PIMCO

OCTOBER 2023

PIMCO Europe Ltd.

2022 U.K. Stewardship Code Statement and Report

A company of Allianz

OCTOBER 2023

We are pleased to share PIMCO's 2022 U.K. Stewardship Code Statement and Report, covering the period of 1 January 2022 to 31 December 2022.

At PIMCO, we are committed to our mission of providing superior risk-adjusted investment returns, solutions and service to our clients and their beneficiaries. Since our launch in 1971, we have worked tirelessly to assist millions of investors to pursue their objectives through shifting market conditions. Our clients rely on an investment process that has been tested in virtually every market environment and a culture of putting clients first.

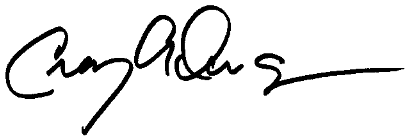
2022 was a notably challenging year for investors around the world, and particularly so in the U.K. with the September LDI Crisis. In such volatile environments, our role as trustworthy stewards of our clients' assets becomes more important than ever. In this Report, we seek to demonstrate how stewardship principles are integrated into our firm's philosophy, culture, practices, investment process, and risk management approach. In this regard, we showcase the progress made in our stewardship efforts and new advancements in 2022. Our existing structures and ongoing enhancements are crucial in our mission to generate long-term value for clients and promote sustainable benefits for the economy, environment, and society.

PIMCO also recognises that sustainable investing is a rapidly evolving landscape that we continue to regard as a global megatrend. We believe that leadership in sustainable investing is essential to our stewardship efforts, allowing us to deliver on our clients' financial objectives while supporting sustainable long-term economic growth and maintaining healthy markets. In the U.K., this is an area that has been particularly front of mind for many investors with ongoing regulatory requirements such as TCFD reporting, which recently came into effect.

With this in mind, our 2022 U.K. Stewardship Code Statement and Report focuses on key developments in our approach to sustainable investment throughout the year. We highlight the enhancement of our Sustainability Leadership team and the work of our Alternatives Working Group, the continuous innovation of our ESG technology, and the deepening of our engagements across four main themes: climate change, human rights, human capital, and natural capital. Stewardship and sustainability are at the core of our culture and beliefs. Throughout the report, we further discuss the continued incorporation of ESG factors into our investment research and decision-making across asset classes, as well as the expansion of our suite of sustainable investment solutions for clients seeking risk-adjusted returns and the inclusion of sustainable factors in the investment selection process.

Finally, as one of the largest bondholders in the world, PIMCO has a significant platform to engage with issuers, and we have continued to embrace this position as we seek to catalyse positive change that may benefit investors and additional stakeholders alike.

We are proud of our commitment to sustainability and stewardship, and we remain dedicated to delivering value to our clients while making a positive impact on the world. Thank you for your interest in our work.



Craig Dawson
Chief Executive Officer, PIMCO Europe Ltd.

This report has been reviewed and approved by the Board of PIMCO Europe Ltd.

The information contained herein is as of 31 December 2022, unless otherwise noted.

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ESG

Socially responsible investing is qualitative and subjective by nature, and there is no guarantee that the criteria utilized, or judgment exercised, by PIMCO will reflect the beliefs or values of any one particular investor. Information regarding responsible practices is obtained through voluntary or third-party reporting, which may not be accurate or complete, and PIMCO is dependent on such information to evaluate a company's commitment to, or implementation of, responsible practices. Socially responsible norms differ by region. There is no assurance that the socially responsible investing strategy and techniques employed will be successful. Past performance is not a guarantee or reliable indicator of future results.

Outlook

Statements concerning financial market trends are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions, and each investor should evaluate their ability to invest for the long term, especially during periods of downturn in the market. Outlook and strategies are subject to change without notice.

Risk

Investing in the bond market is subject to risks, including market, interest rate, issuer, credit, inflation risk, and liquidity risk. The value of most bonds and bond strategies are impacted by changes in interest rates. Bonds and bond strategies with longer durations tend to be more sensitive and volatile than those with shorter durations; bond prices generally fall as interest rates rise, and low interest rate environments increase this risk. Reductions in bond counterparty capacity may contribute to decreased market liquidity and increased price volatility. Bond investments may be worth more or less than the original cost when redeemed. Commodities contain heightened risk, including market, political, regulatory and natural conditions, and may not be suitable for all investors. Currency rates may fluctuate significantly over short periods of time and may reduce the returns of a portfolio. Derivatives may involve certain costs and risks, such as liquidity, interest rate, market, credit, management and the risk that a position could not be closed when most advantageous. Investing in derivatives could lose more than the amount invested. Equities may decline in value due to both real and perceived general market, economic and industry conditions. Investing in foreign-denominated and/or -domiciled securities may involve heightened risk due to currency fluctuations, and economic and political risks, which may be enhanced in emerging markets. Sovereign securities are generally backed by the issuing government. Obligations of US government agencies and authorities are supported by varying degrees, but are generally not backed by the full faith of the US government. Portfolios that invest in such securities are not guaranteed and will fluctuate in value. High yield, lower-rated securities involve greater risk than higher-rated securities; portfolios that invest in them may be subject to greater levels of credit and liquidity risk than portfolios that do not. Mortgage- and asset-backed securities may be sensitive to changes in interest rates, subject to early repayment risk, and while generally supported by a government, government-agency or private guarantor, there is no assurance that the guarantor will meet its obligations. Income from municipal bonds may be subject to state and local taxes and at times the alternative minimum tax. Swaps are a type of derivative; swaps are increasingly subject to central clearing and exchange-trading. Swaps that are not centrally cleared and exchange-traded may be less liquid than exchange-traded instruments. Inflation-linked bonds (ILBs) issued by a government are fixed income securities whose principal value is periodically adjusted according to the rate of inflation; ILBs decline in value when real interest rates rise. Treasury Inflation-Protected Securities (TIPS) are ILBs issued by the US government. Certain US government securities are backed by the full faith of the government. Obligations of US government agencies and authorities are supported by varying degrees but are generally not backed by the full faith of the US government. Portfolios that invest in such securities are not guaranteed and will fluctuate in value.

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PRINCIPLE 1:

Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

OUR PURPOSE AND INVESTMENT PHILOSOPHY

As one of the world's premier investment managers, PIMCO is a steward of our clients' assets. With our launch in 1971 in Newport Beach, California, PIMCO introduced investors to a total return, long-term, focused approach to fixed income investing. In the 50+ years since, we continue to believe that active management is the responsible way to invest our clients' assets. PIMCO manages a broad range of strategies across different asset classes including fixed income, alternatives, equities, and real assets. We have worked relentlessly to help millions of investors pursue their objectives through shifting market conditions; bringing together our investment professionals from across the globe, PIMCO's investment process is designed to promote fresh ideas and differing points of view, always with our stewardship and fiduciary duty top of mind.

Just as in previous years, our approach to stewardship throughout 2022 has continued to evolve, building on our extensive experience in actively managing our clients' assets. Our approach and philosophy on stewardship is not something that we would change entirely over a year – however, we have continued to enhance our active approach where possible, thinking about how to best serve our clients. This starts with a deep understanding of every investment we make for our clients, with the goal of not just finding opportunities, but creating them. Below, we note the key tenets of our firm-wide approach and philosophy:

Long-Term Orientation

PIMCO believes that focusing on long-term, secular trends offers the greatest opportunity to add value relative to the overall market, which is largely preoccupied with pricing in short-term factors. By maintaining a disciplined focus on the firm's secular views, PIMCO is better able to identify long-term value and prevent the firm's trading decisions from being overly influenced by emotion and short-term market sentiment.

Broad Universe

PIMCO is committed to implementing this approach by selecting from a broad universe that includes all conventional fixed income sectors as well as newer, less traditional sectors, including high yield, emerging market debt, and inflation-linked bonds. PIMCO believes that a broad opportunity set not only provides us with greater potential to enhance returns, but also enables us to reduce portfolio risk through greater diversification.

Multiple Strategies

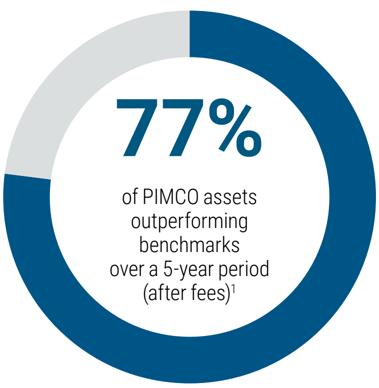
PIMCO believes that a diversified approach to adding value should deliver more consistent results, so PIMCO employs multiple concurrent strategies and takes only moderate risk in each, thereby seeking to reduce the risk of poor performance arising from any single source. Strategies utilised include duration management, yield curve or maturity structuring, sector rotation and bottom-up techniques including those driven by the firm's in-house credit and quantitative research.

Risk Management

This is a major focus at PIMCO and has been a cornerstone of the firm's investment philosophy since inception. PIMCO measures and manages portfolio risk by focusing on a series of factor-based risk measures which capture each portfolio's positioning and help quantify the portfolio's broad exposure to a range of risks. PIMCO believes that successful risk management demands constant reassessment of the investment landscape in order to anticipate future market events and evolving risks.

These tenets of our investment process are key components of our mission: delivering superior investment returns, solutions and services to our clients. In our commitment to our clients and firm-wide mission, we strive to integrate key principles of stewardship to drive long-term value for clients leading to sustainable benefits for the economy, the environment and society. One of the core ways that we seek to provide long-term value for clients is our five-year track record of investment performance relative to benchmarks – see exhibit below.

Exhibit: 77% of PIMCO's assets have outperformed benchmarks over a five-year period (after fees)[1]



1 As of 31 December 2022. Source: PIMCO. Based on PIMCO managed portfolios with at least a 5-year history. The after-fees performance of each portfolio was compared to the portfolio's primary benchmark. If the after-fees portfolio performance was greater than the benchmark performance for a given period, the assets in that portfolio were included in the outperforming data. Benchmark outperformance indicates the performance of a portfolio as compared to its benchmark. As such, it does not indicate that a portfolio's performance was positive during any given period. For example, if a portfolio declined 3% during a given period, and its benchmark declined 4%, the portfolio would have outperformed its benchmark, even though it lost value during the period. Certain absolute return oriented portfolios contained within the data may inflate the data either positively or negatively due to the low return/volatility characteristics of the primary benchmark. For example, a portfolio measured against 3-month USD Libor would be more likely to out- or under perform its benchmark. **No measure of past performance should be understood to ensure that future performance will be positive, whether on a relative or absolute basis.**

INTEGRATING DIVERSE PERSPECTIVES INTO PIMCO'S INVESTMENT PROCESS

As a steward of our clients' capital, we continue to look to consider diverse perspectives in our investment process and research, to inform our economic views and eventually our investment decisions. Leveraging diverse perspectives to inform decisions has been a core tenet of our investment process from day one and is embedded in our business strategy and core values. PIMCO's investment process seeks to structurally stimulate broad participation and encourages all perspectives as an example of integrating inclusion and diversity (I&D) best practices in the way we work.

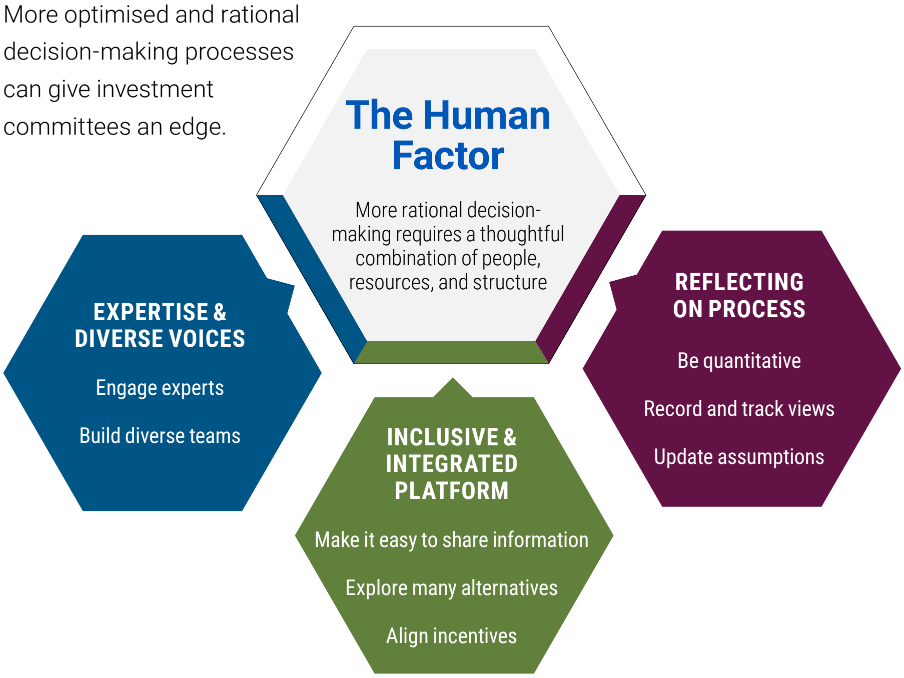
We strive to apply the same innovative, behavioural science research-based approach to further our internal I&D strategies, and drive how we manage investments for the benefit of our clients, our business, and our people. This requires a constant effort to test, challenge, and improve the processes that underpin investment decisions. Accounting for human factors has become central to the effort, and behavioural science insights can improve practices to collect and combine information that informs investment choices. Key to the effort is hiring people with a wide variety of experiences and perspectives, and structuring teams and workplaces to maximise the interchange of ideas, challenge assumptions, and reduce cognitive bias errors. More information on our I&D efforts can be found further along in this principle as well as in our 2022 Corporate Responsibility Report and our Inclusion and Diversity 2022 Annual Report.

After bringing together these diverse sources of talent and information, the next collection of practices focuses on structuring work environments to make it easy to share information among people and across domains. The power of the environment in determining behaviour too often goes unrecognised or undervalued, but situational constraints can limit even the most talented teams. For example, PIMCO regularly conducts a 'Best Ideas' exercise in which our Investment Professionals (IPs) submit their top three investment ideas. Submissions are anonymous to minimise the influence of factors aside from strength of the evidence and arguments. Knowing who is responsible for an idea can create a halo (or horns) bias, where the reviewer's positive (or negative) perception of an individual can change how the idea is evaluated. Moreover, it is impossible to remove the influence of a potentially biasing input, such as a person's status or gender, after an evaluator's impression of the idea has already been formed in the brain. Great ideas can come from anywhere, and anonymity improves the chances that the best ones are elevated before biases take root. As an incentive, unique pitches and critiques are rewarded with more attention from the Investment Committee.

PIMCO also seeks a competitive edge by using behavioural science to advance rational decision-making and risk management. In order to strengthen our capabilities in this area, we reinforced our team with two dedicated behavioural scientists in 2022 with the goal of further mitigating cognitive bias errors, maximising the interchange of ideas, and challenging our assumptions. Furthermore, we invested in and published thought leadership around incorporating I&D and behavioural science practices into the investment process. The insights from the resulting frameworks can be used in a variety of institutional scenarios.

The Human Factor: Using Behavioural Science to Improve Investment Decisions

More optimised and rational decision-making processes can give investment committees an edge.



The Human Factor: A Checklist of Behavioural Science Best Practices

The checklist can help you implement behavioural best practices into your meetings and processes.

One way in which the above principles are implemented is by inviting outside experts to share their insights and help us test our thinking – particularly our Global Advisory Board, a team of world-renowned experts on economic and political issues. The Board members contribute their insights to the firm on global economic, political and strategic developments and their relevance for financial markets.

