



# CLIMATE TRANSPARENCY REPORT 2020

Payden & Rygel

# About the Climate-related Disclosure Indicators

Climate has been identified as a top priority for PRI signatories, with over 70% of asset owners reporting this as the most important long-term trend they are acting on.

The FSB Task Force's guidance on climate-related financial disclosure aim to create a single framework for disclosure on assessment and management of climate-related risk. The recommendations, supported by investors representing US\$22 trillion, identify four main disclosures, Governance, Strategy, Risk Management, Metrics and Targets, and include specific guidance for asset owners and managers.

As a result, the PRI introduced climate-related disclosure indicators that can be used to align with the TCFD recommendations in the 2020 PRI Reporting Framework.

## About this report

This report is an export of only the climate-related indicators from the 2020 Reporting Framework response. The full Public Transparency Report is available here (<https://reporting.unpri.org/surveys/PRI-reporting-framework-2020/-2B6843C6-5BB9-4096-AD70-6D43CBE89441/79894dbc337a40828d895f9402aa63de/html/2/?lang=en&a=1>). It shows the responses to all the completed climate indicators, even those you chose to keep private. It is designed for your internal review or – if you wish - to share with your stakeholders.

The PRI will not publish this report on its website if you have designated your 2020 climate reporting as “private”. Otherwise, you will be able to access the Climate Transparency Report of your organisation and that of other signatories on the [PRI website](#) and on the [Data Portal](#).

To easily locate information, there is a **Recommendation index** which summarises the indicators that signatories complete and disclose. The report presents information exactly as it was reported as per signatory preference. Where an indicator offers a response option that is multiple-choice, all options that were available to the signatory are presented in this report.

# TCFD Recommendations Index

Strategy and Governance - CC			TCFD Recommendation			
Indicator	Reported	Disclosure	Governance	Strategy	Risk Management	Metrics & Targets
SG 01.6 CC	✓	Public				
SG 01.7 CC	✓	Public				
SG 01.8 CC	✓	Public				
SG 01.9 CC	✓	Public				
SG 01.10 CC	✓	Public				
SG 07.5 CC	✓	Public				
SG 07.6 CC	-	Public				
SG 07.7 CC	-	Public				
SG 07.8 CC	-	Public				
SG 13.1	✓	Public				
SG 13.2	✓	Public				
SG 13.4 CC	✓	Public				
SG 13.5 CC	✓	Public				
SG 13.6 CC	✓	Public				
SG 13.7 CC	✓	Public				
SG 13.8 CC	✓	Public				
SG 14.1	✓	Private				
SG 14.2	✓	Private				
SG 14.3	✓	Private				
SG 14.6 CC	✓	Public				
SG 14.7 CC	✓	Public				
SG 14.8 CC	✓	Public				
SG 14.9 CC	✓	Public				
SG 15.1	✓	Private				
SG 15.2	✓	Private				
SG 15.3	✓	Private				

Symbol	Status
✓	The signatory has completed this sub-indicator
-	The signatory did not complete this sub-indicator.
	This indicator is relevant to the named TCFD recommendation
Within the first column "Indicator", indicators marked in blue are mandatory to complete. Indicators marked in grey are voluntary to complete.	

# ORGANISATIONAL OVERVIEW

This section provides an overview of your organisation. These characteristics are used to define your peer groups.

MAIN CHARACTERISTICS	
<b>Name</b>	Payden & Rygel
<b>Signatory Category</b>	Fund Management - Majority
<b>Signatory Type</b>	Investment Manager
<b>Size</b>	US\$ > 50 billion AUM
<b>Main Asset Class</b>	Multi-Asset
<b>Signed PRI Initiative</b>	2013
<b>Region</b>	North America
<b>Country</b>	United States
<b>Disclosure of Voluntary Indicators</b>	25% from 38 Voluntary indicators

Payden & Rygel

Reported Information

Public version

Strategy and Governance

## PRI disclaimer

This document presents information reported directly by signatories. This information has not been audited by the PRI Secretariat or any other party acting on their behalf. While this information is believed to be reliable, no representations or warranties are made as to the accuracy of the information presented, and no responsibility or liability can be accepted for any error or omission.

## Investment policy

SG 01	Mandatory	Public	Core Assessed	General
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**New selection options have been added to this indicator. Please review your prefilled responses carefully.**

**SG 01.1** Indicate if you have an investment policy that covers your responsible investment approach.

SG 01 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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**SG 01.6 CC** Indicate whether your organisation has identified transition and physical climate-related risks and opportunities and factored this into the investment strategies and products, within the organisation's investment time horizon.

Yes

Describe the identified transition and physical climate-related risks and opportunities and how they have been factored into the investment strategies/products.

