



# AllianzGI Stewardship Statement

Active is: Focusing on active stewardship

Value. Shared.

**Allianz**   
Global Investors

# 1. Background

**Allianz Global Investors refers to the global investment management business, which operates under the marketing name Allianz Global Investors through affiliated entities worldwide.**

Allianz Global Investors is an active investment manager serving institutional and retail clients around the world. Our business is diversified across equity, fixed-income, multi-asset and alternative strategies and diversified by region.

Allianz Global Investors has a strong investment culture based on bottom-up, fundamental research. We invest for 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 material environmental and social considerations are crucial to the success of a company looking for long-term outperformance.

Consistent with our investment philosophy and approach, we routinely engage in dialogue with investee companies and seek to pro-actively 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.

This statement sets out our engagement policy and stewardship approach, including the steps we take to meet the principles of the Stewardship Codes in the United Kingdom, Japan, Hong Kong, Italy and Taiwan, EFAMA Stewardship Code<sup>1</sup>, as well as the codes of best practices that apply in other jurisdictions, including our operations in Europe, North America and Asia.

# 2. Principles

## 2.1. Discharging our Stewardship Responsibilities

Allianz Global Investors' stewardship activities include monitoring and engaging companies on a broad range of issues, including, but not limited to: strategy, performance, capital management, corporate governance and shareholder rights, risk management, operational issues, audit and accounting, management remuneration and incentives, environmental, social and business conduct issues, transparency and disclosure.

Allianz Global Investors sees the value of engagement in sharing our knowledge, views and perspectives with boards and management of investee companies to help improve performance and to better assure their long-term business prospects. We also find that exposure to a broader range of stakeholders at investee companies, importantly non-executive board members, enhances our understanding of the business, its strategy and value drivers, as well as our knowledge of the governance and culture 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 exercise of voting rights. Allianz Global Investors sees proxy voting as a core part of our investment and stewardship processes. We have robust policies for major corporate governance and proxy voting matters and put substantial effort into developing and debating our views and positions. Our proxy voting decision-making process involves close collaboration between portfolio managers, research analysts and environmental, social and governance ("ESG") analysts. There is a direct link between proxy voting and company engagement, while corporate governance analysis undertaken for proxy voting purposes feeds into investment research.

Allianz Global Investors' integrated approach to stewardship is enabled by our investment philosophy, the structure of our investment platform, and our proprietary global research and collaboration system, as follows:

1. We are an active manager running a large number of long-term fundamental strategies. This creates a substantial pool of portfolio managers who are willing to engage with investee companies to help improve performance or mitigate risk. Portfolio managers also participate in and contribute to public policy engagements, where intervention is considered in the best interests of our clients.
2. Our investment process is research driven with portfolio managers partnering with the research platform in identifying and investing in the most attractive investment opportunities globally. Allianz Global Investors has over 700 investment professionals, including over 80 research analysts, who analyse companies and industry dynamics. Research analysts are industry experts, who closely follow companies in their coverage and meet with companies on a regular basis. They are ideally positioned to engage with management and boards of investee companies on a broad range of issues, including environmental, social and governance matters.
3. Allianz Global Investors has a specialist ESG Research team, whose fundamental role is to share its expertise in the consideration of ESG factors in order to identify risks and opportunities that have not been fully priced by the markets, thus supporting enhanced stock selection for the benefit of the investment decision makers. The team helps to coordinate our engagement efforts and often leads engagements on corporate governance, environmental, social and business conduct matters. Furthermore, the ESG Research team contributes to public policy engagements and collective engagement in multi-stakeholder initiatives.
4. Allianz Global Investors' proprietary global research and collaboration system ensures that all sector research and issuer analysis, third-party and proprietary ESG research, engagement notes and other outputs are readily available to all investment staff. It allows any fund manager or analyst across the company to review and challenge published research and comments when making investment recommendations or selecting issuers for portfolios. It also facilitates real-time communication for all investment professionals, helping us to run an effective proxy voting process, provide and collect feedback on company engagements and share engagement outcomes.

