.1 Principles for Responsible Investment ('PRI')

On December 24, 2021, IAMC became the official signatory member of the United Nations-backed Principles for Responsible Investment (UNPRI), and the first foreign-owned insurance asset manager who signed the Principles in China. All investment-related ESG integration activities are in line with commitments to Principles. IAMC is committed to:

- Incorporate ESG issues into investment analysis and decision-making process,
- Act as active owners and incorporate ESG issues into IAMC ownership policies and practices,
- Seek appropriate disclosure on ESG issues by the entities in which IAMC invests
- Promote acceptance and implementation of the Principles within the investment industry,
- Work together to enhance IAMC effectiveness in implementing the Principles,
- Report on IAMC activities and progress towards implementing the Principles.

### ■ 2.2 Sustainable Investment Principles

IAMC follows the 3E principles ("Exclusion, Evaluation and Engagement") of sustainable development from Allianz Group. Key components on respective principles are:

- Exclusion: divestment of any excluded issuers which are not complied with Allianz IAMC ESG Exclusion Lists,
- Evaluation: systematically incorporating ESG analysis into IAMC investment and research process,
- Engagement: on-going engagement between IAMC and external asset managers to ensure clear responsibilities for overseeing ESG matters, monitoring method of ESG risks, opportunities and commitments to improving ESG practices in investee companies.

### ■ 2.3 Net Zero Owner Alliance

Allianz as an asset owner is a member of the UN-convened Net Zero Asset Owner Alliance. The members of such Alliance commit to transitioning their investment portfolios to net-zero GHG emissions by 2050 consistent with a maximum temperature rise of 1.5°C above pre-industrial temperatures.

## 03 ROLES AND RESPONSIBILITIES

### ■ 3.1 Governance Structure

IAMC established ESG Committee headed by CEO and staffed with the department heads from all relevant functions to ensure top-level alignment as well as true integration. IAMC set ESG Office and ESG Task Force as executive bodies.

### ■ 3.2 ESG Committee

ESG Committee is responsible for integrating and strengthening ESG aspects within daily operation and core investment activities, and ensuring the company in accordance with ESG principles and requirements in aspects of platforms, process and execution. Key functions of the ESG board include but not limited to defining ESG strategies, process design, performance assessment and information disclosures.

### ■ 3.3 ESG Office and ESG Task Force

IAMC has established ESG Office and ESG Task Force to take the lead of developing ESG methodologies and tools; and organizing and cooperating ESG daily work with various functions.

## 04 ESG APPROACH AND TOOLS

### ■ 4.1 ESG Exclusion Lists and ESG Watch Lists

Following the ESG policy of Allianz Group, IAMC formulates ESG Exclusion Lists and ESG Watch Lists. Lists include companies associated with controversial weapons, betting or other industries that are inconsistent with sustainable investment concept. Different levels correspond to divestment, restricting any new or reinvestment, terminating investment or other risk control measures. IAMC regularly updates the lists in the investment management system to ensure effective implementation.

### ■ 4.2 ESG Sensitive Business Guidelines

For ESG sensitive business areas, IAMC formulates ESG sensitive business guidelines in accordance with Group requirements. The guidelines are lists of sectors that need to be highly prudent in the ESG dimension based on Allianz Group ESG Policy, well recognized standards and best-practice, which regularly implement specialized control on industries with negative impacts such as relatively low added-value, high pollution and high ESG risks. Rather than exclusion criteria, the guidelines are designed to enable stakeholders to analyze transactions, identify potential ESG risks, and give customized investment solutions.

### ■ 4.3 ESG Scoring and Assessment

With the emphasis on China's capital market, actively cooperating with professional institutions and leveraging the ESG data provided by professional data providers, IAMC developed proprietary ESG assessment model and analytical platform to perform ESG analysis on individual issuer and portfolio.

The ESG assessment model of IAMC selected material factors and key issues in three pillars of environment, social and governance, determined the level1 and level2 indicators and makes multi-dimensional considerations according to indicators, industry characteristics, as well as comparison amongst industry peers.

