

Allianz Global Investors Biodiversity Policy Statement

ALLIANZ GLOBAL INVESTORS

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I. Purpose and objective

The Biodiversity Policy Statement outlines the views of Allianz Global Investors (AllianzGI) as a financial institution on biodiversity and how biodiversity is integrated into the investment process on behalf of the funds and discretionary mandates for which AllianzGI acts as appointed investment manager. Biodiversity refers to the variety of life on earth. All business activities depend on biodiversity, but some sectors have a higher dependency and impact on biodiversity. AllianzGI has a framework in place to identify and assess those impacts.

II. Introduction

According to the World Economic Forum, more than half of the world's USD 44 trillion GDP¹ depends on nature and on its ecosystem services and is therefore exposed to nature loss. From medicines to raw materials, food to tourism – businesses across all sectors depend directly or indirectly on nature and ecosystem services. The increasing pressure on nature directly threatens the continuity of businesses and their value chains, especially for agriculture, forestry, tourism and fishing². Rethinking their role of these sectors, and increasing their resilience, has become essential. Therefore, biodiversity finance is critical for delivering the transformative changes needed to halt and reverse the loss of biodiversity and ecosystem services³. Investors have an opportunity to lead the transition towards a nature-positive system. Additionally, as biodiversity degradation can severely impact GDP, we believe that it is key to consider biodiversity-related aspects in the investment process.

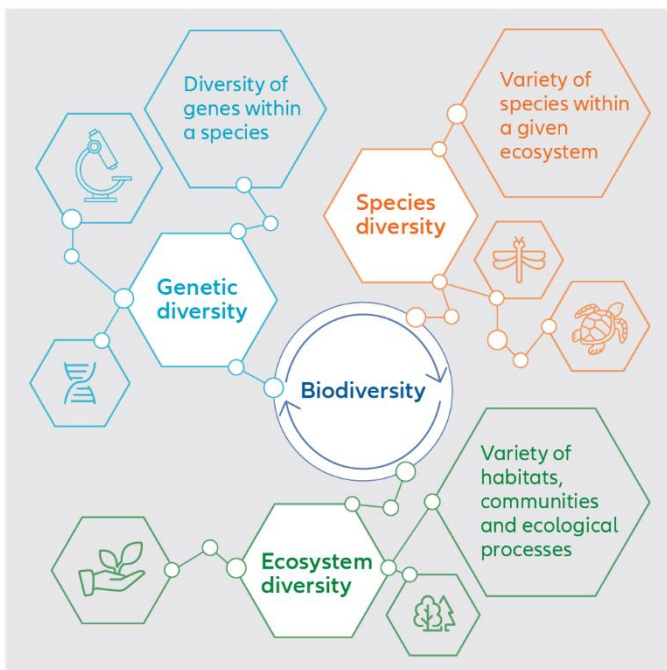
¹ https://www3.weforum.org/docs/WEF_New_Nature_Economy_Report_2020.pdf

² <https://www.allianzgi.com/en/home/insights/outlook-and-commentary/beyond-climate-biodiversity>

³ <https://www.oecd.org/env/resources/biodiversityfinance.htm>

What is biodiversity?

Our understanding of biodiversity comprises the extensive variety of plant and animal life in the world, which is considered vital for life as we know it. More specifically, it refers to the variety of life on earth at three interdependent levels: diversity within species (genetic diversity), between species (species diversity) and between ecosystems (ecosystem diversity).



Why is biodiversity in a crisis?

At this point in time, we are in an era of unprecedented biodiversity decline. More than one million species are under threat, plastic pollution threatens about 66% of the marine environment and plant species have declined by about 50%. Human activity is mostly to blame, with the main causes being changes in land and sea use, direct exploitation of organisms through activities such as fishing, widespread pollution, the introduction of invasive alien species and climate change, according to the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES)⁴. We are exploiting earth's resources faster than it can replenish them. The good news, though, is that there is still time to reverse the trend for future generations. In 2022, after four years of negotiation, 196 countries adopted the Post-2020 Global Biodiversity Framework. It sets out a plan of action to halt and reverse nature loss by 2030 and aims to ensure that, by 2050, the shared vision of 'living in harmony with nature' is fulfilled.