## 2.2. Managing Conflicts of Interest in Relation to Stewardship

As a fiduciary to our clients, Allianz Global Investors has a duty to act in our clients' long-term best interests, and to never put itself in a position where its own interests conflict with its duty to its clients, or where its duty to one client results in an irreconcilable conflict with its duty to other clients. Allianz Global Investors is under a regulatory duty to manage conflicts of interests fairly, both between itself and its 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.

To ensure proper stewardship of our clients' best interests Allianz Global Investors have implemented global corporate governance and proxy voting guidelines (<https://www.allianzgi.com/en/our-firm/our-esg-approach>), policies and procedures, and employee training designed to prevent perceived or actual conflicts of interests from constituting or giving rise to a material risk of damage to the interests of our clients. Examples of potential conflicts include (but not limited to):

1. Allianz Global Investors is indirectly owned by Allianz SE, a global insurance and financial conglomerate whose interests and views on particular matters may not always align with those Allianz Global Investors think is best for our clients. To address the potential conflicts that could arise based on our relationship with our parent company, Allianz Global Investors have imposed strict controls and information barriers designed to insulate our decision making process from improper influence and to ensure that we are able to carry out our investment decisions and stewardship activities in a manner consistent with the interests of our clients.
2. Allianz Global Investors' core business is investment management, managing money and assets for our clients. Where a clients' fund holds securities in a sponsor company, a perceived conflict of interest may arise were we to exercise the proxy vote or engage in topics on behalf of our client which may impact our own commercial interests or arrangements. This potential conflict will be mitigated by ceding the ultimate decision making on how and whether to engage with issuers or vote proxies to our investment platform which is intentionally insulated from our other business functions to ensure that such decisions are based solely on the interests of our clients.
3. Allianz Global Investors 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. In order to eliminate this external influence, we require our investment platform to consider only the interests of clients whose shares will be affected by such a vote. To this end, Allianz Global Investors has created a clear

separation between the proxy to and the client relationship functions. We seek ensure that a client's shares are not voted in a manner intended to benefit or accommodate any other client. There may be some circumstances which may require us to vote differently for different clients with respect to the same matter.

4. When a fund managed by Allianz Global Investors invests in another underlying fund that is also managed by Allianz Global Investors or its affiliate, it may appear we have an incentive to vote in the best interest of the firm, rather than in the best interest of our client funds. If a case arises of a potential conflict between the company's interests and those of a client with respect to proxy voting that the guidelines do not cover, the potential voting issue will be escalated to the Global Proxy Voting Committee who will determine the voting decision.

Other potential conflicts of interest include:

- An investee company that is also a segregated client
- An investee company where a Director or Officer of Allianz Global Investors is also a Director of that company
- An investee company where an employee of Allianz Global Investors is a Director of that company
- A significant distributor of our products
- Any other companies which may be relevant from time to time

An overview of our policies and processes for managing conflicts of interest in proxy voting and engagement is provided below. An explanation of our governance structure and regulatory environment should further help to understand our conflicts management and escalation processes.

### Governance

Allianz Global Investors is managed and overseen by a Global Executive Committee. With respect to all investment matters, the responsibility for ensuring our approach is designed to meet our obligations to our clients rests with the Global Investment Management Committee, comprised of the firm's senior investment leadership. The Compliance and Independent Enterprise Risk Management functions provide further governance oversight by regularly evaluating our processes and reviewing decisions to ensure that we have taken appropriate actions.

Allianz Global Investors' structure and business are further described at <https://www.allianzgi.com/en/our-firm>

## 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 Allianz Global Investors are registered with and supervised by the relevant regulatory authorities in jurisdictions in which we operate around the world.

## Managing Conflicts of Interest

Allianz Global Investors manages all portfolios in accordance with specific investment management agreements, mandate guidelines and restrictions.