The Board meets several times a year at PIMCO's Newport Beach office as well as at other PIMCO offices around the world. The members also attend the firm's Secular and Cyclical forums, where PIMCO's investment professionals discuss the economic outlook and its implications for markets. Board members will share their views which, along with presentations from distinguished guest speakers at the forum, will inform the discussions of PIMCO's investment professionals. Together, the Board members' expertise and insights are a valued input to the firm's investment process. Members are outlined below:

Ben Bernanke
Former Federal Reserve Chair and scholar at the Brookings Institution

Joshua Bolten
President and CEO of the Business Roundtable and former White House Chief of Staff

Gordon Brown
Former UK Prime Minister and former Chancellor of the Exchequer

Mark Carney
UN Special Envoy on Climate Action and Finance, former Governor of the Bank of England, former Governor of the Bank of Canada

Michèle Flournoy
U.S. defense policy and national security expert, former U.S. Under Secretary of Defense for Policy

Ultimately, PIMCO's culture embodies the positive attributes of a partnership and is firmly committed to a vibrant, team-oriented, collegial organisation. In a partnership, leadership and influence are generally exercised by example rather than position within a hierarchy. Our investment team is energised and invigorated by the opportunities PIMCO's team approach presents. Our core values remind us that we are here to deliver a return on trust and to go beyond the call of diligence on our client's behalf. We are guided not just by rules, but responsibilities, as stewards of our clients' capital.

We have continuously socialised these values in many ways, namely by integrating them within our firm-wide performance evaluation criteria, as detailed in the 'Performance Evaluation' section at the end of Principle 1.

PIMCO'S SUSTAINABILITY PHILOSOPHY

PIMCO has sought for decades to evaluate risk and opportunities – both financial and non-financial – for the investments we make on behalf of our clients. But as active investors we know it is not enough to rely on yesterday's performance or past credentials. We must continue to innovate and evolve to deliver for clients each day.

PIMCO aims to play a role in financing a sustainable future. Transitioning the global economy to a Net Zero carbon emissions future will require trillions of dollars of investment, and we believe that the global financial market, will be essential in meeting such an ambitious goal.

We believe that leadership in sustainable investing is an important factor in meeting our clients' financial objectives as well as supporting long-term, sustainable economic growth globally – for the benefit of our clients, markets, and the broader society. This approach can be achieved through a process of integrating these factors into investment research and decision making where relevant and material, to ultimately help manage portfolio risks and identify opportunities. A significant driver of our investment process is our "secular" long-term focus, which often includes sustainability issues and how they impact long-term valuations, in addition to our rigorous approach to analysis and risk management. Additionally, sustainable investing can also be achieved through offering specific sustainable investment solutions that explicitly include and seek to optimise these factors. Sustainable investment solutions may encompass negative screening, and the proactive selection of assets based on more favourable environmental, social or governance (ESG) factors relative to their investment universe (e.g. positive screening). In certain circumstances, solutions are offered through the selection of investments based partly on their contribution to broader objectives, such as alignment with the Paris Agreement, the Sustainable Development Goals (SDGs) or overall contribution to society. It is important to note that all aforementioned solutions are aligned with fiduciary duty and investment objectives.

Further, PIMCO has significantly expanded its ESG efforts and commitments during the past decade – reflecting our belief that sustainable investing has become a global megatrend. We see this as more and more clients globally seek strategies to address a range of environmental and social risks and opportunities – from climate change to social issues. The firm's size and long-lasting relationships with issuers have helped us be a leader in ESG engagement for fixed income – as long-term investors, engagement is a core pillar of our stewardship approach.

Exhibit: What are the key pillars of our sustainability philosophy?

Please refer to the PIMCO Sustainable Investing Report, as well as Principles 4 and 8, for additional information.

Stewardship of our client's capital	First and foremost, we are stewards of our clients' capital, and for more than 50 years, we have helped them meet their financial goals and investment objectives.
We have the fiduciary duty to consider relevant risks in our investment process	We aim to integrate sustainability risks in our investment process for our actively managed assets as a key risk management tool. The consideration of ESG factors may be appropriate when evaluating long-term investment opportunities and risks for certain asset classes across public and private markets.
A client-centric approach to sustainability	For clients who seek to achieve specific sustainability investment outcomes, we offer a suite of dedicated investment solutions which incorporate the firm's proprietary ESG process.
A large and significant platform to engage with issuers	We believe PIMCO's size, scale and history as a premier fixed income manager provides a platform to engage with issuers on sustainability matters, help lead the industry, and influence change that will benefit investors.

PIONEERING ESG IN FIXED INCOME: DEVELOPMENTS AND MILESTONES OVER 2022

PIMCO continues to embrace the notion that stewardship means responsible allocation, management and oversight of capital to deliver long-term value for our clients. Fostering sustainable economic growth is essential to deliver on our clients' financial objectives and we view broader considerations for the environment and society as central to this approach.

At PIMCO, stewardship continues to be incorporated into our investment process as fundamental to delivering on our clients' financial objectives. ESG integration and issuer engagement are components of our investment research process, with the aim to enhance our clients' risk-adjusted returns, as described in the PIMCO Sustainable Investment Policy Statement. Our commitment to stewardship and ESG integration was one of the main drivers that led PIMCO to become a signatory to the Principles of Responsible Investment (PRI) in 2011, and formalise our support to the Taskforce on Climate-Related Financial Disclosure (TCFD). PIMCO Europe Ltd. is a subsidiary of PIMCO LLC, which formally supports the TCFD recommendations for better climate-related financial disclosure. The incorporation of material ESG factors, as well as factors that are of concern for our clients, are part of a robust investment process. Such factors may include but are not limited to: climate change risks, biodiversity, social inequality, human rights, shifting consumer preferences, regulatory risks, or talent management or misconduct at an issuer, among others.

Importantly, 2022 corresponded to one of the most challenging years in decades for the fixed income investment market. Nonetheless, our commitment to sustainable investing remained steadfast in many respects, as highlighted in the following milestones and metrics over the reporting year:

TEAM	Continued to build out our team with direct ESG and stewardship responsibilities: PIMCO's ESG team includes more than 50 investment professionals across the firm with ESG-specific responsibilities, with more than 10 dedicated personnel with investing responsibilities. Over 2022, we made two further hires to our ESG Research Analyst team, to add focus on ESG integration, evaluation and engagement.
STRATEGIES	Launched three new sustainability strategies for EMEA investors, focused on multi-sector credit, low duration and local emerging markets. These new funds build on our existing suite of sustainability strategies that are designed for investors seeking to pursue financial and sustainability investment objectives across the fixed income market.
ENGAGEMENT	PIMCO engaged with 1,370 corporate issuers in 2022, referring to all tracked engagements that discussed ESG topics. This meant that over 75% of PIMCO's firm-wide market value in corporate assets were engaged on ESG topics in 2022, with more than 650 of these issuers being engaged in-depth. Since 2020, PIMCO has consistently engaged with approximately 80% of our corporate AUM, of which 50% – 60% is covered by in-depth engagement to share our view on best practices and recommendations for improvement. *(More information on this can be found in Principle 9)*
FRAMEWORKS	Further developed our product frameworks (particularly for covered bonds in the securitised space), with expansion of the firm's proprietary ESG scoring coverage of both structured projects and sovereigns, supranationals, and agencies, with a particular focus on building out our approach to municipal bond scoring and natural capital framework. *(More information on this can be found in Principle 7)*
CLIMATE ANALYSIS	Enhanced our proprietary mapping of climate risks (both physical and transition risks) to portfolio-level corporate holdings and developed a proprietary climate risk scoring methodology that evaluates sectors' exposure to relevant climate risks over different time horizons: cyclical (six to twelve months), secular (three to five years) and super secular (more than five years); across different types of physical risks (acute vs. chronic); and transition risks (policy, technology, market and reputation). *(More information on this can be found in Principle 7)*
DECARBONISATION	Launched and rolled-out PIMCO's portfolio decarbonisation framework to help interested investors seeking to target long-term decarbonisation objectives in their portfolios, as well as a proprietary carbon attribution tool. The tool measures and reports the contribution of different factors to carbon emissions across different corporate issuers in a portfolio. We then measure the emission data against a broad benchmark and across time periods. *(More information on this can be found in Principle 6)*
COLLABORATIVE INITIATIVES	Reflecting our belief in the importance of human rights within responsible investing, PIMCO announced its membership in PRI's Advance program in November 2022 during the PRI annual conference in Barcelona. PIMCO also continues to participate in several climate-related collaborative industry engagement initiatives such as Institutional Investors Group on Climate Change (IIGCC), the leading investor's coalition on climate change with more than 170 members across 13 countries, with over €51 trillion in assets. *(More information on this can be found in Principle 7 and 10)*
REPORTING CAPABILITIES	We have continued to refine and expand our carbon measurement, data reporting and portfolio optimisation capabilities based on guidance from ESG-focused financial institutions, such as the Partnership for Carbon Accounting Financials (PCAF), and the Science-Based Target initiative (SBTi). Our reporting tools cover an ever-broader range of perspectives (e.g. financed emissions, portfolio alignment, climate solutions, or the exposure to both transition and physical risks), assets classes (e.g. we updated the methodology for sovereign debt) and instrument types (e.g. green and sustainability bonds). This allow our clients to understand key climate and carbon metrics in their portfolios. We remain guided by our clients and industry best practices when it comes to reporting.

* Includes PIMCO clients who are listed as members of the PRI Net Zero Alliance, available here: https://www.unepfi.org/net-zero-alliance/alliance-members/

PIMCO AND OUR CORE VALUES: CULTURE

As outlined above, our mission is an unwavering commitment to deliver for our clients, earning their trust and confidence. This mission demands a high-performance, inclusive culture in which we work together to put our clients first and hold our people and practices to the highest standards, in line with our **CORE** values of **Collaboration, Openness, Responsibility and Excellence.**

Our Values

COLLABORATION

WE BELIEVE
each of us is here to help others succeed

WE LEVERAGE
diverse perspectives to make better decisions

WE SHARE
ideas, information and intelligence

RESPONSIBILITY

WE PRIORITISE
client needs and objectives ahead of our own

WE NEVER STOP LEARNING
and building expertise, individually and within teams

WE ARE ACCOUNTABLE
for the impact of our actions on clients, culture and community

OPENNESS

WE SEEK
challenges to our most closely held viewpoints

WE LISTEN
and engage with fairness and candour

WE RECOGNISE
the importance of a global mindset

EXCELLENCE

WE PURSUE
deep insight with humility

WE TRANSFORM
individual solutions into institutional best practices

WE ALL ACT AS LEADERS
and think as leaders

Our culture is built on the fundamental belief that diverse thinking leads to better outcomes for our clients and our people. We continually seek to challenge consensus, adopt a global long-term view and promote candour and integrity in all that we do. We have long believed that encouraging diverse points of view is critical to long-term success. PIMCO's investment staff is the organisation's most valuable resource and for more than 50 years, PIMCO has leveraged the power of diverse perspectives in our investment process. This inclusive approach has enabled us to deliver a long-term return on trust for our clients, mitigate risk, and create opportunities.

PIMCO'S STRATEGY: A FOCUS ON PIMCO'S APPROACH TO CORPORATE SUSTAINABILITY

Today's companies, especially global companies, operate in an increasingly complex business environment – both in terms of internal dynamics and external forces, including economic shocks. Sustainable and long-term management of an enterprise requires a holistic approach from leaders throughout the organisation. This involves establishing stable and resilient internal business processes, striving for excellence in client and customer service; and meeting the professional and values-oriented needs of a diverse and sometimes disparate workforce. Additionally, it requires the efficient management of resource inputs to maximise environmental sustainability. We remain committed to building a sustainable business, out of our stewardship and fiduciary duties to our clients.

PIMCO's commitment to operational sustainability begins with our Code of Conduct, covering compliance, our fiduciary duty to clients, and the firm's expectations with respect to ethical conduct. We believe that this also aligns with principles of stewardship. In addition, we are guided by the firm's commitment to the UN Global Compact and its Ten Principles, encompassing human rights, working conditions, the environment, and anti-corruption.

CODE OF CONDUCT

Our Code of Conduct sets out the standards of business conduct that we require of our employees in carrying out our fiduciary obligations. The following general fiduciary principles govern our activities:

- Know and comply with all relevant policies, procedures, laws and regulations
- Act in the best interest of PIMCO's clients
- Identify and manage actual or potential conflicts of interest
- Act with honesty and integrity in all aspects of PIMCO's business activities

ENVIRONMENTAL MANAGEMENT

Today's global challenges place new importance on all social actors – from the public sector to the private sector – to assume greater leadership responsibilities. In this regard, corporate responsibility and sustainability commitments and practices become an essential pillar of a stable and equitable global order – one that delivers both commercial and societal benefits.

At a policy level, PIMCO's environmental initiatives and projects are anchored in our commitment to the core UN Global Compact environmental principles, which are drawn from international environmental conventions and declarations.

In 2022, PIMCO initiated several projects that have laid the groundwork and will shape and strengthen multiple aspects of the firm's corporate sustainability strategy in the short and long term. For example, we measured and monitored the carbon footprint of our offices and engaged in several internal initiatives and projects to lower our carbon emissions and maximise resource-use efficiencies. This was done in partnership with our parent company, Allianz, and utilising a third-party auditor. Across all PIMCO locations, our global office services teams encourage sustainable practices wherever possible, aimed at reducing energy waste, water usage, and paper use. This year, we have taken measures to reduce energy consumption globally, and as an example two of our offices in Europe continue to use environmentally sustainable electricity while another is working on a similar transition.

ANTI-CORRUPTION

PIMCO is committed to complying with all applicable statutory and regulatory requirements relating to bribery and corruption – consistent with the UN Global Compact's tenth principle on anti-corruption. We prohibit bribery and corruption in all business activities and in business activities of third parties acting on PIMCO's behalf, and have instituted a robust program designed to detect and prevent the use of our services or personnel in such activities.

PIMCO's Legal and Compliance Department has a dedicated Anti-Financial Crimes Team responsible for implementing and maintaining the firm's Global Anti-Corruption Program. This program is reasonably designed to comply with applicable laws, regulations, and rules relating to bribery and corruption and includes, but is not limited to: policies and procedures; risk assessments; risk-based due diligence on our clients, prospects, and other third parties; ongoing monitoring; and anti-corruption and anti-bribery training for all employees on an annual basis.

A FOCUS ON PIMCO'S PEOPLE: INCLUSION AND DIVERSITY (I&D)

PIMCO's investment staff continues to be the organisation's most valuable resource. Developing talent, supporting diversity and cultivating an inclusive culture are important to fostering a healthy organisational dynamic in which teams can deliver innovative and leading investment products and services for our clients. To attract top talent, we have advanced our recruiting strategies and processes to build a workforce that better reflects the diversity of our clients and communities.

As a leader in investment management, PIMCO is working to enhance the industry's future by investing in a diverse and bright next generation of talent who exemplify PIMCO's CORE values (outlined previously) of Collaboration, Openness, Responsibility, and Excellence.

We believe the best talent leads to the best thinking and therefore the best outcomes for our clients and our business. Our philosophy acknowledges a wide range of identity dimensions such as race, ethnicity, gender, sexual orientation, gender identity, disability, and military status but also focuses on dimensions and concepts such as culture, business segments, geographical diversity, unconscious bias, cognitive diversity, and inclusive leadership. Each of us has a unique and evolving set of perspectives, experiences, backgrounds, and styles to contribute.

As such, we are committed to embedding inclusion and diversity not only in what we do, but in who we are and how we work with each other. Therefore, our I&D strategy and programs will continue to be part of our DNA as a firm and enacted across our global regions and businesses. We hold ourselves accountable and aspire to be an innovative thought leader for I&D best practices in our industry and beyond.

Firm-level I&D efforts are guided and supported by our recently formed Managing Director I&D Advisory Council, which actively participates in the strategic planning, design, and implementation of our I&D agenda. Leadership accountability is an important focus for us and highlights our commitment to inclusion and diversity across our global business and people processes.