Identifying and factoring environmental risks of any kind, including climate-related risks, is part of the research process carried out at the sector and sub-sector level. To identify physical and transition risks, we consider all measurable climate-related metrics but focus on those we think are most relevant and material over a portfolio investment horizon. We emphasize the following data points and series in our analysis: carbon emissions - scope 1+2 Intensity (t/USD million sales); property value at risk; cumulative GDP impairment; power capacity and generation mix for utilities (revenue %, generation %); water consumption & withdrawal intensity (cubic Meters/USD million sales); evidence and amount of fossil fuel reserves and/or divestment of assets. We often find climate-related opportunities on the flipside of the risks, or in issuers or sectors where these risks are less material or better mitigated. However, as the investable universe of thematic bonds/loan issuances has expanded (green, social, climate, sustainability, etc.), so has our ability to identify them and integrate them in various fixed income strategies. Our portfolio strategists, traders and analysts are constantly evaluating these new opportunities in their respective sectors and assessing the risk/reward characteristics of investments with inherently more positive climate related metrics vs. traditional investments opportunities where the physical or transition risks may be more complex, variable and/or difficult to quantifiably ascertain.

No

**SG 01.7 CC** Indicate whether the organisation has assessed the likelihood and impact of these climate risks?

Yes

Describe the associated timescales linked to these risks and opportunities.

As the identification and factoring of climate related risks is done at the sector level, so is the assessment of likelihood and material impact. The timescales for these considerations will be consistent with those of the investment horizon of the security or portfolio in question.

No

<b>SG 01.8 CC</b>	Indicate whether the organisation publicly supports the TCFD?
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- Yes
- No

<b>SG 01.9 CC</b>	Indicate whether there is an organisation-wide strategy in place to identify and manage material climate-related risks and opportunities.
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- Yes

	Describe
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As a firm, we embed the consideration of material climate related risks in our research and investment process as part of sound fundamental analysis. We maintain an organisation-wide strategy to always enhance our understanding of the issues and issuers better positioned to respond to climate related risks, evolving regulations and industry standards, but the identification and management of these issues is done at the sector level.

In particular, we often use the Sustainability Accounting Standards Board's (SASB) "industry standards" as a touchstone for organizing our thinking at the issuer level when it comes to environmental or climate risk assessment. Across security holdings in corporate, sovereign, and municipal sectors, we utilize third-party and publicly available data-sets such as the surveys made available by CDP, as well all Bloomberg BNEF, MSCI ESG Research and Sustainalytics to monitor and proactively investigate strengths and vulnerabilities of individual issuers.

- No

<b>SG 1.10 CC</b>	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.
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- Public PRI Climate Transparency Report
- Annual financial filings
- Regular client reporting
- Member communications
- Other
- We currently do not publish TCFD disclosures

<b>Governance and human resources</b>
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<b>SG 07 CC</b>	<b>Mandatory to Report Voluntary to Disclose</b>	<b>Public</b>	<b>Descriptive</b>	<b>General</b>
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<b>SG 07.5 CC</b>	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.
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	Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee
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- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**Portfolio managers**

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**Investment analysts**

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**Dedicated responsible investment staff**

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**External managers or service providers**

- Oversight/accountability for climate-related issues
- Assessment and management of climate-related issues
- No responsibility for climate-related issues

**ESG issues in asset allocation**

<b>SG 13</b>	<b>Mandatory</b>	<b>Public</b>	<b>Descriptive</b>	<b>PRI 1</b>
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**SG 13.1** Indicate whether the organisation carries out scenario analysis and/or modelling, and if it does, provide a description of the scenario analysis (by asset class, sector, strategic asset allocation, etc.).

- Yes, in order to assess future ESG factors
- Yes, in order to assess future climate-related risks and opportunities

**Describe**

We can measure the risk and return impact sustainability factors have on portfolios through scenario analysis. We have the ability to run scenarios such as analyzing the effect of exclusionary ESG criteria, optimizing environmental performance utilizing MSCI ESG data, and measuring the impact of green bonds on a portfolio.

- No, our organisation does not currently carry out scenario analysis and/or modelling

**SG 13.2** Indicate if your organisation considers ESG issues in strategic asset allocation and/or allocation of assets between sectors or geographic markets.



We do the following

- Allocation between asset classes
- Determining fixed income duration
- Allocation of assets between geographic markets
- Sector weightings
- Other, specify
- We do not consider ESG issues in strategic asset allocation

SG 13 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General
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**SG 13.4  
CC**

Describe how your organisation is using scenario analysis to manage climate-related risks and opportunities, including how the analysis has been interpreted, its results, and any future plans.

- Initial assessment

Describe

We remain at the early stages of managing climate-related risks. However, where appropriate, we have taken the following steps to begin this process.

