



NON-FINANCIAL REPORTING AT ALLIANZ GROUP

Explanatory Notes for Reporting Year 2022

Contents

About this report

01 Environmental footprint of own operations

01.1 Carbon footprint

01.2 Environmental footprint

02 Allianz portfolio carbon footprint

02.1 Introduction

02.2 Public equity and corporate bonds

02.3 Infrastructure equity

02.4 Sovereign bonds

02.5 Real estate

02.6 Green bonds

02.7 Weighted metrics

02.8 Validity checks

03 Sustainable investments

03.1 Introduction

03.2 Sustainable investments calculation approach

03.3 Scope

03.4 Data validity check

03.5 Limitations to methodologies and data

Environmental footprint of own operations

01 Environmental footprint of own operations

The Explanatory Notes refer to the environmental footprint of Allianz Group's operations.

Reporting standards

Our reporting on environmental data generally follows the GRI Standards of the Global Reporting Initiative (GRI). For further details, please refer to the GRI index available on our website. The Group's carbon footprint is oriented towards the Greenhouse Gas (GHG) Protocol's Corporate Accounting and Reporting Standard. For data compilation, Allianz further applies the standards developed by the Association of Financial Institutions for Environmental Management and Sustainability (Verein für Umweltmanagement und Nachhaltigkeit in Finanzinstitutionen 'VfU') as they are tailored to financial services institutions. Detailed guidance for environmental data compilation is further defined in internal guidelines for environmental reporting.

Organizational boundaries

Allianz defines its organizational boundaries applying the operational control approach as defined in the GHG Protocol. Operational control is established when Allianz or one of its entities has full authority to introduce and implement its operating policies and thus has operational control of the entity. The emissions of all operations over which Allianz has operational control, all owned and leased facilities that the company occupies and vehicles the company operates, are included in the environmental data either based on measurements or calculations where possible. Where data cannot be determined by measuring or calculating, it is extrapolated based on employee headcount.

Allianz collects environmental data for a significant proportion of the entities over which it has operational control, whereby entities with more than 400 employees are in focus of direct environmental data delivery. In 2022, this resulted in coverage of 95 percent of the total employee base. To achieve 100 percent coverage, the indicators are extrapolated based on Group average figures.

Methodology updates

Continuous improvement

As part of our efforts to continuously improve the quality of our environmental data, we closely follow developments in the GHG Protocol and further develop our systems appropriately. The implications from the GHG Protocol reporting requirements for scope 2 emissions have been analyzed and implemented.

Our emissions data consistently includes upstream emissions e.g., from the production of energy and Well-to-Tank emissions for air, car and train travel. Our emissions data is in CO₂e.

Our GHG methodology as well as our GHG targets for Allianz Group are based on gross emissions reporting and continues to reflect a market-based approach for scope 2 i.e., we use the contractual emission factors provided by our suppliers.

In 2022, for the first time, we included GHG emissions from remote working to reflect the increased shift towards hybrid working. We also included emissions from our use of public cloud services following our IT strategy.

The impact of this update was assessed for our baseline year and determined immaterial for 2019 and hence no restatement for total GHG emissions was performed.

Systems, processes and internal controls for environmental data collection are subject to regular review and continuous development in order to continuously improve overall data quality at both Allianz Group and entity level.

01 Environmental footprint of own operations

Data coverage updates

Allianz undertakes reasonable efforts to collect relevant environmental data from all its entities and their operations. Within the scope of our environmental reporting boundary are entities that have been part of Allianz for a full reporting year. At Group level, the headcount from entities that do not meet this criteria but for HR purposes are included in the official Group HR figure for a current reporting year are subtracted from the Group HR figure. This results in a total Group headcount figure for environmental reporting purposes, which represents 100 %. In 2022, 14 entities were first consolidated in Allianz's financial statements and, combined with further headcount linked to non-core business or 'non-consolidated but affiliated entities' (NCAEs), a total of 7,184 were outside the reporting boundary and excluded as described above.

However, in some instances, not all the required performance data is available given reasonable efforts (for example for small or remote offices). In those instances, data is extrapolated to 100 %. Data is extrapolated for either part of an entity or for entire entities. The basis for these extrapolations is the total headcount of the individual entity or of the Group and, for extrapolating:

- part of an entity, the entity's average values are used; and
- entire entities, the Group's average values are used.

This enables performance monitoring as well as comparison and benchmarking of entities using comparable system boundaries.

01 Environmental footprint of own operations

Allianz's environmental monitoring and reporting processes cover two aspects:

1. Carbon footprint
2. Environmental footprint

01.1 Carbon footprint

01.1.1 Carbon footprint by scopes

In line with the relevant reporting standards, Allianz has developed methods to measure and analyze CO₂e, differentiating between the three scopes:

Scope 1 – direct GHG emissions

Emissions from sources that are owned or controlled by Allianz:

- I. Stationary Combustion: gas and oil heating systems, back-up generators. Data is based on meter readings (where available), invoice amounts (where available) and estimations from entities.
- II. Mobile Combustion: company-owned vehicles. Data is based on expenses data (where available) and estimations from entities.

Scope 2 – indirect GHG emissions

Emissions from the consumption of purchased electricity heat or steam:

- I. Electricity – Office and data centers: Data is based on invoice amounts or meter readings (where available) and estimations from entities.
- II. District heating – Office: Data is based on invoice amounts or meter readings (where available) and estimations from entities.

In line with external requirements by the Greenhouse Gas Protocol for accounting of scope 2 emissions, we calculate two scope 2 emissions:

- Market-based approach
This is in line with our existing carbon accounting approach; emissions factors are based on 'International Energy Agency (IEA)'. As the annual preparatory steps for reporting requires conversion factors to be available in the autumn of each year, the preliminary IEA version of these factors is being applied.

– Location-based approach

To fulfill the requirements of the additional 'location-based' method for scope 2 reporting, we also calculate and publish scope 2 emissions on the basis of Grid-average emission factors (national, based on IEA, preliminary version) applied to all scope 2 energy consumed (including 'green electricity'). This approach reflects the current absence of global 'residual mix' factors that can be consistently applied. Please note that associated scope 3 emissions e.g., from Transport & Distribution (T&D) Losses are not considered in this recalculation.

Scope 3 – other indirect GHG emissions

Emissions from other sources, including travel, paper and related upstream emissions:

- I. **Business travel** data includes employees travelling by air, rail and car only.

- Air travel: business flights are split into short (<500 km) and long-haul flights (>500 km); extrapolation of CO₂-equivalents is based on the actual distance traveled and/or the costs. Emission factors applied for air emissions do not account for radiative forcing due to the very significant scientific uncertainty.
- Train travel: emissions from train travel are calculated based on the actual distance traveled or the cost multiplied by the appropriate CO₂e conversion factor.
- Road travel: emissions from cars are calculated based on the actual distance traveled or the cost multiplied by the appropriate CO₂e conversion factor.

Business travel data is, where available, based on sources including travel booking information, travel expenditure data, fuel consumption and estimations from entities.

