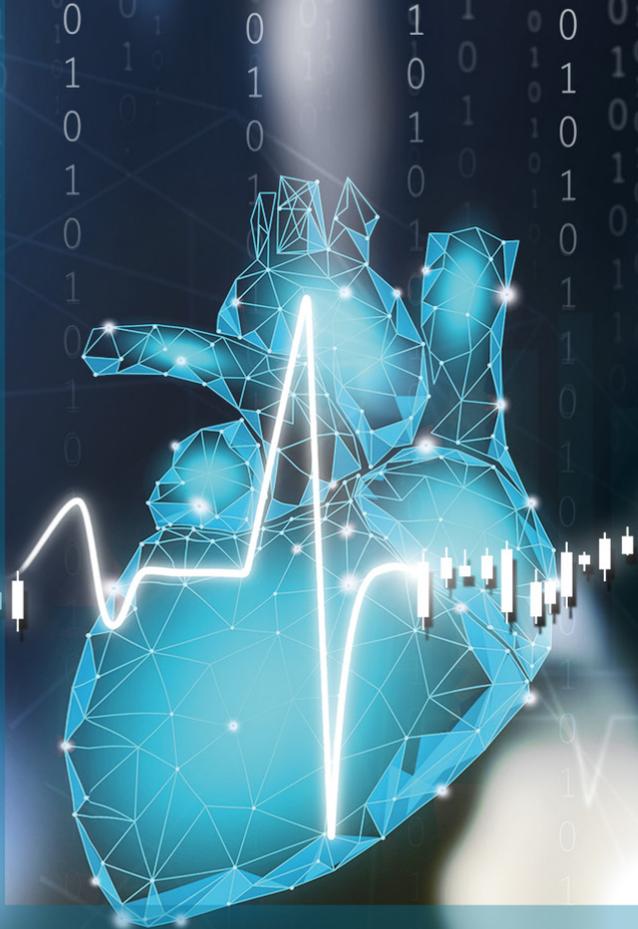


**OUR HEART  
BEATS FOR  
ACTIVE  
ASSET  
MANAGEMENT**



# Allianz Global Investors Global Corporate Governance Guidelines

Active is: Discussing the issues that matter

Value. Shared.

**Allianz**   
Global Investors

# Preamble

**Allianz Global Investors (AllianzGI) is a trusted partner for clients across all major asset classes. Our teams can be found in 24 markets worldwide, with a strong presence in the US, Europe and Asia-Pacific.**

With an integrated investment platform consisting of over 730 investment professionals, we cover all major business centres and growth markets. Our global capabilities are delivered through local teams to ensure best-in-class service.

Our parent company, Allianz SE, is one of the leading financial service providers worldwide. Allianz SE operates in over 70 countries, serving more than 92 million customers around the globe.

AllianzGI has implemented policies and procedures that it believes are reasonably designed to ensure AllianzGI satisfies its fiduciary obligation to vote proxies in the best interests of its clients. Based on that fiduciary obligation, AllianzGI has adopted the Global Corporate Governance Guidelines (“Guidelines”) described in this document. The Guidelines provide a general framework for our proxy voting analysis and are intended to address the most significant and frequent voting issues that arise at our investee companies’ shareholder meetings.

However, the Guidelines are not rigid rules and AllianzGI’s consideration of the merits of a particular proposal may cause AllianzGI to vote in a manner that deviates from the Guidelines. AllianzGI invests time and resources evaluating corporate governance and proxy voting issues on a case-by-case basis. These decisions take into account companies’ explanations of their governance structures and practices, variances across markets in regulatory and legal frameworks, best practices, and disclosure regimes. Our votes are cast in the long-term interest of the company and its investors, following analysis of the impact each issue will have on long-term investment value.

AllianzGI is committed to and actively encourages open dialogue with investee companies on corporate governance, proxy voting and broader sustainability issues in advance of shareholder meetings. Our approach to proxy voting and company engagement is set out in AllianzGI’s Stewardship Statement, which also explains how we manage conflicts of interests that may arise in relation to our stewardship activities.

# Disclaimer

AllianzGI has the sole discretion to vote proxies in the best interests of its clients, independently of influence, either directly or indirectly, by parent or other affiliated companies. The Guidelines represent the views and guidance of AllianzGI as at the date of publication and are subject to change at any time.

# Board of Directors

## Role, composition and effectiveness

Composition and effectiveness of the board of directors is fundamental to robust corporate governance practices and is of utmost importance to the long-term success of businesses, their investors and other stakeholders.

The key responsibilities of the board include: setting and testing the strategy proposed by the executive and overseeing its execution, determining risk appetite for the business, ensuring independence and effectiveness of external audit, succession planning for both the executive and the board as a whole, and creating a culture that promotes desired behaviours and encourages employees to act with integrity.

The term “board” in this document covers the unitary board, the two-tier board and the unitary board supported by an executive body whose members may or may not be members of the public company board. In companies with a two-tier board structure, the term “executive director” applies to Management Board members, and the term “non-executive director” applies to Supervisory Board members.

The composition of a board of directors will vary based on the board structure and the legal and regulatory framework applicable to the company. A company’s ownership structure is another powerful factor that can shape the composition of its board.

Notwithstanding these differences, our research and experience suggests that there are certain universal principles which help to create effective company boards that lead and contribute to long-term value creation for both the company’s investors and other key stakeholders. We, therefore expect boards of all companies to:

- Have a mix of competences, skills and experience that would enable effective supervision and advice to the management across all aspects of the company’s activities that are critical to the success of the business.
- Exhibit essential diversity attributes determined by key characteristics of the business, including its products and services, geography of operations, demographics of customer base and workforce, expectations of its key stakeholders, as well as existing and emerging areas of risk and technological developments. Boards should aim for a diversity of perspectives and experience, including professional experience, gender, psychological type, ethnicity, as well as national, cultural and social background that would add value to board and management deliberations and decision-making.
- Include an adequate number of high quality independent directors with sufficient powers to protect the interests of unaffiliated investors and other stakeholders in situations where conflicts of interests might arise.
- Ensure that board size, composition and processes are optimal for

maximum board effectiveness, finding a balance between continuity and fresh perspectives and taking timely action to address emerging issues through board refreshment.

- Ascertain that all board members have sufficient time and energy to fulfil their responsibilities towards the company, its investors and other stakeholders, both under normal circumstances and in extraordinary situations that may pose significant additional demands on directors’ time.
- Establish accountability of all board members to shareholders through regular board elections and dialogue with investors, and ensure directors have direct exposure to other key stakeholders as appropriate.

