

PIMCO's Environmental, Social and Governance (ESG) Investment Policy Statement

As a premier fixed income manager, PIMCO's mission is to deliver superior investment returns, solutions and service to our clients. For nearly 50 years, we have worked relentlessly to help millions of investors pursue their objectives – regardless of shifting market conditions. Leadership in ESG investing is essential to deliver on our clients' financial objectives, to maintain our high performance culture by engaging top talent and to support long-term, sustainable economic growth globally.

This ESG Investment Policy Statement details PIMCO's commitments to: the integration of ESG factors into our broad research process, sustainable investment solutions offered to our clients, our engagement with issuers on sustainability factors and our climate change investment analysis. This statement is designed to apply broadly to our firm's long-term investment process and to our dedicated ESG investment solutions. This statement is reviewed at least annually and is updated periodically to reflect material changes.

ESG INTEGRATION

At PIMCO, we define ESG Integration as the consistent consideration of material ESG factors into our investment research process to enhance our clients' risk-adjusted returns. Material ESG factors may include but are not limited to: climate change risks, social inequality, shifting consumer preferences, regulatory risks, talent management or misconduct at an issuer, among others. We believe incorporating relevant ESG factors should be part of a robust investment process.

We recognize that ESG factors are increasingly essential inputs when evaluating global economies, markets, industries and business models. Material ESG factors are important considerations when evaluating long-term investment opportunities and risks for all asset classes in both public and private markets. Our commitment to ESG Integration was one of the main drivers that led PIMCO to become a signatory to the UN Principles of Responsible Investment (PRI) in September 2011.

Integrating ESG factors into the evaluation process does not mean that ESG information is the sole or primary consideration for an investment decision; instead, PIMCO's portfolio managers and analyst teams evaluate and weigh a variety of financial and non-financial factors, which can include ESG considerations, to make investment decisions. The relevance of ESG considerations to investment decisions varies across asset classes and strategies. By increasing and diversifying the information assessed by the portfolio management team where relevant we believe that we are able to generate a more holistic view of an investment, which we believe will generate opportunities to enhance returns for our clients.

PIMCO'S ESG PORTFOLIO SOLUTIONS

Portfolios dedicated to ESG principles don't need to be one-size-fits-all. Certain clients desire portfolios that seek to deliver strong risk-adjusted returns and sustainability objectives, like reduced carbon footprint, active engagement with issuers, meaningful green bond allocations and a tilt toward high quality ESG issuers. For those clients, PIMCO launched a suite of dedicated ESG offerings that seeks to deliver attractive investment returns while also achieving positive ESG outcomes through its investments. These ESG dedicated portfolios build on PIMCO's nearly 50-year core investment processes, while actively incorporating our clients' sustainability objectives. Clients around the world define their ESG objectives differently – and that customization is important. At PIMCO, we are eager to partner together with clients to identify and deliver sustainability objectives that fit with their specific needs.

For a broad group of clients in the context of our ESG commingled fund offerings, PIMCO has built ESG portfolios on three guiding principles:

Exclude:

We exclude issuers fundamentally misaligned with sustainability principles – both by their governing terms and in practice. Our exclusions process is overseen by the PIMCO ESG Exclusions Group.

Evaluate:

Using our proprietary and independent ESG scoring system, we seek to optimize ESG portfolios to emphasize companies in each industry with leading ESG practices, limited carbon footprint and high quality green bond frameworks. Members of PIMCO's global research team are responsible for assigning ESG scores to each of the issuers under their coverage in collaboration with our dedicated ESG analysts and ESG scores are augmented by insights from PIMCO's engagement activities.

Engage:

We believe that by collaborating with and allocating capital toward issuers willing to improve their ESG-related business practices, PIMCO can generate a greater ESG impact than simply excluding issuers with poor ESG metrics and favoring those with strong metrics. We conduct engagement based on opportunities that we believe will have the most significant impact unique to each issuer. We encourage alignment of business activities with the Sustainable Development Goals (SDGs), including via green / sustainable bond issuance and we track progress over time.

ENGAGEMENT PHILOSOPHY

As one of the world's largest bondholders on behalf of our clients, PIMCO has a large and important platform with which to engage issuers to drive meaningful change on sustainability dimensions. Engagement is an essential tool for delivering impact in ESG investing. We believe that ESG investing is not only about partnering with issuers that already demonstrate a deeply unified approach to ESG, but also about engaging with those with less advanced sustainability practices. This can be a direct way for PIMCO to influence positive changes that may benefit all stakeholders, including investors, employees, society and the environment.

We aim to have an industry leading engagement program among fixed income asset managers. By investing across a diverse asset class and group of issuers – including corporates, municipalities, sovereigns and others – we believe PIMCO is ideally positioned to drive greater change than through exclusions or evaluations alone. In our experience we have found that our collaborative engagement approach has the potential to result in tangible, positive changes in certain companies given the strength and history of our platform.

PIMCO's credit research analysts engage regularly with the issuers that they cover, for example in the corporate space discussing topics with company management teams related to corporate strategy, leverage, and balance sheet management, as well as ESG-related topics such as climate change targets and environmental plans, human capital management, and board qualifications and composition.

CLIMATE CHANGE PRACTICE

PIMCO recognizes that climate change will likely have a profound impact on the global economy, financial markets and issuers. We have developed tools and methods that seek to incorporate over time material climate risk evaluations in our investment research processes.

Details on PIMCO's broad climate research approach:

- When evaluating climate-related risks and opportunities within specific sectors and issuers, we typically begin with two broad categories: 1) transition risks (e.g., tighter regulations on carbon emissions) and 2) physical risks (e.g., how the rising intensity and frequency of extreme weather events affects critical assets and natural resources used or relied upon by the issuer);
- In ESG portfolio solutions, the insights these tools provide are designed to provide material information to portfolio managers to better manage and mitigate climate-related credit risks and assess a portfolio's alignment with the Paris Agreement targets¹;
- We explore climate change in the context of broader sustainability risk and are supportive of the SDGs as the reference framework to assess these wide-ranging risks, e.g. biodiversity, water scarcity, human and labor rights; and
- We also seek to engage with issuers on innovative debt issuance opportunities to advance the Paris Agreement and the SDGs.

In sum, we support the recommendations of the Taskforce on Climate-related Disclosure (TCFD) and engage with issuers – across corporates, sovereigns and others – to encourage enhanced disclosure on climate change, biodiversity, and the SDGs, including their efforts to advance underlying goals, such as those of the Paris Agreement. We will continue to devote PIMCO resources to build climate investment solutions for our clients globally.

FOR MORE INFORMATION ABOUT ESG AT PIMCO, PLEASE REVIEW [HERE](#).

FOR MORE INFORMATION ABOUT PIMCO'S CORPORATE RESPONSIBILITY PLATFORM, PLEASE REVIEW [HERE](#).

¹ The Paris Agreement is the global accord to limit the global temperature rise by year 2100 to 1.5°C – 2°C above pre-industrial levels

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