

Proxy Voting Report 2018

Active is: Continued commitment to active stewardship

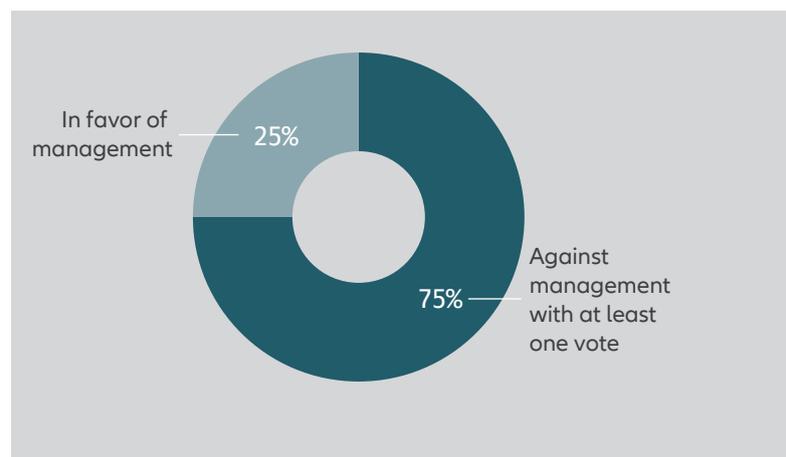
AllianzGI voting records reveals gulf in governance standards.

In 2018, Allianz Global Investors voted against at least one agenda item at 75% of all meetings globally (up from 68% in 2017), opposing 24% of all resolutions. These figures reflect AllianzGI's active approach to stewardship and a willingness to vote against proposals that do not meet its expectations of investee companies. AllianzGI voted on 88,962 proposals (up from 83,488) at 8,535 shareholder meetings (up from 7,961 compared to the previous year).

Compensation related proposals stood out as a key area where company management did not align with AllianzGI's governance expectations. AllianzGI voted against 52% of all management proposals, mostly because executive remuneration was not sufficiently linked to company strategy and performance, and lacked robust key performance indicators (KPI) for the incentive schemes.

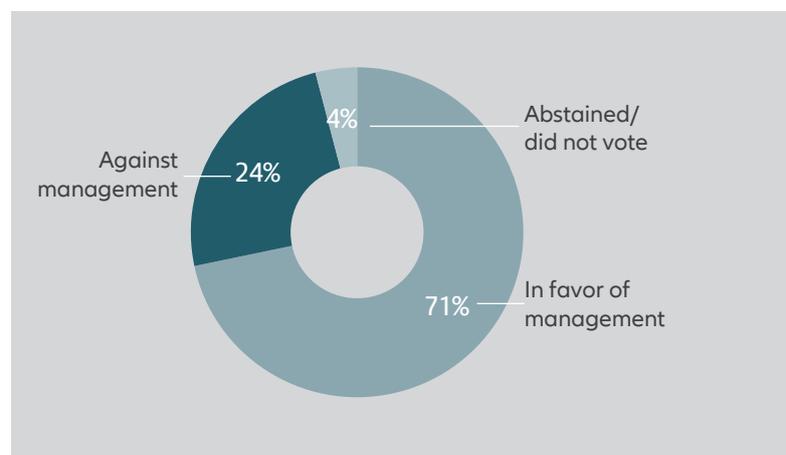
Board and director related proposals was another major area where companies did not meet AllianzGI's standards, leading to votes against 27% of management resolutions. Here, AllianzGI votes reflected concerns over the quality, independence and diversity of boards, including a mix of backgrounds, experience and skills.

Voting in 8,535 shareholder meetings



Source: Allianz Global Investors, as at 31 December 2018.

Voting on 88,962 single proposals



Source: Allianz Global Investors, as at 31 December 2018.
Figures do not add up to 100% due to rounding differences.

The main reasons for voting against management proposals:

Remuneration: A poor link between executive pay and company performance, insufficient transparency of performance KPIs and actual performance targets, the short-term nature of incentive awards, and concerns over potentially excessive quantum of pay have been the main drivers in our opposition to compensation related proposals. Information on KPIs and targets is critical to enable investors to assess the appropriateness and robustness of performance measures. We would also like to see a lot more emphasis on long-term performance across a reasonable range of key value drivers for the business in the total executive compensation package.

Board independence and overboarding: AllianzGI would like to see majority independent boards, and at least 1/3rd independence in cases where a higher standard is hard to achieve due to market practices and ownership structures. However, independence alone is not enough to achieve high standards of governance – it should be accompanied by diversity of backgrounds, experience and skills that are both relevant and helpful to the business. It is really important that Nominations Committees adopt a robust approach to board composition and refreshment to ensure our investee companies are led by high quality boards reflecting current and future needs of the business. We would like to caution against directors holding a large number of board mandates, which we believe can compromise their ability to discharge their board and committee responsibilities to a high standard both under normal circumstances and when special situations or unexpected developments require substantial additional time commitment from directors.

Auditor related votes: AllianzGI expects all our investee companies globally to re-tender audit contracts on a regular basis and to change auditors after a maximum of 20 years of service. We also expect non-audit services to represent only a small proportion of auditor remuneration. We cast the highest proportion of votes against auditor reappointments, 30% - in the US, where long auditor tenure at many companies is a significant concern. This was closely followed by Spain at 27% and Switzerland at 25%.