⁴ [ipbes_global_assessment_report_summary_for_policymakers.pdf](#)

Biodiversity loss in numbers⁵



Climate change

The global average sea level has risen by between **16 and 21 cm since 1900**, and at a rate of more than 3 mm per year over the past two decades.

Source: IPBES.



Pollution

Marine plastic pollution has increased tenfold **since 1980**. Over **1 million** marine animals (including mammals, fish, sharks, turtles, and birds) are killed each year due to plastic debris in the ocean.

Source: UNESCO Facts & Figures on Marine Pollution.



Changes in land and sea use

To date, **75%** of the terrestrial environment and **66%** of the marine environment has been "severely altered" by human activities.

Source: IPBES 2019.



Natural resource use and exploitation

The extraction and processing of materials, fuels and food contribute **half** of total global greenhouse gas emissions and over **90%** of biodiversity loss and water stress.

Source: UN Environment, Global Resources Outlook 2019.



Invasive alien species

Invasive alien species – those introduced outside of their natural geographic range – have, since the **17th century**, contributed to nearly **40%** of all animal extinctions for which the cause is known.

Source: CBD.

Nearly a fifth of the Earth's surface is at risk of plant and animal invasions, impacting native species, ecosystem functions and nature's contributions to people, as well as economies and human health.

Source: IPBES 2019.

Biodiversity and Climate Change are connected

The challenges of climate change and biodiversity are intertwined. "We can't be net zero unless we are nature positive", explains David Craig, co-chair of the Taskforce on Nature-related Financial Disclosures (TNFD), which was launched in June 2021. Healthy ecosystems help to mitigate climate change and limit global warming by delivering carbon storage benefits, soaking up greenhouse gas emissions and considerably reducing natural disasters. For example, oceans that cover about 70% of the Earth's surface make our atmosphere breathable and mitigate global warming by capturing approximately 30% of CO₂, absorbing over 90% of excess heat and absorbing up to 50 times more CO₂ than our atmosphere⁶.

Please visit the AllianzGI website for further details on our Climate Policy:

[AllianzGI Climate Policy](#)

⁵ [Global Assessment Report on Biodiversity and Ecosystem Services | IPBES secretariat; On World Oceans Day, UNESCO reinforces the importance of preserving the largest ecosystem on the planet | UNESCO; Facts and Figures | United Nations; What are Invasive Alien Species? \(cbd.int\)](#)

⁶ IPCC

III. Applicable area

This Policy Statement is applicable to listed equities, listed corporate fixed income and private markets assets managed by AllianzGI. This Policy Statement is not applicable to funds or discretionary mandates where AllianzGI has delegated the portfolio management to a third-party asset manager.

IV. Our approach

Investors have an opportunity to lead the transition towards a nature-positive system. As risks associated with biodiversity degradation can severely impact GDP, we believe that it is key to consider biodiversity-related aspects in the investment process. From the integration of biodiversity data, engagement and exclusions, there is a broad range of measures which an asset manager can use to promote biodiversity from different angles. In the next sections, we highlight our approach to biodiversity as asset manager.

Governance

AllianzGI has a Sustainability Governance Committee (SGC) with representatives from relevant internal functions. It is the central sustainability governance and decision-making body at AllianzGI and reports to the Executive Committee and the Legal, Compliance and Risk Committee. It has responsibility for all overarching sustainability-related topics, including biodiversity.

Aligning climate and biodiversity ambitions through investment

1. Sustainability Research

To identify, monitor and analyze the most relevant sustainability issues, our Sustainability Research team builds and formulates views through three interconnecting perspectives – thematic, sector and company research. This ensures a robust and holistic approach to ensure pertinent and coherent rationales. For example, thematic research informs the materiality of sustainability factors for different sectors, which are then reflected in company analysis and engagement, while inversely company analysis and engagement loop back to shape our thematic and sector approach.

1.1 Thematic research

At AllianzGI, we have identified three central 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.

