



Sustainability | Leadership | Innovation

PIMCO



In partnership with  
**Deloitte.**

# Pimco: Incorporating ESG into fixed income investments

Finalist: Investing and financing award

## What

PIMCO is a global investment firm that is incorporating environmental, social and governance (ESG) considerations into its investment approach. It became a signatory to the Principles for Responsible Investment in 2011 and received an A+ rating across all indicators in 2018. As a leader in the fixed income investment industry, PIMCO also works closely with bond issuers to support them in strengthening their ESG approach.

The company's clear stance on the importance of ESG in fixed income investing shows leadership in this part of the investment sector. Its size – US\$1.7 trillion under management – and global reach means that PIMCO has the capacity to effect change in the market.

PIMCO's approach to embedding ESG into its investment activities is twofold. First, it has integrated rigorous ESG analysis into its broader investment review process. Second, it has developed an ESG-focused investment platform. It applies three steps to building its ESG-focused portfolios: 'Exclude', restricting investments that are fundamentally misaligned with sustainability; 'Evaluate', promoting ESG issuers that follow best practices; and 'Engage', collaborating with bond issuers to encourage stronger ESG practices.

PIMCO's three-step approach to building ESG dedicated portfolios



We exclude – by governing terms and in practice – issuers fundamentally misaligned with sustainability principles.



Using our proprietary and independent ESG scoring system, we seek to optimize portfolios to emphasize issuers with industry-leading ESG practices.



We believe that collaborating with and allocating capital toward issuers willing to improve the sustainability of their business practices can generate a greater impact than simply excluding issuers with poor ESG metrics and favoring those with strong metrics.

Source: PIMCO. For illustrative purposes only.

# Why

PIMCO believes that global bond markets are essential to financing a sustainable future. As a large player in the industry, the company recognises a responsibility to support long-term financial sustainability in the sector.

For PIMCO, integrating ESG into its investment work alongside traditional financial metrics also makes sound investment sense, enabling it to achieve sustainable, risk-adjusted returns on fixed income investments. The additional information gained from analysing ESG issues offers the company a more complete picture of risk and return opportunities, which it believes drives better financial results for its clients.

Taking a collaborative approach to its work with bond issuers is a core principle for PIMCO. The company seeks to use its influential position to incentivise and support organisations to make positive changes in their ESG work. This helps PIMCO to turn bond issuers into a more attractive long-term investment option and amplifies the company's sustainability impact.

## How we bring ESG into action: 6 tools for ESG portfolios



Source: PIMCO. For illustrative purposes only.

P I M C O

**‘As a fixed income investor, PIMCO impressed the judges with its commitment to incorporate ESG into its mainstream business ... The judges agreed that PIMCO is well positioned to achieve positive change through its size and influence.’**

Finance for the Future Awards judges

## How

PIMCO's ESG approach is led by the investment team and integrates ESG across the company. This approach supports its own work and helps to drive wider change across the industry, by:

- > **Investing in technology** to support integrating ESG throughout the business. PIMCO's system enables it to score a range of ESG factors when constructing portfolios.
- > **Generating buy-in** at all levels. There is support from credit analysts for the ESG approach and the initiative is championed by the executive.
- > **Analysing ESG in the investment process**, to examine and evaluate risk factors for potential investments. Dedicated sustainable development and climate analysts help the research team to assign ESG scores.
- > **Reviewing global trends** that are central to understanding sustainability and achieving long-term asset returns.
- > **Engaging with bond issuers** to influence positive change and raise the standard of ESG practices over time. Through regular dialogue, PIMCO aims to strengthen its relationship with bond issuers, to urge organisations to set strong sustainability targets and align their activities with the UN Sustainable Development Goals (SDGs).
- > **Centring climate change** in PIMCO's work with bond issuers. PIMCO expects organisations to have a climate policy and strategy. It works with organisations to strengthen their climate change objectives and their transparency by encouraging them to report in line with the recommendations of the Task Force on Climate-related Financial Disclosures.
- > **Connecting with the finance industry** to share knowledge and strengthen ESG integration throughout the sector. In 2018, PIMCO and the UN Global Compact co-hosted a symposium on capital markets and the SDGs. PIMCO is also part of Climate Action 100+.

[www.pimco.co.uk](http://www.pimco.co.uk)



### DISCLAIMER

This case study presents Pimco entry for the Finance for the Future Awards 2019. The case study only includes information that was part of the organisation's 2019 entry. Some of this information may now be out of date. For a current view of the organisation's work, please visit their website at the link given above.



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