- Environmental: Carbon Emissions, Financing Environmental Impact, Energy, Financial Environmental Impact, and etc.
- Social: Labor Management, Health & Safety, Product Liability, business innovation, public welfare and common prosperity etc.
- Governance: governance structure, shareholders, compliance, Audit and information disclosure etc.

ESG Task Force is responsible for maintaining and upgrading the ESG scoring model on a regular basis.

## 04 ESG APPROACH AND TOOLS

### ■ 4.4 ESG Due Diligence

For investments without ESG research coverage or in the case the information disclosure is insufficient to support ESG evaluation, ESG office and ESG Task Force coordinates with business lines to conduct ESG due diligence through public information search, questionnaire survey, interviews and etc.

### ■ 4.5 Engagement and Active Ownership

IAMC develops and implements the active ownership strategy aiming to have positive impact as an investor and asset manager and promotes corporations to pursue long-term profits while generating positive social value. We actively engage on ESG topics with investees and encourage disclosure on ESG factors.

### ■ 4.6 ESG Investment and Product

IAMC actively implements ESG investment concepts in product development, including but not limited to the issuance of portfolio asset management products, debt investment plans and etc.

In terms of the ESG investment opportunities, IAMC's focus is to enable the transition to a low-carbon economy and to promote sustainable development incorporated by the UN sustainable development goals ("SDGs"). Positive contributing investments are reported externally and consist of, but not limited to:

- Equity and debt investments in renewables
- Investments in green bonds, social and sustainability bonds
- Investments in certified green buildings
- Investments with SDG-alignment in developing economies, supported by development banks
- Green infrastructure
- Impact investments in line with an approved impact strategy

### ■ 4.7 ESG Database and Platform

IAMC makes efforts to improve investment management information platform, develop ESG information database and integrate various ESG data sources to strengthen digital construction, providing data and system support for research analysis, process management and risk management.

## 05 ESG INTEGRATION

### ■ 5.1 Investment Analysis and Decision Making

IAMC fully includes ESG factors in the existing research framework.

Detailed actions include but not limited to:

- Carry out ESG-related macro policy research;
- Implement ESG factors in industry research;
- Incorporate ESG factors within company-level credit analysis;
- Consider the influence of ESG factors in valuation analysis;
- Carry out forward-looking analysis on ESG-related issues;
- Incorporate ESG factors into investment strategy, asset selection and portfolio construction.

### ■ 5.2 Investment Monitoring and Risk Management

IAMC takes into account the ESG factors in investment monitoring and risk management through out the investment process.

- Strictly follow the ESG Screening Process in the pre-trade check, including but not limited to, ESG Exclusion and Watch Lists Screening, ESG Score Coverage Screening, Due Diligence to minimize the risk exposure without ESG coverage
- ESG Task Force periodically monitors ESG risk exposure, score changes and material ESG events of the portfolio and reports to the ESG committee regularly.

### ■ 5.3 ESG Assessment on External Asset Managers

IAMC conducts ESG assessments in external asset managers selection, investment mandate initiations, monitoring and review.

Requirements incorporate whether an asset manager include

- UN-PRI signatories;
- ESG policy in place;
- Sustainability methodology and reports disclosed.

## 06 ESG REPORT AND DISCLOSURE

### ■ 6.1 ESG Sustainability Analysis Report

IAMC implements ESG analysis of the portfolio regularly according to regulatory requirements, investment mandates and other relevant guidelines including annual ESG report, ESG portfolio analysis report, ESG deep dive report and etc.

### ■ 6.2 ESG Sustainability Investment Report Disclosure

IAMC prepares ESG-related investment reports and information disclosure. Starting from 2024, IAMC will submit annual reports to UN-PRI and participate in the PRI Transparency Report evaluation. IAMC will identify directions and focus to be improved at each stage by analyzing the specific content of the UN-PRI report.





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