Focusing on climate change alone will not maintain a stable planet that continues to support life and human development; we have to define the environmental limits within which humanity can safely operate. A scientific approach has identified nine planetary boundaries, which regulate the stability and resilience of the planet we live on: climate change, biodiversity loss, ocean acidification, ozone depletion, atmospheric aerosol pollution, freshwater use, biogeochemical flows of nitrogen and phosphorus, land-system change, and release of novel chemicals. The identification of these core planetary boundaries is central to our investment approach, along with the effects of crossing any tipping points. We aim to identify how capital can be deployed to support the efficient use of land and water resources – from forestry to food to fishing.

Biodiversity is at the core of all planetary boundaries and has become an increasingly prevalent theme in our research, reflecting clients' heightened interests and rising demand for transparency around companies' biodiversity impact and dependencies.

Please visit the AllianzGI website for thematic papers on planetary boundaries, biodiversity and other sustainability topics:

[AllianzGI Sustainability Thought Leadership](#)

1.2 Sector research

While all business activities depend on biodiversity, some sectors have higher dependency and impact on biodiversity. This is something that we consider in our sector and company research. Internally we have introduced frameworks for 24 broad sector segments as a tool to empower the investment platform to focus and engage on what is most material based on a better understanding of the topical issues. In these frameworks, we assess for each sector, the potential impacts on natural resources, practices with regards to pollution and waste management, as well as the business opportunities associated with biodiversity protection and restoration. Our Sustainability Research team has identified biodiversity as a material topic in the following sectors:

- Food and Agriculture Paper and Forest Products
- Metals and Mining
- Chemicals
- Utilities

1.3 Company research

Company analysis consists of close monitoring and analysis of a focus universe – defined to cover the emblematic sustainability issues. Biodiversity is a crucial element that we consider when assessing the environmental impacts but also the social implications of business activities. We also pay special attention to the negative impacts on local communities caused by nature degradation and the way in which it might hurt human rights. Our approach aims to assess companies' policies and targets to support biodiversity protection and limit the pressures on nature. In case of controversies, we analyze the company responsibility, the remediative measures to restore degraded ecosystems and the actions developed to prevent this from happening again.

2. Active Stewardship

2.1 Engagement

AllianzGIs' engagement activities also encompass the three overarching themes: climate change, planetary boundaries, and inclusive capitalism. Biodiversity is one of the main engagement themes under planetary boundaries. Our engagement seeks to understand whether and how companies are taking action to operate within planetary boundaries and protect and enhance biodiversity. Engagement is strongly driven by our sustainable strategies seeking to foster positive progress within relevant themes, such as deforestation or pollution.

When engaging on biodiversity, we are targeting companies in high biodiversity impact and dependency sectors, such as but not limited to food and agriculture, paper and forest products, metals and mining. We expect investee companies to recognize and address material nature-related risks and opportunities associated with their businesses. Depending on the level of biodiversity incorporation we would expect and recommend the investee companies which we engage to demonstrate:

- Sound governance - adequate governance of biodiversity risks, oversight by board and top management, implementation of strong biodiversity policies
- Thorough assessment & metrics - regular biodiversity assessments including relevant and robust data
- Strong commitments - ambitious and clear goals and targets for biodiversity
- Comprehensive strategy & actions - sound action plans to manage biodiversity risks and reduce biodiversity impact

- Transparent disclosure - reporting regularly on biodiversity and, endorsing the Taskforce on Nature-related Financial Disclosures (TNFD).

We will address these with companies with which we specifically engage.

AllianzGI has also identified key biodiversity related topics where we expect the demonstration of sufficient measures and progress from investee companies. The priority topics vary among sectors, but include deforestation, regenerative agriculture, water, pollution and plastics.

While we lead the majority of our engagements ourselves, in some cases collective engagement is the most effective way to achieve engagement objectives. Therefore, we include collaborative engagement initiatives on biodiversity to leverage our impact together with other investors. In 2022 we discussed biodiversity as a topic in 35 engagements with investee companies.

