

Decarbonizing the world: the three must-haves to achieve environmental and financial sustainability

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The decarbonization of our planet is vital to its sustainability, and the coordinated commitment of governments, financiers, and corporate entities toward that goal is essential to its success. In our role as asset managers, we have a responsibility to contribute to environmental sustainability efforts and a responsibility to ensure that our clients' portfolios are positioned for financial sustainability as well.

At PineBridge, we have a history of focusing on alpha generation through bottom-up credit analysis and security selection. With so much of this story yet to be written, we have identified three must-have attributes within our ESG framework that will enable our investments to both promote decarbonization and to profit from it.

First, we find it essential to prioritize an integrated, forward-looking ESG trend within our analysis of ESG risk.

Second, we must be prepared to look to the future and not necessarily exclude exposure to carbon, but rather to include exposure to entities that are moving toward lower-carbon processes.

Third, we must maintain an engagement framework to identify and encourage issuers to make investments in green technology – investments that will make their business models not only more sustainable, but also more profitable in the carbon-neutral world of the future.

Finally, we believe it is vital for investment managers to maintain a formal engagement framework, that will not only set a standard for the way in which we engage management teams on ESG issues across industries, but also provide metrics for how those engagements have impacted corporate behavior.

For further information on this subject please visit pinebridge.com.

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