



Sustainable approach applied to FDC's sub-fund *FDC SICAV EUR Green Bonds – Active 1*

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On top of FDC's exclusion list, the mandate is managed according to our Green Bond strategy. This approach is involving a relative ESG assessment on a sector by sector basis that allows the portfolio management team to select the best performers but also the best transition pathways that are also considered to be less risky from an investment perspective.

1) Human Rights Exclusion

We use the United Nations Global Compact definition. The definition contains six fundamental principles derived from the universal declaration of Human Rights and the ILO (International Labour Organisation) on fundamental principles and rights on work:

Respect of Human Rights

These principles are derived from the Universal Declaration of Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and
Principle 2: Make sure that they are not complicit in human rights abuses

These principles are derived from the ILO¹ Declaration on Fundamental Principles and Rights at Work

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
Principle 4: the elimination of all forms of forced and compulsory labour;
Principle 5: the effective abolition of child labour; and
Principle 6: the elimination of discrimination in respect of employment and occupation

<https://www.unglobalcompact.org/what-is-gc/mission/principles>
 1 ILO : International Labour Organization.
 A performance of the strategy is not guaranteed and losses remain possible.



Source: Allianz Global Investors

2) Controversial weapons exclusion filter aimed at refraining from investing in securities of issuers which engage in business activities prohibited by the Ottawa and Oslo Conventions (Cluster Munitions and Anti-Personnel Mines).

3) Green Analysis

The investment team analyses the bond structure to determine whether it is in line with the Green Bond Principles or not. The respect of those principles (use of proceeds, internal process, management of proceeds, and reporting) is a prerequisite for a bond to be considered green.

Eligibility criteria under which bonds are considered as “Green Bonds” include:

- A formal statement in the use of proceeds section of the bond prospectus stating that the proceeds will be used to finance “green” / climate projects.
- Internal process by the issuer to identify qualifying projects based on sound methodology and clear criteria.
- Management of the proceeds to make sure that they will be allocated to the identified projects and not to other general expenses / investments.
- Reporting, at least annually, of the status of the use of proceeds, the status of projects and the actual environmental impact.

The evaluation is followed by the analysis of the projects financed with the Green Bond issuance proceeds. To be eligible, they have to be part of the Green Projects list defined internally by Allianz Global Investors based on research from the Climate Bonds Initiative (CBI), a world-class reputation organisation, which provides a science-based evaluation of the climate change mitigation impacts of the different types of projects. Allianz Global Investors has been a partner of the CBI since 2015.

This analysis is completed by an evaluation of the ESG profile of the issuer. A bond is only eligible to the investment universe if its issuer has not been preliminarily flagged by our internal ESG team regarding Human Rights. In the same way, in case the issuer has a good global ESG profile but is

subject to an alert confirmed by our internal ESG team on one of the four domains analysed (Environment, Social, Business Behaviour and Corporate Governance), the bonds from this issuer would not be eligible to the Green Bond strategy.

Thus, the eligibility of an issuer is not determined by its ESG rating but by the absence of any alert on its overall profile. First, this investment rule enables the fund to avoid issuers under controversy on specific topics. Then, it allows the fund to keep in its investment universe issuers with an ESG profile, which may not be best-in-class but which have a strong improvement potential and are willing to leverage on it. The aim of this approach is to be able to finance companies which have not already proceeded to their transition to a business model aligned with the goal of the Paris agreement.

The last step of the analysis is focused on the credibility of the issuer's approach regarding its transition to a low carbon model. We want to favour Green Bonds from issuers who really have set up a sound strategy to mitigate the negative environmental impacts of their activities and we want to avoid supporting issuers for which we think the use of the Green Bond market has been made more for communication / marketing purpose without real ambition and commitment towards future generations.