



**Allianz Global Life dac**

**Report on Engagement and Investment Strategy**

**31 December 2020**

**Authorization:**

The content of this document has been reviewed and approved as follows:

Version	Valid from	
		AGL Board of Directors
V1.0	24.02.2021	24.02.2021

## Introduction

The EU's Amended Shareholder Rights Directive ("SRD II") stipulates that institutional investors (i.e. life-insurers, reinsurers covering life-insurance obligations and institutions for occupational retirement provision) which invest directly or through an asset manager in traded shares issue annual reports on their engagement policy and investment strategy. This document is the Report on Engagement and Investment Strategy of Allianz Global Life ("AGL" or "the Company") pursuant to section 1110G of Chapter 8B of the Companies Act 2014 and, as such must comply with the requirements when it is investing in shares in companies which have their registered office in an EU Member State and the shares of which are admitted to trading on a regulated market situated or operating within a Member State..

### **1. Information on the investment strategy and agreements with asset managers**

#### *Investment strategy*

The investment strategy of Allianz Global Life dac (AGL) focuses on safety and liquidity. The main objective of AGL's investment strategy is the achievement of a reasonable yield within the given risk limits. AGL's investments are guided by the principle of entrepreneurial prudence. This principle may be split into two dimensions:

- All investments are made in a way to ensure that the requirements in terms of security, quality, liquidity, profitability and availability for the aggregate investment portfolio are fulfilled. This includes to match the type, quality and maturity of investments with the corresponding characteristics of the liabilities.
- Investments are only admissible if the embedded risks are identified, measured, monitored, managed, controlled and reported in an appropriate way such that they can be included in the solvency calculations.

AGL's investment portfolio is split into two main categories: Linked-Assets (i.e. policyholders' assets) and Non-linked Assets (i.e. hedge assets and shareholder's assets). The financial assets of the Company include both shareholder and policyholders' assets comprised primarily of collective investment schemes, fixed interest securities, government and covered bonds, equities and derivatives. AGL does not hold equities, including shares traded on regulated markets within the EEA, as part of shareholders assets; equity exposure is limited to the Company's portfolio of unit-linked policyholder asset products and the respective hedge assets related to the guarantees offered.

The characteristics and the maturity of the commitments entered into form the basis for determining the long-term orientation of the investment portfolio. The basic principles of the investment strategies for these portfolios are based on the structure of the respective underlying liabilities. These principles and guidelines form the framework for a diversified investment strategy. The risk-bearing capacity of the investment strategy is reviewed using an internal model.

#### *Asset managers*

AGL primarily uses internal and external asset managers to implement its investment strategy. The Board of Directors of AGL remains responsible for aligning the investment strategy and investment decision-making to the profile and maturities of the Company's liabilities. This is ensured by defining a strategic target portfolio, which the asset managers must implement as part of their respective mandates.

When selecting, assigning mandates to, and reviewing asset managers for shareholder investments, AGL not only considers economic aspects but also environmental protection, social concerns and good corporate governance (ESG factors) as part of an overall sustainability concept.

Mandates with asset managers are generally concluded for an unlimited period of time and include the statutory termination rights. As part of an ongoing mandate, asset managers are evaluated and remunerated according to the scope of the mandate. For those mandates primarily designed to fulfil the commitments entered into, the evaluation is not only based on performance relating to the specified benchmark, but also on the fulfilment of other control-related criteria. For mandates that focus on generating income according to a benchmark, various performance and risk indicators are monitored on an ongoing basis. Remuneration policies like fee schedules are structured to avoid any potential incentives for unauthorised risk taking.

The performance of each asset manager is monitored on a quarterly basis which outlines the investment performance of the funds and comments on the underlying results and general developments.

## **2. Information on the engagement policy, engagement report and exercise of voting rights**

For the most part, AGL does not hold direct interests in companies listed on stock exchanges (portfolio companies), but instead maintains indirect interests via undertakings for collective investment in transferrable securities (UCITS). These investments are managed by asset managers. They are each authorised to exercise voting rights and other engagement rights within the portfolio companies. Therefore, given AGL does not exercise any shareholder rights, there is no requirement to provide information regarding its own engagement and information on how the Company monitors investee companies on relevant matters (strategy, financial and non-financial performance and risk, capital structure, ESG).

In addition to the indirect investments described above and managed by asset managers, AGL also holds direct interests in portfolio companies. However, in proportion to the other (indirect) investments in portfolio companies, the volume of these direct interests is extremely low (less than 1% in terms of market value as at 31 December 2020). For this reason, AGL has elected not to adopt a comprehensive engagement policy for these direct shareholdings. Therefore, no statement is made regarding its implementation nor on the exercise of voting rights as required by the Directive.

Publication date: 09.03.2021