Please visit the AllianzGI Sustainability and Stewardship report for further details on our engagement activities on biodiversity:

[AllianzGI Sustainability and Stewardship Report 2022](#)

2.2 Proxy Voting

Albeit more prevalent in some, but not all markets, supporting shareholder proposals are another way for us to indicate to companies which issues are important to us and what our expectations are. AllianzGI generally votes according to the following principles:

- AllianzGI generally supports resolutions that ask companies to outline environmental policies and the community impact of their operations. When determining our vote direction, we take into account the company's current state of policies and disclosure, the potential impact of noncompliance as well as the nature and scope of the company's operations.
- AllianzGI supports proposals asking companies to report on environmental damage of their operations in protected regions. We also support resolutions asking companies to adopt recycling strategies.
- AllianzGI votes for proposals requesting companies to report on or adopt a policy on water-related risks.

AllianzGI expects companies to manage biodiversity risks as part of their regular risk assessment: We use our voting rights as shareholders to address biodiversity-related issues. When we consider that adverse outcomes were the result of deficient biodiversity risk management, AllianzGI may decide not to support relevant management proposals.

We note that key issues raised by shareholder resolutions may vary from year to year and we thus review our approach continuously to adapt our voting policy.

3. Integration of Biodiversity aspects into the investment process

3.1 Sustainability Risk Management

Integrating data related to biodiversity into the investment process allows investors to reflect material aspects in investment decisions. As part of approach to sustainability risk assessment we are integrating external sustainability research data and/or internal research and analysis and Principal Adverse Impact (PAI) indicators related to biodiversity in all investment decisions.

3.1.1 Sustainability risk assessment

For publicly listed asset classes, sustainability risks are assessed using external sustainability research data and/or internal research and analysis. AllianzGI has implemented pre-trade warnings for investment in securities which are not meeting the significance thresholds. The portfolio manager can use this as a trigger to perform in-depth research regarding those securities.

For private market asset classes sustainability risks are screened along 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](#)

3.1.2 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 those 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 the significance thresholds. The portfolio manager can use this as a trigger to perform in-depth research regarding those securities. 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 biodiversity:

- Activities negatively affecting biodiversity-sensitive areas
- Emissions to water
- Hazardous waste ratio
- 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](#)

3.2 Exclusions

Our firm-wide exclusion policy as well as our sustainable minimum exclusion policy⁷ are examples of our commitment to incorporate and consider biodiversity in our investment process. By excluding the following areas, we address sectors where the risk to biodiversity is the highest:

Coal

The greenhouse gas emissions associated with the burning of coal is the primary driver of climate change and therefore highly linked to biodiversity. Climate change has a negative effect on species habitats and compositions, and consequently changes in ecosystem functioning. Additionally, mining of coal is an extensive cause of land-use change which leads to habitat fragmentation and reduction of species abundance. For this reason, in our firm-wide exclusion policy, we 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).

⁷ The sustainable minimum exclusion policy applies to of all our SFDR article 8 and 9 mutual funds.

Tobacco

The great usage of agrochemicals and with plantation being a major driver of deforestation and land degradation, tobacco production has a highly negative effect on biodiversity. Taking this into account and considering the critical effects on human health, we exclude according to our sustainable minimum exclusion policy in all SFDR Article 8 and 9 mutual funds companies being involved in the production of tobacco and companies which derive more than 5% of their revenues from tobacco distribution.

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 biodiversity:

- 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.

3.3 Data

Our investors and analysts have access to specialized tools, allowing them to analyze the impact of companies on key biodiversity indicators by measuring biodiversity integrity impacts. We can differentiate biodiversity data into two groups:

Biodiversity-related scores

We leverage different scores from external data providers:

- We evaluate companies' potential operational impact on biodiversity in their areas of operation as well as their efforts to manage the environmental impact of their operations.
- We also use specific scores focusing on how companies manage their impact on biodiversity: land, ecosystems, wildlife, land conversion, land rehabilitation and forest.
- Lastly, we use scores for measurement of companies' commitments on mitigating impacts related to biodiversity protection.

