

Engagement

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01 Background

Active stewardship is a key element of our commitment at Allianz Global Investors (AllianzGI) to shape pathways towards a sustainable future. As an active investment manager, we believe that constructive engagement dialogue with investee companies is essential. Moreover, exercising of voting rights is a fiduciary responsibility to our clients and a core part of our role in driving positive change for some of the most important issues affecting the long-term development of investee companies.

This policy statement sets out our engagement policy and stewardship approach, including the steps we take to meet regulatory obligations and the principles of certain Stewardship Codes and codes of best practices that apply in the jurisdictions in which we operate.¹ It applies to our public market activities comprising equity and fixed income strategies.

Allianz Global Investors refers to the global investment management business, which operates under the marketing name Allianz Global Investors through affiliated entities. AllianzGI is an active investment manager serving institutional and retail clients around the world. The business is diversified across equity, fixed income, multi-asset and alternative strategies and diversified by region.

AllianzGI has a sound investment culture based on bottom-up, fundamental research. We seek to protect and enhance our clients' assets over the long term across a range of different investment strategies, and pay close attention to growth prospects, return on capital, good governance, market positioning and quality of franchises. Furthermore, we believe that financially material environmental and social considerations are crucial to the success of a company looking for long-term outperformance and successfully manage climate transition as applicable.

1. Allianz Global Investors became a signatory to the UK Stewardship Code in 2022 and renewed its application thereafter, while in Germany, we commit to fulfilling the DVFA Stewardship Guidelines.

02 Discharging our stewardship responsibilities

We regularly engage in dialogue with investee companies and seek to proactively present a viewpoint, seek change where necessary, and monitor the results of our engagement. Our investment views are influenced by the outcomes of these engagements and are linked to the proxy voting process, forming a consistent stewardship approach.

AllianzGI sees the value of engagement to be in sharing our knowledge, views and perspectives with boards and management of investee companies with the aim of helping to improve performance and to better assure their long-term business prospects, ultimately in the interest of our clients. We also find that exposure to a broader range of stakeholders at investee companies, particularly non-executive board members, enhances our understanding of the business, its strategy and value drivers, as well as our knowledge of the governance, culture and sustainability approach of the companies we invest in, which enriches our investment analysis. Critically, it helps to assess quality of leadership and oversight, and to build confidence and trust in the board and management.

In addition to direct company engagements, we undertake targeted thematic engagements, public policy engagements and participate in collaborative engagement initiatives aimed at improving corporate practices and disclosure of information, at an industry or market level. Active investment strategies benefit from the

exercising of voting rights. AllianzGI sees proxy voting as a core part of our investment and stewardship processes and our fiduciary duty in managing our clients' assets.

Our engagement activities inform proxy voting, while corporate governance analysis undertaken for proxy voting purposes feeds into investment research.

03 Governance and resources

3.1 Sustainability governance structure

AllianzGI has clearly established lines of responsibility for sustainability that enable effective oversight and accountability to take place:

- The **Executive Committee (ExCo)** is the central governance and decision-making body at AllianzGI. This committee is responsible for establishing the strategic orientation of AllianzGI’s business and for deploying it operationally.
- The **Sustainability Governance Committee (SGC)** 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 and data frameworks. 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 ExCo.

- The **Legal, Compliance and Risk Committee (LCRC)** supports a strong compliance culture and acts as an oversight body on behalf of AllianzGI’s ExCo with regards to significant legal and compliance and risk issues relating to all operating entities.
- The **Investment Executive Committee (IEC)** is the decision-making body for the management of the firm’s investment platform and has responsibility for all sustainability-related topics within investments, including climate change-related investment methodology development and interim target setting.
- The **Global Proxy Voting Committee** determines our global voting policy and is responsible for handling conflicts of interest. Any major issues or changes in the global voting policy are discussed by the Sustainable Investing Working Group (SIWG)² and reported to the IEC.

Exhibit 1: Sustainability governance structure



For more details, please refer to the Sustainability and Stewardship Report 2023

2. The Sustainable Investing Working Group ensures that high-quality sustainable investing standards are applied across the firm and allows for cross-asset class topics to be considered. It is also a forum for sharing best practices.

3.2 Sustainability resources at AllianzGI

We have more than 45 dedicated sustainability experts across Europe and Asia, with an average 12 years' experience. They drive our approach to sustainability and help us shape sustainable pathways for clients. Clearly established lines of responsibility for sustainability within AllianzGI enable effective oversight and accountability.

1. Sustainable and Impact Investing team

Part of our investment platform, comprising:

- **Sustainability Strategists** – participate in sustainable product strategy, design custom sustainable investing solutions for clients, and gather insight into sustainability industry and market trends.
- **Sustainability Research and Stewardship** – responsible for providing thematic, sector and issuer research, as well as driving our proxy voting and active engagement across asset classes. The Stewardship team facilitates our engagement efforts and often leads engagements on corporate governance, environmental, social and business conduct matters. Furthermore, the Stewardship team contributes to public policy engagements and collaborative engagement in multi-stakeholder initiatives.
- **Impact Investing and Private Markets Impact teams** – manage private equity and private debt impact offerings and blended finance vehicles and oversee a market-leading impact framework that aims to ensure credible impact delivery in private markets.