AllianzGI’s general expectations of board composition and practices are set out below. However, we understand that each company’s circumstances are unique and will be keen to learn how alternative governance structures and practices benefit their business, investors and other key stakeholders, and how potential governance risks are addressed.

## Size, independence and diversity

AllianzGI believes that for maximum effectiveness a board should include between five and 15 directors and up to 20 directors for companies with codetermination structures. We accept,

however, that an optimal board size depends on the company's circumstances and a larger or a smaller board may be appropriate. Therefore, we will be looking at the board composition and processes before making voting decisions.

In companies with unitary board structures, AllianzGI advocates a good balance between executive and non-executive directors. We generally see it as a healthy practice for companies to have more than one executive director on the board.

In companies with a dual board structure, where management and supervisory responsibilities are split, having a former executive can also benefit the board and investors by bringing in-depth knowledge of the company to the supervisory board; however, this needs to be carefully weighed against the benefits of adding external knowledge and perspectives, particularly where boards also comprise employee representatives.

Investors find it both important and helpful to understand how the board fulfils its responsibilities and exercises its supervisory functions, particularly in relation to overseeing the implementation of the business strategy by the management. The flow of information to the board, board governance and decision making processes, directors' interactions with senior management outside of formal board meetings, and deep understanding of expectations and concerns of the company's main stakeholders are of critical importance to board effectiveness and, consequently, a strong area of interest for investors.

AllianzGI places great importance on having a critical mass of unquestionably independent non-executive directors on the board to ensure that the interests of unaffiliated shareholders are protected and conflicts of interests are managed effectively at all times. In general, we expect the majority of directors at widely held companies to be unquestionably independent.

While we would like to see the majority independence standard adhered to by all boards, we understand that this may not always be achievable in the cases of controlled companies, companies with co-determination structures and smaller public companies. Our expectation in such cases is for a minimum of one-third independent directors, which provides the necessary balance between objectivity, protection of minority interests and flexibility to shape an effective board that both reflects the company's governance and/or ownership structure and helps the company to achieve its business objectives.

In markets where establishing effective majority independent boards continues to be challenging for many companies (e.g. developing markets, South Korea, Japan) we would also expect a minimum of one-third of independent directors. However, we encourage companies to develop a clear roadmap in establishing majority board independence over time and seek to identify and attract independent candidates that would add value to the board and to the business. AllianzGI defines director independence as being free of conflicts of interest or relationships with the company that may affect his/her independence of judgement. The circumstances that, in our view, can affect directors' independence include, but are not limited to the following:

- Current employment by the company;
- Previous executive position at the company (a "cooling off" period of five years or longer prior to appointment will be considered a mitigating factor);
- Close family ties with the company's directors, senior employees or advisors;
- Board tenure of more than 12 years;
- Cross-directorships or significant links with other directors (e.g. interlocking boards);
- Large shareholding ( $\geq 5\%$ ) or affiliation with a special interest group (e.g. trade unions, government, affiliated companies, etc.);

- Significant commercial involvement with the company as a professional adviser, major supplier or customer; or
- Entitlement to performance-related pay, stock options, pension, or receiving benefits in the form of large donations to charitable causes of their choice.

AllianzGI believes that healthy gender balance can positively influence group dynamics, leading to better decision-making. For this reason, we encourage all boards and management teams to strive for at least 30% representation of each gender. We also expect to see national and ethnic diversity that appropriately reflects the geographic footprint and employee/customer base of the business, as well as other diversity attributes at board level that can improve its effectiveness. We welcome disclosure of specific diversity targets set by the board and reporting on performance against these targets.

## Board leadership

AllianzGI believes that the roles of Chairman and Chief Executive Officer should be separate to ensure a clear division of responsibility at the top of the company. For this reason, AllianzGI will normally support resolutions requiring an independent chair. However, we may support the appointment of a combined Chairman/CEO where:

- The combination of the roles is temporary and covers a restructuring or a transition period of no longer than 3 years; or
- The board meets AllianzGI's independence criteria, has a Senior/Lead Independent Director appointed to counterbalance the concentration of power at the top, and there are no major concerns over governance practices at the company.

AllianzGI has a strong preference for an independent non-executive Chairman of the board. However, we may support the election of a non-independent Chairman if his/her election is well justified and deemed to be in the interests of the company and

its investors, and provided the board has an appropriate balance of independence. AllianzGI expects a Senior/Lead Independent Director to be appointed in such circumstances.

AllianzGI values the role of a Senior/Lead Independent director and recommends that all companies create this role. A Senior/Lead Independent Director is important for investors as he/she is expected to be a strong independent voice on the board, able to advise and challenge the Chairman. This is why any candidate for this role should be unquestionably independent. A Senior/Lead Independent Director should support the Chairman, ensure appropriate checks and balances on the board where the Chairman is not independent, implement an orderly succession plan for the Chairman, and act as a point of contact for investors, non-executive directors and senior executives where normal channels of communication through the Chairman are considered inappropriate.

AllianzGI does not approve of a former CEO being appointed as Chairman of the board as this can affect the balance of authority and responsibility between the board and management. Exceptionally, we may support such an appointment in some circumstances, including the following:

- The arrangement is temporary to cover a specified restructuring or transition/ succession period of no longer than 3 years;
- After a cooling-off period of  $\geq 5$  years and provided there is an appropriate balance of independence on the board;
- The Chairman to be is a founder and/or a major shareholder with a significant influence over the company; or
- There is a convincing rationale provided by the company (e.g. strong need for specific expertise and skills that are difficult to find outside the company).

In all instances, we will be looking at the quality and independence of the board to ensure appropriate checks and balances are in place and the

interests of minority shareholders are protected.

### Considerations when voting on director election

AllianzGI cannot make an informed decision in the absence of sufficient information on nominees at the time of voting. Hence, we expect all companies to disclose: the names, core competencies and qualifications of the candidates, diversity characteristics and skills the candidates bring to the board, as well as professional and other background, recent and current board and management mandates at other public and private companies, factors affecting independence, and attendance at board and committee meetings.

AllianzGI expects directors to attend all board and committee meetings held during the year. We expect disclosure of individual directors' attendance in the annual report. The company must explain all instances of nonattendance. We will not consider "other professional or personal commitments" as an appropriate justification for a director's non-attendance except in the first year following the appointment.