OUR I&D HIGHLIGHTS FOR 2022 INCLUDE:

Inclusion Assessment	We focused on enhancing the measurement and governance of our I&D strategy and programs and we supplemented this with a series of employee engagement surveys that allowed us to develop a baseline of key inclusion metrics from which we continue to measure the impact of our programs throughout the year.
Managing Director I&D Advisory Council	We launched an inaugural Council consisting of employees across regions, levels, business groups, and demographics, who raised their hand to proactively contribute to our work – thereby offering an employee lens on the design and development of PIMCO's I&D strategies and programs.
PIMCO Future Leaders Scholarship	As a leader in investment management, PIMCO is working to enhance the industry's future by investing in a diverse and bright next generation of talent who exemplify PIMCO's CORE values.
PIMCO Elevate program	We launched the second PIMCO Elevate program, a six-month development program designed to enable and empower the next generation of women leaders to become more successful in their roles and advance their careers. Our employee resource groups have also promoted regular employee-wide development sessions such as a virtual executive coaching event on "How to Build Credibility, Influence and Followership" hosted by PIMCO Women.
McKinsey Connected Leadership Academies	More than 70 PIMCO employees completed sessions for Black, Asian, Hispanic and Latino/a/x talent focused on skill building and broadening professional networks.
Supporting employees' health and wellbeing across the world	In EMEA, PIMCO participated in various sports activities including running events in London, rugby in Dublin, and a cross-country skiing tour. In APAC, workshops were hosted during Mental Health Awareness Month. Our Australia team held a session with an R U OK Day ambassador who shared his story and guidance on how we can help raise awareness around the importance of mental health. PIMCO is committed to offering a comprehensive portfolio of employee benefits designed to support the health and wellbeing of our employees and their families. In 2022, we bolstered our offerings to include: global expansion of the Grow Your Family program, new benefits such as a global virtual care model with Maven, doubling backup child care and elder care benefits coverage for employees in the U.S. and U.K., and providing Lyra mental and emotional support program to all PIMCO offices globally.
Development of training tools for enhanced candidate assessment	We prioritised the development of a new organisation-wide training module to provide interviewers with the skills and knowledge to perform a structured interview using performance-based questions, mitigating unconscious biases, and ensuring consistency of experience for all our candidates. This training is focused on best practices when assessing candidates, so PIMCO can ensure that the best and broadest range of talent is being considered and optimal business outcomes are achieved, for our clients.

More information on our I&D efforts can be found in our 2022 Corporate Responsibility Report and well as our Inclusion and Diversity 2022 Annual Report.

Overall, consideration and awareness of I&D factors help to support our culture, which rests on the pillar that diverse and different thinking leads to better outcomes for our clients and our people. This is an important way to exercise stewardship, as we continually prioritise how we operate, striving to bring the best thought leadership and solutions to our clients.

PERFORMANCE EVALUATION

In terms of performance evaluation, over 2022 we remained committed to building and fostering a high-performance culture where employees are empowered to shape their career growth and development, while keeping our clients at the centre of what we do. We would note that while we can look to make enhancements and updates to our performance evaluation criteria on an ad-hoc basis, our overall performance philosophy has remained broadly constant, as outlined in further detail below.

The performance of all employees is generally evaluated on an ongoing 12-month cycle, usually from 1 October through to 30 September. Tailored rubrics combine our firm-wide performance criteria and ratings with business-specific indicators of performance. Performance rubrics are customised depending on key business areas; however, we do maintain a set of firm-wide expectations and standards for all employees based on the following pillars:

OUTSIZED IMPACT	EXCEPTIONAL COLLEAGUE	PEOPLE LEADER	DEEP EXPERTISE
delivering excellent results with lasting impact	effectively leading and collaborating	proactively developing others to reach their full potential	applying expertise in a way that creates value for PIMCO and our clients

Our objective-setting process, performance criteria and performance ratings provide a shared language and set of standards that reinforce our performance-based, inclusive culture, deliver practical guidance to support career development and promote transparency and understanding of what it means to succeed at PIMCO.

Employees establish goals at the beginning of the performance year followed by performance discussions throughout the year and year-end performance reviews. PIMCO promotes a culture of providing real-time, ongoing feedback via manager- and employee-initiated conversations.

- On the topic of ESG and direct stewardship considerations, these continue to be directly included in performance appraisal and objectives for employees with direct ESG and responsible investment responsibility. Such considerations are integrated indirectly for all other investment staff, as ESG assessments are the responsibility of individual portfolio managers/analysts. More detail can be found here.
- Key Performance Indicators (KPI) for trade floor employees with direct ESG and responsible investment responsibility can include: development of ESG frameworks, integration of ESG scoring across desks, engagement activity with issuers, market engagement to drive new issuance, internal teach-ins, trade ideas, and performance of ESG mandates, among others.
- We additionally embed inclusion and diversity into our organisation-wide aspirations, business-specific goals and performance criteria, and Managing Directors are required formally to demonstrate contributions to I&D goals as part of their annual performance evaluation.

PRINCIPLE 2:

Signatories’ governance, resources and incentives support stewardship.

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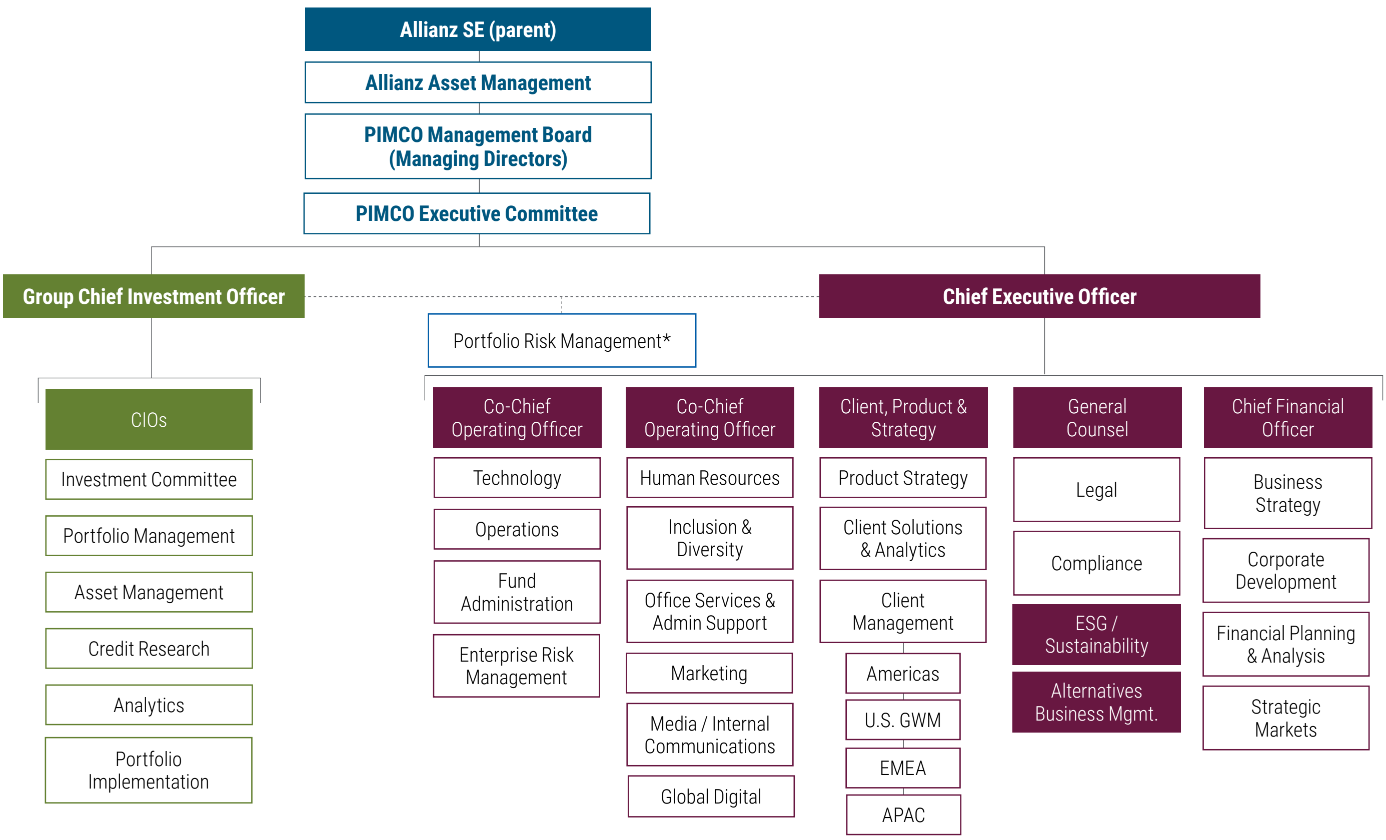
PIMCO's focused and flat management structure helps enable quick responses to an ever-changing external environment. Key areas of the organisation include portfolio management, client management, product strategy group and business management.

- **Portfolio management** is collectively responsible for portfolio structuring, research and trading.
- **Client management** is comprised of Client Service and Business Development investment professionals. Client service account managers have overall responsibility for client relationships; their duties include translating client objectives into portfolio guidelines, monitoring account activity for consistency with guidelines, and communicating with clients. Business development account managers are responsible for identifying prospects and bringing new clients to the firm.
- The **product strategy** group provides business leadership for each product at PIMCO. They are responsible for understanding client investment needs and delivering value-added solutions that are designed to offer potential attractive return, alpha, and/or diversification characteristics.
- **Business management** is comprised of executive managers who establish strategic initiatives, develop firm-wide technology and analytics, oversee compliance and regulatory functions, and provide timely record keeping and investment support. Our Executive Committee determines the company's strategic direction and oversees the broad scope of our operations.

Exhibit: PIMCO's Global Organisational Structure as of December 31, 2022



GLOBAL OFFICES

Austin	Bermuda	Chicago	Dublin	Hong Kong	London	Luxembourg	Miami	Milan	Montreal	Munich
New York	Newport Beach	São Paulo	Shanghai	Singapore	Solana Beach	Sydney	Taipei	Tokyo	Toronto	Zurich

As of 31 December 2022
"Portfolio Risk Management reports both to the Group Chief Investment Oficer and the Chief Executive Officer

GOVERNANCE AND RESOURCES: SUSTAINABILITY TEAM

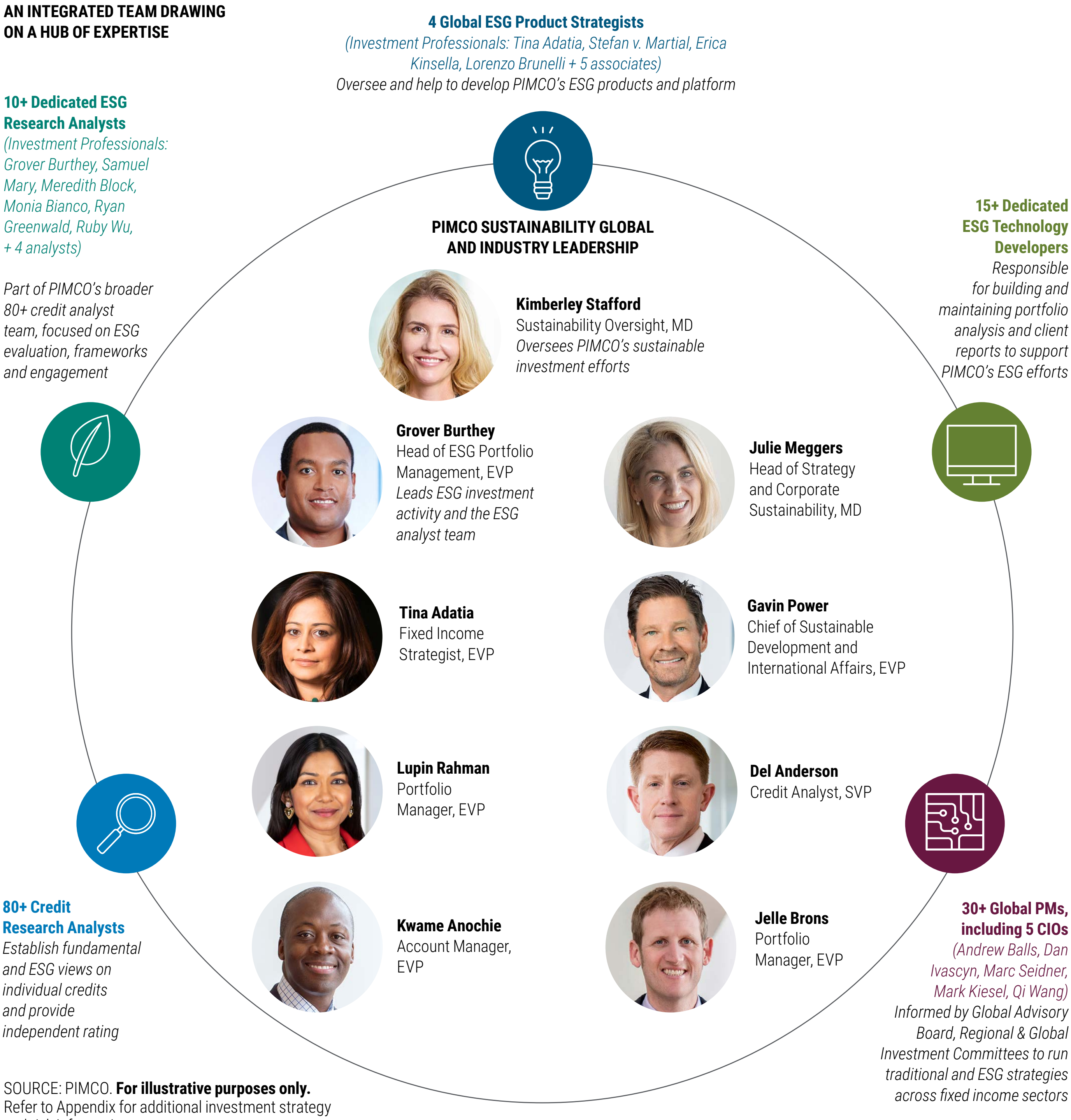
PIMCO's structure helps to support our sustainability efforts and stewardship activities across key areas of the organisation, including portfolio management, client management, product strategy group and business management, supported by our legal and compliance team. PIMCO's Sustainability Leadership team (outlined further below) guide and help to develop our stewardship frameworks, and our team of 80+ research analysts, among other colleagues with sustainability-related responsibilities, are responsible for implementing this day to day, including our team of 10+ research analysts who are focussed on ESG research and engagement (PIMCO's ESG Research Analysts).

PIMCO's sustainability team is not a separate business unit, but continues to be integrated across all functions of the firm from portfolio management to client-facing, executive office to product strategy, compliance to marketing. This ensures that sustainability is integrated into PIMCO's broad research process and includes staff at every point along the value chain. As mentioned, PIMCO also has a team of 10+ ESG Research Analysts dedicated to ESG research, engagement and integration across portfolio management groups. With guidance and direction from this group, we believe it is important to have all of our expert credit analysts monitor the ESG risks that are relevant to their particular sector and universe of securities. This ensures that ESG risk factors and opportunities are integrated into our investment decision-making, as opposed to being an "add-on" separate from our financial analysis.

PIMCO's Sustainability Leadership team is in place to help set the priorities for the firm's sustainability platform and is responsible for leading firm-wide ESG integration, enhancing our sustainability capabilities and supporting the development of portfolios that follow sustainability guidelines and restrictions. The group sets objectives and evaluates strategic initiatives on a continuous basis throughout the year. Examples of responsibilities of the Sustainability Leadership team including reviewing and providing input on key sustainability-related documents and publications, discussing and approving new frameworks; the team also forms part of the governance process for the approval and launch of new PIMCO sponsored products with sustainability strategies and guidelines.

The team meets bi-weekly with presentations and regular updates among the team leaders. In addition, the group regularly invites external speakers to present their expertise in this field.

Exhibit: PIMCO's Integrated Approach to Sustainability Leadership as of July 2023:



SOURCE: PIMCO. **For illustrative purposes only.** Refer to Appendix for additional investment strategy and risk information

We would note that:

- The Sustainability Leadership team has an average 19+ years of investment experience.
- PIMCO's broad sustainability team includes more than 50 investment professionals with specific responsibility for building the sustainability platform. The team is broadly integrated across the firm with existing leaders taking on greater sustainable investing responsibility, including 20+ portfolio managers, and leverages the expertise of our 80+ person credit analyst team.
- At a firm-wide level, PIMCO's global credit analysts and portfolio managers spend a significant amount of time conducting calls and in-person meetings with issuers' senior management. In addition to financial matters, they also address material ESG issues such as conduct and culture, product safety and carbon emissions.