2. Sustainability Standards & Analytics

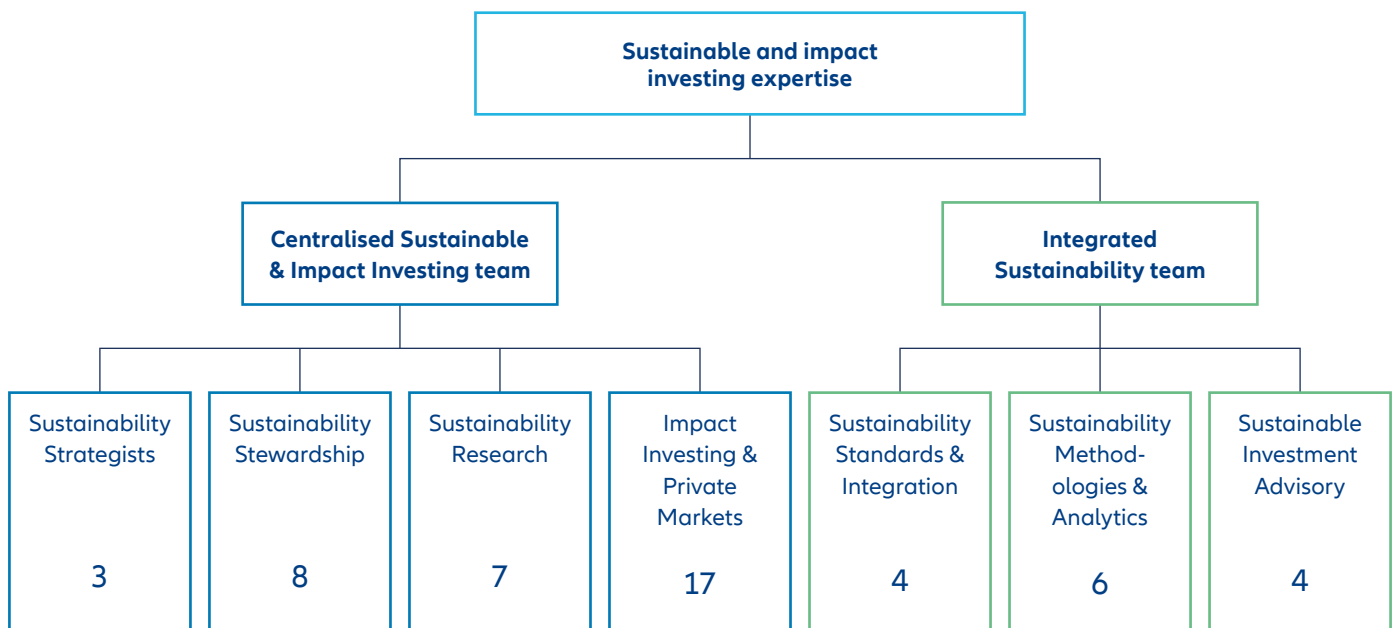
Part of the Governance and Business Analytics function, which reinforces our governance in relation to regulatory and reputational risk and strengthens the segregation of duty, comprising:

- **Sustainability Standards & Integration** – ensures consistent and appropriate processes across the firm to meet good governance and sustainable finance regulation requirements.
- **Sustainability Methodologies & Analytics** – uses environmental, social and governance (ESG) data and advanced technology to develop sustainable investing methodologies and solutions.

3. Sustainable Investment Advisory – risklab

This capability provides our clients with specialist advice and solutions aimed at helping them meet the sustainable goals that exist within their overall investment strategies.

Exhibit 2: Resource dedicated to sustainability



Figures refer to number of employees in each function. As at 31 December 2023.

04 Engagement process

We shape sustainable pathways by engaging with investee companies across our three guiding sustainability themes of climate change, planetary boundaries and inclusive capitalism.³ As an active investment manager, constructive engagement dialogue with investee companies is essential for creating sustainable pathways towards change.

4.1 How do we define engagement?

According to the Principles for Responsible Investment, “engagement refers to interactions between the investor and current or potential investees (which may be companies, governments, municipalities, etc) on ESG issues. Engagements are undertaken to guide on (or identify the need to guide on) ESG practices and/or improve ESG disclosure.”⁴ Leveraging this definition, we differentiate between normal research and monitoring meetings as an active manager, and engagements where we actively seek to make an impact or target a specific outcome. The latter are, by default, classified and reported as engagement meetings.

Our engagement activities apply to all public market activities, comprising equity and fixed income strategies globally.⁵ All direct engagements will be coordinated between AllianzGI’s internal stakeholders in a transparent and inclusive way using internal collaboration systems.

Our engagement activities include monitoring, providing feedback, challenging corporate practices and seeking change, and, in rare circumstances, public interventions. The most common engagements are around strategy, operational and financial performance, capital management, corporate governance and proxy voting issues, as well as environmental and social practices of investee companies. While our preference is to engage investee companies confidentially, we are prepared to escalate engagement activities publicly if we conclude that the confidential approach has gone as far as it can without delivering progress, and that our engagement objective would be best served by escalation.

