



# Allianz Global Investors Exclusions Policy Statement

July 2021

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**Allianz**   
Global Investors

# 1. Purpose and objective

**This exclusion policy statement (“Policy”) outlines Allianz Global Investors’ approach to excluding from its investments, companies involved in Controversial Weapons and companies involved in Coal.**

## Rationale

### Controversial Weapons

Allianz Global Investors understands that the defense sector plays an important role in providing the means for peacekeeping and that weapons can be of use for ensuring national and regional security. However, we are of the view that there are certain categories of weapons – so-called controversial weapons – which must not be supported by any means as they have been deemed unacceptable or even illegal under certain regulations based on their humanitarian impact. For this reason, Allianz Global Investors refrains from investing in companies that are involved in the controversial weapons stated in this Policy. Relevant international conventions or local regulations include the Ottawa Treaty, the Convention on Cluster Munitions, the Chemical Weapons Convention, the Treaty on the Non-Proliferation of Nuclear Weapons, and the Belgian Loi Mahoux – the ban on financing depleted uranium weapons.

### Coal

Allianz Global Investors acknowledges that thermal coal is the biggest contributor to climate change. According to the International Energy Agency, thermal coal<sup>1</sup>-fired electricity generation is the single largest contributor to human-induced global temperature increase, accounting for about 30% of the more than 1°C increase in global average annual surface

temperatures above the pre-industrial levels already observed.<sup>2</sup> In order to meet the objectives set by the Paris Agreement, and in line with the associated pathways postulated by the Intergovernmental Panel on Climate Change (IPCC), Allianz Global Investors is committed to limiting global warming to 1.5°C. To drive this transition, Allianz Global Investors has committed to set ambitious climate targets and collaborates with international organizations, companies, and civil society. Allianz Global Investors is a member of the Net Zero Asset Managers Initiative<sup>3</sup> and participates in the Climate Action 100+, Carbon Disclosure Project as well as the Institutional Group on Climate Change.

Allianz Global Investors started restricting investment in coal in its sustainable strategies in 2019. We also engage companies in our investment portfolios to move away from coal-based business models towards renewable energies and to present effective strategies to minimize the share of coal in mining and combustion.

In spite of the efforts already undertaken already, more needs to be done by all stakeholders globally to ensure the climate targets set in the Paris Agreement can be achieved. Therefore, Allianz Global Investors wants to set its ambitions higher and make its approach tighter in both scope and depth, as outlined below. For the definition and application of our criteria, Allianz Global Investors is relying on the best available company data in what is a challenging data environment.

<sup>1</sup> Thermal coal refers to the use of coal in power generation as well as the mining of thermal coal. It does not apply to metallurgical coal - coal utilized in industrial production process, e.g. making of steel, cement, iron ore or other heavy metals - as there are no commercially viable alternatives available at scale yet.

<sup>2</sup> <https://www.iea.org/reports/global-energy-co2-status-report-2019/emissions>

<sup>3</sup> <https://www.netzeroassetmanagers.org/>

# 2. Applicable area

## Scope of Investments

This Policy applies to direct investments in listed or unlisted equity and debt instruments issued by companies meeting certain exclusion criteria, as well as to derivatives on single securities. It does not apply to any other derivatives and target funds. It also does not apply to sovereign and/or sub-sovereign debt instruments. Supranational and agency issuers are also considered as sovereign and/or sub-sovereign issuers. Furthermore, we will not exclude green bonds of companies that are excluded due to our coal criteria.

The application of this Policy to mutual funds is dependent on the inclusion of the Policy into the respective mutual fund's documents, which will not become effective before December 1, 2021.<sup>6</sup>

This Policy replaces the Global Positioning Statement on Cluster Munitions and Anti-Personnel Mines.

## Portfolios

This Policy is applicable to mutual funds<sup>4</sup> for which Allianz Global Investors is acting as management company. For institutional funds<sup>5</sup> and mandates, application of the Policy including its implementation date is subject to the consent of the respective clients. Allianz Global Investors aims to achieve consent in all cases. This Policy does not apply to funds or mandates for which the portfolio management is delegated to an external asset manager.

<sup>4</sup> Funds investing in private market investments which are pooling investments of various unrelated investors will be considered as mutual funds.