In Appendix I we show biographies of the key members of our Sustainability Leadership team as well as others with sustainable investment-related responsibilities.

EVALUATING OUR GOVERNANCE APPROACH FOR EFFECTIVE STEWARDSHIP

In 2022, we built upon the improvements made to our governance approach in 2021. We also maintained the practice of rotating two members from various departments into our Sustainability Leadership team.

CASE STUDY

Throughout 2022, members from the ESG Research Analyst Team (including Samuel Mary, Senior Vice President and Meredith Block, Senior Vice President) attended Sustainability Leadership meetings on a rotating basis. The rotating nature of their involvement allowed for enriched discussions across a variety of developments on PIMCO's sustainability efforts.

Outcome: Examples of topics that were discussed throughout the year include an update on our engagement stream on human capital management and labour rights, during which it was noted that this topic was of particular importance and interest to PIMCO's clients.

THE ALTERNATIVES ADVISORY COUNSEL AND WORKING GROUP

PIMCO established an ESG Alts Advisory Counsel in 2021 to collaborate with the deal teams and portfolio managers across PIMCO's Alternative Credit and Private Investment Strategies and to work closely with the Private Strategies Management Board, which oversees all private funds. The advisory counsel can also be consulted in situations where ESG escalation is required, such as escalation relating to a portfolio company. In addition, Investment Committee meetings often have an ESG Alts Advisory Counsel representative to ensure effective guidance is provided, in addition to the broader ESG oversight.

Over 2022, we would note that there were no particular escalations within the purview of this group, but the group continues to meet regularly to discuss various priorities as part of our governance process.

In order to discuss matters related to sustainable investing, an ESG Alts Working Group was established to integrate ESG factors and considerations, where relevant to PIMCO's alternatives business. The Working Group meets periodically and includes senior stakeholders from portfolio management, product strategy, legal and compliance; the group also consults with the firm's Sustainable Leadership on an as-needed-basis.

CASE STUDY

In 2022, the ESG Alts Working Group collaborated with the Alternatives Strategy team in structuring a newly-launched European commercial real estate (CRE) lending strategy to be classified as Article 8 under SFDR. The European CRE Debt team recognised an increased opportunity to lend against business plans that facilitate the transition of existing buildings, which typically are no longer fit for 21st century living or work practices, into newly refurbished/redeveloped buildings that exhibit strong ESG credentials. In particular, the strategy focuses on the improvement of energy performance of buildings. We believe this is a key requirement when looking at properties to finance because of both the ease of letting a more ESG-friendly building and the regulatory pressure from European governments, which are forcing landlords to improve energy efficiency. The teams worked together to decide on relevant assessment criteria for new deals and metrics to monitor and report on going forward.

Outcome: The fund has provided financing to enable sponsors to transition existing outdated buildings into modern and ESG-friendly properties. One such loan is financing a landmark project to convert a 1970's mixed-use property in Central London into a modern office building with best-in-class ESG credentials. One of the key attributes of this large scale project is the sponsor's focus on sustainability and therefore ESG has been a major feature of the underwriting with the sponsor aiming to set new sustainability benchmarks with this asset. The new property will be a Grade A building and will target BREEAM Outstanding status, Well Platinum status and have an Energy Performance Rating of A.

GOVERNANCE AND VENDOR MANAGEMENT

In 2022, we formalised an ESG Vendors Committee. The role of this group is to systematically help review ESG data providers, in a formal process additional to the regular due diligence that takes place on external data providers *(more detail on this can be found in Principle 8)*.

CASE STUDY

The ESG Vendors Committee met several times over 2022 to review the on-boarding of several data providers, with respect to particular metrics. One example includes a thorough comparative review of two data providers' quality and coverage of absolute carbon emissions (Data Providers A and B), with the proposal to combine data from the two providers into one consolidated data field on PIMCO systems. As part of the review process, two key observations were noted: that Data Provider A typically posted higher absolute carbon emissions and carbon intensity values than Data Provider B, and that Data Provider B tended to have better coverage.

Outcome: Following an impact analysis of the proposed data field change on the suite of PIMCO sponsored funds which follow sustainability strategies and guidelines, the ultimate conclusion was that there was limited improvement and too many complications of blending vendor data, leading us to believe this approach did not deliver sufficient benefits to warrant implementation.

More broadly from a governance perspective, PIMCO operates a Vendor Management Oversight Program which sets out the requirements for the appointment and ongoing oversight of its material service providers. As part of on-boarding and retention processes, PIMCO requests material service providers to complete extensive due diligence questionnaires. Practices related to inclusion and diversity, labour, cybersecurity, and environmental management are key elements within the questionnaires and form part of the qualitative assessment of our service providers. Among the aspects evaluated are a service provider's documented certifications, policies, standards and practices in these important areas.

PRINCIPLE 3:

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

It is PIMCO's policy to seek to avoid or mitigate potential conflicts of interest so that PIMCO may act in the best interest of its clients. A summary of PIMCO's conflicts of interest policy is set out in Appendix II.

IDENTIFYING AND MANAGING CONFLICTS IN PRACTICE

PIMCO has adopted policies and procedures that are reasonably designed to identify, manage and/or mitigate potential conflicts of interest. Relevant to stewardship, these policies and/or procedures include, but are not limited to, the following:

Best Execution	PIMCO's policy is to seek to obtain best execution for its clients and to execute client trades on the most advantageous terms reasonably available under the circumstances. PIMCO has established a Global Best Execution Committee that oversees execution activity across all of the strategies traded by PIMCO to help ensure compliance with this policy.
Trade Allocations	PIMCO has adopted a trade allocation policy which includes procedures for allocation of investment opportunities, to ensure trade allocations are timely, and that no set of trade allocations are accomplished to unfairly advantage one client over another and, over time, its client accounts are treated equitably. The Compliance team undertakes trade allocation analysis and testing as part of its surveillance program to monitor compliance with this policy.
Trading with Affiliates	PIMCO Europe is a subsidiary of Allianz SE. PIMCO generally seeks to avoid trading with affiliated counterparties and investing in affiliated issuers, and prohibits the placement of deposits with affiliated institutions. Restricted counterparties and issuers are coded into PIMCO's proprietary investment compliance system to provide an automated control in this area.
Directed Brokerage	PIMCO policy ensures that trading relationships are not used to reward brokers for fund sales. Fund sales include creation orders by market makers for shares of PIMCO exchange traded funds. This conflict is also addressed by, among other things, PIMCO's best execution policies.
Material Non-Public Information/Inside Information	PIMCO has adopted a general policy of seeking to remain on the public side of deals or not to be wall-crossed and PIMCO's policy is to comply with applicable laws and regulations prohibiting the misuse of material and non-public information. PIMCO's policies and procedures are reasonably designed to restrict access to, and prevent the misuse of such Material Non-Public Information ("MNPI"). These controls include the physical separation of teams with access to MNPI supplemented by system access controls. The compliance team operates a range of oversight controls in this area including the use of restricted lists coded in the firm's proprietary investment compliance systems as well as trade and electronic surveillance activity to monitor that staff adhere to the restrictions.
Code of Ethics	PIMCO has adopted a detailed Code of Ethics (the "Code") which governs the personal trading of all employees and provides standards of conduct to help employees avoid potential conflicts that may arise from their actions and any of their applicable personal investments. The compliance team has implemented controls ranging from pre-clearance of personal trades to the review, oversight and testing of a range of reportable personal activity.
Gifts and Entertainment	PIMCO has gifts and entertainment and inducements policies in force which seek to provide guidance, prevent or manage potential conflicts of interest, or the appearance of such conflicts, that may arise when PIMCO employees give or receive gifts from brokers, vendors, issuers, clients, government officials and consultants or host events. The compliance function oversees this area to assess potential conflicts and has created portals that provide guidance on and facilitate reporting of such activity.
Co-Investments	PIMCO has strict procedures in place including an approval process that must be complied with when a co-investment (including by a client, affiliate or employee of PIMCO) is contemplated.
Investment Research and Related Inducements	PIMCO has a research policy in place to address receipt and consumption of, and payment for, investment research and certain related items. PIMCO's policy is that, as a general rule, its employees are not permitted to receive investment research, unless PIMCO pays for the research from their own resources. The compliance team reports to the Board of PIMCO Europe on a quarterly basis on whether any material issues have been identified in the course of its monitoring and surveillance activities.

Conflicts Related to Proxy Voting

PIMCO has adopted a global Proxy Voting Policy & Procedures (the "Proxy Policy") and seeks to vote proxies, exercise rights or give consent in the client's best interests, consistent with the client's mandate, and to prevent or manage potential conflicts of interest that may arise.

The Proxy Policy applies when PIMCO seeks to exercise rights of election or consent attaching to fixed income securities. In these circumstances, PIMCO's fixed income credit research group is responsible for researching and issuing recommendations. In either case, it is possible for individual portfolio managers to override a recommendation if they consider it in the best interests of the relevant client(s). In these circumstances, PIMCO will review the proxy to determine whether there is a material conflict between PIMCO and the applicable client or between different clients holding the same security. If no material conflict exists, the proxy will be voted according to the portfolio managers' recommendation.

If a material conflict does exist, PIMCO will seek to resolve the conflict in good faith and in the best interests of the applicable client(s). The Proxy Policy permits PIMCO to seek to resolve material conflicts of interest by pursuing any one of several courses of action. With respect to material conflicts of interest between PIMCO and a client, the Proxy Policy permits PIMCO to either: (i) convene a working group to assess and resolve the conflict (the "Proxy Conflicts Working Group"); or (ii) vote in accordance with protocols previously established by the Proxy Policy, the Proxy Conflicts Working Group and/or other relevant procedures approved by PIMCO's Legal and Compliance department with respect to specific types of conflicts. With respect to material conflicts of interest between a client and one or more other clients, the Proxy Policy permits PIMCO to: (i) designate a PIMCO portfolio manager who is not subject to the conflict to determine how to vote the proxy if the conflict exists between two client accounts with at least one portfolio manager in common; or (ii) permit the respective portfolio managers to vote the proxies in accordance with each client account's best interests if the conflict exists between client accounts managed by different portfolio managers.

Role of Employees

Employees are required to be familiar with and follow the conflicts policy. Employees are trained annually on the content of PIMCO's conflicts policy and Code of Ethics. Their understanding of these policies is assessed as part of this training. If an employee identifies a conflict of interest, the employee is required to contact their local compliance officer for guidance on how to proceed. PIMCO may implement procedures to manage, mitigate or avoid conflicts of interest based on the particular facts and circumstances of a situation.

Conflicts Committee

PIMCO has established a Conflicts Committee to oversee and assess the adequacy of PIMCO's overall framework for managing conflicts of interest. In addition, the Conflicts Committee evaluates particular matters relating to conflicts of interest which have been escalated to the Conflicts Committee including (i) material changes to the overall framework for managing conflicts of interest and (ii) material conflicts that require escalation to the Committee in accordance with a particular policy or procedure.

CASE STUDY

Conflicts relating to stewardship in practice: As a manager predominantly of fixed income securities, conflicts relevant to stewardship occur relatively infrequently within PIMCO. However, conflicts do arise from time to time, particularly with respect to PIMCO's less liquid investments. For example, certain funds managed by PIMCO may hold mortgages which are serviced by a company (the "Servicer") owned by another PIMCO fund. In these circumstances there may be a risk that the servicer is not appointed on arm's length terms. This conflict is mitigated by periodic benchmarking of fees and making appropriate disclosures to affected investors in the relevant funds. For a summary of PIMCO's Conflicts of Interest Policy, refer to Appendix II.

PRINCIPLE 4:

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

OUR INVESTMENT PHILOSOPHY

PIMCO's philosophy combines a long-term, macroeconomic perspective with diversified portfolio strategies across a broad universe. It maintains a rigorous focus on risk management while integrating behavioural science principles. This investment philosophy enables PIMCO to uncover relative value opportunities across global markets, combat cognitive biases, manage portfolio and firm-wide risks, and leverage data-driven insights. Ultimately, PIMCO's investment philosophy strives to operate at the intersection of investment capability and market opportunity, aiming to add value in all market environments and adapt to market-wide and systemic risks. Tested by markets for over 50 years, these key elements contribute to PIMCO's commitment to delivering consistent, long-term returns for clients.

Additionally, PIMCO has developed a robust platform specialised in supporting sustainability-focused investment solutions based on our belief that ESG integration is essential to optimising outcomes over the long term. We have developed a suite of sustainable investment solutions for clients seeking risk-adjusted returns and the inclusion of sustainable factors in the investment selection process, which may include managing the portfolio's carbon footprint, active engagement with issuers, green, social, sustainable or sustainability-linked (GSS) bond allocations and/or a tilt toward issuers with higher quality or improving ESG characteristics. These investment solutions build on PIMCO's core investment processes, while actively incorporating our clients' sustainability objectives.

KEY DISCIPLINES AT THE FOUNDATION OF PIMCO'S INVESTMENT PROCESS

At PIMCO, our investment process is deeply rooted in our philosophy of adopting a long-term, macroeconomic perspective with the use of diversified portfolio strategies. This approach allows us to identify relative value opportunities across global markets, while maintaining a stringent focus on risk management. Our process is further strengthened by the integration of behavioural science best practices, as introduced in Principle 1, which help us combat cognitive biases and enhance our collective decision-making. PIMCO has developed a robust platform specialised in supporting sustainability-focused investment solutions based on our belief that sustainability integration is essential to optimising outcomes over the long term. Furthermore, by leveraging data-driven insights, we strive to manage both portfolio and firm-wide risks effectively, ensuring that our investment decisions are not only strategic but also resilient in the face of market volatility.

INTEGRATED PROCESS DESIGNED TO BUILD RESILIENT PORTFOLIOS

Tested by markets and time over 50+ years

For illustrative purposes only

Source: PIMCO

Key Drivers Of PIMCO's Process

MACRO THEMES
Cyclical and secular economic framework helps us cultivate longer-term themes and set risk parameters.

ASSET-LEVEL RESEARCH
Dedicated sector experts conduct proprietary analysis and rigorous scenario analysis to uncover relative value across public and private markets globally.

BEHAVIOURAL SCIENCE
Embedded behavioural science practices are designed to challenge our base case and combat biases.

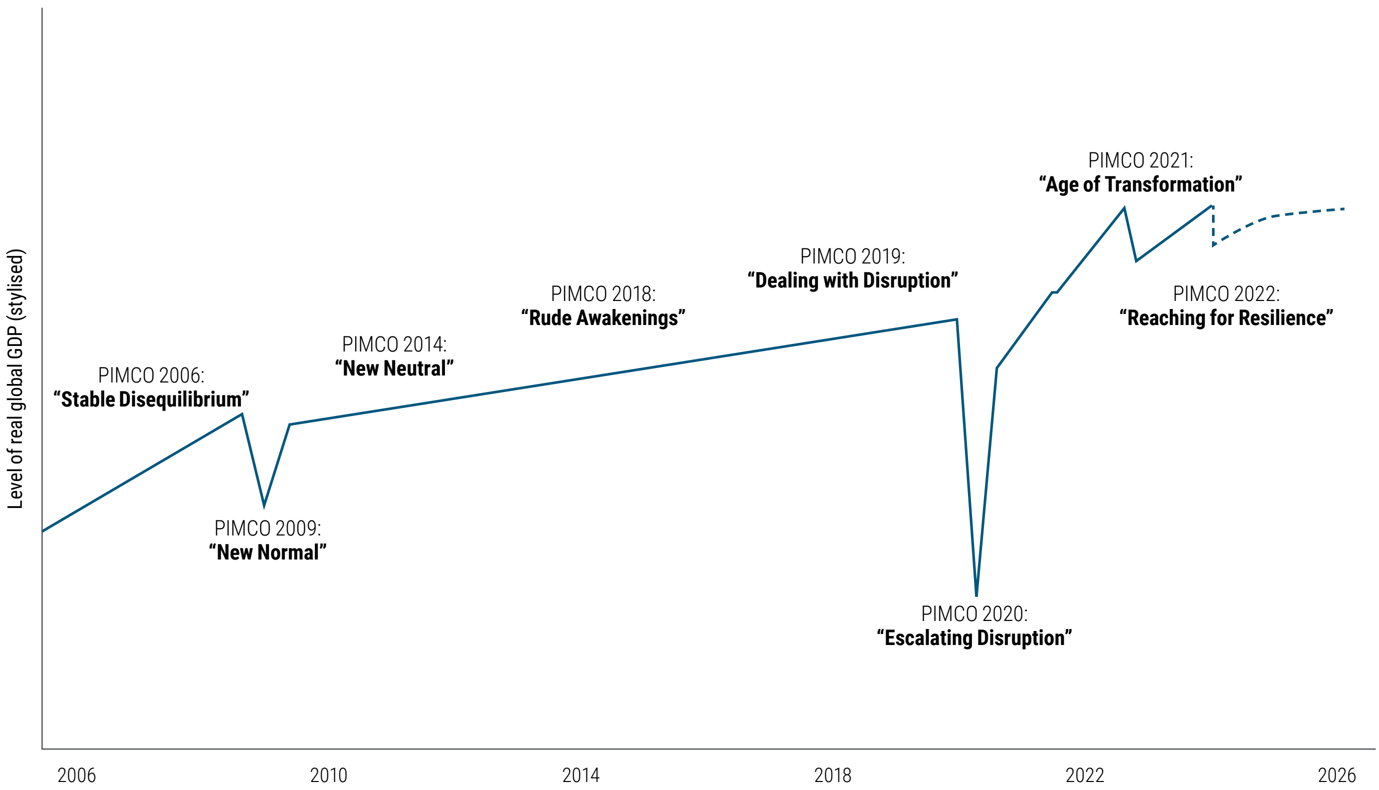
RISK MANAGEMENT
Robust, integrated risk management uses targeted tools to surface, manage and diversify portfolio and firm-wide risks.