AllianzGI expects executive and nonexecutive directors to have sufficient capacity and energy to discharge their board and committee responsibilities both under normal circumstances and when special situations or unexpected developments require substantial additional time commitment. Over-commitment by directors is a serious concern for investors as it can compromise the quality of boards and, where directors hold full-time executive positions, their executive responsibilities. While each director's circumstances will be different, we will question all instances where:

- A non-executive director has more than six non-executive roles in public or private companies. We expect the total number of board mandates to be even smaller where directors have board committee responsibilities or other significant external commitments;

- A non-executive Chairman has more than one additional non-executive chairmanship, or more than three additional non-executive directorships in public or private companies\*;
- A full-time executive director, including an Executive Chairman, has more than one non-executive role in a private or public company.

AllianzGI believes that in companies with a dual board structure, the Supervisory Board should comprise no more than one former executive to maintain a proper balance of authority and responsibility between executive and supervisory bodies and to encourage independence and fresh perspectives on the board.

AllianzGI does not approve of age or tenure limits for directors, as our preference is for boards with a good balance of continuity and fresh perspectives. However, where limits have to be set, we prefer to see these expressed as a maximum number of terms that directors can serve rather than the age of individual board members. In companies and markets where board tenure is not seen as a factor affecting directors' independence, we will normally vote against tenure limits in excess of 12 years.

AllianzGI believes that officers and directors should only be eligible for indemnification and liability protection if they have acted in good faith on company business and were found innocent of any civil or criminal charges for duties performed on behalf of the company. We do not support proposals where liability cover extends beyond legal costs, and which can:

- Limit or eliminate all liability for monetary damages, for directors and officers who violate the duty of care; or
- Expand indemnification to cover acts, such as negligence, that are more serious violations of fiduciary obligations than mere carelessness.

AllianzGI cannot support the election of a director convicted of crime or misconduct and will abstain on

re-election of directors under investigation for civil or criminal offenses.

AllianzGI is concerned that non-voting directors, or censors, can have considerable influence on the board while not being directly accountable to shareholders. Censors should be appointed only in the event of exceptional and temporary circumstances and if their presence adds significant value in terms of board composition and board functioning.

AllianzGI will consider composition, attendance and performance of the board during the year under review when voting on proposals to discharge the board of liabilities or ratify the board's acts. Where individual directors are not standing for re-election during the year under review, and we have concerns over board governance practices, we may use the board discharge/ratification proposals to express our concerns.

AllianzGI will vote against individual directors or the whole board where there are concerns about:

- The board fulfilling its fiduciary duty to shareholders (e.g. serious business conduct or lack of supervision allegations against the company or individual board members);
- Reliability of the accounts and/or the auditor's report;
- Substantial reporting and/or disclosure issues; or
- Material legal proceedings instituted against the company or the directors in the year for which the discharge is sought.

AllianzGI believes it is important that discharge of liabilities or ratification of acts is sought for each individual director rather than the board as a whole.

AllianzGI may vote against individual board members or the entire board where the directors have failed to take action on the proposals approved by the shareholder meeting.

## Board Committees

AllianzGI encourages all boards to establish at least three key board committees specialising in audit, director nomination and compensation issues. Such committees constitute a critical component of a robust corporate governance structure and contribute to the proper functioning of the board of directors. Other committees, such as a separate risk committee, technology committee, sustainability committee, etc. may also be appropriate depending on the circumstances of the business. The key board committees should be comprised of non-executive directors and report on their activities to shareholders. Any committee should have the authority to engage independent advisers where appropriate at the company's expense.

### Audit committee

The board should disclose and explain the main role and responsibilities of the Audit Committee, as well as the process by which the committee reviews and monitors the quality of audit, the robustness of internal controls and the independence of the external auditor. "Long-form" auditor and audit committee reports should become a standard reporting format for all audit committees and external auditor. These should discuss the scope of the audit, materiality thresholds, major audit and accounting issues reviewed by the Committee and the external auditor during the year and their respective conclusions, as well as any identified areas of improvements.

AllianzGI normally expects the Audit Committee to comprise directors who are unquestionably independent and have the appropriate qualifications, experience, skills and capacity to contribute effectively to the committee's work. In companies with co-determination structures, AllianzGI would like to see at least 50% (and ideally a higher proportion) of independent directors on the Audit Committee as well as an independent committee chairman.

AllianzGI also expects the Audit Committee chairman and, preferably, another committee member to have audit, accounting or appropriate financial expertise.

AllianzGI expects all companies to establish a robust policy regulating and restricting the pledging of company's shares by executives. We expect the Audit Committee to oversee any pledging of shares by executive directors to ensure this activity does not present undue risks for minority shareholders.

AllianzGI will not support the election of candidates to Fiscal Councils, Boards of Statutory Auditors or any other audit and control bodies unless full information on the candidates is provided at the time of voting and the candidates meet the criteria of independence and expertise similar to those for the Audit Committee.

### Remuneration committee

AllianzGI expects the Remuneration Committee to be at least 50% independent and comprise directors who have the qualifications, experience, skills and capacity to contribute effectively to the committee's work. In companies with co-determination structures, we expect the Remuneration Committee to be at least one-third independent.

AllianzGI will vote against any executive director, including an Executive Chairman, standing for election if they are expected to serve on the Remuneration Committee.

### Nomination committee

AllianzGI expects the Nomination Committee to be at least 50% independent and comprise directors who have the qualifications, experience, skills and capacity to contribute effectively to the committee's work. In companies with co-determination structures, AllianzGI expects the Nomination Committee to be at least one-third independent.

We expect the Nomination Committee to report to investors as regards the continuing appropriateness of the board composition and diversity, and steps taken to refresh the combination of experience, skills and diversity of perspectives on the board. Furthermore, we expect the Nomination Committee to have a succession plan in place for the key board and management positions, and would like to see a statement to this effect in the annual report and accounts.

### Voting on director elections

AllianzGI sees the power to elect or remove company directors as a fundamental shareholder right. We consider the majority-voting standard to be an appropriate mechanism for electing/removing directors.

AllianzGI expects to be able to vote on each director individually. We will only be able to support a bundled proposition on the election (or discharge) of directors if we are satisfied with the overall board composition and the performance of every director.