- II. **Paper:** data is based on invoice amounts (where available) and estimations from entities.
- III. **Remote working:** linked to heating, cooling, lighting and IT.
- IV. **Public cloud services.**

01 Environmental footprint of own operations

01.1.2 GHG accounting

We use CO₂-equivalents (CO₂e) in our carbon accounting where available, as they are the universal unit of measurement to indicate the global warming potential of each of the six greenhouse gases, expressed in terms of the global warming potential of one unit of carbon dioxide. It is used to evaluate the release (or avoided release) of different greenhouse gases against a common basis. The source of Global warming Potential (GWP) is IPCC 4th Assessment Report (AR-100 year).

Our carbon footprint target is based on gross carbon accounting (market-based approach for scope 2). We use the contractual emission factors provided by our suppliers.

We use 2019 as our baseline year as it is the first reporting year for which actual, audited data at reasonable assurance level in our Group-wide reporting system is available.

The scope of our data for electricity from renewable sources is electricity from hydro, wind, solar and biomass power plants.

Note:

In 2022, the electricity related scope 3 emissions, were calculated based on the prior year percentage share of scope 2 emission factors at country level, following the discontinuity of DEFRA provision of emissions factors for Well-to-Tank (WTT) Generation and Transport and distribution losses for oversees.

This approach was deemed as the best possible estimate for 2022 and we will continue to look for alternative options for the following years.

01 Environmental footprint of own operations

01.2 Environmental footprint

In line with the relevant reporting standards, Allianz has developed methods to measure and analyze the company's environmental footprint across five indicators.

01.2.1 Energy use

Energy consumption from sources that are owned or controlled by Allianz, such as heating & cooling and IT equipment, is monitored and reported on the following basis:

a) Electricity:

- electricity from hydroelectric power stations,
- electricity from wind power stations,
- electricity from biomass power stations,
- electricity from photovoltaic power stations,
- electricity from average market mix, and
- electricity from remote working.

b) Fossil fuels:

- natural gas,
- heating oil, and
- fuels for emergency power units (petrol, diesel).

c) Other energy:

- Renewable heating energy (solar power, bioorganic, etc.),
- district heating, and
- heating/cooling energy from remote working.

Energy consumption data is based on invoice amounts or meter readings (where available) and estimations from entities.

Energy use and data centers

The energy consumption of our data centers plays a material part in Allianz's environmental and carbon footprint and was brought into scope of Allianz's non-financial, environmental reporting in 2015.

Whilst actual energy consumption data is collected for larger data centers (generally minimum 1 GWh annual energy demand), the energy consumption of our declining legacy server capacity of local data centers is calculated based on the actual number of servers.

For the purpose of environmental reporting, data centers are divided into strategic data centers and local data centers.

Energy use of local data centers that are not legally owned by Allianz Technology are currently reported by Allianz entities. In 2022, we worked on integrating the

local data centers reported by operating entities (OEs) in the total data centers footprint as part of our continuous efforts to improve the quality of that data and reporting processes.

In 2022, the reported energy demand of data centers increased following the inclusion of local data centers in the total data centers energy figure.

The impact of moving the local data centers energy from the scope of OEs buildings energy consumptions to the scope of the overall data centers energy consumption was assessed for our baseline year and determined immaterial for 2019 (-2.9 %; i.e., below our restatement policy threshold of +/- 5 % at Group level) and hence no restatement was performed.

Public cloud:

In 2022, following our IT strategy, we included for the first-time emissions from our use of public cloud services into Allianz Group GHG emissions.

The scope of public cloud reporting is based on the GHG emissions (scope 3) linked to the usage of public cloud services/accounts as provided by public cloud service provider. Where GHG emissions data is not available/provided, the spend in € is used to calculate the GHG emissions by applying a certain conversion

factor. The conversion factor will be reviewed on an annual basis in order to reflect changes with regard to the carbon intensity (e.g., an increase of renewable electricity in the data centers of the public cloud providers).

Energy consumption for public cloud is currently not included in our reporting due to the absence of actual energy data by service providers and we will continue to look to improve data quality and processes.

Energy use and remote working

Following the Covid-19 pandemic, the matter of remote working started to play a more material role in our operational set-up. Therefore, in 2022, we included Energy and GHG emissions from remote working in our overall environmental reporting accounting in reflection of upcoming infrastructure changes for the first time.

The scope of remote working emissions is based on the energy consumption linked to heating, cooling, lighting and IT which is calculated on the basis of:

- the Flexible Working Metric (%),
- country specific energy intensities values, and
- average remote working area.

01 Environmental footprint of own operations

The energy consumption for remote working is then converted into GHG emissions (scope 3) on the following basis:

- Remote working electricity: the IEA market mix at country level.
- Remote working heating/cooling: district heating/cooling factors.

Please note that remote working related energy is in scope of Allianz Group GHG emissions targets and out of scope of Allianz Group Renewable share and Energy per office buildings targets.

01.2.2 Business travel

is monitored and reported on the following basis:

a) rail travel:

- train travel.

b) road travel:

- fleet cars,
- private cars,
- rental cars.

c) air travel:

- short-haul air travel (<500 km),
- long-haul air travel (>500 km).

Business travel data is, where available, based on sources including travel booking information, travel expenditure data, fuel consumption and estimations from entities.

01.2.3 Green commuting

- Commuting is defined as the travel to and from the workplace undertaken by employees of the OE within the reporting boundaries and within the reporting period.
- Green commuting measures support low carbon means of travelling to the workplace.
- Each building that supports **at least 3 out of 5** green commuting options (**at least one measure per option**) can claim to have a 'Green commuting plan' in place.
- Plans prioritize walking, using public transport and use of EVs with a range of actions for operating entities to implement – from bike leasing to discounted public transport and EV charging stations.
- Each building meeting the requirements of having a green commuting plan shall be identified and the corresponding contracted headcount of each building will be counted towards the final total % share for an OE.

01.2.4 Paper use

is monitored and reported on the following basis:

Paper use for internal or external purposes, with the following environmental attributes:

- a) paper from certified sustainable sources – recycled or virgin fibers, and
- b) paper from non-certified sources.

Paper data is based on invoice amounts (where available) and estimations from entities.

01.2.5 Water use

is monitored and reported on the following basis:

- a) rain water,
- b) natural water (please note: this is equal to the GRI term 'unpurified water from surface/ground water'), and
- c) drinking water.

Water data is based on meter reading (where available), invoice amounts (where available) and estimations from entities.

01.2.6 Waste output

is monitored and reported on the following basis:

- a) valuable materials separated and recycled,
- b) waste incinerated,
- c) waste disposed of in landfills, and
- d) special waste treatment.

Please note: the waste data reported includes 'hazardous waste' as defined on the basis of treatment method (special treatment); the definition and approach to

reporting is subject to review as part of our standard Group processes.

Waste data is based on invoice amounts (where available) and estimations from entities.

01.2.7 Action on plastic

Plastic for the purpose of 'action on plastic' is defined as action on 'single-use plastic' items specifically, the minimum scope of 'single-use plastic' includes; plastic bags, plastic cutlery, plastic plates, straws, drink stirrers, sticks for balloons.

