CLIMATE TRANSPARENCY REPORT 2020

PIMCO

Principles for Responsible Investment

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/-F4C40DD3-2C9A-4AFF-95FA-D7D34E1EC6E3/79894dbc337a40828d895f9402aa63de/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	✓	Public				
SG 14.2	✓	Public				
SG 14.3	✓	Public				
SG 14.6 CC	-	Private				
SG 14.7 CC	-	Private				
SG 14.8 CC	✓	Private				
SG 14.9 CC	✓	Private				
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	
Name	PIMCO
Signatory Category	Fund Management - Majority
Signatory Type	Investment Manager
Size	US$ > 50 billion AUM
Main Asset Class	Multi-Asset
Signed PRI Initiative	2011
Region	North America
Country	United States
Disclosure of Voluntary Indicators	16% from 38 Voluntary indicators

PIMCO

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

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

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.

When evaluating climate-related risks and opportunities of specific sectors and issuers, we begin with two broad categories:

1) Transition risks (e.g., tighter regulations on carbon emissions and changing economics that have affected the Auto and Utilities in the recent period) and

2) Physical risks (e.g., how the rising intensity and frequency of extreme weather events affects critical assets and natural resources used by the issuer, with consequences for credit risks similar to the wildfires that occurred in Brazil, Australia and California)

○ 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.

Transition risks are already occurring in some industries and geographies and their intensification across a broader range of sectors due to a potential acceleration in the energy transition in the coming years is a possibility on the back of government responses to climate risks in the form of regulation, carbon taxes, and public investment, as well as shifts in consumer sentiment and business models. We expect this will change the investment landscape: The transition away from fossil fuels toward clean energy, for example, could transform the global economy and create significant investment opportunities that will expand over the next years, notably in conjunction with the Paris Agreement timetable (2020-2030).

Regarding physical risks, while some of the natural catastrophes linked to climate change are already affecting capital markets, the greatest disruptions, notably the rise in the intensity and frequency of extreme weather events, are generally projected to unfold over a long time horizon and there are larger uncertainties.

○ No

SG 01.8 CC	Indicate whether the organisation publicly supports the TCFD?

◉ Yes

○ No

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

◉ Yes

	Describe

PIMCO's climate strategy is led by our ESG team. PIMCO's climate research is undertaken by sector credit analysts, working in close coordination with our ESG specialists. Climate risk features for example in our proprietary ESG scores for the issuers we evaluate.

To help analysts evaluate climate risk, PIMCO's ESG specialists designed proprietary tools, looking within and across markets globally at the potential impact of extreme weather events, the transition to a low-carbon economy, and other climate-related factors.

PIMCO has also launched a climate bond strategy that specifically emphasises opportunities linked to climate investment solutions.

○ No

SG 1.10 CC	Indicate the documents and/or communications the organisation uses to publish TCFD disclosures.

☐ Public PRI Climate Transparency Report

☑ Annual financial filings

☑ Regular client reporting

☐ Member communications

☐ Other

☐ We currently do not publish TCFD disclosures

Governance and human resources

SG 07 CC	Mandatory to Report Voluntary to Disclose	Public	Descriptive	General

SG 07.5 CC	Indicate the roles in the organisation that have oversight, accountability and/or management responsibilities for climate-related issues.

	Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Investment Committee

☑ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

	Other Chief-level staff or heads of departments

☑ 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

	Investor relations

☐ Oversight/accountability for climate-related issues

☑ Assessment and management of climate-related issues

☐ No responsibility for climate-related issues

SG 07.7 CC	For management-level roles that assess and manage climate-related issues, provide further information on the structure and processes involved.

The ESG Leadership team, including Scott Mather, PIMCO's CIO U.S. Core Fixed Income and the CIO responsible for ESG strategies, manages PIMCO's ESG investment process that seeks to factor in climate change risks across selected portfolio management teams, from credit and sovereign research to mortgage and municipal analysis. Firmwide, PIMCO's Executive Committee is fundamentally in charge of PIMCO's strategic direction and management. PIMCO notably aims to systematically integrate relevant climate factors into our top-down (i.e. longer term macro and socio-economic view) process through our annual Secular forum.

ESG issues in asset allocation

SG 13	Mandatory	Public	Descriptive	PRI 1

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

PIMCO’s ESG specialists designed proprietary tools, looking within and across fixed income markets globally, to help credit analysts evaluate potential impact of extreme weather events, the transition to a low-carbon economy, and other factors related to climate change., notably based on scenario analysis.

☐ 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

This analysis is carried out in the context of ESG assessments and ESG ratings that are incorporated firm-wide into our credit research.