AllianzGI believes that all directors should be subject to re-election at regular intervals (ideally annually) to ensure effective board governance and accountability to shareholders. Consequently, we will support efforts to declassify classified/staggered boards with a view to helping eliminate any barriers that hinder the board's ability to adapt quickly in a changing environment.

### Proxy Contests

Proxy contests are among the most difficult corporate governance decisions because an investor must determine which group is best suited to manage the company. Factors AllianzGI will consider in voting on proxy contests include the following:

- Strategy of the incumbents versus the dissidents;
- Past performance relative to peers;
- Measures taken by the board to address issues raised by the dissidents and other investors;
- Experience and skills of director candidates proposed by both sides;
- Governance profile of the company; and
- Evidence of management entrenchment.

AllianzGI expects activist shareholders to engage in a robust constructive dialogue with the board of the target company before seeking to appoint own directors to the board. We will vote case-by-case on proposals to reimburse proxy solicitation expenses. When voting in conjunction with the support of a dissident slate, AllianzGI will support the reimbursement of appropriate proxy solicitation expenses associated with the election.

<sup>1</sup> Directorships in subsidiaries of a group are considered as part of a single board position.

# Audit and Risk Management

## Audit

AllianzGI sees high quality external audit, robust oversight of financial controls and integrity of financial statements as fundamental to the healthy functioning of financial markets and the success of our investments. As a result, we may withdraw our support from the company's board and management if there are concerns over the quality and integrity of financial statements and of the audit process, the independence of auditors or supervisory bodies, the integrity of the auditor selection process, or the robustness of internal controls.

We expect all companies to provide robust disclosures in relation to the resolutions seeking election or ratification of the external auditor. In particular, we expect an explanation of any changes in external audit arrangements and a report on the selection process of a new external auditor. Any resignation of the auditor before the end of their contract should be disclosed along with the reasons given by the auditor.

AllianzGI places high importance on the independence of the external auditor, objectivity of the audit process and professional scepticism applied by the auditor. We expect the Audit Committee to have a direct ongoing dialogue with the external auditor.

AllianzGI does not support proposals that limit auditor liabilities as they could potentially reduce shareholders' ability to recover any losses incurred.

AllianzGI expects companies to disclose information on the fees paid to the auditor and provide explanation of any non-audit services received from the auditor. We believe that high-levels of non-audit fees can undermine the auditor's independence and can affect the quality of audit due to potential conflicts of interests arising when the audited company has acted on advice provided by the auditor's own firm. Therefore we expect companies to provide a clear breakdown of both audit and non-audit services and fees, and favour restrictions on the non-audit work an external auditor can undertake for its audit clients. We may vote against the re-election of the auditor or Audit Committee members where non-audit fees exceed 50% of audit fees on a recurring basis. AllianzGI recommends that companies with recurring needs for certain non-audit services consider seeking advice outside of their audit firms.

AllianzGI considers it prudent for companies to tender the external audit mandate at least every 10 years and to change the auditor after a maximum of 20 years to ensure auditor independence and benefit from a fresh perspective that a new auditor brings. There is also mounting evidence from companies that have rotated their external auditors in the past five years of an improvement in the quality of audits both before and after the transition of the auditor.

AllianzGI is supportive of the introduction of extended auditor reports in all jurisdictions as we find them insightful and useful for investors,

as well as being conducive to greater accountability from the auditor and the company's oversight bodies (i.e. Audit Committee, Board of Statutory Auditors or Fiscal Councils). In this context, we expect both the external auditor and the internal oversight bodies to comment on any major audit and accounting issues that came up during the year under review in their respective reports to investors.

## Risk Management

AllianzGI believes that boards of companies with high standards of corporate governance will be able to make sound strategic decisions, determine an appropriate risk appetite for the company and oversee its approach to risk management. The board has the responsibility to ensure that the company has implemented an effective process to identify material risks to the business (including those arising from environmental and social impacts of business operations, and its governance structures and practices) and to proactively manage those risks as appropriate.

AllianzGI is supportive of proposals which require the board to conduct a review of the effectiveness of the company's risk management, its internal control systems and its risk management plan at least annually.

We support the establishment of a risk committee responsible for supervision of risks within the company. If necessary, the board or the risk committee should seek independent external support to supplement

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internal resources. We also encourage companies to consider appointing their Chief Risk Officer to the board.

Cyber risk has become a part of modern business landscape with all companies facing varying degree of exposure. AllianzGI encourages company disclosures around cyber security governance, including key roles within the company responsible for cyber resilience of the business, and the board's approach to ensuring robust oversight.

# Shareholder Rights, Capital Authorities, Corporate Transactions and Corporate Finance Issues

## Differential ownership rights

AllianzGI is not supportive of any structures that allow control over publicly listed companies which is disproportionate to the economic interests and cash flow rights of investors. It is our view that controlling interest is much more likely to deliver expected returns to minority shareholders where the economic interests of majority and minority shareholders are aligned and the investment risk is allocated proportionately - i.e. through adherence to the "one share, one vote" principle. Furthermore, while differential ownership and control structures do not guarantee positive outcomes for minority shareholders, they significantly reduce their ability to address any misalignment of interests that may occur over time and deny investors the tools they can use to put things right if they go wrong.

As AllianzGI supports the "one-share, one-vote" principle, we normally favour conversions to a "one-share, one-vote" capital structure, and will not support the introduction of multiple-class capital structures or the creation of new super-voting/non-voting shares. We will also vote against issuance of securities conferring special rights to some shareholders.

AllianzGI sees time-based sunset provisions as a mitigating factor that helps to address the longer-term problem of unequal voting rights which can serve to protect and entrench founders, lessening their accountability to the providers of equity capital.

Sunset provisions should be no longer than seven years, at which point differential voting structures should collapse to one-share one-vote.

AllianzGI will oppose proposals to amend the charter to include control share acquisition provisions and will normally support proposals to restore voting rights to the control shares. Control share acquisition statutes function by denying shares their voting rights when they contribute to ownership in excess of certain thresholds. We will support proposals to opt out of control share acquisition statutes unless doing so would enable the completion of a takeover that would be detrimental to shareholders.

Control share cash-out statutes give dissident shareholders the right to "cash-out" of their position in a company at the expense of the shareholder who has taken a control position (i.e. when an investor crosses a pre-set threshold level, remaining shareholders are given the right to sell their shares to the acquirer, who must buy them at the highest acquiring price). AllianzGI will generally support proposals to opt out of control share cash-out statutes.