QUANTITATIVE RIGOUR
Data-driven insights exploit structural inefficiencies and enhance investment decision-making.

All of the key disciplines described feed into PIMCO's portfolio construction process from start to finish, ensuring a holistic incorporation of these elements into the final allocation decisions.

PIMCO's portfolio construction process begins with the analysis of long-term macroeconomic themes in Secular Forums, where topics like monetary and fiscal policy, inflation, demographics, technology, productivity trends, and global trade are monitored over a multi-year horizon. In addition, PIMCO invites external analysts and scholars to share their expertise on financial and economic issues that are pertinent to the outlook. These external presentations, combined with the firm's internal research, serve as background for further discussion and debate by the group. The next step in the firm's process is the analysis of cyclical or business cycle trends. PIMCO investment professionals meet three times a year in Cyclical Forums to evaluate growth and inflation over the business cycle horizon of the next six to twelve months. After these forums, during Strategy Week, portfolio managers analyse the implications of the economic outlook on various financial sectors to identify attractive investment opportunities.

PIMCO's Secular Outlooks



As of December 2022. Source: PIMCO

Following our Secular and Cyclical Forums, the Investment Committee – comprising senior portfolio managers – discusses detailed country-level macroeconomic conditions and trends. The Investment Committee takes the input from our economic forums and combines it with the analysis provided by each of the regional portfolio management teams, with the aim of constructing a global model portfolio.

2022 SECULAR FORUM: REACHING FOR RESILIENCE

PIMCO's 2022 Secular Forum, "Reaching for Resilience," identified general trends that are inherently related to broad sustainability themes that are likely to transform the global economy and markets. In particular, our analysis and discussion drew upon topics of war, conflict, trade tensions and supply chains.

To illustrate: in a more fractured world, we believe governments and corporate decision-makers will increasingly focus on searching for safety and building resilience.

With the risk of military conflict more real following Russian aggression toward Ukraine, many governments – especially in Europe but also elsewhere – have announced plans to increase defence spending and invest in both energy and food security.

Many corporate decision-makers are focused on building more resilient supply chains through global diversification, near-shoring, and friend-shoring. These efforts were already underway in response to U.S.–China trade tensions and because the COVID pandemic demonstrated the fragility of elaborate value chains, and are likely to be intensified given the more insecure geopolitical environment.

Moreover, in response to climate-related risks and the COVID crisis, most governments and many companies have already increased efforts to mitigate and adapt to global warming and to improve health security for their citizens and employees.

The analysis of these trends was a material driver in formulating our macroeconomic forecasts and investment conclusions over the secular horizon. This exemplifies PIMCO's market and systemic risk identification and management. *More detail is provided later on in this Principle.*

PIMCO EDGE: HARNESSING OUR FULL PLATFORM TO DELIVER CONSISTENT OUTCOMES

1	**SCALE & ACCESS** Our leadership position and deep relationships are a persistent source of value to clients	• Global investment platform built on decades of experience with debt markets • Broad bench of specialty global teams seeking to uncover value in every market • Comprehensive access to deal flow and sourcing capabilities across public and private markets
2	**ABILITY TO NAVIGATE COMPLEX MARKETS** We can allocate capital flexibly across asset classes and risk spectrum	• Forward-looking macroeconomic framework developed through secular and cyclical forums • 80+ global credit research analysts conducting proprietary analysis • Highly specialised private resources in corporate credit, real estate and specialty finance with asset management, underwriting and restructuring expertise
3	**CONSISTENT, DISCIPLINED APPROACH** 50+ year time-tested process aims to deliver outperformance through varied market cycles	• Disciplined approach to portfolio construction seeks high conviction views aiming to avoid any single risk to dominate returns • Focus on data, behavioural science, and responsible risk management to adapt to changing market conditions and pursue resilient portfolios • Strong culture of team work engenders tight coordination and connectivity across global platform
4	**QUANTITATIVE RIGOUR** Data-driven tools help enhance and optimise investment decision-making	• Dedicated Portfolio Implementation, Analytics, and Risk teams to proactively focus on portfolio optimisation • Robust risk management framework is deeply integrated into our process • Significant ongoing investment in technology, proprietary analytics, and big data

As of 31 March 2023. Source: PIMCO

Risk Management

RISK AND ANALYTICS

As stewards of our clients' capital, risk management continues to be at the centre of everything we do and is integrated into each step of our investment process.

PIMCO has a dedicated Portfolio Risk Management team located in offices around the globe, which enables 24-hour portfolio coverage and continuity of information flow across regions. The Global Portfolio Risk Management team is led by Josh Davis, a Managing Director in PIMCO's Newport Beach office. He brings nearly two decades of broad experience in portfolio management, risk management, team leadership and analytics to this role. The head of the Portfolio Risk Management team reports to the Group CIO, Dan Ivascyn and the CEO, Manny Roman. This dual reporting framework provides a mechanism designed to provide an additional level of independence.

The Portfolio Risk Management team is accountable on a day-to-day basis to the Group CIO, CIOs and Investment Committee (IC), providing analysis and reporting to facilitate oversight and management of our clients' assets. This reporting structure empowers the Portfolio Risk Management team to monitor internal limits related to portfolio construction and positioning. The Portfolio Risk Management team is responsible for implementing and enhancing portfolio risk reporting and investment risk oversight processes for PIMCO's offices around the world. The team works to identify and monitor the main drivers of risk, and subsequently works with PIMCO's Investment Committee to construct model portfolios based on the firm's current outlook and macro investment themes after each economic forum.

PIMCO measures and manages portfolio risk by focusing on a series of macro risk factors which capture each portfolio's positioning on an absolute basis as well as relative to its benchmark. The risk measures include, but are not limited to: duration, yield curve exposure, credit spread exposure, currency exposure, country exposure, equity exposure, optionality and commodity exposure. PIMCO's Risk Management team also monitors a series of internal concentration limits which include issuer, sector and security type limits. Additionally, PIMCO's Portfolio Risk Management team monitors tracking error as estimated using in-house proprietary models and utilises stress testing to capture a portfolio's level of risk versus an index as well as potential returns under different market environments.

The three pillars of our portfolio risk management process are outlined as follows:

INTEGRATION: PIMCO's portfolio risk managers are fully integrated into PIMCO's time-tested investment process with a unique position on the trade floor.

INDEPENDENCE: PIMCO's portfolio risk managers provide an independent assessment of portfolio and firm-wide risk positioning and performance.

MONITOR & MANAGE: PIMCO's portfolio risk managers look to monitor and manage risk positioning across portfolios to ensure consistency with PIMCO's investment outlook and client expectations.

PIMCO's Portfolio Risk Management Team work with our PM Analytics group, composed of 80+ quantitative research analysts, as well as Technology teams – who are responsible for maintaining the firm's valuation and global portfolio risk tools, security analytics, and for the servicing of the firm's research needs to systematise and enhance the investment process. The Analytics group develops portfolio and security level models that produce sensitivity and valuation metrics. Risk managers seek to monitor these metrics across portfolios on an ongoing basis. Examples of how we approach and identify different types of portfolio risks are outlined as follows:

PORTFOLIO RISKS

- **Portfolio Construction:** We look to use a variety of proprietary tools to ensure portfolio positioning is in line with PIMCO's investment outlook, IC and regional committee investment guidance, and client expectations.
- **Ex-ante Risk Budgeting:** We monitor tracking error contribution on a marginal and stand-alone basis to assess portfolio diversification and identify correlated trades.
- **Stress Testing:** Our proprietary modelling systems simulate portfolio performance under a variety of different scenarios (historic, statistical, hypothetical), such that risk managers can understand the potential impact of market shocks on portfolio performance.
- **Attribution:** Our models decompose portfolio performance across risk factors and trade types to identify the drivers of return and compare realised performance versus expectations.

‘SLEEP AT NIGHT’ RISKS

- **Portfolio Liquidity Risk Program:** Help potentially ensure that portfolios are well-positioned to withstand stress scenarios, and allow portfolios to potentially take advantage of opportunities provided by market dislocations.
- **Concentration:** Monitor and enforce concentration limits across a variety of dimensions such as issuer, sector, and country limits. Review holdings where PIMCO owns a large percentage of issue or debt outstanding.
- **Counterparty:** Counterparty Risk Committee establishes firm-wide policies related to counterparty risk management, which includes a thorough review and strict selection of approved counterparties.

PIMCO uses stress testing to capture and quantify the potential impact of market-wide and systemic risk to a client’s portfolio. Portfolios are subject to frequent stress testing based on PIMCO’s Investment Committee guidance, the firm’s macro views, and historical market movements. Further, PIMCO engages with central bankers, politicians, academics and industry practitioners to gain insight on global economic and political issues and their relevance for the financial markets, incorporating potential future outcomes in stress testing. The Investment Committee scenarios are run daily across portfolios. Additionally, risk managers assigned to particular specialty areas partner with portfolio managers to develop strategy specific stress tests. The results of these stress tests then serve several purposes within PIMCO’s portfolio risk management process:

- **Drawdown Management:** If a stress test reveals the potential for large drawdowns relative to a strategy’s risk budget, a risk manager will follow up with the portfolio manager to discuss potential changes in positioning and may escalate to the Investment Committee and/or CIO responsible for the strategy.
- **Identify Correlated Positioning:** Stress tests allow a risk manager to assess the impact of different positions which may appear diversified but exhibit a high degree of correlation in certain scenarios.
- **Portfolio Consistency:** Stress testing provides a ‘check’ on other aspects of the portfolio risk management process. For example, if the major risk factors of a certain group of accounts are aligned, then PIMCO would expect the results of a stress test to also be aligned.
- **Liquidity Management:** Stress testing is a component used to establish minimum liquidity requirements for each account. Portfolio liquidity targets are informed by stress tests modelled using both historical periods of stress and with PIMCO customised shocks for potential future outcomes.

In the following case study, we detail how a combination of forward-looking scenario analysis and historical simulations helps to measure the potential impact of adverse market events and helps to avoid surprises in terms of performance in our clients’ accounts.

CASE STUDY: USING PIMCO'S CLIMATE SCENARIO ANALYSIS MODELS TO ASSESS THE RESILIENCE OF ASSETS FROM TOP-DOWN TO BOTTOM-UP

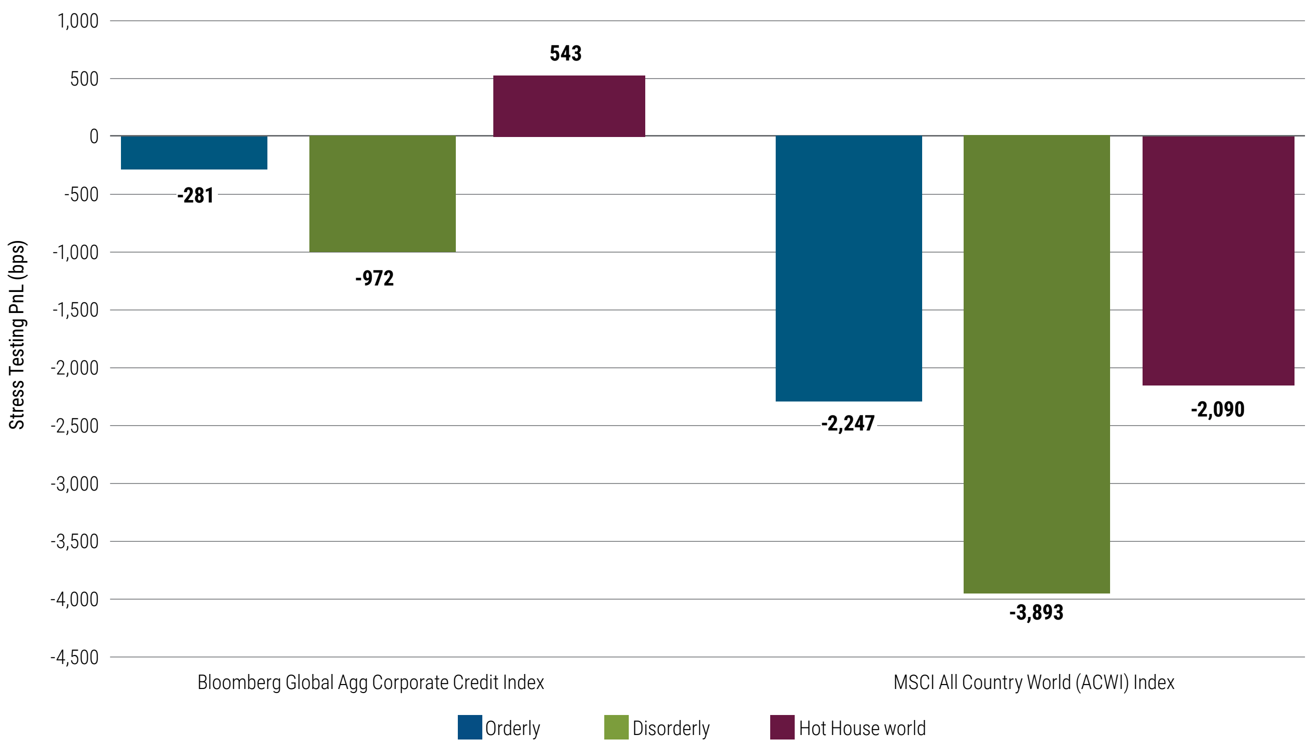
One area of risk assessment that we have expanded upon in 2022 is climate scenario analysis. PIMCO has developed models taking both top-down and bottom-up approaches to climate scenario analysis in order to assess our portfolios' potential resilience to relevant climate risks. PIMCO's Climate Risk Working Group conducts scenario analysis based on emerging methodologies and guidelines, such as those seeking to model the potential impact an extreme and sudden climate transition would have on bond prices (value at risk). Existing climate models could also examine the potential impact on bond prices in the event where no action is taken on climate change.

The following sections expand further on these models and demonstrate how considering different climate scenarios enables PIMCO to have a more holistic assessment of the resilience of its investment strategies in relation to climate-related risks.

TOP-DOWN MODEL

We have created a PIMCO model which uses empirical data to capture the main mechanisms linking climate change to the global economy, such as changes in environmental taxes, impacts of rising temperatures, etc. With this model we can simulate the cumulative impact climate change could have on real GDP for the world, the U.S., and Europe over the years 2020-2050 under the three different scenarios designed by the NGFS (Network of Central Banks and Supervisors for Greening the Financial System). To determine the impact of climate scenarios on asset prices, we map the loss in real GDP onto real equity returns and real rates. Detailed below are the PIMCO model results ('climate value-at-risk (VaR)') for a global fixed income benchmark and a global equity index.

