

Sustainability-related disclosures for Ailis Pimco European Income Bond

This document provides you with a summary of sustainability-related information available on our website about this financial product. It is prepared in relation to Article 10 of the Sustainable Finance Disclosure Regulation (EU) 2019/2088. The information disclosed is required by law to help you understand the sustainability characteristics and/or objectives and risks of this financial product.

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| Summary | <p>The Sub-fund has been categorised as an ESG Promotion Strategy Sub-fund, as promoting, among other characteristics, environmental and social characteristics, which are a binding component for the assets selection and investment decision-making process, and the companies in which the Sub-fund shall invest in need to follow good governance practices, in accordance with article 8 of the SFDR.</p> <p>The main environmental and social characteristics promoted by the Sub-fund through the Investment Manager's ESG methodology are the following:</p> <ul style="list-style-type: none">• Environmental: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint, climate change vulnerability), pollution & waste prevention (with reference to toxic emissions & waste, packaging material & waste, electronic waste), environmental opportunities (in clean tech, in renewable energy);• Social: human capital (labor management, health & safety, human capital development, supply chain labor standards), product liability (product safety & quality, chemical safety, consumer financial protection, privacy & data security, responsible investment, health & demographic risk), social opportunities (access to communications, access to finance, access to health care, opportunities in nutrition & health), stakeholder opposition (controversial sourcing, community relations). <p>The indicators used to measure the attainment of each of the environmental or social characteristic promoted by the Sub-fund are:</p> <ul style="list-style-type: none">• the absence of investments in securities that are on the exclusion list as result of the application of the exclusion policy. The Investment Manager excludes investment in sectors which deems to be harmful from an SRI/ESG perspective or which do not follow good governance practices. The Sub-fund complies with an exclusions policy which refers to: i) the production, maintenance, sales and storage of weapons of mass destruction (WMD); and ii) the extractive activities, production and distribution of electricity connected with thermal coal, the energy source among fuels which represents the highest contributor in terms of carbon dioxide emissions; therefore, issuers deriving at least 25% of their revenues from these activities are excluded. The exclusion is extended to those issuers in breach of the Principles of the UN Global Compact which include principles relating to human rights, labour conditions, environmental issues and anti-corruption practices;• the ESG rating of the portfolio. <p>To undertake the ESG rating analysis, sustainable characteristics of the underlying investments are defined by reference to a combination of data generated internally by the Investment Manager's proprietary models and data provided by external ESG research providers.</p> <p>No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.</p> <p>The Investment Manager's approach includes the adoption of strategies in line with the Principles for Responsible Investing (the "PRI principles"). These strategies can be integrated into different steps of the investment process and they are based on exclusion criteria (for Issuers operating in non-socially responsible sectors or exposed to ESG risk) and in the integration of ESG factors into the analysis, selection and composition of managed portfolios with flexible approaches with regards to asset class typology and product investment strategy.</p> <p>Below are detailed the binding elements followed by the Investment Manager for each strategy adopted for promoting environmental and social characteristics:</p> <p>SRI exclusion criteria:</p> <p>Issuers directly operating in the following sectors are not permitted:</p> <ul style="list-style-type: none">• in the production, maintenance, sales and storage of weapons of mass destruction (WMD), i.e., nuclear, biological, chemical and radiological weapons (NBCR), including those which are excessively harmful and indiscriminate as identified by the United Nations Convention on Certain conventional Weapons (CCW);• in the extractive activities and production of electricity connected with thermal coal, the energy source among fuels which represents at the global level the highest incidence for carbon dioxide emissions; therefore, issuers with at least 25% of their revenues from these activities are excluded. <p>Integration of ESG factors:</p> |
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| | <p>The integration of ESG factors is promoted through the selection of issuers in terms of their sustainable performance through an ESG score and in order that average ESG portfolio scoring is above the score determined as a weighted average of the scores for the AUM of each asset class that make up the financial product.</p> <p>The Investment Manager specifically considers the following principal adverse impact (“PAI”) indicators for corporate issuers: Carbon emission (Scope 1 + 2); GHG intensity of investee companies; Violations of UNGC principles and OECD guidelines for Multinational Enterprises; Exposure to controversial weapons (anti-personnel mines, cluster ammunitions, chemical and biological weapons). For government and supranational issuers: GHG intensity and Investee Countries subject to social violations. The Investment Manager shall give effect to the PAI indicators listed above through the application of exclusion criteria applied to the issuer.</p> |