## Corporate Transactions

AllianzGI expects companies to put all major corporate transactions to shareholder approval in a separately convened shareholder meeting notwithstanding the existing share issuance authorities. It is important that shareholders have a say in decisions that can significantly impact the profile,

purpose, strategy, business prospects and financial position of the company.

AllianzGI expects companies to provide sufficient information to enable investors to evaluate the merits of M&A, significant restructuring or spin off transactions. AllianzGI expects all significant changes in the structure of a company to be approved by its shareholders.

AllianzGI will normally support corporate transactions where these appear to offer fair value to shareholders, all shareholders are treated equally, and the corporate governance profile, including shareholder rights, is unaffected. In companies with multiple share classes, AllianzGI sees tag-along rights for ordinary shares as a prerequisite for approving a transaction that may lead to a change in control.

AllianzGI believes that all material related-party transactions should be reported to the board and shareholders, and explained and justified by the company. We would welcome a shareholder vote on all material related-party transactions.

AllianzGI will vote case-by-case on going private transactions, taking into account offer price/ premium, fairness opinion, how the deal was negotiated, any conflicts of interest, any alternatives/ offers considered, and non-completion risk.

AllianzGI will vote case-by-case on going dark transactions, determining

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whether the transaction enhances shareholder value and considering balanced interests of continuing vs. cashed-out shareholders.

When voting on proposals to form joint ventures, AllianzGI will consider percentage of assets/ business contributed, percentage ownership, financial and strategic benefits, governance structure, conflicts of interest, other alternatives, and non-completion risk.

AllianzGI will consider liquidations on a case-by-case basis, taking into account the management's efforts to pursue other alternatives, appraisal value of assets, and the compensation plan for executives managing the liquidation. We will support the liquidation if the company will be forced to file for bankruptcy if the proposal is not approved.

AllianzGI will consider SPAC mergers and acquisitions on a case-by-case basis taking into account the business, financials and the terms of the proposed business combination, valuation, market reaction, timing of the deal, process of identification of a target company, any conflicts of interests and voting agreements.

### Anti-takeover mechanisms

AllianzGI does not support antitakeover mechanisms. Exceptionally, we may support a shareholder rights plan or a similar mechanism where shareholder approval is required prior to deployment, there is independent board oversight and the plan is of a limited duration. A shareholder rights plan can serve two legitimate purposes: (i) to increase the minimum time period during which a Permitted Bid may remain outstanding in order to give the board of a target company sufficient time to find an alternative to the takeover bid that would increase shareholder value; and (ii) to ensure that all shareholders are treated equally in the event of a bid for their company. Granting shareholders a right of approval prior to deployment should ensure that it is used for the above purposes only.

Greenmail is the practice of buying shares owned by a corporate raider back at a premium to the market price. AllianzGI will generally support anti-greenmail provisions that do not include other anti-takeover provisions.

AllianzGI will not support "fair price" provisions where the shareholder vote requirement is greater than a majority of disinterested shares and/or the fair price calculation is not objective and independently appraised.

We expect all companies to seek shareholder approval of any renewal of or changes to the existing takeover defences.

### Capital Issuance Authorities

AllianzGI generally accepts capital increases for purposes, which aim to increase shareholder value in the long term. Dilution of existing shareholders is a major consideration for all proposals seeking to increase share capital.

AllianzGI expects companies to protect shareholders from unwanted dilution and generally favours pre-emptive rights – i.e. for any new issue of shares to be first offered to existing shareholders. AllianzGI will normally support routine proposals to:

- Increase authorised common stock by up to 10% of the existing authorised capital;
- Issue shares with pre-emption rights up to 33% of the issued share capital of the company (a higher limit can be potentially justified in markets where any issuance in excess of 33% of the issued share capital is structured as a rights issue); or
- Issue shares non-preemptively up to 10% of the issued share capital of the company.

For capital authorisation and issuance proposals exceeding these limits we expect a clear rationale and justification from companies, which we will consider on a case-by-case basis.

AllianzGI will not support share issuance authorities where these can be used during a public tender offer or

takeover due to concerns that the issuance authority may serve as a takeover defence mechanism.

AllianzGI will not support placement of shares at a significant discount to the market price as a part of routine share issuance authorities and without appropriate justification from the company.

AllianzGI will in general support the issuance or the increase of preferred stock if its conditions are clearly defined (in terms of voting, dividend and conversion possibility, as well as other rights and terms associated with the stock) and are considered reasonable by reference to the overall capital structure of the company, as well as previously issued preferred stock. AllianzGI will in this respect also consider the impact of issuance/ increase of preferred stock on the current and future rights of ordinary shareholders.

### Capital Management and Corporate Finance issues

AllianzGI believes that proposed dividend payments should be disclosed in advance to shareholders and be put to a vote. Shareholders should also be able to approve the company's financial statements and its dividend policy.

AllianzGI would normally only support scrip dividend proposals that allow for a cash option to offer investors a choice. In such instances, we expect companies to offset dilution caused by scrip dividend through share buybacks. We are not supportive of scrip dividends where scrip is offered at a discount to the cash option.

AllianzGI will approve share repurchase programs where these are deemed in the best interests of shareholders, all shareholders can participate in the buyback programme on equal terms and AllianzGI agrees that the company cannot use the cash in a more productive way. AllianzGI will also view such programs in conjunction with the company's capital allocation policy.

AllianzGI will vote in favour of share repurchase authorities in excess of 10% of the issued share capital only if the company provides clear and convincing justification for the proposal. AllianzGI believes that share buybacks at a significant premium to the market price can be value destructive and are generally not in the interests of shareholders. We will not support share repurchase authorities where these can be used as a takeover defence mechanism. Any use of financial derivatives when repurchasing shares should be fully explained and justified by the company.

AllianzGI is in favour of debt issuance proposals that enhance companies' long-term prospects and do not result in unacceptable levels of financial leverage. AllianzGI agrees that investors should be consulted on significant issuances of debt and proposals to raise borrowing limits. Any proposal to issue convertible debt will be analysed in light of our criteria for share issuance authorities.

AllianzGI will vote case-by-case on the conversion of securities taking into consideration the dilution to existing shareholders, the conversion price relative to market value, financial issues, control issues, termination penalties, and conflicts of interest. AllianzGI will support the conversion if it is expected that the company will be subject to onerous penalties or will be forced to file for bankruptcy if the transaction is not approved.