PIMCO top-down model implied impact on benchmark returns by scenario



As of 31 December 2022. Source: Burke and Tanutama (2019), Bloomberg, BP, IMF, OECD, Our World in Data, PIMCO. **For illustrative purposes only**

Source: PIMCO Proteus model output as of 31 December 2022. for the MSCI ACWI Net Total Return USD Index. The top-down macro model maps a NGFS climate scenario to two types of outputs: macroeconomic and risk factor. The outputs are a panel with country and time dimensions. The time series dimension is annual over the same horizon as the input scenario. We assume the climate scenario affects the macroeconomic outputs through two channels:

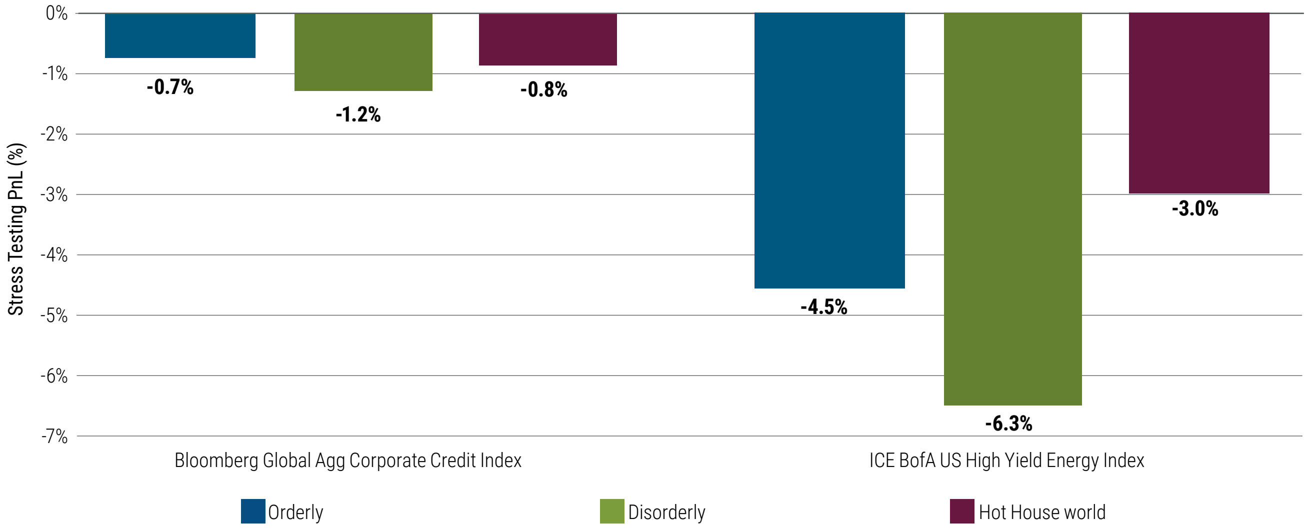
1) Physical risks: Loss in productivity due to human-driven increase in global temperature; 2) Transition risks: Increased inflation and loss in growth from taxing carbon and subsidising renewable investment. These macroeconomic shocks flow through to asset prices which we capture using a set of risk factors. The risk factor outputs are then plugged into PIMCO's risk model (Proteus) and then applied to the desired account, index or security to generate the final return impact of the climate scenario. Given the uncertainties linked to climate models and data, this work inherently includes a host of assumptions and is exploratory and iterative. Scenarios are not forecasts or predictions. Sources: NGFS, IMF, OECD, BloombergNEF, World Bank, FRED, Our World in Data, Burke and Tanutama (2019).

CONTINUATION

BOTTOM-UP MODEL

PIMCO has developed a bottom-up sector stress-testing model using a distinct set of assumptions separate from those of the top-down approach. This model builds upon internal research and central bank stress testing exercises to determine equity price shocks for material sectors.[1] These shocks incorporate both physical and transition risks across the NGFS's six scenarios.[2] PIMCO then translates these equity shocks into fixed income shocks and can apply them to corporate bonds in a portfolio.[3] The charts below illustrate the impact climate change could have on two different corporate credit benchmarks, the Bloomberg Global Aggregate Corporate Index and the ICE BofA US High Yield Energy Index as well as the PIMCO Europe Ltd. contracted assets. Portfolios with a higher allocation to materially exposed sectors (e.g. energy), can increase the severity of losses across scenarios. The disorderly scenario produces the most severe outcomes, as the world's abrupt transition materially affects the equity valuations of high carbon-emitting sectors.

PIMCO's bottom-up model's impact on benchmark returns per scenario



As of 31 December 2022. Source: Bank of England, NGFS, PIMCO bottom-up model output as of 31 December 2022 for the ICE BofAML US High Yield Energy index. Output represents the impact on corporate bonds for both transition and physical risk. **For illustrative purposes only**

1 https://www.bankofengland.co.uk/stress-testing

2 https://www.ngfs.net/ngfs-scenarios-portal/

3 Source: PIMCO Bottom-up model output as of 31 December 2022. for the Bloomberg Global Aggregate Corporate unhedged USD index. Output represents the impact on corporate bonds for both transition and physical risk. For illustrative purposes only. This model draws on a simplified method suggested by the Bank of England to assess the potential corporate sector shocks (equity and bond prices change under each climate scenario), for climate-relevant sectors, including both transition and physical risk. These sectors are then mapped to their equivalent subsectors. The Bank of England's three climate scenarios (Orderly, Disorderly, and Hot House) are expanded to include the three new NGFS scenarios released in 2021. Each new scenario is calculated as a change compared to the original three scenarios. Expansion from three to six scenarios is accomplished by using multipliers for transition and physical risk. The transition risk multiplier is based on the NGFS carbon price for a given base and new scenario. The physical risk multiplier is based on temperature differences under each scenario. Bond price impact is estimated to be 15% of equity impact. Given the uncertainties linked to climate models and data, this work inherently includes a host of assumptions and is exploratory and iterative Sources: NGFS, Bank of England, Merrill Lynch.

Risk management in the context of our sustainability-related focus themes over 2022

Below we outline key themes and focus areas for us in the year 2022, and demonstrate how we considered ESG risks in our analysis.

1. HUMAN RIGHTS

All individuals are entitled to basic rights and freedoms such as fair and decent working conditions, freedom from discrimination and slavery, right to privacy, right to health, etc.[4] As an investor, we share responsibility, where appropriate, to recognise and address any potential human rights violations through our investments.[5]

From a materiality perspective, an issuer's resilience against future business disruptions is dependent on its thorough oversight and agile remediation of emerging risks and disputes. These disruptions can weaken financial performance, and create suboptimal workforce productivity, operation and supply chain disruptions, reputational damage, and litigation costs.

This is particularly important for human rights issues that are often concentrated in the supply chain, where timely and credible investigation and action may be more challenging than other concerns arising in the issuer's operations. While some high-risk sectors may be subject to ongoing risk exposure due to the nature of their business, we see issuers with solid human rights risk management addressing disputes as they emerge, and helping to mitigate financial implications and impact on affected parties.

CASE STUDY: ENGAGING WITH AUTOMOTIVE ISSUERS ON HUMAN RIGHTS RISKS IN THE SUPPLY CHAIN

Regulatory pressure on supply chain sustainability and human rights issues continued in 2022. In addition to well-publicised risks associated with conflict minerals, forced labour and child labour controversies have been plaguing the supply chain in the automotive manufacturing, power and mining sectors. Risks in relevant industries could be further amplified by the broad energy transition, as well as the growing demand for electric vehicles which requires greater supply of high-risk minerals such as cobalt, lithium, nickel and mica.

PIMCO deepened engagement with issuers **with material ESG issues in 2022**, focusing on topics including human rights risks in raw material sourcing, increasing traceability and securing stable, conflict-free supplies, and transparency in supplier adherence to human rights protocols. While we see improvement on commitment and disclosure among issuers in Europe and North America, there is room for improvement for Asia Pacific issuers to formalise a robust supply chain sustainability program with a dedicated focus on human rights, in line with international standards and best practices.

More information on collaborative engagement on this topic is outlined in Principle 10.

4 Universal Declaration of Human Rights: www.un.org/sites/un2.un.org/files/2021/03/udhr.pdf
5 United Nations Guiding Principles on Business and Human Rights: www.ohchr.org/sites/default/files/documents/publications/guidingprinciplesbusinesshr_en.pdf

2. HUMAN CAPITAL

A resilient and productive workforce can indicate a long-term sustainable growth strategy. Companies with robust recruitment and retention programs may help improve our confidence to make longer-term investments. Further, workforce mismanagement can negatively affect our view of a company's growth projections. As a fiduciary, PIMCO can engage with a company's human capital management capacities to gain insight into their ability to attract and retain their workforce. In our ESG assessments of a company, we may consider factors related to cost and composition, talent attraction, retention, and promotion. We also consider quality of work factors that may impact both employee turnover and legal liabilities.

Mismanagement of human capital risk can have material implications. Research shows that high employee turnover can create substantial expense.[6] Recruiting and onboarding new hires can be quite costly and time-intensive. When experts depart a firm for one of its competitors, it can detract from both productivity and employee morale. For businesses that rely on a large and/or specialised workforce, labour shortfalls from mass employee turnover events (including layoffs and M&A activity) may increase cost overruns from productivity shortfalls. In addition to competitive wages and benefits, there may be other reasons employees leave, such as insufficient occupational health and safety controls, or a culture of harassment, retaliation and intimidation. Inattention to "quality of job" issues including hard labour parameters, shift scheduling protocols, and structures that enable a negative or dangerous work culture, may also impact the extent to which workers organise or even strike.

Alternatively, a management team that prioritises their workforce among stakeholders, may see less attrition in a tight labour market, increases to productivity and a positive view from the market that short-midterm risks are appropriately managed.

Talent attraction and retention policies vary in materiality by both sector and corporate strategy. Interest in human capital management has grown in the last few years. There has been a rise in shareholder resolutions regarding civil rights and racial equity audits, and in proposals asking for greater transparency.[7] Companies are now conducting these assessments and publishing their Employment Information Report (EEO-1) disclosures on their websites, thanks in part to investor engagement.[8] We focus our engagement and analysis on a company's approach to hiring, training and development. We target the disclosure of data that could signal the efficacy of policy implementation. Depending on the country in which a company operates, various diversity, equity, and inclusion themes can feature prominently in an analysis. We particularly focus on how these efforts pertain to liabilities, headline risks, talent retention, and pay equity.

CASE STUDY: IMPROVING "QUALITY OF WORK" ISSUES MAY STRENGTHEN TALENT MANAGEMENT PROGRAMS AND MITIGATE COLLECTIVE BARGAINING RISKS

Labour shortages in the U.S. can be exacerbated by a shortage of people willing to work difficult or dangerous jobs for relatively low pay and minimal benefits.[9] The confluence of inflation out-pacing incremental wage increases (often from an already low base), longer required hours, inconsistent shift scheduling practices, and potentially difficult conditions, has placed additional pressure on the workforce. Unsurprisingly, 2021 and 2022 had a spike in employee unionisation efforts across sectors.[10] Given the prevalence of these dynamics, our discussions have centred on the ways in which companies have responded to demands from their workforce. While PIMCO believes it is the responsibility of management and workers to determine which collective bargaining arrangements work best for their company, it remains illegal for employers to interfere with, or retaliate against, employees seeking to organise.[11] While some companies have adopted policies that guard against retaliation and allow for freedom of association, recent anti-union efforts have conversely resulted in shareholder resolutions alleging breaches of company policy. As a result of numerous headlines alleging these claims in 2022, our approach to engagement is to broaden the talent retention discussion to include supplemental or "quality of work" benefits that employers may consider. The goal of these engagements is to help improve a company's relationship with its stakeholders and encourage thoughtful approaches that may mitigate the risk of negative headlines, high employee turnover, and work stoppages.

6 BofA Equity & Quant Research "Follow the numbers, not the naysayers", September 19, 2022
7 www.conference-board.org/topics/shareholder-voting/trends-2022-brief-2-human-capital-management-social-proposals
8 www.gibsondunn.com/evolving-human-capital-disclosures
9 www.bls.gov/charts/employment-situation/civilian-labor-force-participation-rate.htm
10 www.epi.org/publication/unionization-2022/
11 www.nlrb.gov/about-nlrb/rights-we-protect/the-law/interfering-with-employee-rights-section-7-8a1#:~:text=It%20is%20unlawful%20for%20an,they%20forget%20about%20the%20union.

3. NATURAL CAPITAL

Natural capital – such as air, water resources, soils, raw materials, wildlife, biodiversity and the oceans – is entrenched across almost all aspects of the economy. Companies, consumers, and governments alike all make use of and interact with nature. Similar to negative trends for climate change, natural capital is at risk of depletion over the long run. Given the close link between nature and economic stability, investors and the international agenda have increased efforts to assess, mitigate and/or adapt to nature-related risks.

For the past several years, PIMCO has deepened its research and engagement with corporate issuers on natural capital as part of our ESG Assessment and Environmental Risk Framework. For example, in recent years, PIMCO engaged with banks on deforestation and land degradation as part of their climate-oriented commitments. In addition, recent updates to our sectoral ESG investment strategy took into account more detailed data on topics including soft commodities[12] supply chain analysis of traceability and certification commitments, circular economy[13] practices, and policies toward water use.

More recently, PIMCO has formalised its Natural Capital Framework, following recent developments. These include:

- COP15's Kunming-Montreal Global Biodiversity Framework
- Guidance established by the Taskforce on Nature-related Financial Disclosures (TNFD)
- Targets related to natural capital set by Science Based Targets Network (SBTN)

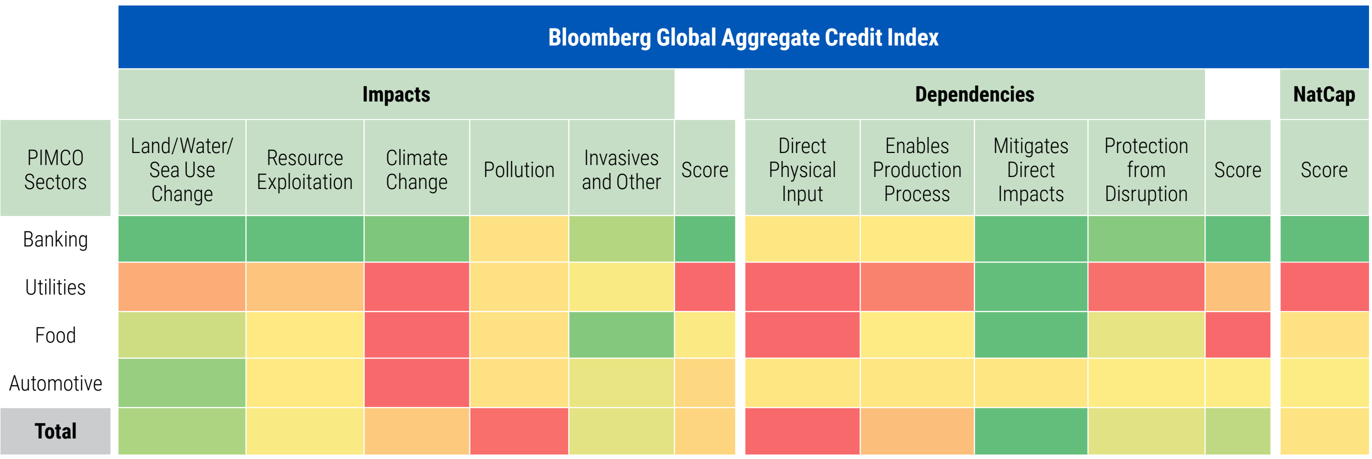
The framework builds on proprietary tools and resources to help further integrate these issues into our investment process. This is supported by nature-related assessments to identify risks and opportunities from impacts (such as externalities or damages to natural capital) to dependencies (such as heavy reliance on natural capital).