AllianzGI sees stewardship as an ongoing process, which is not limited to the circumstances where escalation is deemed necessary. For example, we would engage in dialogue with the chairperson or a non-executive director of our investee companies even if there are no material concerns to address.

3. Please refer to our [Sustainability and Stewardship Report 2023](#) for more details on these themes.

4. [PRI Reporting Framework, Main definitions](#), November 2018.

5. Engagement for our Private Markets portfolios follows a different process and is steered by the investment teams.

4.2 Forms of engagement

Engagement can take various forms, including:

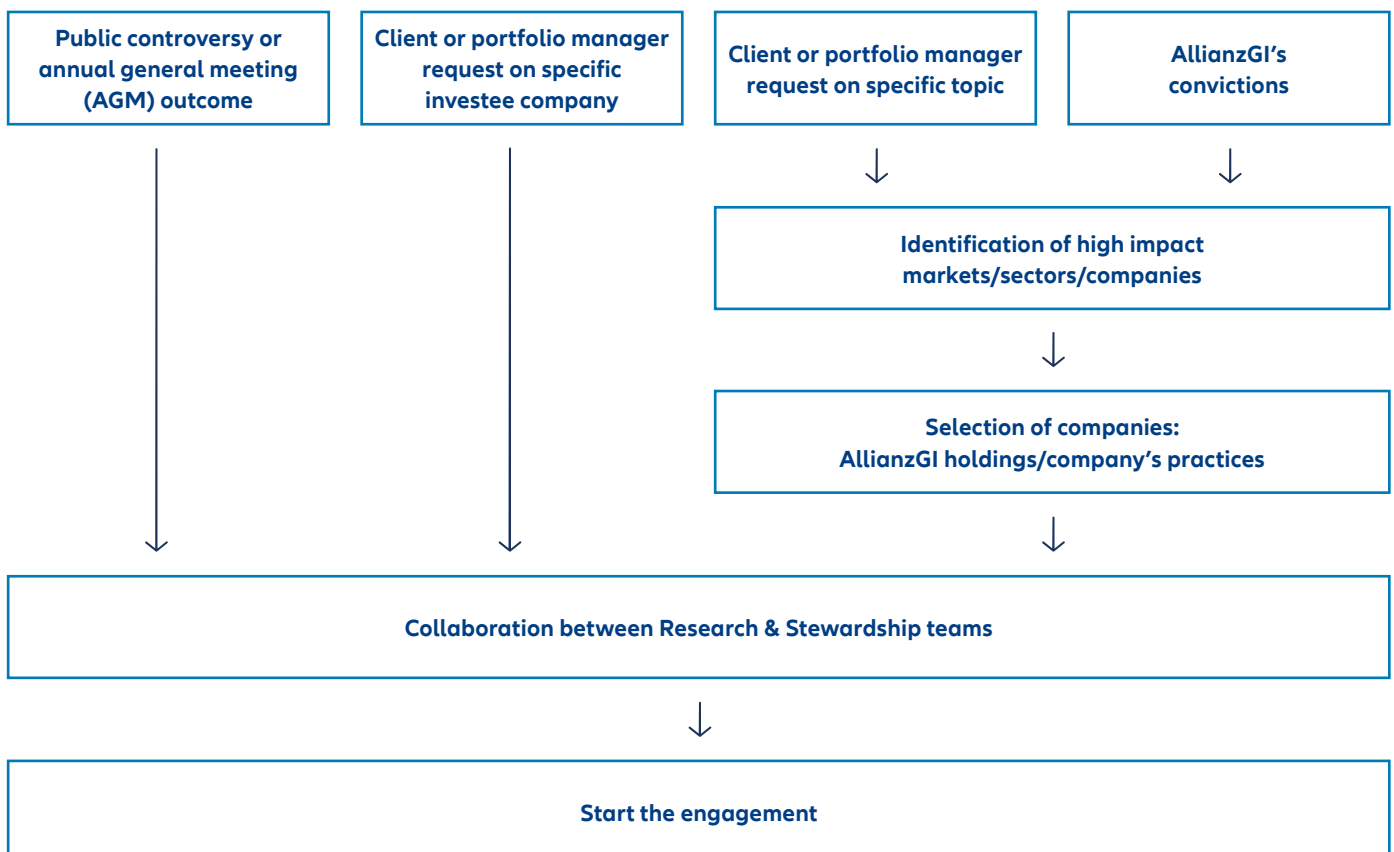
- Electronic correspondence
- Face-to-face meetings and conference calls with investor relations, executive directors and senior management, board chairpersons and non-executive board members, company secretaries, as well as heads of operations, controls and sustainability functions
- Formal letters to boards and management
- Discussions with company advisers and other external stakeholders
- Communication of voting decisions to investee companies
- Dialogue and collaboration with other shareholders in line with regulatory requirements in the respective markets
- Public interventions, through co-filing/filing shareholder resolutions, pre-announcing voting decisions and commenting in the media
- In exceptional cases, attending general meetings of investee companies.