AllianzGI will consider proposals regarding private placements, warrants, and convertible debentures on a case-by-case basis, taking into consideration:

- Dilution to existing shareholders;
- Terms of the offer (discount/premium in purchase price to investors, including any fairness opinion, conversion features, termination penalties, exit strategy);
- Financial issues (the company's financial condition, degree of need for capital, use of proceeds, effect of the financing on the company's cost

of capital, current and proposed cash burn rate, going concern viability, and the state of the capital and credit markets);

- Management's efforts to pursue alternatives and whether the company engaged in a process to evaluate alternatives;
- Control issues (potential change in management/board composition, change in control, standstill provisions, voting agreements, veto power over certain corporate actions, and minority versus majority ownership and corresponding minority discount or majority control premium);
- Conflicts of interest (as viewed from the perspective of the company and the investor), considering whether the terms of the transaction were negotiated at arm's length, and whether managerial incentives are aligned with shareholder interests; and
- Market reaction to the proposed deal.

AllianzGI will support private placements and issuances of warrants and/or convertible debentures in a private placement, if it is expected that the company will file for bankruptcy if the transaction is not approved.

## Shareholder Rights

AllianzGI considers the ability to call a special meeting or to put resolutions to a shareholder meeting's agenda to be a fundamental shareholder right. We encourage companies to establish thresholds for shareholder resolutions that are high enough to prevent abuse, but low enough to allow issues that concern a large number of smaller shareholders being raised in shareholder meetings. This can be achieved if the threshold is set by a reference to either a shareholding requirement or the size of a proponent group.

Shareholders should be able to nominate candidates for the board of directors. AllianzGI supports proxy access proposals with reasonable

ownership threshold and duration requirements that do not impose limits on the number of shareholders in a nomination group or set an unreasonably low cap on the proportion of shareholder nominees on the board.

AllianzGI believes that companies should enable holders of a specified portion (e.g. 5-25%) of its outstanding shares or a specified number of shareholders to call a meeting of shareholders for the purpose of transacting the legitimate business of the company. Shareholders should be enabled to work together to make such a proposal. Shareholders should be able to exercise both rights to call special meetings and act by written consent.

AllianzGI does not support proposals that can facilitate a concert party gaining or increasing control of the company without paying an appropriate premium to minority shareholders.

AllianzGI does not support reincorporation proposals that may result in the reduction in legal and regulatory protections available to shareholders, erosion of shareholder rights, and potential deterioration in governance standards at the company.

AllianzGI does not support changes in the company's articles or by-laws that can lead to erosion of shareholder rights. We expect all shareholders to be treated equally and do not approve of changes in articles that may disadvantage certain groups of shareholders. AllianzGI expects all changes to the company's articles and bylaws to be put to a shareholder vote and will oppose proposals giving the board an exclusive authority to amend the company's articles and bylaws.

# Remuneration

## Remuneration of Executive Directors and Senior Managers

AllianzGI expects companies to operate within the parameters of their remuneration policy as approved by shareholders. Both the structure and level of executive remuneration should be designed to promote long-term success of the company. The board and the Remuneration Committee should be able to explain and justify the structure and quantum of executive pay in the context of the company's business environment and performance.

AllianzGI does not approve of significant salary increases that are not linked to material changes in the business or in the role and responsibilities of executive directors. We do not consider it appropriate to offer contractual multi-year guarantees of salary increases, bonus payments and/or equity compensation. AllianzGI expects companies to pay no more than necessary on recruitment of executive directors and, whenever possible, to link recruitment-related awards to the company's performance.

Generally, we would like to see executive compensation comprising short-term and long-term elements that align executives with shareholders and where superior rewards can be achieved by attaining superior performance. However, we acknowledge that remuneration policies will differ depending on the company's circumstances and are prepared to consider alternative arrangements.

AllianzGI believes that executive directors should be encouraged to receive a proportion of their compensation in form of company

shares. Therefore AllianzGI would generally support the use of well-designed share-based compensation plans, including appropriate deferrals.

AllianzGI supports management incentive plans where:

- Incentive awards are subject to relevant KPIs and robust performance targets;
- The award opportunity is clearly defined;
- Performance periods are of appropriate duration (e.g. no less than 3 years for a long-term incentive award);
- For primary KPIs, no vesting under relative performance metrics is allowed for performance inferior to that of the selected peer group; and
- The vesting scale is designed to encourage higher levels of performance.

We are generally willing to accept small-scale share awards that are not conditional on performance (e.g. restricted shares or time-vested shares) up to a limit of 100% salary. Any larger share-based awards should be subject to robust performance targets as stated above, although we acknowledge that there may be exceptional circumstances (e.g. turnaround/recovery situations) where a larger restricted share award will be appropriate.

AllianzGI encourages all companies to require that the management build substantial shareholding in the company in order to align their interests better with the interests of investors. Only shares that are beneficially owned by executives should be counted towards formal share ownership requirements.

AllianzGI favours share-based incentive schemes over stock options

due to concerns over potentially disproportionate incentive for executives to drive shorter-term share price performance at the expense of the longer-term health of the business, as well as excessive shareholder dilution (the latter can be mitigated through the use of Share Appreciation Rights (i.e. SARs)).

AllianzGI expects clear disclosure of KPIs and performance targets under all management incentive plans, with a view to enabling investors better to assess the link between executive compensation and corporate strategy and performance. We are keen to understand both annual and long-term targets set by the board for executives, as well as performance against these targets. Particular importance is placed on the following considerations:

- The link between performance KPIs and targets, and the mid- and long-term goals of the company;
- A healthy mixture of KPIs to ensure there is no over-reliance on a single dimension of performance or key indicator;
- Integration of social, environmental and governance issues into performance measurement, where material and appropriate;
- Incorporation of risk considerations so that there are no rewards for taking inappropriate risks at the expense of the company and its investors; and
- Performance measurement over timescales sufficient to determine that value has in fact been added for the company and its shareholders (for long-term awards we expect a minimum performance period of 3 years, but we encourage companies to consider a five year performance period or introduce an additional holding period).

When it comes to performance-based share incentive schemes, we currently observe two main approaches:

- First and most common approach is for companies to make annual share awards to executives at a level set under the policy, and measure performance against pre-determined KPIs and targets at the end of the performance period;
- Second approach is to determine the size of the long-term award on the basis of an annual performance assessment and apply a deferral period to ensure alignment between executives and shareholders over an extended period of time.