**Corporate governance** - We recognise that potential conflicts of interest can arise when voting on proxies at company meetings. Our proxy voting activities are underpinned by the Global Corporate Governance Guidelines and detailed global proxy voting policy. The guidelines and voting records are publicly available on Allianz Global Investors' website<sup>2</sup>.

**Global oversight** - Allianz Global Investors has established a Global Proxy Voting Committee to provide for oversight of the proxy voting process. The proxy voting guidelines summarize Allianz Global Investors' position on various issues, including issues of corporate governance and corporate actions, and give general indication as to how we will vote shares in such instances.

**Functional separation** - A separation of processes and management within Allianz Global Investors 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. We have robust policies and procedures in place designed to ensure that our investment professionals' proxy voting decisions are not subject to improper influence and that individuals who work in client service, sales and marketing or other non-investment functions are not in a position to influence the voting process.

**Conflict management** - There are instances when we may not wish to vote proxies 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, including the portfolio management team, the analyst responsible for monitoring the stock of the company at issue, the ESG analyst, management of a company presenting a proposal, shareholder groups and independent proxy research services including, proposals by the a portfolio manager, research analyst or ESG analyst who may propose to override a policy recommendation.

Other potential conflicts of interests in voting clients' proxies are addressed through the application of Allianz Global Investors' Global Corporate Governance Guidelines and Proxy Voting Policy, which is implemented through an unaffiliated third party proxy voting service provider.

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

**Training** - Allianz Global Investors 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 themselves from voting decisions in cases in which there is a potential or conflict or even a potential perceived conflict of interest. Specifically, portfolio managers, analysts or Proxy 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** - In order to manage potential conflicts in our engagement activities, the Risk Management function has developed clear and transparent 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, policy-makers, 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 Allianz Global Investors or our affiliated companies hold directorships or advisory roles at a company we are engaging, those persons will be excluded from any decision making processes related to the engagement.
- **Clients and significant suppliers:** We do not change our general approach to engagement for non-public engagements with clients and significant suppliers. All public engagement activities (e.g. collaborative investor initiatives) require review by our Direct Reputational Risk Group comprised of representatives from key investment and control functions and may be escalated to the Global Investment Management Committee for approval. This

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process seeks to ensure that we are: i) consistent in our approach across all global locations and asset classes; ii) able to manage relationships with our clients and suppliers and convey our message in the most constructive and effective way; and iii) prepared to “practice what we preach”.

- **Public policy engagements:** We see it as our fiduciary duty to raise and seek to address issues that can impact long-term sustainability and performance of our investments through public policy engagement. In our approach we seek to speak with one voice across all regions and asset classes and help our stakeholders understand the rationale for our involvement and how they can address investor concerns. For this reason, all proposed public policy engagements are reviewed by the Direct Reputational Risk Group and approved by the Global Investment Management Committee.

### 2.3. 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 the companies’ performance.

Allianz Global Investors’ global research platform helps shape our investment decisions. Over 700 investment professionals, including portfolio managers and approximately 80 full-time research analysts, analyse and monitor companies and industry dynamics using proprietary tools. Portfolio managers take responsibility for monitoring companies in their respective portfolios; fundamental analysts closely follow issuers in their coverage; and ESG analysts monitor companies and issues where material ESG risks have been identified and engagements initiated to address those. These valuable insights are enhanced by our global Grassroots<sup>SM</sup> Research<sup>3</sup> - a separate and proprietary research entity with over 350 market researchers and reporters - which conducts practical investigative fieldwork, highlighting both risks and opportunities.

Our monitoring process of investee companies covers:

- Strategy implementation and significant developments that can impact delivery and value;
- Financial performance and key value drivers, assessed by reference to the strategy and main Key Performance Indicators (“KPIs”), as well as key competitors and broader industry;
- Capital management issues;
- Material risks, including environmental and social issues, that are likely to impact performance, share price and dividend payments, and mitigation measures;
- Quality and effectiveness of the leadership team (i.e. board and management), and succession planning;
- Corporate governance practices and alignment with minority shareholders;

- Quality of company reporting, including from the accounting, audit and sustainability perspectives, as well as quality of management discussion and analysis;
- Identification of financial, operational or reputational issues at an early stage, which may result in a significant loss in investment value.

