



# UPDATE ON SUSTAINABLE, RESPONSIBLE INVESTING -

## AN INSURANCE INVESTMENT PERSPECTIVE

BMCG, 12 June 2019

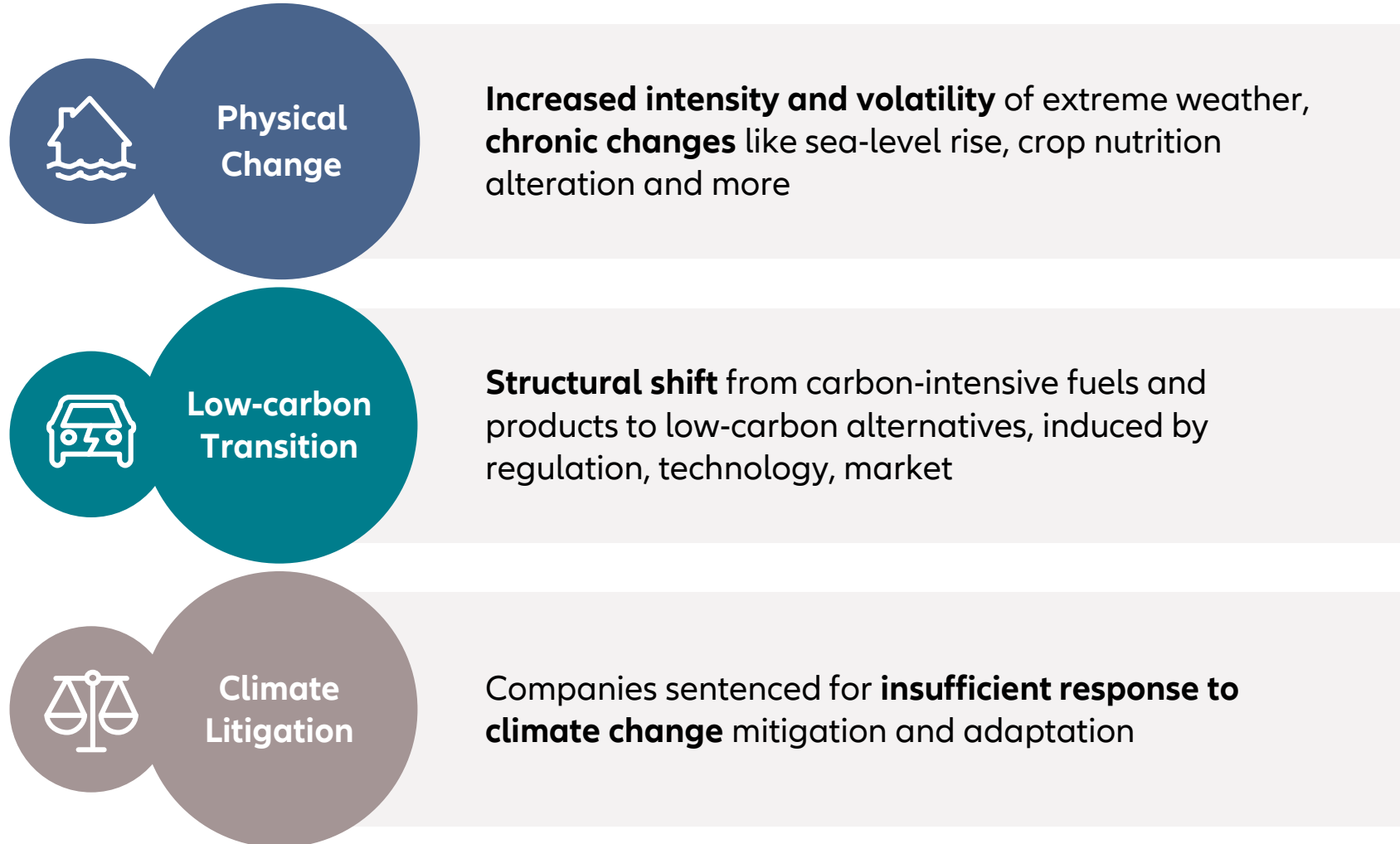
Carsten Quitter  
Allianz Investment Management

**Allianz** 



# CLIMATE CHANGE IMPACTS THE INSURANCE INDUSTRY

Climate Change drives risk and opportunity in three ways...





# WHAT'S THE ROLE OF THE INSURANCE INDUSTRY?



## INSURE AGAINST CLIMATE RISKS

Impacts from extreme weather events are likely to increase with global warming and insurers play a vital role in strengthening resilience.



## SUPPORT LOW-CARBON SOLUTIONS

Insurers can support the global transition by insuring and investing in low-carbon solutions, including green real estate, renewable energy, and energy efficiency.



## DECARBONIZE INVESTMENTS

As large-scale institutional investors, insurers can engage with their investee companies to have them set emission reduction targets in line with the Paris Agreement's target.