We have seen both approaches used effectively to the benefit of the company and shareholders. However, where the initial performance assessment covers a period of one year only, we expect application of objective and transparent performance measures to determine the size of the award, as well as a secondary assessment on vesting to ensure that the management's strategy has delivered sustainable value creation it was meant to achieve. This secondary assessment can be made against share-price performance, total shareholder returns, return on capital employed, return on equity or any other performance metrics that best reflect long-term sustainable value creation.

We understand that for short-term performance awards, such as annual bonus schemes, disclosure of targets under operational and financial KPIs may be commercially sensitive and, therefore, undesirable. However, we expect all companies to disclose such targets retrospectively, as part of the annual report and/or results presentation for the year for which the bonus was paid. Any non-disclosure of bonus targets should be explained and justified by the company.

AllianzGI does not support retrospective amendments to the terms of incentive schemes without a prior shareholder approval. We will vote against incentive plans that may be materially altered (e.g. cancellation

and re-issue, re-testing, re-pricing or backdating of options) without shareholder approval, allow management significant discretion in granting certain awards, or are otherwise inconsistent with the interests of shareholders.

AllianzGI may not support equity award plans that are too dilutive (e.g. >10% of the issued share capital in 10 years for executive and all-employee plans) and expensive to existing shareholders.

AllianzGI encourages the introduction of a clawback policy and the inclusion of appropriate clawback provisions under the terms of incentive plans.

AllianzGI pays close attention to perquisites, including pension arrangements, and will vote against if deemed excessive. We expect executive pension arrangements to be in line with those offered to company employees, and will only support additional pension schemes for executive directors (in markets where this is allowed by law) where, on retirement, an executive does not also benefit from generous severance payments and/or compensation under a "non-compete clause". AllianzGI does not approve of the inclusion of variable pay in the pension calculation.

We will not support transaction bonuses and retrospective ex-gratia payments, and will not approve financial assistance to directors, officers or related persons without clear explanation and robust justification from the company. We will only approve a one-off special payment/award where the company can demonstrate truly exceptional circumstances and significant additional value creation.

AllianzGI believes that severance payments to executives should be set at a reasonable level. Ideally, severance pay should not exceed one year's fixed salary and benefits or minimum legal requirements in the markets where these are higher than 12 months' fixed pay. Where appropriate, payments to former executives should be subject to

performance targets. All incentive awards should be time pro-rated and tested for performance, including in the event of an early termination due to the change in control. Termination payments following a change in control should only be available in the event of a loss of job or substantial diminution of duties, and should be similar to those available under normal circumstances. We will vote against any severance payments or retirement bonuses when the amount paid is not disclosed or the recipient is moving to another position within the company.

AllianzGI expects disclosure of a policy addressing possible hedging of the company's stock by its executives, where such activity is permitted. Using hedging instruments to protect management against negative share price movements undermines the purpose of equity incentive plans and reduces alignment with shareholder interests.

We note that, in some markets, companies seek approval of a so called "budget" to pay its directors, without disclosing details of the remuneration policy or approach. In such cases, AllianzGI will review past remuneration of directors and management, as well as proposed pay levels. We may not approve significant increases in board remuneration that are not linked to material changes in the business, or in the number, roles and responsibilities of directors. We would like to see all remuneration related proposals to be sufficiently detailed to allow shareholders to assess the structure of and approach to director remuneration.

## Employee Remuneration

Remuneration structures and frameworks for employees should help reinforce corporate culture and foster performance. In this respect and in accordance with applicable laws AllianzGI encourages companies to provide shareholders with information on the ratio between senior management compensation and that of the wider workforce, including calculation methodology and changes over time.

Performance measurement for staff remuneration should incorporate risk considerations to ensure that there are no rewards for taking inappropriate risks at the expense of the company and its investors.

AllianzGI supports all-employee equity plans where shares are granted at a discount of no greater than 20%. We are prepared to support plans offering higher discount to employees, but only where lock up periods are substantially longer than usual (e.g. lock up periods of 10 years in France, or requirement of holding shares to retirement in Japan). We may not be able to support employee share plans, which appear to be excessively dilutive for shareholders.

### Remuneration of Non-Executive Directors

AllianzGI believes that compensation of non-executive directors should be structured in a way that aligns their interests with long-term interests of shareholders, does not compromise their independence from management or from controlling shareholders of the company, and does not encourage excessive risk-taking behaviour. In particular, AllianzGI believes that non-executive board members should not receive variable remuneration, equity incentives or retirement benefits as these could compromise their independence and ability to hold management accountable.

AllianzGI believes that non-executive directors' fees should be sufficient to attract directors of appropriate calibre and experience, while all notable differences in board members' fees should reflect their responsibilities and time commitment and be clearly explained and justified.

We expect all non-executive directors to share their expertise and offer advice to the board and management as part of their role. We therefore find any chargeable consultancy services provided by directors inappropriate, as they compromise directors' objectivity and ability to hold management accountable.

AllianzGI cannot approve a substantial increase in directors' fees without a robust justification by the company.

### Remuneration Committee and "Say on Pay"

The company's remuneration policy and the structure/quantum of pay for each director should be determined by the Remuneration Committee and fully disclosed to shareholders in a Remuneration Report.

AllianzGI supports annual votes on executive remuneration, which provide the most consistent and clear communication channel for shareholder concerns about companies' executive pay programs. AllianzGI encourages moves to give shareholders a vote on executive remuneration.

AllianzGI will vote against remuneration related proposals where insufficient information has been provided to allow investors to make an informed decision.

AllianzGI expects all companies that received high levels of dissent on their remuneration proposals to understand the rationale behind negative votes and address investor concerns. We may vote against the Chairman and members of the Remuneration Committee where shareholder concerns remain unaddressed despite significant shareholder dissent or where we remain unsatisfied with the remuneration policy following engagement with the company.

AllianzGI expects all plans that allow grants of shares to executive directors to be put to a shareholder vote, regardless of whether the shares are newly issued or purchased on the market.

We also believe that all incentive plans should be of a limited duration and require shareholder approval prior to renewal.

AllianzGI believes that the Remuneration Committee should have discretion to adjust pay levels under the remuneration policy to reflect shareholder experience and help avoid reputational and other risks to the business. However, we do not approve of unlimited discretion.

# Sustainability Issues and Shareholder Proposals

AllianzGI customarily reviews shareholder proposals concerning corporate governance and broader sustainability issues. Given the variety and variability of shareholder proposals, it is often difficult to develop policy positions on the issues raised by shareholders; hence we prefer to review and vote on a case-by-case basis.