For each building, OE shall report the appropriate level of action plan measures which are defined at three levels:

- **Level 1:** Assessment of baseline usage of single use plastic across our operations.
- **Level 2:** Definition of targets and action plans per operating entity, including allocation of resources and launch of implementation.
- **Level 3:** Progress assessed and reported to the project management sponsor, action plan checked and reviewed within reporting period.

Each building meeting the requirements of having an action on plastic level shall be identified and the corresponding contracted headcount of each building will be counted towards the final total percentage share for an OE.

01 Environmental footprint of own operations

Comparability

The GHG Protocol requires that, in the case of a structural or methodology change, companies adjust historic inventories if the change has a significant effect on reported emissions. Allianz uses a significance threshold for:

- Structural changes: 5 % per indicator category of the current year's total emissions.
- Methodological changes: 5 % on Group level or 10 % on entity level per indicator category of current year's total emissions.
- Errors: 5 % on Group level or 10 % on entity level per indicator category.

That is, a structural change that increases or decreases the total inventory by 5 % or more, or a methodology change or aggregate errors that increases or decreases the total inventory by 5 % or more on a Group level or 10 % on an entity level per indicator category, will trigger an adjustment of historic data. A structural change that increases or decreases the total inventory by less than 5 % will be considered only going forward.

As such, historic data relevant to the GHG emissions from business travel (per employee and absolute) in 2019 and 2020 were restated, as a result of data quality improvement and GHG methodology change in 2021 (from net to gross emissions accounting).

Forest protection to protect carbon sinks and biodiversity – our approach to carbon credits

In 2019, we committed to pursue efforts to limit global warming to a maximum of 1.5°C by the end of the century and aim for net-zero emissions by 2050.

We have claimed our operations to be 'carbon neutral' since 2012.

This has been achieved through investments in the protection of existing rainforests, maintaining significant carbon sinks and biodiversity while empowering the local population through job creation, provision of healthcare and education and preserving biodiversity. In 2022, 153,910 credits, each accounting for one metric ton of carbon avoided, were retired from our own projects. Looking ahead, we believe the focus should be both on reducing emissions in line with science and protecting natural systems.

Data quality

We will continue to improve and formalize our systems, processes and internal controls for environmental performance reporting on both Group and entity level to continuously improve data quality. As part of our efforts, we seek to include further entities in our data collection and hence increase the scope of data being measured or calculated.

Allianz portfolio carbon footprint

Methodology for Corporates,
Infrastructure Equity, Real Estate
and Sovereigns

02 Allianz portfolio carbon footprint

02.1 Introduction

Allianz, as a founding member of the U.N.-convened Net-Zero Asset Owner Alliance (NZAOA), advocates for ambitious decarbonization strategies in the real economy, and financing by industry. Our commitment is to support real world decarbonization while also reaching net-zero greenhouse gas (GHG) emissions in our proprietary investment portfolio by 2050.

For measuring and steering the decarbonization of our portfolio, and for our sustainability reporting, we calculate the carbon footprint of the corporates, real estate and sovereigns in our proprietary portfolio, in proportion to the amount of that corporate, real estate or sovereign we hold. This is termed our 'owned emissions' and we calculate it on an annual basis. Our owned emissions represent part of Allianz's scope 3 emissions, as outlined in category 15 of the GHG protocol.¹

This document details the carbon footprint calculation approach for our on balance sheets assets in order to provide clarity on how we compute our owned emissions in a generally accepted and consistent manner. The metrics and methodology described in this document were defined in accordance with the guidance given by the Sustainable Finance Disclosure Regulation (SFDR) Final Report on draft Regulatory Technical Standards², the guidance of the Task Force on Climate-related Financial Disclosures³ and The Global GHG Accounting & Reporting Standard for the Financial Industry.⁴ Additionally, we calculate and report in line with second edition of the U.N. NZAOA Target Setting Protocol.⁵

In alignment with these above referenced works, we calculate multiple carbon footprint KPIs. Our absolute portfolio carbon footprint is used to determine total owned GHG emissions and measure decarbonization over time. In order to compare investments, sectors, or portfolios

to each other in terms of emissions, we use intensity metrics, i.e. metrics showing the emissions per a specific unit, such as emissions per EUR invested. The different KPIs are described in more detail in section 3.

We target reasonable assurance for all carbon footprint data except real estate where we target limited assurance for the first years due to high complexity in data sourcing.

Furthermore, we would like to emphasize the importance of carbon disclosure by investors as well as investee companies and sovereigns, to ensure transparency and the ability to reach climate targets. Standardized GHG accounting enables financial institutions to provide transparent climate disclosure, identify the emission hot spots within the portfolio and seize the right climate friendly opportunities. Consequently, we will continuously enhance our carbon footprint methodology and portfolio coverage based on available methodologies, data and standards set out.

We divide this document into different chapters for the carbon footprint calculation approaches of the various asset classes we cover. Additional asset classes will be added step-by-step to the document as we increase the portfolio coverage of our carbon footprint calculation.

02.2 Public equity and corporate bonds

02.2.1 Portfolio scope

The public equity and corporate bond portfolio carbon footprint covers the asset classes listed below. Derivatives and unit-linked products⁶ are excluded from our carbon footprint calculation.

Public equity portfolio:

In scope:

- Public equity (single stocks on IFRS consolidated balance sheet).

Out of scope:

- Mutual funds.

1 https://ghgprotocol.org/sites/default/files/standards_supporting/Chapter15.pdf.

2 https://www.esma.europa.eu/sites/default/files/library/jc_2021_03_joint_esas_final_report_on_rts_under_sfdr.pdf.

3 https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf.

4 <https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf>.

5 NZAOA-Target-Setting-Protocol-Second-Edition.pdf (unepfi.org).

6 Unit-linked describes a type of investment, usually offered by a life insurance company, which is essentially a combination of insurance and an investment vehicle.

02 Allianz portfolio carbon footprint

Corporate bond portfolio:¹

In scope:

- Corporates,
- Agencies, and
- Private Placements.

Out of scope:

- Asset Backed Securities,
- Mortgage Backed Securities,
- Collateralized Mortgage Obligations,
- Covered Bonds, and
- Mutual Funds.

For sector comparisons and the sector average method (see section 02.2.5), investments in our portfolio are categorized by industry sector according to the Statistical Classification of Economic Activities in the European Community (NACE). The NACE classification system partitions economic activities into unique industry sectors and further sub classifies them into four levels of specificity. For example, a company in the 'Manufacturing' (level 1) NACE sector may

be further categorized into 'Manufacture of basic metals' (level 2) then 'Casting of metals' (level 3) and finally 'Casting of iron' (level 4).

For more information on the different sectors and levels, please refer to Regulation (EC) No 1893/2006 of the European Parliament and of the Council.²

02.2.2 Calculation methodology

We calculate the owned emissions of an investment in our portfolio by computing the fractional share of the respective company's total GHG emissions relative to the amount of the company that we 'own'. This is determined by the ratio of our exposure in the company (equity or bond) and the company's total enterprise value, multiplied with the company's total emissions. Our total portfolio carbon footprint is the sum of all those owned emissions in our portfolio, expressed as carbon dioxide equivalents (CO₂e).