☐ We do not consider ESG issues in strategic asset allocation

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

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

The overarching objective is to explore ways to enhance PIMCO's investment resilience against the tested scenarios.

In practice, we seek to translate climate-related data available at scale (e.g. portfolio-level) into granular metrics that are actionable in the context of PIMCO's credit analysts' assessments and investment decisions. To help analysts evaluate climate risk, PIMCO's ESG specialists designed proprietary tools. The insights these tools provide are intended to help portfolio managers to better manage and mitigate climate-related credit risks and align ESG dedicated portfolios with the Paris Agreement targets - as always, working within specific portfolio objectives and guidelines. These analytical frameworks serve the whole spectrum of PIMCO's ESG-specific and broader investment strategies and enable PIMCO's ESG dedicated strategies to align with the recommendations of the TCFD. This covers both our evaluation of issuers and our engagement with them. Indeed, this an iterative process in that, for example, conclusions at the issuer level are to the extent feasible informed by issuer's disclosure and in turn also help assess the gaps in their reporting on climate -related risk scenarios and their strategy, which PIMCO seeks to address when engaging with them as bondholder (including in the context of the Climate Action 100+ initiative).

As one example of tool that informs our scenario analysis, we assess the average technology and energy mix of a portfolio compared with global energy scenarios modeled by the International Energy Agency (IEA), including the potential impact of green bonds, considering their specific environmental features and issuer-level data. The output is a comparison of PIMCO's ESG portfolio with current and future IEA estimates of Paris-aligned portfolios

☑ Incorporation into investment analysis

	Describe

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☑ Inform active ownership

	Describe

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☐ 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

The potential impact of climate-related risks is assessed in the context of PIMCO's ESG strategies and evaluation that places a particular emphasis on long-term risk factors, with climate change being a case in point.

○ 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	☑ Beyond 2 Degrees Scenario (B2DS)
IEA	☑ Energy Technology Perspectives (ETP) 2 Degrees scenario
IEA	☑ Sustainable Development Scenario (SDS)
IEA	☑ New Policy Scenario (NPS)
IEA	☑ Current Policy Scenario (CPS)
IRENA	☑ RE Map
Greenpeace	☑ Advanced Energy [R]evolution
Institute for Sustainable Development	☐ Deep Decarbonisation Pathway Project (DDPP)
Bloomberg	☑ BNEF reference scenario
IPCC	☑ Representative Concentration Pathway (RCP) 8.5
IPCC	☐ RPC 6
IPCC	☐ RPC 4.5
IPCC	☐ RPC 2.6
Other	☐ Other (1)
Other	☐ Other (2)
Other	☐ Other (3)

SG 14	Mandatory to Report Voluntary to Disclose	Public	Additional Assessed	PRI 1

SG 14.1	Some investment risks and opportunities arise as a result of long term trends. Indicate which of the following are considered.

☑ Changing demographics

☑ Climate change

☑ Resource scarcity

☑ Technological developments

☑ Other, specify(1)

	other description (1)

We endorse the SDGs as the holistic reference framework to assess other wide-ranging risks e.g. inequality.

☐ Other, specify(2)

☐ None of the above

SG 14.2	Indicate which of the following activities you have undertaken to respond to climate change risk and opportunity

☑ Established a climate change sensitive or climate change integrated asset allocation strategy

☐ Targeted low carbon or climate resilient investments

☐ Phase out your investments in your fossil fuel holdings

☑ Reduced portfolio exposure to emissions intensive or fossil fuel holdings

☑ Used emissions data or analysis to inform investment decision making

☑ Sought climate change integration by companies

☐ Sought climate supportive policy from governments

☐ Other, specify

☐ None of the above

SG 14.3	Indicate which of the following tools the organisation uses to manage climate-related risks and opportunities.

☑ Scenario analysis

☐ Disclosures on emissions risks to clients/trustees/management/beneficiaries

☐ Climate-related targets

☑ Encouraging internal and/or external portfolio managers to monitor emissions risks

☐ Emissions-risk monitoring and reporting are formalised into contracts when appointing managers

☑ Weighted average carbon intensity

☑ Carbon footprint (scope 1 and 2)

☑ Portfolio carbon footprint

☑ Total carbon emissions

☑ Carbon intensity

☑ Exposure to carbon-related assets

☑ Other emissions metrics

☑ Other, specify

	other description

Exposure to issuers with Paris Agreement-alignment targets and pathways, e.g., based on the Science-based targets and methods, including sectoral decarbonisation approach

☐ None of the above