# ALLIANZ COMMITMENT – SHAPING A SUSTAINABLE FUTURE

## Insurance Operations



Allianz Operations has been carbon neutral since 2012 (partly by offsetting)



We are committed to source 100% renewable power for our group-wide operations by 2023

## Investment Portfolio



Carbon neutrality by 2050 in the Allianz Investment Portfolio: We joined the Science Based Targets initiative (SBTi) and committed to set long-term climate goals to decarbonize Allianz' portfolio



Currently EUR 25bn\* sustainability-themed investments with strong growth in the Allianz Investment Portfolio

\* As of reporting year 2018



# DEEP DIVE: SBTi

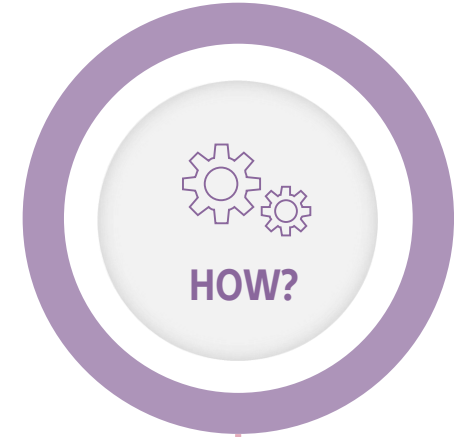


- **Non-profit initiative** by UN Global Compact, WRI, CDP and WWF
- **Supports companies** in the **preparation** and **setting of science-based climate targets (<math><2^{\circ}\text{C}</math>)** and the associated **implementation paths**
- **534\*** companies signed up for SBTi. SBTi is open for all sectors

\*Status as of 05.03.2019



- **Climate change threatens** to radically change our **environment**, our **lives**, and our **business**
- **Limiting global warming to below 2°C** is necessary to **prevent** the most severe **consequences** of climate change
- **Companies** with science-based targets are **ahead** of future **policy** and **regulation**



- Allianz joined SBTi and committed to set targets for the **decarbonization** of its **proprietary investments** and **global corporate operations**
- **Goal** is to reach **near-zero emissions by 2050**
- For all sectors in scope, **SBT** must be **defined** and **accepted** (by large leading companies), i.e. **Sectoral Decarbonization Approaches**



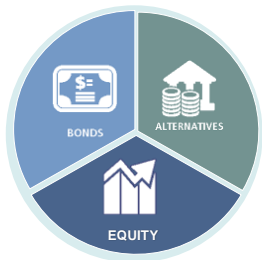
# OUR SUSTAINABILITY APPROACH FOR INVESTMENTS

## COMPREHENSIVE

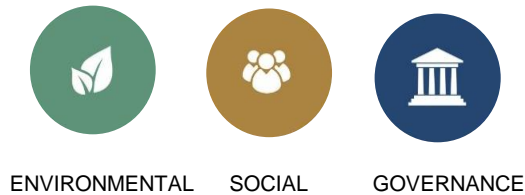
### ALL PORTFOLIOS



### ALL ASSET CLASSES

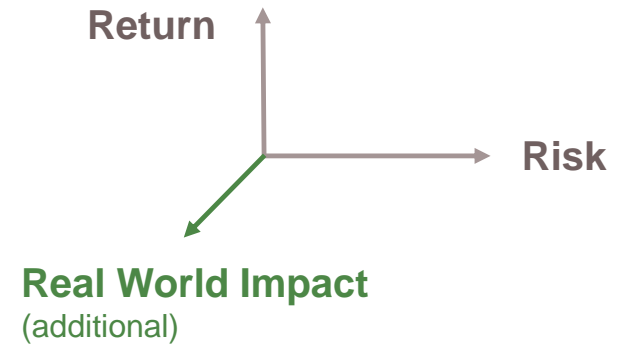


### HOLISTIC ESG APPROACH



## IMPACT ORIENTED

### TRADITIONAL



### REAL WORLD IMPACT

- + Exclusions
- + Support transition
- + **Engagement**
- + **New investment opportunities**

# ENGAGEMENT

## What is engagement about?



- **Target orientated and collaborative dialogue**
- Various **means of engagement**: letters, calls, personal meetings, on-site visits, proxy voting
- **Successful engagement** can often **require several years**

## Reasoning for Allianz engagement



- We are **active owners**
- We **contribute to solutions**. Thus, we do not exclude or divest ESG laggards automatically, but engage with them to induce improvement
- We provide further justification to companies to make the **sustainability sound business decisions**

## Objectives of our engagement?



- **Increase transparency** of companies' ESG performance and targets
- **Provide incentive** for companies to include long term sustainable thinking into decision processes
- **Strengthen attention towards ESG issues** and spur improvements of companies' business performance
- **Mitigate financial and reputational risks**

# NEW INVESTMENT OPPORTUNITIES

## Real Estate



- Hudson Yards in Manhattan: First commercial office building in New York to receive LEED Platinum Certification
- EUR 13.3bn\* invested in certified green buildings

## Renewables



- EUR 6.8bn\* investments in large and small scale renewable projects
- 86 wind farms & 9 solar farms\*
- Mini Hydro Power Plant Fund in Indonesia

## Infrastructure



- Partnership with the International Finance Corporation (IFC), commitment of \$500mn in infrastructure projects in emerging countries
- Tideway Tunnel, London: Investment in a clean river preventing million tonnes of untreated sewage to be discharged into the tidal River Thames per year
- Investment into fiber to the home business (FttH) comprising 5mn homes in France

\* As of reporting year 2018





# REQUIREMENTS TO MAINSTREAM SUSTAINABLE FINANCE

## Establish taxonomy of „sustainable“ investments

- No clear taxonomy yet but best efforts will lead over time to a clearer picture
- Incomplete ESG data coverage



Dynamic taxonomy based on long-term transition pathways

## Introduce standards for ESG reporting

- e.g. Article 173 of the French Energy Transition Law is a step into the right direction



Achieving robust and internationally consistent climate and environmental-related disclosure (NFGS Recommendation #5)

## Strengthen regulatory guidance

- Transparency requirements
- Regulatory minimum standards to consider sustainable investments

## Increase pipeline of impact investment opportunities





**Real World Impact & attractive  
investments are not a contradiction**

**Doing well by doing good is possible!**





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(viii) currency exchange rates, most notably the EUR/USD exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions including and related integration issues and reorganization measures, and (xi) the general competitive conditions that, in each individual case, apply at a local, regional, national, and/or global level. Many of these changes can be exacerbated by terrorist activities.

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