Monitoring is accomplished by:

- Following public announcements by investee companies and their industry peers;
- Reviewing interim and final results announcements, trading updates and other information provided by companies;
- Reviewing annual reports and reference documents;
- 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 risks at investee companies as part of the research process;
- Reviewing third-party research and meeting third-party analysts and industry experts;
- Commissioning Grassroots<sup>SM</sup> Research;
- Attending investor presentations and events;
- Meeting with management and investor relations on a regular basis;
- Meeting with Board chairmen and non-executive directors (where possible and appropriate) to discuss matters related to strategy, governance, management team performance and succession, risk management, data security and cyber defence, management of environmental and social impacts, business conduct and culture, etc.;
- Engaging in dialogue with investee companies on specific issues of concern identified during research and monitoring process or to encourage companies to seize emerging opportunities;
- Exercising voting rights at shareholder meetings of investee companies;
- Where practicable, attending general meetings of investee companies.

Allianz Global Investors’ sophisticated global research and collaboration system enables investment professionals to share files, external reports and feeds in a structured and fully searchable manner. By enhancing the flow and transparency of investment-related information, we make monitoring of investee companies more efficient, and maximise the benefits of our global resources to the advantage of our clients.

Furthermore, our investment professionals have daily interactions and open engagement in regional morning meetings, formal research and sector review meetings,

strategy meetings, etc. where analysts and portfolio managers discuss emerging news and its possible impact on issuers both within client portfolios and within the 'watch' list of preferred issuers.

Allianz Global Investors' Global Corporate Governance Guidelines set out our expectations of corporate governance and shareholder rights at investee companies. We support the development of corporate governance best practice standards aimed at helping companies to prevent governance failures that can result in value destruction. We expect all companies to consider the risks that such codes of best practice seek to address, and to either adopt respective recommendations or develop and disclose alternative arrangements that are equally effective, but may be more appropriate for the business. Allianz Global Investors, therefore, supports the "comply or explain" principle, and our research and investment professionals give careful consideration to all explanations of departures from respective codes of best practice.

As an active investment manager we may from time to time be in a position to receive material non-public information from companies or their advisers (e.g., through "market soundings" of potential transactions in a company's securities). Allianz Global Investors' default position is that we wish 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, we may selectively decide to participate in a market sounding or similar event and thus receive what may be deemed material non-public information. This decision can only be made by the Global Chief Investment Officer, Regional and Asset-class Chief Investment Officers, Heads of Trading or a senior investment professional to whom one of these individuals has delegated authority. We have designed and implemented policies and procedures to ensure that in such situations we comply with all relevant laws and regulations governing the possession and restricting the use of material non-public information.

### 2.4. Escalation of Stewardship Activities

At Allianz Global Investors, engaging in dialogue with investee companies is an integral part of the investment process. Our portfolio managers, research analysts and ESG analysts interact with companies on a regular basis and use these interactions as an opportunity for engagement. All investment professionals are involved in engagement activities.

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, and environmental and social impacts of investee

companies. Although we prefer to engage investee companies on a confidential basis, if a company does not constructively respond we may escalate our engagement activities in a more public way.

Engagement can take various forms, including:

- Electronic correspondence;
- Face-to-face meetings and conference calls with investor relations, executive directors and senior management, board chairmen and non-executive board members, company secretaries, as well as heads of operational, controls and sustainability functions;
- Formal letters to boards and management;
- Discussions with company advisers and other external stakeholders;
- Proxy voting and communication of voting decisions to issuers;
- Dialogue and collaboration with other shareholders; and
- Public interventions, through co-filing/filing shareholder resolutions, speaking at shareholder meetings, and commenting in the media.