For computing our portfolio carbon footprint, the following input is required (described in more detail in the next sections):

Absolute portfolio carbon footprint:

$$\sum_{i=1}^n \frac{\text{€investment}_i}{\text{company's enterprise value including cash}_i} * \text{company's emissions}_i$$

- *€investment_i* refers to the exposure in EUR for the company *i*³ in our investment portfolio, where 'exposure' is defined as market value for equities and nominal value for all fixed income securities.
- *company's emissions_i* refers to the sum of scope 1 and scope 2 GHG emissions of the company *i* according to the GHG Protocol.⁴
- The *company's enterprise value including cash_i* (EVIC) is calculated as the sum, at year-end, of the market capitalization of ordinary shares, the market capitalization of preferred shares, and the book value of total debt and non-controlling interests, without the deduction of cash or cash equivalents.

Our public equity and corporate bond portfolio carbon footprint is calculated in the beginning of each year for the year previous. While our exposure and a company's EVIC data is generally available for the previous year, GHG emissions data is usually only available for the year before the previous year. Therefore, there is a one-year time-lag between financial data and emission data within the calculation. As an example, our portfolio carbon footprint in 2021 was calculated in early 2022 and based on financial data from year-end 2021, but GHG emissions data was from 2020. This is in line with the approach described in the second edition of the U.N. AOA Target Setting Protocol, Option 2 (page 41).⁵

1 The bonds in our portfolio are categorized according to the Bloomberg Global Sector Classification Scheme (BCLASS) which groups bonds by industry, government affiliation or some other grouping of ultimate company risk. See Bloomberg-Barclays-Methodology1.pdf (bloombergip.com).

2 EUR-Lex - 32006R1893 - EN - EUR-Lex (europa.eu).

3 The index "i" refers to any given individual company in our portfolio.

4 <https://ghgprotocol.org>.

5 NZAOA-Target-Setting-Protocol-Second-Edition.pdf (unepfi.org).

02 Allianz portfolio carbon footprint

02.2.3 Investment

Definition

€investment_i is the exposure for the company *i* in our investment portfolio, here referring to our public equity and corporate bond portfolio. For equity investments and zero-coupon bonds, this corresponds to the market value at year-end, for corporate bonds this is the nominal value of the bond at year-end.

02.2.4 EVIC

Definition

The *company's enterprise value including cash_i* refers to the sum of the market capitalization of ordinary shares at year-end, the market capitalization of preferred shares at year-end, and the book values of total debt and minorities' interests, without the deduction of cash or cash equivalents.

Cash and cash equivalents are not deducted in order to avoid the possibility of negative enterprise values. Furthermore, it ensures that 100 % of all company's emissions are attributed to either equity or debt holders, as the sum

of equity and debt represents 100 % of the company's EVIC.¹ In line with the EU SFDR Final Report on Draft Regulatory Technical Standards and the Principal Adverse Impact screening set forth herein, EVIC is used as the standard denominator when determining owned emissions.²

Source

For the public equity and corporate bonds carbon footprint, the different EVIC components (Company Market Cap, Preferred Stock, Non-Redeemable (Net), Total Debt, Minority Interest) are sourced from the Refinitiv Eikon database. If these components are not available from Refinitiv, EVIC data from MSCI is used instead. If the necessary data is still not available, we use the company's market cap from MSCI instead of EVIC.

02.2.5 Emissions

Definition

company's emissions_i refers to the sum of scope 1 and scope 2 emissions of a company. As defined in the GHG Protocol³, scope 1 GHG emissions include all direct emissions and scope 2 GHG emissions

include all indirect emissions from consumption of purchased electricity, heat or steam. Scope 3 emissions are currently not included because of data comparability, coverage, transparency, and reliability issues. However, scope 3 is planned to be included once sufficient and reliable data is available.

Source

Carbon footprint KPIs for an investment can be displayed by different aggregation levels. This can entail aggregation by direct issuer level, parent issuer level or ultimate issuer level. Based on the Bloomberg company hierarchy, we define the different issuer levels as follows:

Direct issuer: Issuer of investment.

Parent issuer: Company that owns the direct issuer.

Ultimate issuer: Highest/final company that owns the other companies.

Because emissions of an investment are often only reported at the ultimate issuer level, and might be unavailable for the respective reporting year, the following method is applied for sourcing and choosing the final GHG emission figures that we use. Only the latest three emission reporting years are considered to ensure that up-to-date carbon emission data is used.

Method for determining GHG emissions used for carbon footprint calculations of company *i*:

a. Current year:

- i. Look at **Ultimate issuer** of the investment and if GHG emissions are available from MSCI, choose MSCI data, if not, choose Refinitiv data;
- ii. and look at **Parent issuer** of the investment and if GHG emissions are available from MSCI, choose MSCI data, if not, choose Refinitiv data;
- iii. and look at **Direct issuer** of the investment and if GHG emissions are available from MSCI, choose MSCI data, if not, choose Refinitiv data.
- iv. Compare Ultimate, Parent and Direct issuer's emissions and **choose the issuer with the highest emissions** as 'identified company' and its emissions as **final GHG emissions** for calculating owned emissions for the investment.

1 https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/192020-sustainable-finance-teg-benchmarks-handbook_en_0.pdf.

2 https://www.esma.europa.eu/sites/default/files/library/jc_2021_50_-_final_report_on_taxonomy-related_product_disclosure_rts.pdf.

3 <https://ghgprotocol.org>.

02 Allianz portfolio carbon footprint

- b. If none of the above are available, then use the **previous year's** data with the same logic outlined above.
- c. If previous year's data is not available, then use the data from the **year before the previous year** with the same logic outlined above.
- d. If none of the above are available, then use the **sector average method**.

The steps described in a. to c. lead to the determination of an 'identified company' for each investment. This is the issuer level from which the emission data is used for the respective investment.¹ The identified company is then also used for retrieving the corresponding fundamental data (such as enterprise value, market capitalization or debt for EVIC). This approach ensures that emissions and EVIC information always refers to the same investee company.

Sector average method

Where no emission data is available for the current and two previous years from neither MSCI or Refinitiv, a sector average method (step d.) is applied. This is done

in accordance with The Global GHG Accounting & Reporting Standard for the Financial Industry.² The sector average is calculated in the following way:

- A. **Assign the NACE sector** to the identified company. If the NACE sector is not available for the identified company, use the sector for the Ultimate issuer, if not available use the sector for the Parent issuer, if not available use the sector for the Direct issuer. If there is no NACE sector available at all, assign it manually based on our own best determination.
- B. **Determine the sector average universe** which consists of all identified companies with reported emission values.
- C. **Determine the NACE sector level** to use for calculating average carbon intensity. Starting with NACE sector level 3, if the number of identified companies in this level is greater than or equal to 8, calculate the sector intensity for this

level. Otherwise, consider the next NACE sector level 2 and so on.

