

A PIMCO Company

ALLIANZ REAL ESTATE APPROACH TO ESG

Our contribution to a low-carbon
economy



November 2022



IMPROVE – NEVER STAND STILL

Allianz Real Estate takes tangible steps to reduce its carbon footprint and develop healthy buildings for the environment and the communities that live and work in them.

Carbon-neutral by 2050

We strive to incorporate sustainability factors into our investment cycle and work towards reducing the GHG emissions of the Allianz portfolio to net zero by 2050. The first milestone on this journey is to reduce the carbon footprint of Allianz's global portfolio by 25% by 2025 and focuses on both landlord and tenant-controlled areas of direct investments. As part of this commitment we have set up a structured framework to measure performance to reach this milestone.

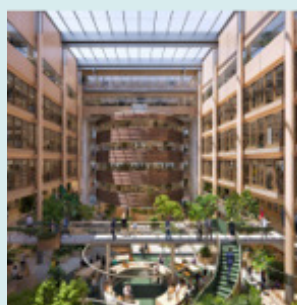
These ambitions follow the 1.5°C CRREM pathway and are inline with the high-profile initiative Net-Zero Asset Owner Alliance that our ultimate parent company Allianz SE co-founded.

Engage with partners and tenants

Real estate is a people's business and relationships are key. Recognizing the importance of climate change and the power of engagement, we make best use of our position, our size and scope. We aim to inspire and influence partners and tenants to follow our lead and take an active role to bring about change.



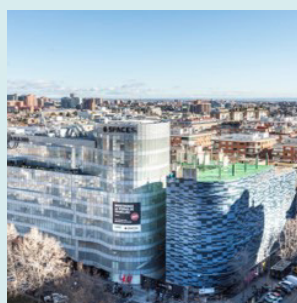
ARTE 25, Italy



EDGE Amsterdam, Netherlands



Citylights, France



Castellà 200, Spain



Vertigo, Luxembourg



Raphael Mertens

Chief Sustainability Officer Allianz Real Estate

Our support for the low-carbon transition is steered by the true commitment to reach net-zero emissions across Allianz's real estate portfolio by 2050.

This is not yet another program to meet certain standards and adhere to best practice. It is about changing the carbon footprint of the portfolio and as such providing a measurable impact in the fight against global warming.



OVERVIEW

It is Allianz Real Estate's view that Environmental, Social and Governance (ESG) issues, such as climate change, are increasingly impacting the fundamentals of the real estate markets worldwide. As such, Allianz Real Estate believes that ESG needs to be integrated within its business, from the investment processes through to the way it interacts with tenants.

This document, which is based on the Allianz Real Estate ESG Group Policy, outlines our approach to integrating ESG considerations into the business processes within the investment approach adopted for Allianz's real estate portfolio. It applies to all areas of investment – equity and debt, directly held and indirect – and has been adopted by all branches and hubs of Allianz Real Estate around the world. Approved by the Allianz Real Estate Executive Committee, the policy has been developed in conjunction with Allianz Climate Solutions but does not influence the own-use real estate managed by other entities within the Allianz Group.

It follows Allianz's holistic approach to the integration of corporate responsibility and particularly ESG criteria into business, which is recorded in the following Allianz Group standards and governance records:

- Allianz ESG Integration Framework
- Allianz Standard for Reputational Risk and Issue Management (AS RRIM)
- Allianz ESG Sensitive Business Guidelines (SBG) and Sensitive Countries List (SCL)
- Allianz ESG Functional Rule for Investments (EFRI)





ESG functions within Allianz Real Estate

Allianz Real Estate Executive Committee (ExCo)

The Allianz Real Estate Executive Committee approves the Allianz Real Estate ESG Group Policy and any changes or updates.

Allianz Real Estate Chief Sustainability Officer

The Allianz Real Estate CSO is responsible for global oversight of the ESG integration into Allianz's investment portfolio and suggests ESG-related target-setting to the Allianz Real Estate ExCo.

Allianz Real Estate Portfolio Team

Portfolio is the owner of the Policy and responsible for reviewing and amending it as well as overseeing its global implementation. This includes, among others, the following responsibilities:

- definition / management of group-wide projects enhancing the Policy, practices and/or performance
- reviewing of ESG assessments on asset level and conducting portfolio analyses
- establishing knowledge-sharing efforts within Allianz Real Estate
- acting as main contact for ESG-related alignment and inquiries (including necessary escalations) within Allianz Real Estate and to Allianz Group (Group ESG Office, AIM, etc.), and
- monitoring ESG implementation progress as well as the ESG performance of the investment portfolio.