1. We are evaluating 3rd party providers for both climate-related data and scenario modeling on our fixed income holdings across sectors
2. In the interim, we have made use of publicly accessible tools to derive insight on certain portfolios where possible (e.g. PACTA's transition monitor)

- Incorporation into investment analysis
- Inform active ownership
- Other

**SG 13.5  
CC**

Indicate who uses this analysis.

- Board members, trustees, C-level roles, Investment Committee
- Portfolio managers
- Dedicated responsible investment staff
- External managers
- Investment consultants/actuaries
- Other

**SG 13.6  
CC**

Indicate whether your organisation has evaluated the potential impact of climate-related risks, beyond the investment time horizon, on its investment strategy.

- Yes

Describe

We are in the preliminary stages of evaluating climate risk across our organization and across our investment portfolios. Our first step towards understanding and addressing the impact of climate risk was to undertake an audit of our own corporate carbon footprint and to purchase carbon credits to offset our impact. This critical step provided us a foundation to begin assessing rigorous scenario analysis in our investment portfolios.

No

**SG 13.7  
CC**

Indicate whether a range of climate scenarios is used.

- Analysis based on a 2°C or lower scenario
- Analysis based on an abrupt transition, consistent with the Inevitable Policy Response
- Analysis based on a 4°C or higher scenario
- No, a range is not used

**SG 13.8  
CC**

Indicate the climate scenarios your organisation uses.

Provider	Scenario used	
IEA	<input type="checkbox"/> Beyond 2 Degrees Scenario (B2DS)	
IEA	<input type="checkbox"/> Energy Technology Perspectives (ETP) 2 Degrees scenario	
IEA	<input type="checkbox"/> Sustainable Development Scenario (SDS)	
IEA	<input type="checkbox"/> New Policy Scenario (NPS)	
IEA	<input type="checkbox"/> Current Policy Scenario (CPS)	
IRENA	<input type="checkbox"/> RE Map	
Greenpeace	<input type="checkbox"/> Advanced Energy [R]evolution	
Institute for Sustainable Development	<input type="checkbox"/> Deep Decarbonisation Pathway Project (DDPP)	
Bloomberg	<input checked="" type="checkbox"/> BNEF reference scenario	
IPCC	<input type="checkbox"/> Representative Concentration Pathway (RCP) 8.5	
IPCC	<input type="checkbox"/> RPC 6	
IPCC	<input type="checkbox"/> RPC 4.5	
IPCC	<input type="checkbox"/> RPC 2.6	
Other	<input checked="" type="checkbox"/> Other (1)	<div style="background-color: #0070C0; color: white; padding: 2px;">Other (1) please specify:</div> PACTA
Other	<input type="checkbox"/> Other (2)	
Other	<input type="checkbox"/> Other (3)	

<b>SG 14 CC</b>	<b>Voluntary</b>	<b>Public</b>	<b>General</b>
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<b>SG 14.6 CC</b>	Provide further details on the key metric(s) used to assess climate-related risks and opportunities.
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Metric Type	Coverage	Purpose	Metric Unit	Metric Methodology
<b>Climate-related targets</b>	<input type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input checked="" type="checkbox"/> Minority of assets	Determine performance of holdings in various climate scenarios	NA	We are still developing a rigorous framework for identifying climate-related targets
<b>Weighted average carbon intensity</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	We use weighted average carbon intensity as our primary metric to determine a portfolio's carbon footprint. We emphasize this metric over others (e.g. tons per \$MM invested) as we feel it captures the portfolio's impact regardless of size and instrument. We prefer to scale emissions by sales as we are predominantly fixed income investors and market capitalization is not always relevant (or available). This metric allows us to compare portfolios versus their benchmarks and allows us to determine outliers.	CO2 T/\$MM Sales and CO2 T/capita	The figure scaled by sales represents the company's most recently reported or estimated Scope 1 + Scope 2 greenhouse gas emissions normalized by sales in USD. The per capita figure is used for sovereign issuers and represents tons of CO2 emissions per capita per year in a country. This data contains CO2 emissions related to fossil fuel use and industrial processes.
<b>Carbon footprint (scope 1 and 2)</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Scope 1 and scope 2 emissions are the key inputs into any carbon analysis and so are utilized widely across the firm for any carbon footprinting exercise.	Metric Tons	Scope 1 emissions are those from sources owned or controlled by the company, typically direct combustion of fuel as in a furnace or vehicle. Scope 2 emissions are those caused by the generation of electricity purchased by the company.
<b>Portfolio carbon footprint</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	While portfolio carbon footprint can refer to many things, we prefer to measure portfolio carbon footprint in terms of CO2 T/\$MM sales (see entry above for weighted average carbon intensity). In select cases, where requested, we will report on the tons of CO2 per \$ invested.	CO2 T/\$MM Sales and CO2 T/\$MM invested	See metric methodology above for weighted average carbon intensity.
<b>Total carbon emissions</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	We capture this information as an important input into our broader analysis. However, without any scaling (by industry, by sales, by amount invested), total emissions data is less helpful. Thus, to make use of this information we always put it into a tighter context.	CO2 T	See methodology above for Carbon footprint (scope 1 and 2). Additionally, we will incorporate scope 3 carbon emissions, where reliable. Scope 3 emissions include an array of indirect emissions resulting from activities such as business travel, distribution of products by third parties, and downstream use of a company's products (i.e. by customers). Companies report on this field very differently so caution must be taken when using.