If the highest NACE level has less than eight companies, use global emission intensity.³

- D. **Calculate the sector average carbon intensity** for each identified NACE sector. This is the sum of emissions divided by the sum of enterprise value including cash for the respective NACE sector. For this purpose, only consider those identified companies with an original NACE sector.
- E. **Compute the estimation of company's final emissions based on sector average carbon intensity** (in cases where no emission data is available) by multiplying the sector average carbon intensity by the company's EVIC.
- F. **Compute our owned emissions** (in cases where no emission data is available) by multiplying the sector average carbon intensity by our exposure for the company in our investment portfolio, defined as nominal value for bonds and market value for equities and zero coupon bonds.

02.3 Infrastructure equity

02.3.1 Portfolio scope

The direct infrastructure equity portfolio carbon footprint covers the asset classes listed below. Derivatives and unit-linked products⁴ are excluded from our carbon footprint calculation.

Infrastructure equity portfolio:

In scope:

- Direct infrastructure equity investments.

Out of scope:

- Infrastructure funds, and
- Infrastructure co-investments.

02.3.2 Calculation methodology

We calculate the owned emissions of an investment in our portfolio by computing the fractional share of the respective company's total GHG emissions relative to the amount of the company that we 'own'. This is determined by the ratio of our exposure in the company and the company's total enterprise value, multiplied with the company's total emissions. Our total portfolio carbon footprint is the sum of all those owned emissions in our portfolio, expressed as carbon dioxide equivalents (CO₂e).

1 An exception from the steps a. to c. are sovereign bonds: if the ultimate issuer is a sovereign bond, the direct issuer is always chosen as identified company.

2 <https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf>.

3 Global emission intensity is the average emission intensity of all identified companies in our portfolio.

4 Unit-linked describes a type of investment, usually offered by a life insurance company, which is essentially a combination of insurance and an investment vehicle.

02 Allianz portfolio carbon footprint

Absolute portfolio carbon footprint:

$$\sum_{i=1}^n \frac{\text{€investment}_i}{\text{company's enterprise value}_i} * \text{company's emissions}_i$$

For computing our infrastructure equity carbon footprint, the following input is required (described in more detail in the next sections):

- €investment_i refers to the exposure in EUR for the company i^1 in our investment portfolio, where 'exposure' is defined as market value for infrastructure equity.
- $\text{company's emissions}_i$ refers to the sum of scope 1 and scope 2 GHG emissions of the company i according to the GHG Protocol.²
- The $\text{company's enterprise value}_i$ (EV) is calculated as the sum, at year-end, of the Net Asset Value and the net debt.

Our infrastructure equity carbon footprint is calculated in the beginning of each year for the year previous. While our exposure and a company's EV data is generally available for the previous

year, GHG emissions data is usually only available for the year before the previous year. Therefore, there is a one-year time-lag between financial data and emission data within the calculation.

02.3.3 Investment

Definition

€investment_i is the exposure for the company i in our infrastructure equity portfolio. For infrastructure equity, exposure corresponds to the market value at year-end.

02.3.4 EV

Definition

EV is calculated as the sum, at year-end, of the Net Asset Value and the net debt. The Net Asset Value of an investment refers to the value of the equity including shareholder loan (if any) as of the respective valuation date. It is calculated in line with IFRS

13 by applying the income approach, i.e. discounting future cash flows to equity shareholders (e.g. dividends) with the asset-specific cost of equity. Under specific circumstances, the market or cost approach may be applied instead. Net debt is calculated by subtracting a company's total cash and cash equivalents from its total short-term and long-term interest-bearing debt.

This calculation approach is consistent with the one for listed equity (chapter 2.4).

Source

Since the investments within direct infrastructure equity typically comprise non-quoted investments, most of the applied valuation parameters are based on unobservable inputs from using the best information available in the circumstances.

02.3.5 Emissions

Definition

$\text{company's emissions}_i$ refers to the sum of scope 1 and scope 2 emissions of a company. As defined in the GHG Protocol², scope 1 GHG emissions include all direct emissions and scope 2 GHG emissions include all indirect emissions from consumption of purchased electricity,

heat or steam. Scope 3 emissions are currently not included because of data comparability, coverage, transparency, and reliability issues. However, scope 3 is planned to be included once sufficient and reliable data is available.

Source

Emission data is sourced directly from the companies by our internal asset manager Allianz Capital Partners.

¹ The index "i" refers to any given individual company in our portfolio.

² <https://ghgprotocol.org>.

02 Allianz portfolio carbon footprint

02.4 Sovereign bonds

02.4.1 Portfolio scope

The sovereign bond portfolio carbon footprint covers the asset classes listed below. Derivatives and unit-linked products¹ are excluded from our carbon footprint calculation.

Sovereign bond portfolio:

In scope:

- Treasuries, and
- Government related – sovereigns.

Out of scope:

- Government related – agencies,
- Government related – local authorities,
- Government related – supnationals, and
- Mutual funds.

02.4.2 Calculation methodology

We calculate the owned emissions of a sovereign bond investment in our portfolio by computing the fractional share of the respective sovereign's total GHG emissions relative to the amount of the sovereign that we 'own'.

Absolute portfolio carbon footprint:

$$\sum_{i=1}^n \frac{\text{€investment}_i}{\text{sovereign's ppp-adjusted GDP}_i} * \text{sovereign's emissions}_i$$

This is determined by the ratio of our exposure in the sovereign and the sovereign's total value, multiplied with the sovereign's total emissions. In accordance with PCAF, we take Purchasing Power Parity (ppp)-adjusted GDP as proxy for the value of a sovereign. Our total sovereign portfolio carbon footprint is the sum of all those owned emissions in our portfolio, expressed as carbon dioxide equivalents (CO₂e).

For computing our sovereign portfolio carbon footprint, the following input is required (described in more detail in the next sections):

- *€investment_i* refers to the exposure in EUR for the sovereign *i*² in our investment portfolio, where 'exposure' is defined as nominal value for sovereign bonds.

- *sovereign's emissions_i* refers to scope 1 emissions of sovereign *i* excluding land use, land use change, and forestry (LULUCF).
- The *sovereign's ppp-adjusted GDP_i* refers to the value of a country's output as a proxy for the 'value of the country'.

Our sovereign portfolio carbon footprint is calculated in the beginning of each year for the previous year. While our exposure is generally available for the previous year, sovereign GHG emissions data usually has a time-lag of one or two years depending on the specific sovereign issuer. Therefore, there is a time-lag between exposure data and emission data within the calculation. For each sovereign issuer, we take the latest GHG emission data available in the database we use. For consistency reasons, ppp-adjusted GDP is taken for the same year as emission data.

02.4.3 Investment

Definition

€investment_i is the nominal bond value for sovereign *i* in our global investment portfolio at year-end.

02.4.4 PPP-adjusted GDP

Definition

The *sovereign's ppp-adjusted GDP_i* is reflecting the value of a country's output as a proxy for the 'value of the country'. The ppp-adjustment of GDP allows for comparing the real sizes of the economies and the output by subtracting the exchange rate effect. This effect becomes relevant for countries with a relatively stronger exchange rate effect in particular and allows for a fairer comparison of the countries.