RISKS: Heavy reliance on natural capital, typically not reported in corporate financial statements, can adversely affect businesses if depleted, resulting in physical risks; businesses with high impacts to natural capital might face stricter regulation causing transition risks.

OPPORTUNITIES: Increased data availability across supply chains provides more visibility per geography/location; differentiation across issuers' sustainability strategies; and better risk assessment.

The table below illustrates our proprietary natural capital scoring methodology which examines sectors in the Bloomberg Global Aggregate Credit Index.

Our score is comprised of both impacts and dependencies on nature. For impacts, we score sectors under the five direct drivers of biodiversity loss identified by the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES). For dependencies, we follow ENCORE's (the UN's Exploring Natural Capital Opportunities, Risks and Exposure) tool, looking at ecosystem services and grouping them by the four functions they provide. To complement the sectorial analysis, we incorporate company-level data and engagement to differentiate across leaders, improvers, and laggards. Ultimately, the goal is to leverage this framework and score as part our ESG assessments, and to inform our investment process.



12 Soft commodities generally refers to commodities that are grown, rather than extracted such as metals and fossil fuels, and include coffee, palm oil, wheat, soy, etc. Palm oil, soy and beef are soft commodities that are grown or produced in the tropics on a large scale and are therefore major drivers of deforestation and forest degradation' (Source: United Nations Environment Programme).

13 The circular economy tackles climate change and other global challenges like biodiversity loss, waste, and pollution, by decoupling economic activity from the consumption of finite resources. The circular economy is based on three principles, driven by design: eliminate waste and pollution, circulate products and materials (at their highest value), and regenerate nature (source: Ellen MacArthur Foundation).

PIMCO'S SUSTAINABILITY INDUSTRY LEADERSHIP IN THE CONTEXT OF PROMOTING A WELL-FUNCTIONING FINANCIAL SYSTEM

We seek to leverage our size and expertise to support ESG-focused change and innovation in capital markets. Through our participation in global initiatives, we seek to drive global sustainability efforts, define ESG standards, and encourage greater disclosure from issuers.

International Capital Markets Association (ICMA)

- Importantly, PIMCO continues to be part of the International Capital Market Association (ICMA) Green Bond Principles (GBP) and Social Bond Principles (SBP) Executive Committee. We are committed to supporting the evolution of the ESG bond market. As such, over 2022, PIMCO published three Best Practice Guidance for Sustainable Bond Issuance documents, spanning across corporates, sovereigns and municipals asset classes. These documents aim to outline the best practices to follow when issuers from the aforementioned asset classes issue green, social, sustainability or sustainability-linked bonds, broaching the topics of ICMA alignment, Use of Proceeds, lookback period, and transparency and verification, among others. By publishing these documents, and expanding our guidance and thought leadership beyond corporates to encompass other key asset classes in the fixed income space, PIMCO continues to support the expansion of the ESG bond investment universe, increase transparency and disclosure for the benefit of investors and in the spirit of promoting well-functioning financial markets.

The Partnership for Carbon Accounting Financials (PCAF)

- PIMCO became a signatory to PCAF over 2022. PCAF is a global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments.
- The harmonised accounting approach provides financial institutions with the starting point required to set science-based targets and align their portfolio with the Paris Climate Agreement. PCAF enables transparency and accountability and has developed an open-source global GHG accounting standard for financial institutions, the Global GHG Accounting and Reporting Standard for the Financial Industry.
- PIMCO continues to support the development of harmonised and robust approaches to assess and disclose GHG emissions, for the benefit of investors and in the spirit of promoting well-functioning financial markets.

PRINCIPLE 5:

Signatories review their policies, assure their processes and assess the effectiveness of their activities.

PIMCO's Firm-wide Policies

INTERNAL MONITORING AND REVIEW OF POLICIES

PIMCO's legal and compliance department maintains a comprehensive global compliance program which includes the administration of compliance policies and procedures that govern the firm's fiduciary activities, which include sustainable investing.

The administration of compliance policies is led and coordinated by the legal and compliance department with input from relevant business functions as appropriate. The process seeks to:

- Customise compliance policies to PIMCO's business activities.
- Affirm that relevant developments affecting our business are captured and that proposed changes are subject to appropriate internal review.
- Confirm that policies align with identified risks, industry standards and relevant regulatory requirements and expectations.
- Also, the legal and compliance department leverages leading external counsel (where appropriate) and also participates in various industry forums around the world to help inform and guide their oversight and coordination activities.

Development of new policies and revisions to existing policies are based on various factors including but not limited to: regulatory and operational changes; industry developments; the evolution of the firm's business; potential conflicts of interest; and regulatory priorities. Changes to PIMCO's global compliance policies and procedures are reported on a quarterly basis.

In the UK, the Board of PIMCO Europe Limited is responsible for the review and approval of all compliance policies on at least an annual basis, with material updates presented by the compliance team for approval at quarterly Board meetings. During 2022, reviews of relevant policies were undertaken in relation to changes in national sustainability-related regulations including, among others, the UK Modern Slavery Act and UK Gender Pay Gap disclosure requirements.

GLOBAL COMPLIANCE ORGANISATION AND PROGRAM

PIMCO's General Counsel for Regulatory and Litigation is responsible for overseeing the firm's integrated regulatory and compliance strategy on a global basis. PIMCO's Global Head of Compliance and Chief Compliance Officer ("CCO") reports to the firm's General Counsel for Regulatory and Litigation, and administers PIMCO's Compliance Program. The Global Head of Compliance and CCO oversees Compliance and is empowered with full responsibility for and authority over PIMCO's Compliance Program and is supported by executive management of the firm, who play an important role in establishing the firm's culture of compliance and tone at the top.

PIMCO's Compliance Program consists of written policies and procedures, compliance training, and a surveillance and testing program (the "Compliance Program"). The annual compliance program review is an important part of the firm's surveillance and testing program.

The Compliance Program has been designed to, among other things, (i) satisfy the legal and regulatory requirements to which PIMCO is subject, (ii) facilitate PIMCO's ability to uphold its fiduciary duties to its clients, and (iii) identify, avoid or mitigate, and disclose potential conflicts of interests so that PIMCO may act in the best interests of its clients.

Compliance responds to PIMCO's evolving business and the changing regulatory environment by continuing to monitor and direct changes to the firm's Compliance Program. The firm as a whole continues to focus on several important compliance initiatives based on the firm's evolving business and guidance from the regulatory authorities.

In conducting testing, Compliance also considers the compliance matters that arise in the course of business during the Review Period.

Based on the Annual Review, Compliance identifies and recommends certain enhancements to the Compliance Program, as appropriate and ensures that action is taken to address any such recommendations.

ASSURANCE PROCESSES

Assurance processes generally consist of supervision and accountability by business personnel, compliance training, and internal surveillance and testing, in addition to independent internal audit reviews.

Generally, PIMCO has implemented a "three lines of defence" risk management model, which includes:

1ST LINE OF DEFENCE	2ND LINE OF DEFENCE	3RD LINE OF DEFENCE
Ownership of activities by business personnel and management in accordance with internal controls, compliance policies, and procedures and guidance provided by PIMCO's legal and compliance department.	Monitoring and testing performed by the compliance department, which evaluates the business's adherence to relevant compliance program requirements.	Periodic independent reviews conducted by the internal audit function of PIMCO's parent company, Allianz.

COMPLIANCE MONITORING AND TESTING

PIMCO's compliance program also includes the monitoring and testing of compliance policies aligned to the 2nd line of defence. As a 2nd line control function, the compliance teams globally undertake a program of testing and operate various controls to provide confirmation that the policies adopted by PIMCO are operating effectively. In line with best practices, the program of testing is risk-based and the risk assessment is informed by both internal and external factors. These programs include the coding and monitoring of relevant investment guidelines and restrictions within our proprietary automated investment compliance systems, along with surveillance and testing activities including interviews with relevant staff and certification processes.

INTERNAL AUDIT

PIMCO's internal audit function is performed independently by its parent company, Allianz Asset Management ("AAM"). AAM Internal Audit's role is to determine whether PIMCO's risk management, internal control and governance processes, as designed and implemented, are adequate and working as intended. It also aims to ensure that risks are appropriately identified and managed, that operations and employees' actions comply not only with internal policies and procedures but also with applicable laws and regulations, and that company and client assets are appropriately safeguarded. The Internal Audit department applies a risk-oriented model to prioritise audit areas within PIMCO. This model is the core of the annual audit planning process. Internal audits are carried out at the discretion of the department based on this risk-based approach. Areas assessed as having a higher risk are audited more frequently.

In the UK, the Audit Committee of PIMCO Europe Limited oversees the program of internal audit testing relating to the business of PIMCO Europe Limited. In addition to focusing on matters specific to PIMCO Europe Limited, this program will seek to leverage reviews by the internal audit team of global processes within PIMCO. In that context, we would note that the Internal Audit team performed a global review of "PIMCO ESG – Investment and Governance" in 2020. The internal audit identified enhancements to be addressed in formalising PIMCO's ESG governance framework and the further development of an application used to track certain engagement activity. PIMCO provided Internal Audit with a written response summarising the enhancements implemented by the firm to address the audit findings and the audit was formally closed. Since the end of the period covered by this report, Internal Audit has undertaken further work concerning ESG topics at PIMCO.

For confidentiality purposes, PIMCO does not disclose information regarding audits or their results.

MANDATORY GLOBAL COMPLIANCE TRAINING

The legal and compliance department conducts comprehensive global training for the firm to educate personnel on global regulatory requirements, internal controls, and the firm's policies and procedures. Compliance training is mandatory and it encompasses new hire, annual compliance training and periodic or ad hoc training on an as-needed basis. Compliance training is a critical function in communicating expectations and obligations consistent with the 1st line of defence. Personnel that do not complete mandatory compliance training requirements are subject to consequences under the firm's Remedial Guide.

Looking at recent years, colleagues from PIMCO's account management, legal, compliance and product strategy groups identified a need to formally train firm-wide staff on ESG matters. Following on from the work done in 2021, a firm-wide annual, compulsory training was formalised in 2022.

Sustainable Policies in Focus

PIMCO periodically reviews the processes and policies that support our stewardship activities. The firm's Sustainability governance framework is designed to broadly establish the roles and responsibilities of internal stakeholders involved in PIMCO's sustainability business.

SUSTAINABLE INVESTMENT POLICY REVIEW

PIMCO has a Sustainable Investment Policy Statement that details PIMCO's commitments to the integration of ESG factors in the firm's investment research process, the sustainable investment solutions offered to our clients, engagement with issuers on sustainability factors, and climate change investment analysis. PIMCO formalised its Sustainable Investment Policy Statement (formerly known as the "ESG Investment Policy Statement") originally in 2012; the document is available on the firm's website and it is periodically revised on an as needed basis by the firm's Sustainability Leadership team.

In 2022, PIMCO implemented several enhancements to the firm's Sustainability business. Select highlights include: 1) clarifying the ESG factors PIMCO considers when evaluating investment opportunities, 2) explaining how a diversified approach to information assessment (i.e. considering ESG alongside traditional metrics/qualitative information) helps to generate a more holistic view of an investment.

EXCLUSIONS ADVISORY GROUP

PIMCO also has an Exclusions Advisory Group ("the Group"), which consists of investment professionals from across the firm; the Group is responsible for identifying issuers and industries which may be excluded from fund portfolios which are currently misaligned with PIMCO's internal criteria. In PIMCO sponsored funds that follow sustainability strategies and guidelines, PIMCO generally excludes issuers and industries which, in the firm's judgment, are misaligned with sustainable investment strategies. Examples of sectors considered to be misaligned with sustainability practices are military weapons, oil-related industry, alcohol, adult content, coal manufacturing, tobacco, gambling. Exclusions of any particular ESG mandate will be set out in the respective governing documents.

In determining such issuers and sectors, the Group references globally accepted norms such as the UN Global Compact Principles, the UN Guiding Principles on Business and Human Rights, and the International Labour Organisation Conventions.

In 2022, the Group addressed exclusions in PIMCO sponsored funds regarding civilian firearms, protocol in using United National Global Compact data from third party providers, among others.

CASE STUDY: REVIEW OF FOSSIL FUEL EXCLUSION SCREENS

One example where the Group provided input in 2022, is the review of how fossil fuel exclusion screens worked with respect to municipal bond investments in PIMCO's sponsored funds, which follow sustainability strategies and guidelines. Specifically, exclusion rules for coal have historically not been implemented for municipal investments due to lack of data in the space, though remained important for the Exclusions Advisory Group's consideration as funds with a sustainability-focus may have held unintentional exposure to thermal coal.

Outcome: The proposed solution to minimise any exposure to thermal coal was to implement a formal compliance rule to "flag" any public power utility before it was bought to be held in a fund with sustainability strategies and guidelines. PIMCO municipal analysts would utilise available data to determine eligibility, which typically consists of generation capacity data or prior year's energy sales, with the idea that only public power utilities below a certain threshold of generation capability or energy sales from coal would be eligible for funds with sustainability strategies and guidelines. This approach has now been implemented. The Exclusions Advisory Group meets as needed and at least quarterly to review and update our Core and Dynamic Exclusions lists.

STEWARDSHIP (SUSTAINABILITY) REPORTING – CONFIRMATION OF FAIR, ACCURATE AND UNDERSTANDABLE CONTENT

Stewardship reporting is required to be reviewed consistent with the firm's Global Marketing and Advertising Policy, which is reasonably designed to review materials in compliance with applicable regulatory requirements. These include that the content must be fair, balanced and accurate in addition to the firm's internal standards which prioritise clarity of messaging and content appropriate for the intended audience.

- **Policy Summary:** PIMCO seeks to produce marketing and advertising materials that: (i) are fair, balanced, clear and not misleading or deceptive; (ii) meet applicable regulatory requirements; and (iii) promote PIMCO's products and services to clients, shareholders, prospects, and financial intermediaries in accordance with applicable suitability obligations, standards of conduct, and/or PIMCO's fiduciary duty.
- **Application to Sustainability:** Marketing and advertising materials relating to PIMCO's Sustainability Platform must comport with the standard and requirements of the marketing and advertising policies and procedures. The Compliance Marketing Review team is expected to be familiar with the funds and strategies to which the marketing material that they are reviewing relates. Claims relating to Sustainability in marketing materials are reviewed by Compliance and are generally substantiated by an ESG product specialist to align to actual practices. In particular, when preparing marketing or advertising material related to PIMCO's Sustainability Platform, PIMCO requires that the content submitter(s) confirms that:

  (i) Sustainability-related statements are consistent with PIMCO's actual practices.

  (ii) ESG-related data/information (e.g., issuer engagement activity, carbon intensity statistics, ESG ratings, etc.) is correct and current as of the date(s) stated in the content; has a prominent "as-of" date; includes sources for data in any charts, tables, and graphs; is presented clearly; and, where appropriate, describes the methodology used to calculate data and any key assumptions or limitations on such methodologies.

  (iii) third-party ESG data referenced in marketing material be obtained from reliable sources and properly attributed.

  (iv) sufficient information is provided to Compliance regarding sustainability-related risks.
- **Monitoring:** All advertising and marketing materials and certain other external materials are required to be pre-approved by Compliance prior to use, including but not limited to:
  - PIMCO's Sustainable Investment Policy Statement;
  - PIMCO's Sustainable Investing Report; and
  - Sustainability thought leadership and other publications posted to the website.

EXTERNAL BENCHMARKING

For the purposes of this report, we continue to refer to our 2021 PRI Assessment and Scores. In 2021, PIMCO scored strongly amongst signatory peers in relevant PRI Modules, achieving 5-star ratings across four of the five categories assessed in the PRI's most recent scorecard. We would note that as part of the 2021 pilot reporting year, the PRI's assessment methodology was re-designed to reflect the changes in the 2021 Reporting Framework and to account for changes in the responsible investment market. 2021 results cannot be compared to previous years. PIMCO's scores as well as the Signatory peer group median scores are summarised below.