4.3 Identifying engagement targets

Identifying and prioritising engagement targets follows a general pre-defined process. Across our three pivotal themes – climate change, planetary boundaries and inclusive capitalism (see section 5.2 for details on these themes) – we prioritise our activities around the sub-themes that are most critical to our clients, and where capital allocation is essential for the most urgent issues.

Within our thematic engagement projects as described under section 5.2, we prioritise engagement targets based on the size of our exposure per market or funds and the thematic priorities of clients or certain strategies. For our risk-based engagement approach as described under section 5.1, the focus of engagements is determined by considerations such as significant votes against company management at past general meetings and sustainability issues that we identify as below market practice. Engagements can also be triggered by controversies connected to sustainability or governance.

Exhibit 3: Initiating an engagement



4.4 Monitoring investee companies

The performance of our investment portfolios depends on that of the companies we are invested in; it is therefore essential that we continually monitor different aspects of these companies' performance. AllianzGI's global investment platform comprises over 600 investment professionals who collaborate to guide clients with investment decisions. Portfolio managers take responsibility for monitoring companies in their respective portfolios supported by Sustainability Research and Stewardship analysts who monitor companies and issues where, for example, material ESG risks have been identified and engagements initiated to address those.

Our monitoring process for investee companies covers, but is not limited to:

- Strategy implementation and significant developments that can impact delivery and valuation
- Financial performance and key valuation drivers
- Capital management issues
- Corporate governance practices and alignment with minority shareholders
- Quality and effectiveness of the leadership team (ie, board and management), and succession planning
- Quality of company reporting
- Material risks, including environmental and social issues, and controversies as well as mitigation measures
- Identification of financial, operational or reputational issues at an early stage, which may result in a significant loss in investment value
- Sustainability strategy, targets and implementation including the company's pathway towards net zero, biodiversity-related issues, advancing human rights, diversity aspects and other social concerns
- Business opportunities related to sustainability and transition.

Monitoring is accomplished by:

- Following and reviewing public announcements by investee companies and their industry peers, for example interim results or annual reports
- Reviewing corporate governance practices and shareholder alignment as part of company research and prior to voting at shareholder meetings
- Reviewing environmental, social and business conduct policies, practices and risks at investee companies
- Reviewing third-party research and meeting third-party analysts and industry experts
- Attending investor presentations and events
- Meeting with management and investor relations on a regular basis
- Engagement meetings with board chairpersons

- or non-executive directors
- Engagement meetings with Head of Sustainability or Head of Division on specific matters of concern.

AllianzGI's internal global collaboration systems enable investment professionals to share research in a structured and fully searchable manner. Our Sustainability Insights Engine (SusIE), AllianzGI's digital ESG platform, includes a module dedicated to engagement activities. Engagement outcomes are recorded in SusIE by all investment professionals including the objective, the origin, the participants, the meeting type, the topics with the associated outcomes, the engagement status and evaluation as well as a summary. The ability to link different engagements and follow-up discussions allows efficient tracking. In addition, SusIE offers an internal reporting functionality for our portfolio managers, displaying metrics related to the companies engaged.



For more details, please refer to the Sustainability and Stewardship Report 2023

4.5 Collaboration with other investors

Collaborative engagement with other investors is a tool that allows us to increase our impact. In some cases, collaborative engagement is the most effective way for AllianzGI to achieve engagement objectives for our clients. It is particularly important where we have major concerns and only small holdings in investee companies and wish to escalate our concerns. While we lead the majority of our engagements ourselves, we complement our activities with memberships in collaborative engagement initiatives in line with our pivotal sustainability themes.



For more details and a full list of collaborative engagement initiatives in which AllianzGI is active, please refer to the Sustainability and Stewardship Report 2023

AllianzGI is also a member of multiple trade associations, investor networks and other bodies that facilitate investor engagement, and we leverage these when and as appropriate. At any given time, AllianzGI may be actively involved with several investor organisations and projects that facilitate discussion, sharing of information and collective engagement at an issuer or public policy level. A complete overview of AllianzGI's initiatives and memberships can be found in the **Sustainability and Stewardship Report 2023**.

AllianzGI's collaborative and public policy engagement activities are undertaken in compliance with relevant statutory rules and guidelines from regulatory authorities, including on market abuse, insider dealing and concert party regulations.

4.6 Insider information

As an active investment manager, we may from time to time receive material non-public information from companies or their advisers (eg, through "market soundings" of potential transactions in a company's securities). Generally, AllianzGI aims to avoid receiving such information, because it makes us an "insider" and therefore restricts our ability to trade shares of the relevant company. However, from time to time and in accordance with our Compliance rules, we may selectively decide to participate in a market sounding or similar event and thus receive what may be deemed material non-public information which will lead to the implementation of a trading ban on the investment side.