Capital related authorizations: AllianzGI cast a significant number of votes against capital authorizations, peaking at 62% against capital related proposals in the US, with 51% of votes against in Italy, 46% in Germany, 43% in Switzerland and 40% in France among other markets with high percentage of votes against. This is due to concerns over excessive dilution for shareholders through issuance of shares without pre-emptive rights, which we would like to see addressed by companies through more frequent smaller scale authorisations with robust justifications from the management. Based on our policy, AllianzGI will only support an increase in capital with pre-emption rights of greater than 33%, and an increase in capital without pre-emption rights of greater than 10% if undertaken in exceptional circumstances and justified by the company. We note that companies in many markets have been successfully operating within these or stricter limits for a long time without adverse impacts on their businesses. AllianzGI believes that these limits are appropriate to meet the needs of most companies we invest in across all of our markets. We encourage companies to consider seeking:

- Smaller authorisations for issuances with and without subscription rights;
- More frequent, ideally annual, requests for renewal of capital issuance authorities;
- Departure from above limits only in cases where there is a specific and pressing need for the company to seek a larger authorisations – a case-by-case analysis will be undertaken in such circumstances.
- Pro-active dialogue with investors to explain need for larger issuance authorities

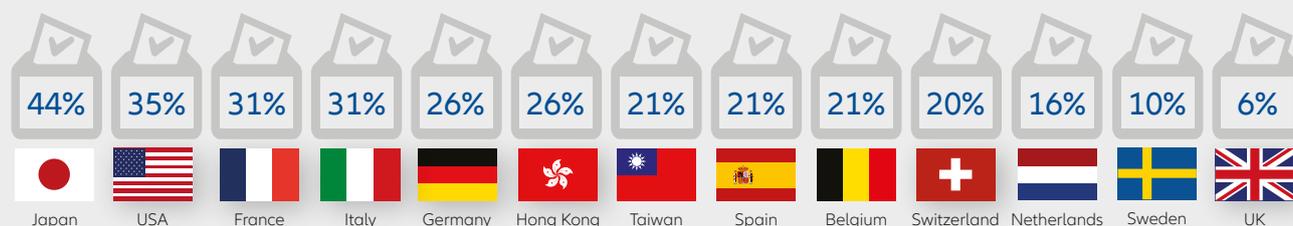
Environmental and social matters: AllianzGI pays close attention to shareholder proposals related to environmental and social matters. Our voting decisions are determined by the nature and implications of these proposals for our investee companies. We are pleased to have been able to support over 50% of shareholder proposals related to environmental and social matters, and see these as an important part of our stewardship programme aimed at reducing environmental and social risks in our portfolios by improving corporate practices.

As an active manager, AllianzGI engages with companies on strategy, capital management, corporate governance, compensation, environment and climate change, human rights and other topics that are deemed material for AllianzGI's investments. AllianzGI discloses its voting activities on resolutions at thousands of companies in real time, alongside an explanation of why against or abstention votes were cast.

Regional variations

AllianzGI's proxy voting data for 2018 highlights significant regional variations in corporate governance standards, a trend which was also prevalent in 2017's data.

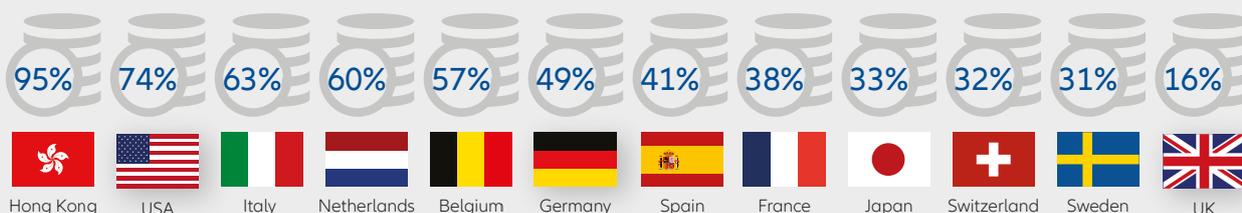
Total percentage votes against all management proposals by country



Source: Allianz Global Investors, as at 31 December 2018.

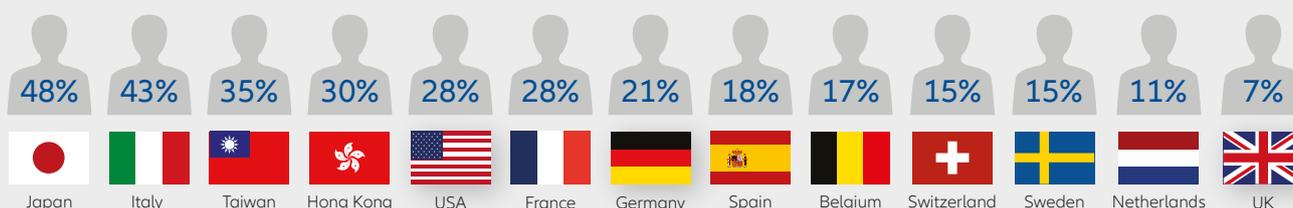
In 2018, AllianzGI voted against management on 95% of compensation related proposals in Hong Kong and against 75% in the USA, compared to only 16% in the UK. There was also a vast difference in votes in relation to director related proposals with AllianzGI voting against 48% of director related proposals in Japan compared to just 7% in the UK.

Total percentage of AllianzGI votes against compensation related proposals by country in 2018



Source: Allianz Global Investors, as at 31 December 2018.

Total percentage of AllianzGI votes against director related proposals by country in 2018



Source: Allianz Global Investors, as at 31 December 2018.

The disparity in these figures reflect the different stages of developments in governance standards, particularly in Japan, Hong Kong and the US, compared to the UK, where companies remain ahead of their peers.

Find out more at www.allianzgi.com

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