Procedures and processes for ESG integration

The Policy implementation is based on three areas of activity: assess, engage and improve. Assess activities largely aim at the acquisition phase ("Buy") with each transaction being screened for potential ESG issues.¹ Engage covers a collaborative engagement strategy towards the key business partners – seeking to influence them to improve their ESG activities – and industry initiatives. Improve activities have the objective to measure and subsequently improve the ESG performance of Allianz's real estate portfolio, provided that Allianz Real Estate has significant control.

¹ Certain assessment activities may also apply to asset management activities (e.g. significant lettings).

ESG within the Direct Business

Assess

Technical / environmental due diligence (acquisition)

Each potential direct investment undergoes a thorough due diligence process managed by the local investment teams of Allianz Real Estate. This due diligence includes, among others, a technical and environmental due diligence.

Since October 2020, for new acquisitions, we assess the energy consumption and carbon emissions against 1.5°C CRREM GHG and energy pathways and incorporate the capex required for meeting related targets in our deal underwriting.

It is our view that "green" or "sustainable" certificates or labels² play a key role in documenting an asset's ESG performance and/or features. For this reason, the technical and environmental due diligence shall include a "green" or "sustainable" certification pre-assessment in cases where a respective certification is not available.

As a general rule, new office, retail and logistics investments (equity) must be "green" or "sustainable" certified. The certifications in scope are either globally recognized (e.g. LEED, BREEAM) and/or locally dominant (e.g. HQE in France, DGNB in Germany).

If the new equity investment is not "green" or "sustainable" certified: the local Investment Management team, in coordination with Allianz Real Estate Technical Management and supported by the local ESG Officer / representative must consider additional capital investment in the investment calculation to obtain a relevant certification within the first 3 years of ownership.

Engage

Allianz Real Estate will seek to influence tenants and business partners to promote ESG in real estate as well as to improve ESG activities and/or the ESG performance of Allianz's portfolio.

As part of this process, the Asset Management teams have to make ESG considerations part of their regular review meetings with external joint ventures partners and with external property managers in the structured form of an agenda item with the aim to improve ESG standards, ambition, and/or performance. Asset Management also seeks to engage with joint venture partners and external property managers to convince them to provide electricity,

² The terms "certificate" and "label" can be used interchangeably. For simplification purposes, the term "certificate" will only be used below.



heating, water consumption and waste disposal data at least on an annual basis.

To generally ensure aligned interest between Allianz Real Estate and the tenants, Asset Management increasingly seeks to include “green leases” / “green lease” provisions (as far as available / implementable in the respective market).

Improve

Allianz Real Estate collects information on “green” or “sustainable” certifications including information, among others, on the status, the system and the level of certification of the equity portfolio (both direct holdings and joint venture investments).

To effectively steer the portfolio towards higher energy efficiency and lower carbon emissions, the business works towards collecting electricity, heating, water consumption and waste disposal data at least on an annual basis for all areas for which it is responsible for. Allianz Real Estate seeks to only procure certified green energy for areas we manage if certified green energy is available from the grid in the respective market and/or an economically viable option.

We will initiate energy audits on selected assets to derive specific action plans on how to improve energy efficiency including better operations through intelligent steering of equipment.

We will also drive further energy efficiency activities / decarbonization initiatives on a case-by-case basis considering the asset’s economic life as well as the economic viability of the respective measures. These activities / initiatives may include “green building” certification projects, upgrades of heating, deep retro-fittings / refurbishments, or installations of energy management systems (EMS) / smart metering systems.

ESG within the Fund Business

Assess

As part of the fund manager and investment selection process, any fund manager must have an adequate ESG Policy³ in place or must be a PRI signatory (with a PRI assessment rating of at least a “B”⁴). The Indirect Investment team is responsible for considering a fund manager’s ESG policy.

³ An ESG Policy is a written document which shall fulfil the following criteria: states the ESG-specific principles, describes the applied approaches of ESG integration (such as investment research, exclusions, best-in-class etc.), lists annual ESG-specific targets, and is an official company document approved by the responsible board or committee.

⁴ In case of a PRI assessment rating of a “C” and worse, AIM Financial Control ESG Team (AIM-FC ESG) has to be in-formed.

To support ESG validation of the fund manager and the specific fund during the selection process, a related ESG fund manager questionnaire has been developed which will have to be completed and integrated within the underwriting documentation.

The Indirect Investment team has to use – and document – best efforts in order to incorporate ESG-related exclusions in the respective agreements with the fund manager in decreasing order: (a) companies involved in the development, production, maintenance and trading of banned weapons and (b) companies involved (directly or indirectly) in coal-based business models.