Allianz Global Investors 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 chairmen and non-executive directors of our investee companies even if there are no material concerns to address.

Should our investment teams have concerns that could not be resolved through normal interactions with investee companies, we may start a more focused engagement. The particular engagement approach will depend on the circumstances and the nature of our concerns. Typically, engagement would be escalated through additional meetings with the management and a more intensive dialogue with the board chairman and non-executive directors. It is our preference to address the issues of corporate governance and succession planning, risk management and internal controls, quality of audit, executive remuneration, and long-term sustainability matters directly with a non-executive board chairman, lead/senior independent director and other non-executive board members.

Allianz Global Investors prefers direct engagement with companies; however, where these do not progress as expected or our shareholding is insufficient for an effective escalation on a standalone basis, we will consider other options, including, but not limited to:

- Voting against resolutions at shareholder meetings;
- Expressing concerns through company advisers;
- Collaborating with other institutional investors;
- Co-filing/filing resolutions at shareholder meetings;

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- Reducing or exiting our investment position as and when appropriate (any decision to exit an investment position will be taken at a portfolio level).

In addition, Allianz Global Investors sees value in collaborative engagement initiatives coordinated by investors, trade associations and other organisations, where these seek to address market or industry-wide concerns. Allianz Global investor is a member of multiple trade associations, investor networks and other bodies that facilitate investor engagement, and we leverage these when and as appropriate.

Allianz Global Investors will consider making public statements in respect of individual companies, requisitioning a general meeting, or proposing to change board membership in exceptional circumstances only and as a last resort, when all other channels of constructive dialogue have been exhausted.

All direct engagements will be coordinated between Allianz Global Investors' internal stakeholders in a transparent and inclusive way using our global research and collaboration system. 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 by Allianz Global Investors' Direct Reputational Risk Group, the Global Investment Management Committee or the Global Executive Committee. Our parent company, Allianz SE, will be notified as appropriate.

As an active investment manager, Allianz Global Investors sees engagement as a way to reduce investment risk, help improve corporate performance and better assure long-term business prospects of investee companies. Consequently, while we keep records of our engagements and positive stewardship outcomes, we do not seek to measure success of our engagements separately from our investment performance. All Allianz Global Investors' engagement notes and outcomes are available on our global research and collaboration system, thus allowing all portfolio managers and analysts to reflect these in their investment decisions.

### 2.5. Acting collectively with other investors

Allianz Global Investors participates in collective engagement when this route offers the most effective way of achieving engagement objectives and is in the best interests of our clients. This is often the case with public policy engagements and collective investor initiatives aimed at improving practices at an industry, market or international level.

Collaboration with other investors in company engagements is particularly important where share ownership is dispersed and it is difficult to have shareholder voice heard through individual engagements. Allianz Global

Investors' decision to initiate or join a collective engagement will depend on a number of factors, including:

- Issue of concern;
- Extent to which we can exert influence on our own;
- Trust and alignment in views and objectives with other investors;
- Agreement on strategy and potential escalation; and
- Probability of success.

Allianz Global Investors' collective 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.

At any given time Allianz Global Investors may be actively involved in several investor bodies and projects that facilitate discussion, sharing of information and collective engagement at an issuer or public policy level, including, but not limited to, the following:

- The UK Investor Forum
- UN PRI
- International Corporate Governance Network (ICGN)
- German Investment Funds Association (BVI)
- The UK Investment Association (IA)
- Assogestioni (Association of the Italian Investment Management Industry)
- Association Francaise de la Gestion Financiere (French Asset Management Association)
- Asian Corporate Governance Association (ACGA)
- European Fund and Asset Management Association (EFAMA)
- Eumedion (Corporate Governance Forum, Netherlands)
- Forum pour l'Investissement Responsable (French Social Investment Forum)
- Forum per la Finanza Sostenibile (Italian Responsible Investment Forum)
- UK Sustainable Investment and Finance Association
- Council of Institutional Investors (CII)
- Institutional Investors Group on Climate Change (IIGCC)

For any queries related to collective engagement, please contact Eugenia Unanyants-Jackson at [eugenia.jackson@allianzgi.com](mailto:eugenia.jackson@allianzgi.com).