05 Engagement strategy

As part of our ambition to be a sustainability shaper, our engagement strategy takes an active ownership approach and follows an activist sustainability orientation. Our engagement strategy comprises a risk-based approach focusing on corporate governance issues at our large holdings, sustainability-related risks and controversies as well as a thematic approach. With our investee companies, we address material topics of particular importance to us as a firm. We define clear engagement objectives and then assess whether companies are meeting our expectations. When necessary, we escalate concerns, for example by collaborating with other investors, and by pre-announcing votes and co-filing shareholder resolutions at AGMs.

5.1 Risk-based engagement

Our risk-based approach remains the basis of our engagement strategy and focuses on the material sustainability or governance issues that we identify. A larger share of these engagement meetings is dedicated to preparing our voting decision at general meetings.

For our larger holdings we run engagement meetings with chairpersons, heads of committees and/or heads of investor relations. The focus of engagements is determined by considerations such as significant votes against company management at past general meetings or sustainability issues that we identify as below market practice, when preparing voting decisions on “Say on climate” or shareholder resolutions. Our **Corporate Governance Guidelines** guide our engagements as well as our voting behaviour.

We also initiate engagements where our research has signaled major sustainability-related risks or controversies related to sustainability or governance. This includes Principle Adverse Impact Indicators, ie, indicators that help identifying a Company’s material negative impact on the environment or society. We challenge companies’ practices, seek to understand remedial action including timelines and planned improvements in their policies and practices.

5.2 Thematic engagement

We aim to deconstruct our three pivotal themes – climate change, planetary boundaries, and inclusive capitalism – into actionable sub-themes to guide targeted thematic research and engagement projects. This ensures we identify the most material risks and opportunities that affect the long-term value of our holdings.

The focus of thematic engagement is driven by topics where we observe particular interest from our clients or increased regulatory requirement. Thematic engagement priorities are subject to regular review and continuously evolving considering current developments in geopolitics, the global economy, sustainability, and regulation. On the following pages we illustrate our beliefs and objectives of select thematic engagement projects as well as what we expect from companies. These are sample projects at the time of publication, but not an exhaustive list of our engagement activities.

5.2.2 Planetary boundaries

Belief

We understand planetary boundaries as the relationship between human activities and the health of the ecosystems, as all business activities both impact and depend on nature, whether directly or indirectly. Under this theme, we address topics including biodiversity loss as well as the sustainable use of natural resources.

What do we expect from companies?

The sector-specific feature of nature and biodiversity means there is no formulaic approach. For example, investors will need to understand the biodiversity issues associated with different business activities to be able to assess the performance of investee companies. To this end, we identified priority biodiversity issues to discuss with investee companies during engagements, as set out in our biodiversity engagement framework. Please refer to the engagement projects for respective ambitions.

How we engage

Engaging on biodiversity	
Objective	We seek to understand how investee companies consider biodiversity-related risks and opportunities, and push for improved disclosures and explicit strategies on natural capital as well as seeking to improve companies' awareness on the topic.
When?	Since 2022
Target companies	Companies in sectors that have a high impact or dependency on biodiversity, including food and agriculture, paper and forestry, utilities, energy, chemicals, metals and mining.
Ambition	Our proprietary engagement framework illustrates our expectations of investees in five areas where we recommend that companies gradually implement frameworks and demonstrate action on biodiversity: <ul style="list-style-type: none"> • Sound governance: implementing adequate governance of biodiversity risks and impacts including oversight by boards and senior management, and a strong biodiversity policy. • Thorough assessment and metrics: conducting regular biodiversity assessments and identifying and collecting relevant and robust data. • Strong commitment: setting ambitious and clear goals and targets. • Comprehensive actions: building expertise and implementing action plans to manage material biodiversity risks and reduce biodiversity impacts. • Transparent disclosure: reporting regularly on biodiversity and endorsing TNFD
Additional information	Priority biodiversity issues and relevant key performance indicators please refer to: The rules of engagement to protect biodiversity AllianzGI

We complement our bilateral engagements with collaborative engagement initiatives through Nature Action 100, FAIRR and other organisations.

Engaging on transition metals	
Objective	Climate ambitions are fully dependent on the deployment of technologies which require key metals/commodities. There is a fundamental gap between expected demand and current supply levels, and the ability to ramp up production may be constrained by several factors. Our engagement is aimed at understanding how companies respond strategically to the energy transition, respecting responsible business practices and their social license to operate.
When?	Since 2023
Target companies	Portfolio companies in the Basic Materials space

Engaging on transition metals (continued from previous page)	
Ambition	<p>Developed strategic set of questions to assess:</p> <ul style="list-style-type: none"> • What actions companies were implementing to take advantage of expected demand increases, including through circular principles (eg, recycling) and resilience to different (technological) scenarios. • How companies expected to ramp up production/supply while mitigating their negative environmental and social impacts and understanding their maturity in managing such risks. • The key challenges to exploit resources, including permits, and the extent to which engaging stakeholders (eg, communities, local authorities) supported their efforts and improved perceptions of the industry. • How companies viewed acquisitions (buy vs. build) and the net effect on supply from a wider societal perspective.
Additional information	Raw deal? How to source critical metals sustainably Allianz Global Investors

5.2.3 Inclusive capitalism

Belief

Inclusion will become the next big wave after climate change and will require innovative thinking and solutions that meet the demands of younger generations.