| No sustainable investment objective | This Sub-fund promotes environmental or social characteristics, but does not have as its objective sustainable investments. |
| Environmental or social characteristics of the financial product | <p>The main environmental and social characteristics promoted by the Sub-fund through the Investment Manager’s ESG methodology are the following:</p> <ul style="list-style-type: none"> • Environmental: climate change prevention (in terms for example of reduction of carbon emission, carbon footprint, climate change vulnerability), pollution & waste prevention (with reference to toxic emissions & waste, packaging material & waste, electronic waste), environmental opportunities (in clean tech, in renewable energy); • Social: human capital (labor management, health & safety, human capital development, supply chain labor standards), product liability (product safety & quality, chemical safety, consumer financial protection, privacy & data security, responsible investment, health & demographic risk), social opportunities (access to communications, access to finance, access to health care, opportunities in nutrition & health), stakeholder opposition (controversial sourcing, community relations). <p>No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.</p> |
| Investment strategy | <p>The Sub-fund PIMCO EUROPEAN INCOME BOND, expressed in EURO, aims to maximise current income, consistent with prudent investment management with long-term capital appreciation being a secondary objective.</p> <p>The Sub-fund shall aim to achieve its investment objective by investing in a diversified portfolio consisting primarily of fixed income securities. The pool of securities eligible for investment by the Sub-fund includes government bonds, bonds issued by supranational organizations and government-related entities, corporate bonds, emerging market government and corporate debt (including issues denominated in local currency), non-investment grade debt securities (as defined below), asset backed securities (“ABS”), mortgage-backed securities (“MBS”), contingent convertible securities (“CoCos”), money market instruments and cash.</p> <p>The Sub-Fund is subject to an aggregate limit of one third of its total assets (33%) on combined investments in securities that are convertible into equity securities, equity securities, certificates of deposit, and bankers’ acceptances issued by OECD banks. The Sub-Fund may engage in transactions in financial derivative instruments principally for investment and/or for hedging purposes and for efficient portfolio management purposes .</p> <p>The Sub-fund is actively managed. The Sub-fund is not managed in reference to a benchmark. More information relating to the Investment Strategy is provided in the Prospectus.</p> <p>The Sub-fund has been categorized as an ESG Promotion Strategy Sub-fund, as promoting, among other characteristics, environmental and social characteristics, which are a binding component for the assets selection and investment decision-making process, and the companies in which the Sub-fund shall invest in need to follow good governance practices, in accordance with article 8 of the SFDR.</p> <p>More information relating to the environmental and social characteristics of the Sub-fund is provided in the Appendix to the Prospectus in accordance with SFDR and Commission Delegated Regulation (EU) 2022/1288.</p> |
| Proportion of investments | <p>In accordance with the binding element of the investment strategy adopted for promoting the environmental and social characteristics, the minimum proportion of the investments that meet the ESG criteria (in terms of ESG rating coverage) should be at least 50% of the portfolio (box #1 Aligned with E/S characteristics).</p> <p>The remaining proportion (50% corresponding to the box #2 Other) of the investments (not included in the investments for promoting environmental or social characteristics) should be limited to:</p> <ul style="list-style-type: none"> • cash and cash equivalent instruments which may be held as ancillary liquidity or for risk balancing purposes; • derivatives which may be held for risk balancing purposes and efficient portfolio management but not for promoting environmental and social characteristic; • securities for which relevant data is not available. |
| Monitoring of environmental or social characteristics | The application of the exclusion policy on a pre-trade basis and on an ongoing basis is monitored in the manner described above under the “Monitoring of Environmental or Social Characteristics”. Issuers that do not meet the relevant exclusions criteria are coded into the Investment Manager compliance system and the Investment Manager closely and regularly monitors the portfolio to ensure compliance with applicable requirements. In addition, the Investment Manager monitors on an ongoing basis the ESG scoring of the portfolio. |
| Methodologies | <p>The Investment Manager’s approach includes the adoption of strategies in line with the Principles for Responsible Investing (the “PRI principles”). These strategies can be integrated into different steps of the investment process and they are based on exclusion criteria (for Issuers operating in non-socially responsible sectors or exposed to ESG risk) and in the integration of ESG factors into the analysis, selection and composition of managed portfolios with flexible approaches with regards to asset class typology and product investment strategy.</p> <p>Below are detailed the binding elements followed by the Investment Manager for each strategy adopted for promoting environmental and social characteristics:</p> <p>SRI exclusion criteria:</p> |