AllianzGI uses its Corporate Governance Guidelines as the main reference point for considering corporate governance proposals put forward by other shareholders. Our duty is to act in the interests of our clients at all times, so we consider each proposal on merit and will support those deemed to be beneficial for the company and our investment.

AllianzGI generally supports proposals that encourage company boards and management to increase transparency, adhere to internationally recognized standards and principles, and give greater consideration to sustainability issues deemed material to the long-term performance of the company. Where shareholder proposals are more prescriptive in nature and ask the board and management to take certain actions, AllianzGI will consider the rationale and feasibility of each proposal, the consistency of the wording of the proposal with its intent, the impact of the proposal on the company's short-term and long-term value and the company's response to the request embodied in the proposal. We would also seek to ascertain that the proponent's interests are aligned with those of the company and other shareholders.

Below are examples of positions taken by AllianzGI on some shareholder proposals we reviewed in the past:

- **Executive remuneration:** AllianzGI generally supports shareholder proposals related to executive remuneration that call for improved disclosure, greater link between pay and performance, increased accountability to shareholders and elimination of problematic practices identified under AllianzGI's policy. Where proposals are prescriptive on quantum of pay and KPIs used under the incentive schemes, we take decisions on a case-by-case basis.
- **Political donations:** AllianzGI does not support using shareholder funds for political donations, and supports disclosure and justification to shareholders of all substantial political expenditures.
- **Diversity and human capital management:** AllianzGI generally supports proposals seeking enhanced reporting of the company's efforts to enhance diversity of boards, management and workforce. We will support shareholder proposals seeking enhanced reporting of human capital data, including composition of the workforce, employee turnover, absenteeism rates, gender diversity and other useful indicators that help investors assess companies' human capital management practices. AllianzGI normally supports resolutions seeking introduction of policies and statements that explicitly prohibit discrimination and promote equal opportunities at investee companies.
- **Climate change:** AllianzGI supports shareholder proposals seeking information on the climate related financial, physical or regulatory risks and how the company identifies, measures, and manages such risks. We normally support shareholder proposals calling for the reduction of GHG emissions, subject to our assessment of the company's efforts and improvements achieved. We also vote for shareholder proposals requesting a report/disclosure of company's goals on GHG emissions from operations and/or products, as appropriate. AllianzGI generally supports proposals requesting that a company report on its energy efficiency policies and the feasibility of developing/switching to renewable energy sources.
- **Product Safety and Toxic/Hazardous Materials:** AllianzGI generally supports proposals requesting that a company report on its policies, initiatives, procedures, and oversight mechanisms related to toxic/hazardous materials or product safety in its supply chain, as well as resolutions requesting that companies develop a feasibility assessment to phase out certain toxic/hazardous materials, or evaluate and disclose the potential financial and legal risks associated with utilizing certain materials.

- **Equator Principles:** AllianzGI supports proposals to implement Equator principles.
- **Human Rights:** AllianzGI supports proposals requesting a report on the company's or its suppliers' labour and/or human rights standards and policies, as well as implementation of human rights standards and workplace codes of conduct in general and in relation to countries in which there are systematic violations of human rights. AllianzGI may support shareholder proposals that call for independent monitoring programs in conjunction with recognized human rights groups to monitor compliance. AllianzGI supports shareholder proposals to adopt labour standards for foreign and domestic suppliers to ensure that the company will not do business with suppliers that manufacture products using forced labour, child labour, or that fail to comply with applicable laws protecting employee's wages and working conditions. We will also vote for proposals requesting that a company conduct an assessment of the human rights risks in its operations or in its supply chain, or report on its human rights risk assessment process.

Where management puts forward a resolution to avoid a similar shareholder proposal, AllianzGI will only support the management proposal if it is more shareholder friendly than the original shareholder proposal. However, if the management proposal is less shareholder friendly, we will vote against the proposal and may vote against the re-election of the Governance Committee members.

# General Voting Issues

Agenda items at shareholder meetings should be presented clearly, distinctly and unambiguously. AllianzGI favours voting on individual issues and will vote against bundled resolutions if we disagree with at least one component of a bundled proposal.

AllianzGI in general opposes “Other Business” proposals unless there is full and clear information about the exact nature of the business to be voted on.

AllianzGI believes that companies should apply high standards of disclosure and transparency. In this regards, AllianzGI shows a preference for:

- At least half-year or full-year reports;
- Adherence to consistent internationally accepted financial standards;
- Availability of financial information and investor communication in English;
- Personal accessibility and availability of top management and non-executive directors to investors;
- Publication of documents on the Internet;
- Mandatory presence of directors at general meetings;
- Adoption of electronic voting; and
- Standardisation of voting forms and confirmation of votes to investors.

AllianzGI will generally oppose proposals to provide management with the authority to adjourn an annual or special meeting absent compelling reasons to support the proposal. However, AllianzGI will support proposals that relate specifically to soliciting votes for a merger or transaction if supporting that merger or transaction.

Many routine proposals are operational issues of a noncontroversial nature. The list of operational issues includes, but is not limited to:

- Changing date, time, or location of the annual meeting;
- Amending quorum requirements;
- Amending minor bylaws;
- Approving financial results, director reports, and auditor reports;
- Approving allocation of income;
- Changing the company’s fiscal term; and
- Lowering disclosure threshold for stock ownership.

While these proposals are considered to be routine, they are not inconsequential. Fiduciaries remain charged with casting their votes, so these proposals must be evaluated on a case-by-case basis, taking into account shareholders’ rights and the potential economic benefits that would be derived from implementation of the proposal.

## Contact for queries:

### Eugenia Unanyants-Jackson

Global Head of ESG Research

Tel: +44 (0) 203 246 7134

Email: [eugenia.jackson@allianzgi.com](mailto:eugenia.jackson@allianzgi.com)

### AllianzGI ESG Research Team

Email: [AllianzGIESGTeam@allianzgi.com](mailto:AllianzGIESGTeam@allianzgi.com)

## **Allianz Global Investors GmbH, UK Branch**

199 Bishopsgate  
London EC2M 3TY

[www.allianzgi.co.uk](http://www.allianzgi.co.uk)  
[www.infrastructuredebt.co.uk](http://www.infrastructuredebt.co.uk)

Telephone: 020 3246 7000

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