<b>Carbon intensity</b>	<input type="checkbox"/> All assets <input checked="" type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	See answer above to weighted average carbon intensity	See answer above to weighted average carbon intensity	See answer above to weighted average carbon intensity
<b>Exposure to carbon-related assets</b>	<input checked="" type="checkbox"/> All assets <input type="checkbox"/> Majority of assets <input type="checkbox"/> Minority of assets	Determine which sectors and issuers in our clients' portfolios are most vulnerable to transition risk, regulatory risk, and mitigation risk. This allows our analysts and portfolio managers to better understand key climate-related exposures in their portfolio	Industry classification	The methodology used to determine exposure is highly risk and sector specific as certain sectors (e.g. munis) can focus more precisely on industry classification while other sectors (e.g. corporates) have broad based industry definitions.

<b>SG 14.7 CC</b>	Describe in further detail the key targets.
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Targettype	Baseline year	Target year	Description	Attachments
<input type="checkbox"/> Absolute target <input checked="" type="checkbox"/> Intensity target	2020	2020	In this strategy, we are aiming to maintain a below benchmark weighted carbon intensity profile.	<a href="#">File 1:carbon-foot-pri-upload.pdf</a>
<input type="checkbox"/> Absolute target <input checked="" type="checkbox"/> Intensity target				
<input type="checkbox"/> Absolute target <input checked="" type="checkbox"/> Intensity target				
<input type="checkbox"/> Absolute target <input checked="" type="checkbox"/> Intensity target				
<input type="checkbox"/> Absolute target <input checked="" type="checkbox"/> Intensity target				

<b>SG 14.8 CC</b>	Indicate whether climate-related risks are integrated into overall risk management and explain the risk management processes used for identifying, assessing and managing climate-related risks.
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© Processes for climate-related risks are integrated into overall risk management

Please describe

Climate-related risks are integrated into overall risk management at the research and portfolio management levels. Holistically, the research process is designed to not only assess the risk-return profile of a given investment, but to also effect value creation and preservation. To that end, our in-house analysts continuously monitor securities as part of their ongoing evaluation process by utilizing a proprietary evaluation methodology. Each holding is assessed based on several quantitative and qualitative factors, including climate-related criteria, and rated according to its potential to outperform. Each analyst is responsible for maintaining coverage on a number of companies, sovereigns, and governmental issuers and remaining up to date on each issuer's metrics and governance practices around environmental impact, and any other changes affecting our decision to own that security. Our analysts will incorporate all these factors into their overall assessment and provide a recommendation on the issuer to the portfolio management teams. Furthermore, as part of our efforts to lead not only as investors, but as a corporation ourselves, as of 2020, we have announced that Payden & Rygel is a carbon neutral firm.

- Processes for climate-related risks are not integrated into overall risk management

**SG 14.9**  
**CC**

Indicate whether your organisation, and/or external investment manager or service providers acting on your behalf, undertake active ownership activities to encourage TCFD adoption.

- Yes

Please describe

While we do not undertake active ownership to encourage TCFD adoption directly, our meaningful engagement efforts with issuers and industry participants indirectly promote the adoption of TCFD, as well as other disclosure and transparency protocols.

As a matter of practice, the firm prioritizes discussion of relevant climate related factors at issuer roadshows, as well as during our visits to industry conferences, site visits and research trips.

For portfolio companies, we approach engagement on climate-related topics with a single-minded focus on materiality. As a baseline, we begin our engagement with the SASB Engagement Guide (a standardized, industry-specific framework for effectively discussing ESG issues with issuers) and the TCFD recommendations (implemented specifically using the SASB TCFD Implementation Guide).

In the course of our credit analysis, our analysts regularly uncover topics which are insufficiently explained or suffer from poor disclosure. To rectify these issues, we rely on our engagement with management teams when they issue new securities.

It is important to recognize that as creditors our engagements are different, though no less important, than those undertaken by equity investors. We focus our efforts on driving consistent, reliable, transparent reporting around climate-related issues through discussions with senior management teams. We emphasize these issues when speaking directly to CEOs and CFOs, not only the Sustainability Officers to highlight their importance, relevance, and necessity.

- No, we do not undertake active ownership activities.
- No, we do not undertake active ownership activities to encourage TCFD adoption.