### 2.6. Voting and Disclosure of Voting Activity

#### Allianz Global Investors' Approach to Proxy Voting

Proxy voting is a key part of the fiduciary responsibility we have to our clients and a core part of Allianz Global Investors' stewardship process. It is our goal to vote at



shareholder meetings of all companies we are invested in, where AllianzGI has the authority to exercise voting rights.

Allianz Global Investors is bound by the terms of investment management agreements with our clients, including those related to proxy voting. We, therefore, may refrain from voting, or only vote on specified holdings/proportion of holdings in institutional clients' portfolios if so mandated by the client. Allianz Global Investors respects the right of clients in segregated accounts to retain voting rights, request that voting rights are exercised in line with the client's voting policy, or delegate proxy voting and engagement activities to a third-party service provider. Finally, Allianz Global Investors may refrain from voting if share blocking can be applied due to market regulation or custodian practices, or where specific market/custodian requirements make it impractical to vote.

### Corporate Governance Guidelines and Proxy Voting Policy

Allianz Global Investors' approach to corporate governance and proxy voting is set out in our Global Corporate Governance Guidelines<sup>4</sup> ("Guidelines"). The Guidelines outline our expectations with regard to corporate governance practices at investee companies, including composition and effectiveness of corporate boards, shareholder rights, capital related authorities, executive compensation, quality of external audit, and sustainability-related issues.

At Allianz Global Investors, we put great effort and care into developing in-house views and positions on corporate governance and proxy voting matters. The Guidelines are underpinned by detailed proxy voting policies that help to shape our voting decisions, while our proxy voting process ensures that significant governance and voting matters, and potential conflicts of interest, are assessed on a case-by-case basis.

Allianz Global Investors' Global Corporate Governance Guidelines are approved by our Global Investment Management Committee. All proposed changes to the guidelines and the voting policy require an investment-platform consultation involving portfolio managers and analysts in all our global locations. The input from our investment teams enables us to create a nuanced approach that combines global corporate governance best practice standards with the knowledge of how these can be best applied and promoted in local markets. The Guidelines are updated on a periodic basis.

### Proxy Voting Service Providers

All proxy voting research and initial voting recommendations are generated on the basis of Allianz Global Investors' own proxy voting policy. Proxy voting research is provided by Institutional Shareholder Services

("ISS"), a third party proxy voting service provider. Allianz Global Investors uses an electronic proxy voting platform provided by ISS to cast our votes. In addition, we have access to MSCI ESG research and corporate governance indicators, as well as sell-side analysis that we use to supplement our analysis and assessment.

### Proxy Voting and Internal Consultation Process

Allianz Global Investors' general approach, which applies globally, is to use corporate governance analysis as an important input into company research, internal ratings and company engagement. Our investment platform has processes designed to link portfolio managers, fundamental research analysts and the ESG Research team, and through their collaboration we are able to highlight ESG risks and substandard practices in investee companies.

Allianz Global Investors has adopted a risk-based approach to proxy voting research and analysis, whereby the ESG Research team focuses its effort on reviewing shareholder meeting proposals for a proportion of holdings in our portfolios (e.g. large aggregate positions across our funds, core holdings in individual funds, companies with an ongoing engagement activity, etc.), and our proxy voting policy is consistently applied to the remaining holdings. Our investment teams review potentially contentious proposals for holdings in their portfolios and bring these to the attention of the ESG Research team for further analysis and vote decision. For policy overrides, internal consultations involving analysts and portfolio managers take place through our global research and collaboration system.