What do we expect from companies?

As for the planetary boundaries theme, inclusive capitalism comprises different sub campaigns each with its own particular expectations, as explained below.

How we engage

Engaging on human rights in the supply chain	
Objective	Pressure on the private sector to implement and comply with the new passed human rights corporate due diligence laws is high. While human rights at corporates were for a long time mainly associated with the behaviour within a company towards its employees, today's global supply chains however demand responsibility for human rights along the entire value chain.
When?	Since 2023
Target companies	Companies that belong to the most exposed sectors on human rights violations in the supply chain (for example consumer discretionary, consumer staples, etc) and that have faced severe controversies on the topic.
Ambition	<p>To ensure the robustness of the due diligence process for human rights in the supply chain and reduce AllianzGI's risk exposure to controversies and its financial impact. Our proprietary framework for human rights in supply chains draws from the OECD due diligence guidance for responsible business conduct and is based on the following five pillars where we recommend that companies implement frameworks and demonstrate action:</p> <ul style="list-style-type: none"> • Human Rights Policy: a clear commitment regarding the respect of human rights at the company level and across the supply chain with a clear governance regarding oversight of human rights. • Risk assessment: an assessment of the most salient human rights risks for the company by country, business, product, activity, with the correspondent risk level. • Prevention, mitigation remediation measures: to develop the adequate measures across the company and its supply chain in order to prevent, mitigate and remediate all the human rights risks mapped in the risk assessment. • Performance tracking and monitoring (through KPI but also audits as a tool to restore confidence in case of controversies): to monitor the human rights performance of the company's supply chain through audits but also through KPI measurement. • Communication and reporting: a full disclosure on human rights due diligence, including results of audits, and remediation measures implemented.
Additional information	Human rights – supply chains Allianz Global Investors

We complement our bilateral engagements with collaborative engagement initiatives through PRI Advance, Platform Living Wage Financials (PLWF), and other organisations.

■ Engaging on gender diversity	
Objective	As a sustainability shaper, we consider our active engagement on gender diversity to be our contribution to SDG 5, Gender Equality and SDG 10, Reduced Inequalities. We advocate for at least 30% female representation on our investee companies' boards and executive leadership teams but consider the local context and the respective company's starting point.
When?	France: since 2021 when AllianzGI joined the 30% Club France Investor Group Germany: since 2023 as co-founder of the 30% Club Germany Investor Group
Target companies	France: SBF120 companies. Germany: DAX40 and MDAX companies. AllianzGI acts as a lead investor where it has major holdings under the 30% Club campaign and engages individually.
Ambition	Our engagement is guided by a set of KPIs and practices that we expect companies to demonstrate and report on to hold them accountable to their gender diversity goals. These comprise the following categories: <ul style="list-style-type: none"> • State of play and targets • Governance and oversight of gender diversity strategy incl. implementation • Quality of work and ability to retain • Inclusion and culture • Work life balance • Health & safety • Gender pay gap
Additional information	Gender diversity: fixing the pipeline Allianz Global Investors

06 Escalating engagement concerns

In our engagements, companies are not always adequately responsive to concerns raised or their actions do not give due consideration to the interests of minority shareholders. 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 could seek more intensive dialogue by requesting to speak with non-executive directors or the board chairperson. We prefer to address matters of concern directly with the board chairperson, lead or senior independent director, or other non-executive board members. This provides direct unmediated input from the board on matters of concern. If we have the impression that direct interaction has been unsuccessful, we may decide to follow up in writing to the board.

While we vote against certain agenda items consistently in line

with our voting policy, in some cases we vote against resolutions at shareholder meetings as a means of escalation. For example, we hold directors accountable if we do not consider a climate strategy ambitious enough to align with the Paris Agreement goal of keeping the global temperature increase to well below 2°C; if we observe that companies are not responsive to shareholder concerns with respect to climate; or if management deviates significantly from their climate strategy without consulting shareholders.

We prefer to engage directly with companies. 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 co-ordinated 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).

We carefully consider making public statements in respect of individual companies to emphasise matters of concern or lack of engagement progress. Any escalation measures are undertaken in compliance with relevant statutory rules and guidelines from regulatory authorities, including on market abuse, insider dealing and concert party regulations.

We apply this approach broadly across our holdings globally, albeit portfolio considerations and local practice may affect our decision. For fixed income holdings, escalation tools are by nature more limited as they do not extend to actions taken in the context of shareholder meetings. However, if we have holdings in both equity and fixed income funds, we may lead escalation measures across asset classes to be more effective.

For all public interventions, a clear internal escalation procedure is in place. Depending on the nature of concern and preferred escalation action, our public interventions will be reviewed following a dedicated reputational risk process involving senior management as appropriate. Our parent company, Allianz SE, will be notified as appropriate.

07 Proxy voting

Exercising voting rights allows us to have a say on some of the most important issues affecting the long-term development of investee companies.