Engage

If the fund manager has no adequate ESG policy in place, the fund manager must bindingly commit themselves in writing to develop such ESG Policy in due time in order to qualify for future investment opportunities and/or capital increases.

In addition, the Indirect Investment team must make ESG considerations (including any ESG policy commitments) part of their regular review meetings.

Improve

Allianz Real Estate collects information to ascertain whether the external fund manager has an adequate ESG policy in place or not. The Indirect Investment team in collaboration with the Investment Planning & Controlling team at Allianz Real Estate is responsible for collecting, updating and providing the respective information in the course of their quarterly data delivery process. This information is used to update the ESG fund manager questionnaire at least once a year.

Moreover, the team will also seek to engage with external fund managers and to convince them to provide carbon footprint and/or electricity, heating, water consumption and waste disposal data at least on an annual basis.

ESG within the Debt Business

Assess

As part of the acquisitions process, the environmental and technical due diligence considers ESG criteria in order to assess the environmental and technical integrity and



performance of the underlying collateral. In this context, “green” or “sustainable” certificates need to be considered by the Debt Origination teams.

As a general rule, the European Debt team may only undertake financing activities for newly built assets and construction projects (office, retail, and logistics only) if a “green” or “sustainable” certificate is in place or will be obtained upon completion.

Engage

The European Loan Asset Management team makes ESG considerations part of their borrower meetings in the structured form of an agenda item with the aim of improving ESG standards, ambitions, and/or performance.

Alongside this, they will also seek to engage with sponsors and to convince them to provide carbon footprint and/or electricity, heating, water consumption and waste disposal data at least on an annual basis.

Improve

Allianz Real Estate collects information whether the debt sponsor has an ESG policy in place or not alongside information on “green” or “sustainable” certifications of the underlying asset to including information on the status, the system and the level of certification.

The European and U.S. debt teams also seek to engage with sponsors to increasingly collect carbon footprint / energy consumption data for loan engagements.

ESG reporting

Reporting to Allianz Group

The Allianz Real Estate Portfolio Team provides Allianz Investment Management (“AIM”) and/or the investors with an overview of “green” or “sustainable” certifications of the equity portfolio on an annual basis.

External reporting

Allianz Real Estate contributes to a dedicated section in Allianz Group’s annual Sustainability Report. The Risk & Portfolio team will gather and provide the respective

content (e.g. “green” or “sustainable” credentials, ESG performance). Where appropriate, case studies are utilized to illustrate how ESG issues are managed within the investment process.

External engagement

To monitor and actively engage in industry and regulatory developments, we collaborate with industry associations such as the Urban Land Institute (ULI) on a global basis and constantly review further relevant industry initiatives.

In addition, each Allianz Real Estate region will support at least one local initiative with regards to ESG / sustainable real estate investments to monitor regulatory developments, enhance local market exposure and enable cross-hub knowledge sharing. The selection process shall be aligned between the regional team and the global Risk & Portfolio team.

Long-term targets

Science-based decarbonization targets

In 2019, Allianz co-founded the U.N.-Convened Net-Zero Asset Owner Alliance, a group of institutional members who commit to reduce the carbon emissions of their investment portfolios to net-zero by 2050.

In 2021, Allianz Real Estate made public its commitment to reduce the carbon footprint of Allianz’s real estate portfolio by 25% by 2025. This means that real estate invested in by Allianz is planned to be aligned with the 1.5°C decarbonization pathways published by CRREM, an independent, research-driven project consortium that derived science-based pathways for the real estate industry on a global level – as recommended by the Asset Owner Alliance 2025 Target Setting Protocol.

Continuous improvement process

We are committed to improving the environmental, social and governance performance including increasing the share of “green” or “sustainable” certified buildings throughout our global business and to constantly drive the ESG integration into our business. Because of this, we anticipate future developments to this ESG Policy and the way that we implement it.

Allianz Real Estate GmbH and Allianz Real Estate of America, their subsidiaries and affiliates are known jointly as “Allianz Real Estate”. Allianz Real Estate is a PIMCO company. When introducing a property investment opportunity to Allianz Real Estate you acknowledge that we are under no obligation to accept your introduction or enter into any agreement with you. Fees, commission or other payments in respect of introductions shall only be payable where there is a signed written agreement to that effect entered into between Allianz Real Estate and the introducer. By submitting an introduction to Allianz Real Estate you shall be deemed to have accepted the aforementioned terms.

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