As stated above, all voting decisions are made on the basis of our proxy voting policy and investment perspectives shared in our internal consultation processes. We do not automatically support company management or the board, which is evidenced by our voting statistics. Allianz Global Investors aims to speak with one voice when it comes to proxy voting decisions, and will only depart from this approach in exceptional circumstances when differing votes by investment teams can be justified by strategy-specific considerations.

Allianz Global Investors encourages investee companies to engage with us long in advance of shareholder meetings. We prefer robust dialogue that leads to improvements in corporate practices to voting against management proposals at shareholder meetings. Whenever practical, Allianz Global Investors will seek discussions with companies on contentious issues. Where Allianz Global Investors holds a significant stake or has been engaging the company, we will endeavour to advise the company in advance of any decision to vote against or abstain on management proposals.

## Proxy Voting Reporting

Allianz Global Investors is committed to ensuring high degree of transparency of our proxy voting activities and the decisions taken on behalf of our clients. Our voting records are disclosed on a continuous basis one day after 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 a summary voting statistics is available at <https://www.allianzgi.com/en/our-firm/our-esg-approach>.

## Securities Lending

Allianz Global Investors believes that securities lending can play a role in enhancing portfolio returns where it is deemed appropriate, where these risks can be managed and where it is in the best interests of our clients. Allianz Global Investors offers an in-house agency securities lending program, currently solely focused on fixed income lending. It currently performs lending on behalf of its European domiciled mutual funds and on individual requests from institutional clients. In exceptional cases, external agency lending agreements with a third party provider based on client direction are also in place. To facilitate timely return of holdings (e.g. to accommodate sale, dividend, proxy voting or corporate action purposes), our lending arrangements contain guarantees referring to this, allowing for securities on loan to be recalled in a timely manner. The use of securities lending across our business is consistently reviewed and is contained within the global Securities Lending Statement.

## 2.7. Reporting on Stewardship and Voting Activities

Allianz Global Investors' stewardship activities are undertaken for and in the interests of our clients. We report on our stewardship and proxy voting activities as follows:

- Fund specific proxy voting activity reports are provided to all clients who wish to receive them at a frequency requested by respective clients. Allianz Global Investors makes full disclosure of its proxy voting records on our corporate website<sup>5</sup>.
- All engagement records are maintained in our global research and collaboration system alongside other research notes and comments from analysts and portfolio managers. 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.
- Allianz Global Investors publishes annual summary reports providing an overview of our proxy voting and engagement activities on our corporate website<sup>6</sup>. It is our intention to maintain and enhance public disclosure of our stewardship activities going forward.
- Allianz Global Investors places high importance on the value of research and sharing of intellectual capital. We publish selected research and policy papers on our corporate website<sup>7</sup>.

Independent assurance over proxy voting processes is performed at Allianz Global Investors by the following departments and activities:

- Allianz Global Investors' internal audit function is performed by the Internal Audit department of Allianz Asset Management AG, the holding company of Allianz Global Investors. 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, covered globally on average every 3 years (the most recent audit taking place in summer 2016). 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.
- Additionally, Allianz Global Investors has an independent Risk Management function, which monitors operational risks through Risk Assurances, among other types of reviews and analysis. Risk Assurances help to identify potential risks (or issues) and the effectiveness of key controls as well as process improvements. Similar to Internal Audit's scoping, proxy voting is included in Risk Management's Risk Assurance process on a periodic basis.

Requests to provide final independent assurance reports to clients will be considered by Allianz Global Investors.

- 1 European Fund and Asset Management Association (EFAMA).
- 2 Global Corporate Governance Guidelines: <https://www.allianzgi.com/en/our-firm/our-esg-approach>.
- 3 <http://www.allianzgi.com/en/Market-Insights/Pages/Grassroots-Research.aspx>
- 4 <https://www.allianzgi.com/en/our-firm/our-esg-approach>
- 567 <https://www.allianzgi.com/en/our-firm/our-esg-approach>

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20-2112] | September 2020

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