

PIMCO – ESG Global Bond Fund

Ethical Survey, as voted by members of the Ethical Advisers Co-Op



Poor | Disappointing | Average | Appealing | Excellent

As voted by Ethical Adviser Co-op members. Find a specialised ethical adviser near you: www.ethicaladviserscoop.org/find-an-adviser.html

Fund Overview

This is an actively managed global bond fund. PIMCO uses in-house, dedicated Environmental, Social and Governance (ESG) research and also seeks to actively engage with issuers with the goal of improving their ESG-related business practices.

Ethical Concerns

Investments

- ✘ Some investments in the Fund may be problematic for ethical investors, such as:
 - Invests in large global banks which lend to fossil fuel companies. PIMCO see this as an area of focus for engagement, not for exclusion. PIMCO believe that engagement is a more effective approach than exclusion.
 - The fund invests in companies with some fossil fuel exposure (Sempra Energy & Southern Power); however, these companies have a strong focus on transitioning to renewable energy.
 - Alcohol exposure through AB InBev

Other concerns

- ✘ Full holdings are not disclosed on the website, but the full list is provided upon request.
- ✘ PIMCO is not certified by RIAA.
- ✘ PIMCO use a 'best in class' approach, which considers how an investment fares relative to its peers, and whether its ESG practices are on an improving or deterioration trajectory. The result is that issuers already incorporating sound ESG practices are more likely to be held in the portfolio. However, it also means that companies with low ESG ratings or involvement in controversial areas can be held if they are 'best in class'.

Good Points

- ✓ Fund excludes controversial weapons, tobacco, adult entertainment and coal, as well as other businesses with misaligned ESG practices or those which have failed to respond to PIMCO's engagement efforts.
- ✓ Invests in Green Bonds – current exposure is 13.5% of the portfolio.
- ✓ PIMCO actively engage with issuers to improve their ESG business practices. In 2018 they engaged with 147 corporate issuers in topics including the environment, social and governance practices, and positive impact.
- ✓ PIMCO produce an annual [ESG Investing Report](#) outlining their ESG integration and engagement activities.
- ✓ The fund's absolute carbon emissions are less than half of the benchmark (Bloomberg Barclays Global Aggregate).
- ✓ PIMCO employ ESG screens across the entire suite of PIMCO funds.
- ✓ The fund avoids the bottom 15% of sovereigns on transparency and corruption indices and violation of UN Global Compact Principles, UN Guiding Principles of Business and Human Rights or International Labour Organization Conventions.
- ✓ The fund has positions in technology, focusing on names with sector-leading data security programs, as well as in utilities with low risk assets and strategies to capture the rise of renewables, smart grid and address exposure to carbon regulations.
- ✓ The portfolio's exposure to the healthcare, food and media sectors is oriented towards strong ESG performers with low product water footprint, solid data breach response plans, and comprehensive product safety programs.
- ✓ Some Commitment to transparency by being [UNPRI](#) signatory.
- ✓ PIMCO received an A+ rating from their UNPRI Assessment Report in 2018.
- ✓ Fund's investment choices typically demonstrate a clear connection with the UN Sustainable Development Goals, and this is mapped in their annual ESG Investing Report.

*This survey, and the information contained in this document, consider **ethics only** and do not include ANY analysis of fees, performance of financial suitability. It is **general advice only**. The ethical score is subjective and benchmarked to each adviser's average ethical client. Your ethics may differ. We recommend you speak to an experienced ethical financial adviser for personalised advice before making any decisions.*

About the 'Ethical Survey'

About the Ethical Advisers Co-Op

The Ethical Advisers Co-op is a group of 35 financial advisers who are passionate about ethics and finance. The Co-op was established as a not-for-profit over 10 years ago to enable likeminded financial advisers to work together to represent the voice of the consumer. We work to shift the super and investment industry into being more ethically aligned with their clients' objectives. The Co-op's nationwide membership of ethical financial advisers help over 3,300 Australians make financial decisions and invest in line with their ethical values.

How the Leaf-System Works

The ethical rating is voted by Australian financial advisers who specialise in ethical investments (Co-op members). The advisers assess if fund ethics suit their average ethical client, and if it matches with the average client's expectations and objectives. The advisers consider how successful the fund is at; 1) removing industries and stocks harmful to the environment and society 2) including companies with environmental or social benefits, and 3) providing evidence of actions from the fund which benefit society and/or the environment. The quality of information the fund provides on its ethical policies, companies invested in, and proxy voting is important in assessing if a fund is as ethical as claimed. The final rating is an average of these votes.

Financial advisers are voluntarily participating to help ethical consumers gain a quick understanding of how the clients of a group of industry professionals view the ethics of each fund. The Co-op and the advisers do not receive any form of remuneration or reward for participating.

Further Research

Does your fund walk the talk?

The Australasian Centre for Corporate Responsibility (ACCR) – a not-for-profit shareholder advocacy organisation – pushes for transparency around whether your super fund 'walks the talk' on issues such as climate and human rights. You can find details on your super fund [here](#).

Is your fund investing in fossil fuels?

Market Forces is a not-for-profit delivering transparency on fossil fuel lending, insuring and investing within super funds, banks and insurance companies. You can see how exposed your super fund, bank or insurance company is to the fossil fuel industry [here](#).

If the fund is certified by the Responsible Investment Association Australasia (RIAA)

You can find more ethical and investment information for certified funds [here](#).

More information on this fund

For exact details of the fund's claimed ethics, costs and legal details see the fund's Product Disclosure Statement - available on their website.

Vote based on information last updated 1st March 2020