Our goal is to vote at shareholder meetings of all companies we invest in where AllianzGI has the authority to exercise voting rights. We respect the right of clients in segregated accounts to retain voting rights or request that voting rights are exercised in line with their voting policy. They may also delegate proxy voting and engagement activities to a third-party service provider. We do not provide clients with the option to influence voting decisions on a case-by-case basis. AllianzGI may refrain from voting if share blocking is applied due to market regulation or custodian practices, or where specific market/custodian requirements make it impractical to vote.

AllianzGI's approach to corporate governance and proxy voting is set out in our proprietary **Global Corporate Governance Guidelines**. Our focus issues for proxy voting include the election of board directors, executive compensation, capital-related authorisations and the appointment of external auditors. Other important voting topics include climate change, workforce diversity, labour rights, political donations and lobbying activities.

We apply these guidelines across our holdings globally. We put great effort and care into developing in-house views and positions on corporate governance and proxy voting matters. Our voting decisions are informed by in-depth research, analysis and engagement with investee companies, which we often conduct over several years. Detailed proxy voting policies help shape our voting decisions.

AllianzGI encourages investee companies to engage with us far in advance of shareholder meetings. We favour robust dialogue that leads to improvements in corporate practices rather than voting against management proposals at shareholder meetings. Whenever practical, we will seek discussions with companies on contentious issues. Where we hold a significant stake or have been engaging the company, we will endeavour to advise the company in advance of any decision to vote against or abstain on management proposals.

7.1 Strengthening our voting policy

We review our global corporate governance guidelines and related policies at least annually, considering changes in market developments, vote turnout, regulatory amendments and changes in client expectations. We include feedback from our service provider on the applicability of our voting policy in the review process. All proposed amendments to the guidelines and voting policy require consultation with our investment platform, involving equity portfolio managers in all of our locations globally. Input from Investment teams enables us to combine best practice standards for corporate governance with the knowledge of how they can be best applied and promoted in local markets. Amendments to the Global Corporate Governance Guidelines are approved by the Global Proxy Voting Committee.

7.2 Ensuring a robust voting process

All proxy voting research and initial voting recommendations are generated based on our proprietary proxy voting policy. Proxy voting research is provided by Institutional Shareholder Services (ISS), a third-party proxy voting service provider. We use an electronic proxy voting platform provided by ISS to cast our votes according to our proprietary voting policy.

We take a risk-based approach to research and analysis around proxy voting. This means the Stewardship team focuses its efforts on reviewing shareholder meeting proposals for the proportion of holdings in our portfolios deemed particularly important to us and potentially higher risk. These holdings are, for example, large aggregate positions across our strategies or core holdings in individual funds. Our proxy voting policy is consistently applied to the remaining holdings.

Once reviewed, proposals are posted on an internal global research and collaboration system for review by our Investment teams. For policy overrides, internal consultations involving investment professionals also take place through this platform. We aim to have one integrated view when it comes to proxy voting decisions. In exceptional cases where we do not reach consensus, voting decisions are escalated to the Proxy Voting Committee. In a minority of cases, we apply policy overrides – for example, when we gain additional information following engagement that is pertinent to the voting decision.

7.3 Securities lending

Securities lending can enhance returns where it is deemed appropriate. We do not actively engage in securities lending on behalf of our mutual funds or assets for institutional clients, whether via an in-house securities lending desk or a third-party agency. However, where an individual institutional client requests us to facilitate securities lending through external agency lending – for example, via an independently selected custodian – we strive to support this activity within our operational process frameworks.

08 Managing conflicts of interest in relation to stewardship

Our fiduciary duty requires us to act in our clients' long-term best interests, and to never put ourselves in a position where our own interests conflict with our duty to our clients, or where our duty to one client results in an irreconcilable conflict with our duty to other clients. AllianzGI has a regulatory duty to manage conflicts of interests fairly, both between us and our clients and between different clients. Stewardship of our clients' assets requires diligence in monitoring and identifying potential conflicts of interest, whether they are internal or external in nature.

We regularly review existing and new business processes, new products and services, new business relationships and internal restructuring measures to ensure we identify conflicts of interest at the earliest reasonable opportunity.

We have identified the following major potential conflicts of interest with respect to our stewardship activities:

1. AllianzGI is owned by Allianz SE, a global insurance and financial group whose interests and views on particular matters may not always align with what we consider best for our clients.
2. Our core business is investment management - managing money and assets for our clients. Where a clients' fund holds securities in a sponsor company, ie a company that provides assets to be managed by AllianzGI, a perceived conflict of interest may arise if we exercised the proxy vote or engaged in topics on behalf of our client which may impact our own commercial interests or arrangements.
3. We may from time to time have clients that advocate a voting position with respect to a proxy vote on a company that we view to be inconsistent with the long-term best interests of other clients.

4. We may invest in a company that is also a significant distributor of our products.
5. A director, officer or employee of Allianz SE or AllianzGI may also be a director of a company that we invest in.