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| | <p>Issuers directly operating in the following sectors are not permitted:</p> <ul style="list-style-type: none"> • in the production, maintenance, sales and storage of weapons of mass destruction (WMD), i.e., nuclear, biological, chemical and radiological weapons (NBCR), including those which are excessively harmful and indiscriminate as identified by the United Nations Convention on Certain conventional Weapons (CCW); • in the extractive activities and production of electricity connected with thermal coal, the energy source among fuels which represents at the global level the highest incidence for carbon dioxide emissions; therefore, issuers with at least 25% of their revenues from these activities are excluded. <p>Integration of ESG factors:</p> <p>The integration of ESG factors is promoted through the selection of issuers in terms of their sustainable performance through an ESG score and in order that average ESG portfolio scoring is above the score determined as a weighted average of the scores for the AUM of each asset class that make up the financial product. To undertake the ESG rating analysis, sustainable characteristics of the underlying investments are defined by reference to a combination of data generated internally by the Investment Manager's proprietary models and data provided by external ESG research providers.</p> <p>The assessment of the good governance practices is a central pillar of the investment process adopted by the Investment Manager and it consists on the assurance that the governance of each investee company is based on rules of conduct aligned to international best practices and inspired by the consideration of all stakeholder's interests also by means of a remuneration policy. The good governance assessment takes into account sound management structures, employee relations, remuneration of staff and tax compliance. Compliance with issuers' good governance practices is ensured through the application of ESG and SRI exclusions criteria. The absence of criticality in these areas is considered as a minimum requirement that guarantees the good governance of an issuer for inclusion in the investible universe.</p> |
| Data sources and processing | <p>Data is typically sourced in various ways, including from a third party data vendor, such as MSCI, and/or generating such data through proprietary analysis carried out by PIMCO and/or obtaining such data directly from the underlying issuer. As appropriate, due diligence will be carried out on such data sources used by PIMCO. The portfolio may need to use proxies or estimates from time to time as a result of data challenges (data availability and reliability). For example, the availability of sustainability-related data can in certain circumstances be limited due to a lack of corporate disclosure being made by issuers, or in circumstances where such data may not be standardized or verified when provided by an issuer. Such data challenges may result in difficulty in reporting sufficiently accurate numbers or affect the proportion of estimated or approximated data used by PIMCO. In addition, external providers may update their data based on new information, corrections, or changes in methodology. Such updates may affect the assessment of existing exposures.</p> |
| Limitations to methodologies and data | <p>The availability of sustainability-related data can in certain circumstances be limited and data quality can be a challenge due to a lack of disclosure, the nature of the disclosure being made by issuers or the data supplied by third party vendors. Where possible, PIMCO seeks to address data gaps through engagement with issuers, proprietary research and onboarding of new data providers. In our engagement efforts, we encourage issuers to improve data disclosure on relevant metrics aligning with industry leading best-practices, where relevant. Further, when utilizing third party data, PIMCO seeks to augment it with our own credit and ESG analysis, particularly in a case where the ESG information from the data providers is missing or incomplete. Lastly, PIMCO frequently examines the potential to onboard new data providers that would add value to PIMCO's existing data sources, while conducting reviews of existing data providers.</p> |
| Due diligence | <p>Information on the due diligence carried out by the Investment Manager.</p> |
| Engagement policies | <p>With the aim of preventing, containing and managing the main adverse impacts of investment decisions on sustainability factors, the Management Company conducts engagement actions - both individual and collective with other investors - and exercises its voting rights on the issuers in its portfolio, in order to create awareness and orient the issuers' behaviors towards specific sustainability issues, according to the times and methods formalized in its "Engagement Policy" and in the "Strategy for the exercise of the attendance and voting rights attached to the financial instruments held by the UCITS under management". In this case, the Company informs the issuer about the identified criticalities, directing its decisions towards their immediate reduction. If these actions are not addressed in an effective and timely manner by the issuer, the Company evaluates to initiate specific reduction or disposal initiatives, even of a progressive nature, of the investment in these issuers. The initiatives carried out and the decisions taken regarding these activities are reported and formalized in order to guarantee a thorough traceability of the decision-making processes and outcomes.</p> |
| Designated reference benchmark | <p>No reference benchmark has been designated for the purpose of attaining the environmental or social characteristics promoted by the Sub-fund.</p> |