<sup>5</sup> Funds launched in AP jurisdictions and funds investing in private market investments will be considered as institutional funds if they are distributed to a single or limited number of sophisticated clients only (or similar as per investor classification in the respective jurisdiction).

<sup>6</sup> The inclusion of the Policy into the respective mutual fund's documents can be subject to local requirements of the relevant jurisdiction.

# 3. Excluded investments

## Controversial weapons

Allianz Global Investors will not invest in companies involved in the development, production, use, maintenance, offering for sale, distribution, import or export, storage or transportation of:

- Anti-personnel mines,
- Cluster munitions,
- Biological weapons,
- Chemical weapons,
- Nuclear weapons outside of NPT (non-proliferation treaty),
- Depleted uranium weapons.

## Coal

Allianz Global Investors will not invest in

- Companies that derive more than 30% of their revenue from thermal coal extraction,
- Companies where more than 30% of their electricity production is based on coal.<sup>7</sup>

Exemptions will be considered for issuers which (1) breach these thresholds by 5%-points or less or (2) which breach the 30% threshold for electricity production by more than 5%-points and electricity production creates less than 10% of total revenues of the issuer, and which have a credible decarbonization business strategy, and for which a viable engagement case is made and enacted. Such exemptions are subject to approval by Allianz Global Investors' Sustainable Investing Working Group and must be re-evaluated on at least an annual basis.

<sup>7</sup> To the extent production data is available, otherwise revenue data will be applied.

# 4. Divestment

If the application of this policy requires divestment of pre-existing holdings, stakes in publicly traded equity and derivative instruments on single securities of affected companies will be divested in a timely manner, considering the market conditions and the best interest of the funds. Stakes in publicly traded fixed income investments can be kept until the earlier of either maturity of the respective investment or 30 June 2022<sup>8</sup>. Stakes in private markets investments can be kept until the maturity of the respective investment.<sup>9</sup> New investments are neither allowed for publicly traded investments nor for privately traded investments.

<sup>8</sup> For mutual funds domiciled in AP jurisdictions the respective date is 30 June 2023.

<sup>9</sup> For any private equity investment including infrastructure investments the maturity of the investments reflects the buy and hold nature of the respective strategy.

# 5. Data and methodologies

Allianz Global Investors has put in place processes to identify and document the companies that are to be excluded from investment based on the above-described criteria.

## For investments in publicly listed securities:

Allianz Global Investors bases its identification of these companies through the use of information gathered and the interpretation provided by external research service providers. Using external research service providers, Allianz Global Investors systematically screens issuers according to the above-described exclusion criteria and maintains a list of restricted issuers. Allianz Global Investors updates the list of restricted companies on a periodic basis.

The rules for treating exclusions along the company hierarchy structure are as follows:

### From Subsidiary to Parent:

- Controversial weapons: Majority owners and controlling shareholders inherit the assessment of the subsidiary.
- Coal: For ownership of 20% or more, subsidiary's coal revenue shares as well as electricity generation output shares are added in proportion of ownership to the parent's revenue. The parent's coal revenue share is then recomputed and assessed against the thresholds laid out in Section III accordingly.

### From Parent to Subsidiary:

- We follow a downward waterfall approach as the default process, i.e. all subsidiaries from excluded companies are excluded as well. Exceptions may be granted for subsidiaries which are not involved in any of the business activities described in Section III, and which have a credible decarbonization business strategy (validated by the Sustainability Research team).

## For investments in private markets

The above-mentioned exclusion criteria are considered as part of the origination and due diligence process for any prospective investment, which will screen and remove any restricted investments from further consideration. Each company is assessed separately and as such subjected to the exclusion criteria outlined in Section III.

# 6. Disclosure of excluded companies and portfolio holdings

The individual company names that are on the exclusion list will not be made public. All portfolio holdings of our mutual funds are typically made public in the funds' reports and the largest holdings are reported more frequently.

# 7. Policy updates and maintenance

This Policy will be available to the public on Allianz Global Investors website.

Allianz Global Investors reviews its Exclusions Policy at least annually or more frequently if material changes to the regulatory or market environment occurs that may require adjustments.

# 8. Notice

This Policy applies to all entities under the Governance of Allianz Global Investors Holding GmbH, Allianz Global Investors GmbH and Allianz Global Investors U.S. Holdings LLC, and their affiliates and branches in all regions. For the avoidance of doubt, this includes Allianz Capital Partners GmbH.

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