Source

For Allianz's sovereign carbon footprint, ppp-adjusted GDP is sourced from the Worldbank database (GDP, PPP (current international \$))³ without further adjustments.

¹ Unit-linked describes a type of investment, usually offered by a life insurance company, which is essentially a combination of insurance and an investment vehicle.

² The index "i" refers to any given individual sovereign in our portfolio.

³ GDP, PPP (current international \$) | Data (worldbank.org).

02 Allianz portfolio carbon footprint

02.4.5 Emissions

Definition

sovereign's emissions, refers to production emissions of sovereign i defined as emissions from sources located within a country territory including emissions from domestic consumption and exported goods and services. This is in line with the UNFCCC definition of domestic territorial emissions (scope 1). For the time being we are calculating the Sovereign carbon footprint excluding the emissions related to LULUCF. The main reasons are high uncertainty around LULUCF data and that there is no commonly accepted standard for accounting of LULUCF emissions. Also, LULUCF emissions have the potential to distort the overall trends of key sectors that contribute to global warming. We are planning to calculate the Sovereign carbon footprint including LULUCF in the near future.

Source

Based on (a) country coverage, (b) recency of data, and (c) data quality considerations, we use sovereign emission data from the following data bases:

- For Annex I countries: UNFCCC database¹,
- For Non-Annex I countries: PRIMAP (Potsdam Institute for Climate Impact Research) database².

For each sovereign issuer, we take the latest emission and GDP data available.

02.5 Real estate

02.5.1 Portfolio scope

Organizational boundaries

The scope of Allianz Real Estate's (ARE) direct portfolio carbon footprint is limited to real estate investments of Allianz SE and its subsidiaries that are **managed by ARE**.

In scope:

Direct investments (Directly held investments and Joint Ventures classified as Direct investment).

ARE accounts for GHG emissions according to the **operational control approach**. Under this approach, ARE accounts for 100 percent of GHG emissions from operations over which it has control (Directly held investments and JVs >50 % share) as scope 1–2 emissions and where it does not have control the associated emissions fall into Indirect scope 3 emissions.

Out of scope:

Indirect investments (Funds) and Debt, own use/special assets and assets not managed by ARE.

Operational boundaries

In scope:

In scope are the following operational emissions:

- Scope 1: Natural gas, fuel oil, refrigerant losses (landlord emissions from Directly held investments and JVs >50 % share).

- Scope 2: Purchased electricity, district heating/cooling, geothermal energy (landlord emissions from directly held investments and JVs >50 % share).
- Scope 3: scope 1 and 2 emission sources from 'Downstream leased assets' (tenant emissions from Directly held investments and JVs >50 % share) and 'Investments' (tenant and landlord emissions from JVs ≤ 50 % share), Distribution losses (from directly held investments and JVs >50 % share).

Out of scope:

Non-operational emissions (e.g. capital goods), emissions from distribution losses originated in Joint Ventures with ≤ 50 % share, and scope 3 emissions from other GHG Protocol categories assessed as not significant.

1 Greenhouse Gas Inventory Data – Time Series – Annex I (unfccc.int).

2 The PRIMAP-hist national historical emissions time series (1750–2021) v2.4 | Zenodo.

02 Allianz portfolio carbon footprint

02.5.2 Calculation methodology

Total emissions kgCO₂e per scope per asset are calculated by applying the following general equation:

$$\text{Total Emissions}_{sx} = \sum_{i=1}^n \text{Op. Control} * \text{Activity Data}_i * \text{Emission factor}_i$$

where,

- “Sx” refers to the scope of emissions (e.g. S1, S(1,2,3)).
- “m” is the number of assets in the portfolio.
- “n” is the number of emission sources.
- “Op. Control” refers to the percentage of ownership and time of operational control.
- “Activity Data” refers to the quantity of primary data relevant to calculate emissions per emission source (e.g. kWh of electricity consumption, kg of refrigerant losses).
- “Emission factor” refers to the coefficient kgCO₂e/unit which converts the activity data into emission values in the standard metric kgCO₂e. For electricity and district heating/cooling emissions a market-based approach is applied.

02.5.3 Data sources

ARE’s portfolio carbon footprint is calculated based on the following input data:

- Property-specific data, such as energy consumption, that is collected in an annual data collection process.
- Input data and calculations from the previous years.
- Master and financial data from ARE Global Data Warehouse system.
- Conversion factors e.g. emission factors and benchmark factors from recognized sources (e.g. IEA, CRREM).

Where no primary energy activity data is available, estimation calculations take place to fill data gaps. The estimation approach is designed to fill data gaps with as much accuracy as possible.

02.5.4 Reporting period

The ARE direct portfolio carbon footprint is calculated for the period from 1 January to 31 December.

Due to delayed data availability from third parties (e.g. tenants), the KPI reported in the reporting year is the portfolio carbon footprint of the previous year (e.g. 2021 data will be reported to Allianz Investment Management (AIM) for reporting year 2022).

02.5.5 Validity check

ARE implemented an internal control approach including several checks on Asset Management and central ARE level to ensure high data quality and to significantly prevent and rectify errors in the data collection, calculation and reporting process.

02.6 Green bonds

Green bonds are a special case in the process of our portfolio’s carbon footprint calculation. These are bonds where the money raised by the issuer is used exclusively to finance projects that have a positive environmental impact, such as funding further development of renewable energy or green buildings. To incentivize the investment in such bonds, we apply a percentage factor (currently 10 %) to the calculation of owned emissions for green bonds. This is in general a conservative approach and will be applied until financed emissions of green bonds are available from our data providers. Green bonds are identified via a respective flag from our data provider.

02 Allianz portfolio carbon footprint

Relative portfolio carbon footprint (i.e. portfolio carbon footprint per EUR invested) for companies:

$$\frac{\sum_{i=1}^n \frac{\text{€investment}_i}{\text{company's enterprise value}_i} * \text{company's emissions}_i}{\text{total portfolio value}}$$

Relative portfolio carbon footprint (i.e. portfolio carbon footprint per EUR invested) for sovereigns:

$$\frac{\sum_{i=1}^n \frac{\text{€investment}_i}{\text{sovereign's ppp - adjusted GDP}_i} * \text{sovereign's emissions}_i}{\text{total portfolio value}}$$

Weighted average carbon intensity (i.e. portfolio weighted average carbon intensity per EUR sales):

$$\sum_{i=1}^n \text{portfolio weight}_i * \frac{\text{company's emissions}_i}{\text{company's sales}_i}$$

02.7 Weighted metrics

When we benchmark or compare companies, sovereigns, sectors, or portfolios to each other in terms of GHG emissions, normalization is required. This means translating the absolute owned emissions to an emission intensity metric (emissions per a specific unit). We compute the following intensity metrics for our portfolio.