Biodiversity KPIs

To monitor and measure PAI 7 related to activities negatively affecting biodiversity-sensitive areas we are leveraging data that allows us to screen out companies that impact fragile ecosystems including areas that are known to host endangered species.

On top of scores and controversies we partner with specialist providers to leverage an innovative Mean Species Abundance methodology through KPIs. Concretely, we can assess the fraction of ecosystem integrity evolution, loss but also recovery, over a given surface. This allows us to screen our portfolios and deep dive into companies' static (state of biodiversity at the beginning of the assessment based on negative cumulated impacts) and dynamic impacts (evolution of the impact and changes on biodiversity state during the evaluation period represented through periodic gains or losses) derived from more specific pressures metrics on terrestrial and aquatic (freshwater) ecosystems (Globio pressure-impact model⁸)

⁸ <https://www.globio.info/what-is-globio#:~:text=The%20GLOBIO%20model&text=GLOBIO%20combines%20the%20pressure%20E2%80%93impact,values%20corresponding%20with%20each%20pressure.>

These tools support the integration of biodiversity aspects into the investment process in particular in our dedicated sustainability strategies.

4. Dedicated Sustainability Strategies

4.1 SRI Best-in-class strategies

Allianz Global Investors' dedicated SRI strategies use a combination of quantitative ESG analysis based on the "best-in-class" approach, together with a "worst practice" non-investable rule as an essential part of their investment process.

Biodiversity 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 Behavior. 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 1.2).

Our biodiversity metrics support the assessment of biodiversity protection efforts, land use, deforestation, biodiversity risk management programs, initiatives and commitments made by companies and currently fall into the Environment & Business Behavior domains of our SRI methodology.

4.2 SDG-aligned strategies

We offer also thematic investment strategies for clients who want to invest in companies which are key enablers of UN Sustainable Development Goals (SDGs). Our SDG-aligned investment strategies invest in companies that provide goods or services that allow others to lower or minimize their footprint and therefore have a multiplier effect. As part of our SDG franchise, we are offering investment strategies which are directly related to biodiversity:

- 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 Global Water - invests in companies that offer solutions to improve water supply, water efficiency and water quality
- Allianz Food Security - invests in companies that offer solutions for more sustainable food production and for affordable, equal access to safe and nutritious food worldwide

4.3 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. As part of the impact measurement and reporting we are utilizing various environmental and social KPIs. Examples of KPIs related to biodiversity are:

- Amount of non-hazardous and hazardous waste avoided
- Area of ecosystems restored, enhanced or preserved
- Volume of water savings

The KPIs enable us to assess impact significance and enable ongoing measurement management. The KPIs will be additionally used to report the impact of the funds in their annual report.

The Allianz Impact Investment Fund is a private market impact fund for investors who want to invest into projects which contribute to the UN SDGs. As part of its investments, the fund has invested into projects relating to wetland restoration, circular economy and sustainable agriculture.

For private market strategies we also strive to utilize, where relevant, external frameworks to understand associated biodiversity and broader environmental and social risks (e. g. IFC Performance Standards).

5. Industry collaboration

As investors' concerns about biodiversity loss are growing, there is a need for clear and consistent information about the risks and opportunities presented by biodiversity. The establishment of the TNFD was an important milestone to develop an international reporting structure to provide a complete picture of companies' nature-related risks. AllianzGI is convinced that TNFD will become an important framework on planetary boundaries and biodiversity. As member of TNFD, AllianzGI is supporting systemic progress on planetary boundaries and biodiversity matters, shaping new developments around natural-related financial disclosure as well as impact measurement through collaboration with other members of TNFD.

V. Policy Statement updates and maintenance

This Policy Statement will be available on the AllianzGI website:

[Allianz Global Investors Biodiversity Policy Statement](#)

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

Appendix

Overview of fund categories in scope for Biodiversity 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 ⁹	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 ¹⁰
	ESG Scoring			SRI Best-in-class funds	
	Impact Framework				Private markets Impact-focused funds

⁹ 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](#)

¹⁰ Private markets funds apply the [Allianz ESG Integration Framework](#)