We have a dedicated governance structure (see [page 6](#)) and a set of policies and processes for managing conflicts of interest in proxy voting and engagement in place an overview of which is provided below.

Regulatory framework and conflicts of interest policy

Our policies and procedures governing conflicts of interest are designed to ensure that our conduct is in line with all applicable regulatory requirements. The legal entities that together form AllianzGI are registered with and supervised by the relevant regulatory authorities in jurisdictions in which we operate around the world. Our dedicated governance structure and policies and processes for managing conflicts comprise the following elements:

Global oversight

The Global Proxy Voting Committee provides oversight of the proxy voting process. The Committee reviews and discusses any proxy voting issues that may raise material conflicts of interest between AllianzGI and its clients. It approves proxy voting decisions where a conflict of interest has been identified, and based on internal analysis, where the proposed vote direction departs from AllianzGI's policy recommendation. The decision making is based on [AllianzGI's Global Corporate Governance Guidelines](#).

Conflict management

There are instances when we may not wish to undertake proxy voting in strict adherence to the guidelines. Where a potential material conflict of interest arises between the company's interest and those of a client with respect to proxy voting, the Global Proxy Voting Committee will convene to evaluate the issue, taking into account information from all relevant sources.

All deviations from the guidelines are documented and reviewed by our Compliance function to ensure AllianzGI employees comply fully with relevant policies and procedures.

Functional separation

A separation of processes and management within AllianzGI helps ensure that individuals who are clients or have business relationships with the firm are not able to exercise improper influence over our proxy voting decisions. Proxy voting rests entirely with the investment platform to ensure that such decisions are based solely on the interests of our clients.

Training

AllianzGI has implemented global and local policies, including Codes of Ethics and Business Conduct, which are designed to ensure employees always put first the interests of our clients and take care to avoid even the appearance of impropriety. Such policies require our employees to disclose all potential conflicts and, if applicable, recuse from voting decisions in cases in which there is a potential conflict or even a potential perceived conflict of interest. Specifically, portfolio managers or voting – Proxy Voting Committee – members with a personal conflict of interest regarding a particular proxy vote must recuse themselves and not participate in the voting decisions with respect to that proxy. We review and train all employees on such policies at least annually.

Risk Management

To manage potential conflicts in our engagement activities, AllianzGI has developed a clear internal escalation guidance. The guidance distinguishes between non-public and public engagement activities and assigns decision-making authority for proposed engagements with clients, major suppliers, non-governmental organizations, policymakers, media and other parties. Our approach to managing potential conflicts in engagement activities, including collective engagement initiatives and public policy engagements, is set out below:

- **Affiliated companies:** we normally refrain from formal engagement with affiliated companies. However, we are willing to provide informal feedback to the boards and management of affiliated companies, including explanation of any votes against management or our position on issues and concerns raised by other investors.
- **Directors and employees:** in instances where directors or employees of AllianzGI or our affiliated companies hold directorships or advisory roles at a company we are engaging, those persons will be excluded from engagement or voting.
- **Clients and significant suppliers:** we do not change our general approach to engagement with clients and significant suppliers.

09 Reporting on stewardship activities

At AllianzGI stewardship activities are undertaken for and in the interests of our clients. AllianzGI is committed to ensuring a high degree of transparency in our proxy voting activities and the decisions taken on behalf of our clients.

We report on our stewardship and proxy voting activities as follows:

- Our proxy voting records are disclosed on a continuous basis one day after the respective shareholder meetings of our investee companies. A full disclosure of all our votes, including vote direction and rationale for votes against management, as well as summary voting statistics is available on our corporate website [[Proxy Voting Dashboard | AllianzGI \(issgovernance.com\)](#)].
- AllianzGI provides a standard monthly reporting offering for sustainable investments to its clients. Depending on the investment strategy, clients can view their sustainable investments compared to the product benchmark as well as an overview of the engagement activities relevant to the fund.
- Fund specific proxy voting activity reports are provided to institutional clients who wish to receive them at a frequency in line with their own requirements.
- All engagement records are maintained in SuSIE. We provide clients with an overview and examples of stewardship activities for their funds on request, on an ad-hoc basis and during annual reviews.
- AllianzGI publishes an annual Sustainability and Stewardship Report providing an overview of our engagement and proxy voting activities and statistics on our corporate website [[Key policy documents](#)].
- AllianzGI places high importance on the value of thematic research. We publish selected thematic research papers and blog posts on our [corporate website](#).

10 Assurance

Independent assurance over proxy voting processes is performed at AllianzGI by the following departments and activities within their normal responsibility:

Internal audit is performed by the Internal Audit department of Allianz Asset Management AG, the holding company of AllianzGI. The primary purpose of the Internal Audit department is to examine, evaluate and report independently on the adequacy and effectiveness of the internal control framework by applying a risk- and process-based audit approach, which forms an annual audit plan. Proxy voting is included in the annual audit plan on a periodic basis. The scope of the audit typically covers all aspects and components of proxy voting described in this document, and associated policies. Additionally, Internal Audit provides an independent assessment of the adequacy and effectiveness of the control environment and recommends improvements to it, where appropriate.

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