For this purpose, the following additional input is required:

- *total portfolio value* refers to the aggregated value of all investments in the portfolio. For the global equity portfolio this is the aggregated market value and for the corporate bond portfolio the aggregated nominal value.
- *company's sales_i* refers to a company's sales data as given by Refinitiv for the relevant company.
- *portfolio weight_i* refers to the weight of the corresponding company *i* in the investment portfolio, calculated as:

$$\text{portfolio weight}_i = \frac{\text{€investment}_i}{\text{total portfolio value}}$$

02.8 Validity check

Before calculating carbon footprint KPIs, we check the input data for accuracy. For this purpose, we examine year over year development of emissions and EVIC/GDP data for the top emitters in the various asset classes. Outliers are then manually verified against publicly available data (e.g. company's published annual reports) and corrected if necessary.

Sustainable investments

03 Sustainable investments

03.1 Introduction

The European Union launched the EU Action Plan on Financing Sustainable Growth (Sustainable Finance) in March 2018. The EU Action Plan's objectives are supported by legislation such as the EU Taxonomy Regulation ('TR'), the Sustainability Finance Disclosure Regulation ('SFDR') as well as supplements to the Insurance Distribution Directive ('IDD') and the Solvency II Directive ('SII').

One important element of Sustainable Finance is for financial products to make "sustainable investments".

Article 2 (17) SFDR defines a 'sustainable investment' as "an investment in an economic activity that contributes to an environmental objective, as measured, for example, by key resource efficiency indicators on the use of energy, renewable energy, raw materials, water and land, on the production of waste, and greenhouse gas emissions, or on its impact on biodiversity and the circular economy, or an investment in an economic activity that contributes to a social objective, in particular an

investment that contributes to tackling inequality or that fosters social cohesion, social integration and labor relations, or an investment in human capital or economically or socially disadvantaged communities, provided that such investments do not significantly harm any of those objectives and that the investee companies follow good governance practices, in particular with respect to sound management structures, employee relations, remuneration of staff and tax compliance".

Allianz applies this notion of sustainable investments for:

- Listed Corporates and Agencies¹ (equity and debt),
- Sovereigns,
- Supranationals,
- Real Estate Direct Holdings and Commercial Real Estate Loans,
- Renewables, and
- Funds following impact and/or blended finance strategies and meeting the criteria of Article 9 SFDR.

For investments to be considered as sustainable in the meaning of Article 2 (17) SFDR they have to comply with all of the following three criteria:

- Positive contribution to an environmental and/or social objective,
- Follow Good Governance Practices (GGP), and
- Do Not Significantly Harm any other environmental or social objective (DNSH)

Please note that DNSH, where applicable, implies the screening of Principle Adverse Impact (PAI) indicators. PAI disclosure requirements are specified in the SFDR Regulatory Technical Standards (RTS).²

The SFDR RTS specifically define PAI indicators for investee companies, sovereigns, and real estate assets. While the regulation does not provide specific PAI indicators for infrastructure or project finance³, the European Supervisory Authorities clarified that financial market participants are still required to assess adverse impacts based on the indicators provided for other investment types. At this stage, existing Allianz processes such as the screening of non-listed assets

based on the Sensitive Business Areas⁴ are applied as a proxy for adverse impact assessment. In case of missing data, Allianz collects data directly from asset managers.

03.2 Sustainable investments calculation approach

With respect to the criteria mentioned above, Allianz has developed an assessment approach to identify sustainable investments across a range of asset classes. The assessment is data driven and based on best available data from internationally recognized data aggregators and Allianz proprietary assessment. The overall approach is periodically reviewed and data sources expanded to develop a best-in-class sustainable investments framework.

¹ Agencies refer to state owned undertakings.

² See Commission Delegated Regulation EU (2022/1288) of 6 April 2022 (SFDR RTS) or reference.

³ Specifically referring to renewables projects.

⁴ See Allianz ESG Integration Framework for reference.

03 Sustainable investments

03.2.1 Listed corporates and agencies

1. Positive environmental/social objective	Investments in companies generating % of revenues from pre-defined selection of positive environmental/social objectives are considered as sustainable on activity level.
2. Do no significant harm	<p>Companies with the following criteria are not considered as sustainable investment:</p> <ul style="list-style-type: none"> • Bottom 10% lowest ESG rating scoring companies by region (Europe, North America, Asia-Pacific and Emerging Markets regional thresholds)¹, • Companies generating more than 1% revenue from pre-defined selection of negative activities i.e. adult entertainment, alcohol, gambling, fossil fuels², tobacco, weapons³, etc., • Companies that fail the United Nations Global Compact (UNGC) compliance assessment, • Bottom 10% lowest theme-rating scoring companies for Toxic Emissions and Waste, Biodiversity and Land Use, and • Companies with severe and very severe controversies reported in the field of Toxic Emissions and Waste, Biodiversity and Land Use. <p>In addition, Allianz enforces a group-wide exclusion policy relating to controversial weapons in investments of proprietary assets⁴.</p>
3. Good governance practices	<p>Companies need to pass the Governance and Labor Rights controversy screening.</p> <p>Companies with severe risk exposure in good governance practices are included in the engagement selection process. In particular, if bad governance practices persist for more than three consecutive years and/or the engagement process has failed, companies are excluded from Allianz's proprietary portfolio, i.e. excluded for new investments and equity investments are sold thereof.</p>

Data retrieved from internationally recognized third party data providers.

03.2.2 Sovereigns

1. Positive environmental/social objective	<p>Using NGO data from Net-Zero Tracker, all investments in Sovereigns that have 'in law' or 'in policy paper' net-zero 2050, climate or carbon neutral targets are considered as sustainable.</p> <p>Decarbonization requires for all stakeholders to act together. It's vital to support Sovereigns that have 1.5° C aligned targets, so that they can set the right boundaries and incentives for companies and citizens to act on these.</p>
2. Do no significant harm	Using public NGO data sources (i.e. HRMI Rights tracker, Walk Free, Transparency International etc.) and proprietary qualitative assessments, Allianz has developed a Human Rights Risk Score for countries. The top 15% highest scoring countries, representing low exposure to human rights risk, pass the do no significant harm screening.
3. Good governance practices	Bottom 10% lowest ESG rating scoring countries as well as countries with severe human rights risk exposure are not considered as sustainable and are excluded from the proprietary portfolio.

Data retrieved from internationally recognized third party data providers, publicly available NGO data as well as proprietary assessments.

1 Please refer to the ESG Scoring approach under the Allianz ESG Integration Framework.

2 Only ESG bonds such as green bonds issued by utility companies are exempted if these bonds pass the DNSH and GGP criteria.

3 Zero tolerance for controversial weapons as described under Controversial weapons exclusions in the Allianz ESG Integration Framework.

4 Please refer to Exclusion Policies under the Allianz ESG Integration Framework.

03 Sustainable investments

03.2.3 Supranationals

Allianz distinguishes between the nature of activities and institutional structure of supranationals. Separate approaches have been developed for three distinct categories:

1. Multilateral Development Banks (MDBs),
2. Disbursement-based Supranational Administrative Bodies (SABs), and
3. Other Supranational Administrative Bodies.

Multilateral Development Banks (MDBs)

1. Positive environmental/ social objective	MDBs that have a public climate commitment in line with 1.5°C pathway based on Paris Agreement via net-zero, climate neutral or Paris aligned targets in charter of policies and/or policies that contribute to positive development in pre-defined selected areas (i.e. basic needs, major disease treatment, social impact etc.) are considered as sustainable.
2. Do no significant harm	MDBs with the following criteria are not considered as sustainable investments: <ul style="list-style-type: none"> • Bottom 10% lowest ESG rating scoring MDBs by region (Europe, North America, Asia-Pacific and Emerging Markets)¹, and • MDBs that fail the UNGC compliance assessment.
3. Good governance practices	MDBs need to pass the Governance and Labor Rights controversy screening.

Data retrieved from internationally recognized third party data providers, publicly available NGO data as well as proprietary assessments.

Disbursement-based Supranational Administrative Bodies (SABs)

1. Positive environmental/ social objective	The assessment for disbursement-based SABs is based on the share of sustainable sovereigns in the disbursement split of the body. If, for instance, 50% of the bodies' funds are disbursed to sustainable sovereigns, 50% of exposure is considered sustainable. The disbursement split is sourced from the SAB's website.
2. Do no significant harm	Using public NGO data sources (i.e. HRMI Rights tracker, Walkfree, Transparency International etc.) and proprietary qualitative assessments, Allianz has developed a Human Rights Risk Score (HRRS) for countries. The top 15% highest scoring countries, representing low exposure to human rights risk, pass the do no significant harm screening.
3. Good governance practices	Bottom 10% lowest ESG rating scoring countries as well as countries with severe human rights risk exposure according to our HRRS are not considered as sustainable and are excluded from the proprietary portfolio.

Data retrieved from internationally recognized third party data providers, publicly available NGO data as well as proprietary assessments.

¹ Please refer to the ESG Scoring approach under the Allianz ESG Integration Framework.

03 Sustainable investments

Other Supranational Administrative Bodies (SABs)

Other SABs are those where we do not have a look through into the use of proceeds.

1. Positive environmental/social objective	All investments in SABs with no look-through into use of proceeds that have 'in law' or 'in policy paper' net-zero, climate or carbon neutral targets based on publicly available policies or charters are considered as sustainable.
2. Do no significant harm	SABs that do not pass following criteria are not considered as sustainable investment: <ul style="list-style-type: none"> • Greenhouse gas emission intensity is managed via a legally binding net-zero target and 2030 interim targets. • Violations of social objectives can be ruled out via publicly available information. • In case of EU, violations of social objectives are reviewed annually by Allianz with reference to Court of Justice of the European Union (CJEU) rulings on sanctioning EU institutions and NGO data such as the Human Rights Watch.
3. Good governance practices	All SABs that have sound management structures, employee relations, remuneration of staff and tax compliance ensured via dedicated publicly available policies, charters, code of conducts etc. are considered as sustainable.

Data retrieved from publicly available NGO data as well as proprietary assessments.

03.2.4 Real Estate Direct Holdings and Commercial Real Estate Loans

1. Positive environmental/social objective	Real estate assets are deemed green buildings with globally recognized labels (e.g. LEED, BREEAM) and/or locally dominant ones (i.e. HQE in France). Additionally, for investments in these buildings to be considered as sustainable, the certification level needs to be above an internally set threshold (for example: BREEAM 'very good' or better, DGNB and LEED 'silver' or better).
2. Do no significant harm	Buildings that do not pass the PAI assessment as set out by SFDR RTS are not considered as sustainable investment: <ul style="list-style-type: none"> • Investments in real estate assets involved in the extraction, storage, transport or manufacture of fossil fuels, and • Investments in energy inefficient real estate assets.
3. Good governance practices	Allianz checks for existing reputational, risk and compliance screenings by asset managers as well as existing ESG policies.

Data retrieved from asset managers and proprietary assessments.

03 Sustainable investments

03.2.5 Renewables

1. Positive environmental/ social objective	Renewable assets contribute to positive environmental objectives and are therefore considered as sustainable investment.
2. Do no significant harm	All renewables are screened for Sensitive Business Areas prior to the investment. ESG guidelines are developed across thirteen sensitive business areas material to Allianz Group. Each guideline is based on internationally recognized standards and best-practice. Each guideline contains criteria, which are reviewed in the context of a given transaction. ¹
3. Good governance practices	Allianz checks for existing reputational, risk and compliance screenings by asset managers as well as existing ESG policies.

Data retrieved from asset managers and proprietary assessments.

03.2.6 Funds following impact and/or blended finance strategies and meeting the criteria of Article 9 SFDR

1. Positive environmental/ social objective	Dedicated impact and/or blended finance strategies with sustainable objectives (Article 9 SFDR aligned).
2. Do no significant harm	Confirmed by asset manager to be in line with Article 2 (17) SFDR.
3. Good governance practices	Confirmed by asset manager to be in line with Article 2 (17) SFDR.

Data retrieved from asset managers and proprietary assessments.

¹ Please refer to Sensitive Business Guidelines in the Allianz ESG Integration Framework.

03 Sustainable investments

03.3 Scope

This approach is applicable to Allianz's proprietary investments only, which is steered by Allianz Investment Management (AIM) globally across all portfolios, regions and asset classes. AIM is the main group-wide investment management function for proprietary assets. Our internal asset managers PIMCO and Allianz Global Investors (AllianzGI) have their own independent sustainable investments framework.

03.4 Data validity check

Allianz continuously works on expanding the data coverage and data quality for sustainable investments. Data is retrieved from internationally recognized third party data providers, directly from asset managers and/or based on proprietary data and assessments. Sustainable investments data is audited externally on reasonable assurance level on an annual basis. Furthermore, Allianz uses its internal data management system, which features a complete and coherent view on Group's assets along value functions and across organization. It provides consistent, consolidated, quality assured information, common measures based on uniformed

calculations, predefined portfolio analysis as well as standardized financial reporting. All ESG related data and information (external and inhouse) is stored and centrally provided on issuer level to further downstream processes. ESG level information is pushed down to investment and position level and historized monthly. Engagement data is stored centrally by a dedicated engagement team.

03.5 Limitations to methodologies and data

The SFDR RTS only define PAI indicators (for DNSH screening) for companies, sovereigns and real estate investments. For renewable investments, Allianz applies an own internal screening of sensitive business areas and internal asset manager compliance screenings to ensure compliance with good governance practices. Likewise for investments in dedicated impact and/or blended finance funds, Allianz requests confirmation on compliance with SFDR Article 9 requirements from asset managers.

Given stark differences in data availability across the principle adverse impact metrics (as defined by SFDR) and asset classes, Allianz is in continuous discussions

with asset managers and looks for new data sources to address data gaps and broaden the understanding of potential adverse impact. Despite best effort, data availability limits the degree of consideration of specific principle adverse impact metrics. In those cases Allianz considers the underlying adverse sustainability indicator themes (such as waste or social and employee matters sourced from internationally recognized third party data providers and/or proprietary data).



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