● Signatory Peer Group Median Module Score ◆ PIMCO's Module Score

2021			
PRI Module	**PIMCO Star Score**	**PIMCO versus Signatory Peer Group**	**No. of Peers in Group**
Investment & Stewardship	★★★★★	0 ● 60 ◆ 94 100	2791
Direct - Fixed Income - SSA	★★★★★	0 ● 50 ◆ 97 100	807
Direct - Fixed Income - Corporate	★★★★★	0 ● 62 ◆ 97 100	932
Direct - Fixed Income - Securitized	★★★★★	0 ● 55 ◆ 97 100	317
Direct - Fixed Income - Private Debt	★★★★	0 ● 67 ◆ 89 100	317

PRI assessment reports are limited to asset managers signed up to the Principles for Responsible Investment (PRI) and primarily focus on a signatory's responsible investment implementation across their overall investment process, among other factors. **PRI Transparency Reports** are available at https://stpublic.blob.core.windows.net/pri-ra/2020/Investor/Public-TR/(Merged)_Public_Transparency_Report_PIMCO_2020.pdf. **Prior to 2021**, PRI assessments were awarded scores based on A+ - E scale. A+ being highest score, while E being the lowest. PRI Assessments awarded from 2021 onward are based on a scale of 1-5 Stars. 1 Star being the lowest score, 5 Stars being the highest. For 2021 Methodology, please refer to https://dwtyzx6upklss.cloudfront.net/Uploads/v/g/y/2021_assessmentmethodology_jan_2021_403875.pdf. **For additional information regarding how PRI assesses signatory reporting**, please refer to https://www.unpri.org/reporting-and-assessment/how-investors-are-assessed-on-their-reporting/3066.article

PRINCIPLE 6:

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

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PIMCO is responsible for managing £1.45 trillion (as of 31 December 2022) across geographies and asset classes and on behalf of a range of clients: central banks; sovereign wealth funds; pension funds; corporations; foundations and endowments; and individual investors around the world. PIMCO is one of the world's premier investment managers, helping millions of investors pursue their objectives through a broad range of strategies across fixed income, alternatives, equities, and real assets. Our scale and specialised resources have helped us build a diverse platform of product offerings.

Our clients have relied on an investment process that has been rigorously tested over the past 52 years in virtually every market environment. PIMCO's investment process is designed to promote fresh ideas and diverse perspectives, and our active approach starts with an understanding of every investment we make for our clients, with the goal of not just finding opportunities, but also creating them. Moreover, PIMCO's senior leadership is committed to maintaining our culture of putting clients first and upholding the highest standards for our people and practices.

With a global client base spanning over 50 countries, PIMCO remains firmly committed to the pursuit of our mission: seeking superior investment returns, solutions and service to our clients. Our platform offers a wide range of short- and long-term investment solutions tailored to meet our clients' objectives. As part of our commitment to our clients, we strive to integrate ESG factors into our broad research process and engage with issuers on sustainability goals and climate change to help drive long-term value for clients that are seeking sustainable benefits for the economy, the environment and society.

Meeting and exceeding the needs of our clients is a top priority here at PIMCO. One of the ways in which we measure success is by looking at the percentage of PIMCO assets that are outperforming their benchmarks over **a five-year period (after fees)**. We believe that this metric is important as it enables our clients to measure the value we are able to add to portfolios as active fixed income investors over the medium term.

PIMCO IS RESPONSIBLE FOR MANAGING £1.45 TRILLION ENTRUSTED TO US BY:

- Central banks
- Sovereign wealth funds
- Public and private pension funds
- Financial and nonfinancial corporations
- Foundations and endowments
- Financial advisors
- Family offices
- Individual investors

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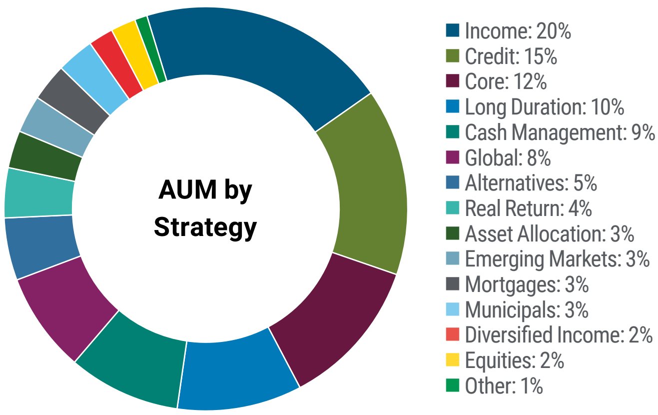
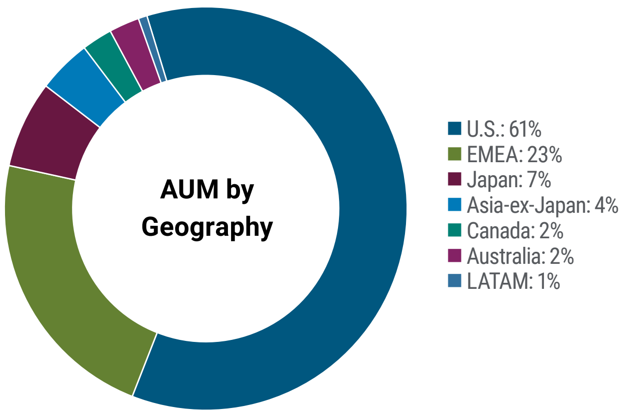
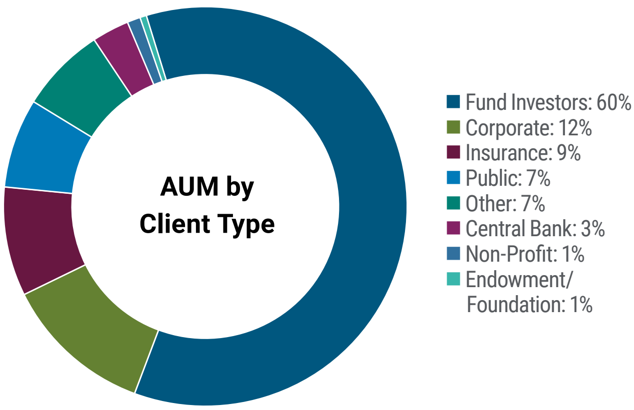
Exhibit: PIMCO assets under management and client types







PIMCO manages $1.74 trillion in assets, including $1.38 trillion in third-party client assets as of 31 December 2022. Assets include $81.8 billion (as of 30 September 2022) in assets managed by PIMCO Prime Real Estate (formerly Allianz Real Estate), an affiliate and wholly-owned subsidiary of PIMCO and PIMCO Europe GmbH that includes PIMCO Prime Real Estate GmbH, PIMCO Prime Real Estate LLC and their subsidiaries and affiliates. PIMCO Prime Real Estate LLC investment professionals provide investment management and other services as dual personnel through Pacific Investment Management Company LLC. PIMCO Prime Real Estate GmbH operates separately from PIMCO. The number of countries where clients are located is based on client account tax domicile.

INCORPORATING STEWARDSHIP AND SUSTAINABILITY OBJECTIVES IN CLIENT PORTFOLIOS

At PIMCO, we strive to stay at the forefront of industry developments and deliver the highest level of service to our clients. Most recently we launched a new proprietary ESG analysis, optimisation, and reporting tool that combines all ESG-related data onto one platform – Northstar (further details are given later on in this Principle). This is with the end goal of continuing to provide a wide range of meaningful reporting, including TCFD metrics, SFDR disclosures and engagement statistics for our clients.

Our clients are at the heart of our business and being a trusted advisor goes beyond understanding investment objectives, risks, and constraints of the portfolio. It involves working alongside clients to understand their evolving needs and proactively designing and providing investment solutions that are tailored to these needs. Throughout 2022, we have continued to expand the scope of tailored solutions that we have developed alongside our clients to help pursue their financial and sustainability objectives. Examples include, but are not limited to, ESG-optimised portfolios with explicit exclusions, evaluation and engagement objectives, ESG-labelled bond targets and solutions with carbon-related targets.

Aligned with our sustainability philosophy, material ESG risk factors are integrated in our investment process and hence have the potential to affect any portfolio we manage across the firm. In addition to integrating ESG risks in our broad investment process, for clients who seek to achieve specific sustainability outcomes alongside financial objectives, we offer a suite of dedicated investment solutions which incorporate the firm's proprietary ESG optimisation criteria. Further, PIMCO recognises that sustainability solutions are not one-size-fits-all and we are well equipped to partner together with clients in their separate mandates to identify and customise sustainability objectives that satisfy their specific needs.

Some clients share their Statement of Investment Principles (SIP) or Responsible Investment Policy, which we evaluate to ensure alignment with their investment guidelines and restrictions. Furthermore, some clients have included details on their expectations around stewardship within these policies and documents. For other clients, we proactively engage with them on different levels of ESG implementation to help them assess material risks and optimise their portfolio based on specific ESG parameters. As a trusted advisor to our clients, we engage in two-way consultative dialogue, sharing our views and expertise to inform and help shape the client's approach.

In 2022, the AUM of clients implementing sustainability strategies within their investment mandates globally summed to £418 billion. Exclusions, carbon reduction and ESG-labelled bond targets were most commonly considered by institutional clients in the UK. We work closely with these clients to understand their requirements, establish guidelines that align with their goals, assess the portfolio impact, and implement any required changes. Throughout the year, we saw an increasing number of clients consider their sustainability objectives when structuring new mandates, as well as taking the opportunity to realign existing investments to their evolving ESG needs. In all cases, we advocate for close collaboration between clients, consultants, account managers, our ESG teams and portfolio management resources to ensure we fully understand each clients' individual requirements and clients understand the full toolkit available to them.

We communicate with clients on engagement activities within portfolios, and we publish our firm-wide engagements in our annual Sustainable Investing Report. PIMCO also responds to client data requests on stewardship and engagement with the necessary information in order to meet reporting requirements.

INNOVATING TO MEET MARKET DEMAND

PIMCO's innovative approach is evidenced by the development and use of new research techniques and sectors. Over time, PIMCO has strived to operate at the intersection of investment capability and market opportunity to provide products and solutions across numerous asset classes and sectors to meet our clients' evolving needs.

Responding to market demand and seeking feedback from our clients and investment consultant partners is our top priority when it comes to product development. Our dedicated product strategy and investment committee teams review our existing commingled product offerings on a quarterly basis to ensure we develop products that meet our clients' objectives and in areas where PIMCO has an edge.

With regards to ESG, we continue to see elevated investor demand for dedicated solutions across different fixed income asset classes and as such we have expanded our sustainability product suite to meet these needs.

As mentioned in Principle 1, in 2022 we worked on the further development of our suite of sustainability products, striving to provide our clients with the sustainability-oriented portfolio solutions they need across asset classes on the risk/return spectrum. As such, we launched ESG-focused versions of two of our traditional strategies that particularly resonate with our UK institutional client base: the Low Duration Opportunities ESG Strategy and the Diversified Income ESG Strategy.

As outlined in Principle 2, PIMCO also launched a European commercial real estate (CRE) lending strategy in 2022. The launch was a response to an increased opportunity PIMCO saw in the market to lend against business plans that facilitate the transition of existing buildings, as well as increased demand from institutional clients (particularly insurance companies) for high-quality, income-producing private lending exposure that also supports sustainability objectives. In particular, the strategy focuses on financing of the improvement of the environmental profile of buildings (evaluated using a variety of widely accepted measures) while excluding standing assets with poor EPC ratings unless there is a business plan in place to improve the rating.

THOUGHT LEADERSHIP

As one of the world's leading bond managers, we consider thought leadership in fixed income investing to be a key component of the service we offer to our investors. This commitment to thought leadership is well demonstrated by our quarterly Cyclical and annual Secular Outlook reports. These draw on the collective expertise of our investment professionals as well as external views and those of our clients. The Cyclical Outlook sets out PIMCO's market expectations over a six to 12-month horizon, while the Secular Outlook details PIMCO's views on the technological, environmental, macroeconomic and social trends that will shape the next five years.

Collectively, these publications communicate our assessment of both the near- and long-term opportunities and challenges facing investors. We also seek to be a practical educational resource for our clients, helping them to understand the opportunities and risks presented by fixed income markets. While much of this occurs within an ongoing dialogue between clients and our dedicated team of account managers, PIMCO also holds more formalised "teach-in" sessions for clients, sharing our fixed income expertise in a curated fashion that addresses specific needs and questions raised by investors.

As a firm, we are proactive in anticipating client needs by circulating our views in response to market developments. During 2022, we published more than 130 articles through our website addressing a number of topics including geopolitics, economic and market conditions, and their strategic implications for asset allocation. This was in addition to opinion pieces from senior figures within the firm on a variety of issues. Examples of ESG-related topics that were particularly topical over 2022 were Sustainability-Linked Bonds: Coming of Age, PIMCO's Net Zero Framework to Decarbonize Bond Portfolios, Engaging With Stakeholders to Reduce Methane Emissions From Oil and Gas Production and Energy Transition: A Jarring Path to Green. Our most significant publication on sustainability investing is the annual PIMCO Sustainable Investing Report. This publication keeps our clients abreast of new developments, trends, and challenges across the ESG investment landscape and communicates how PIMCO considers material ESG factors in investment decision making and portfolio construction. The report outlines in quantitative and qualitative terms the positive impact of clients' investments with us, which help finance the world's transition to a sustainable, low carbon future.

In addition to providing thought leadership to clients, PIMCO also provides guidance to issuers, helping them to pursue a variety of ESG-related activities, as outlined further in Principle 4. This includes the issuance of sustainability-linked bonds as described in Principle 12.

CLIENT SERVICING AND SEEKING CLIENT VIEWS

PIMCO clients are generally assigned a dedicated member of PIMCO's account management team, which consists of highly trained investment professionals focused on meeting client needs, monitoring portfolios, and communicating with clients to seek a superior service. The account management team meets with clients on a regular basis to review client portfolios, assess evolving client needs and suggest solutions, analyse portfolio performance, and adjust guidelines if necessary. In recent years, stewardship has increasingly taken centre stage in client conversations. We realise the growing importance it has to our clients, and hence we take a top-down and bottom-up approach to fully understand and evaluate our clients' views, as well as to gather feedback on how we are faring from an investment and client servicing perspective.

As account managers conduct the majority of direct engagement with our clients, we ensure they are fully educated on sustainability trends, topics and initiatives as well as PIMCO's evolving ESG capabilities. In 2022, we continued mandatory ESG training for all new joiners. We also ran a number of sustainability-related teach-ins for client-facing teams, with titles including: "Sustainable Investing & Global Policy Agenda"; "Green Bond Investing"; "Sustainable Portfolio Construction & Climate Risk"; and "ESG Tools for Global & Credit Portfolios".

The account management team are also represented within our Sustainability Leadership team. Clients are the driving force behind our sustainability strategy and this representation helps ensure that their views are communicated directly to senior management.

From the top-down, PIMCO partakes in various research surveys taken by UK consultants, pension scheme managers and trustees. These avenues provide us with official feedback on various topics, such as how UK clients see PIMCO's sustainable investing capabilities and the usefulness of our ESG reporting and thought leadership, and highlight potential areas of improvement.

From the bottom-up, our account managers regularly engage with clients to understand their evolving ESG requirements and to learn their views on recent market trends, as well as the part we can play in meeting their objectives. We actively and directly seek feedback from our clients, either by connecting informally or through dedicated KPI review sessions and scoring. This helps us to identify gaps in our offering and ensure we are adding as much value as possible for our clients.

CASE STUDIES

As part of our partnership with clients and consultants, we normally engage with them to understand their views, specific needs, and how we can work with them to create investment solutions that address their objectives. Below are three case studies of how we collaborated with clients during 2022 on different journeys:

CASE STUDY: TARGETING NET ZERO

An increasing number of PIMCO clients have formalised their willingness to address climate change by making net zero commitments. We appreciate that the process to achieve net zero is iterative and we endeavour to help our clients understand their existing exposures and progress towards these objectives. To assist with this, we have developed and continued to expand our Net Zero Framework. The Framework has been designed using industry standards to offer a full toolkit for achieving carbon reduction targets, outlining various levers that clients may wish to consider to decarbonise portfolios, as well as aspects to monitor going forward.

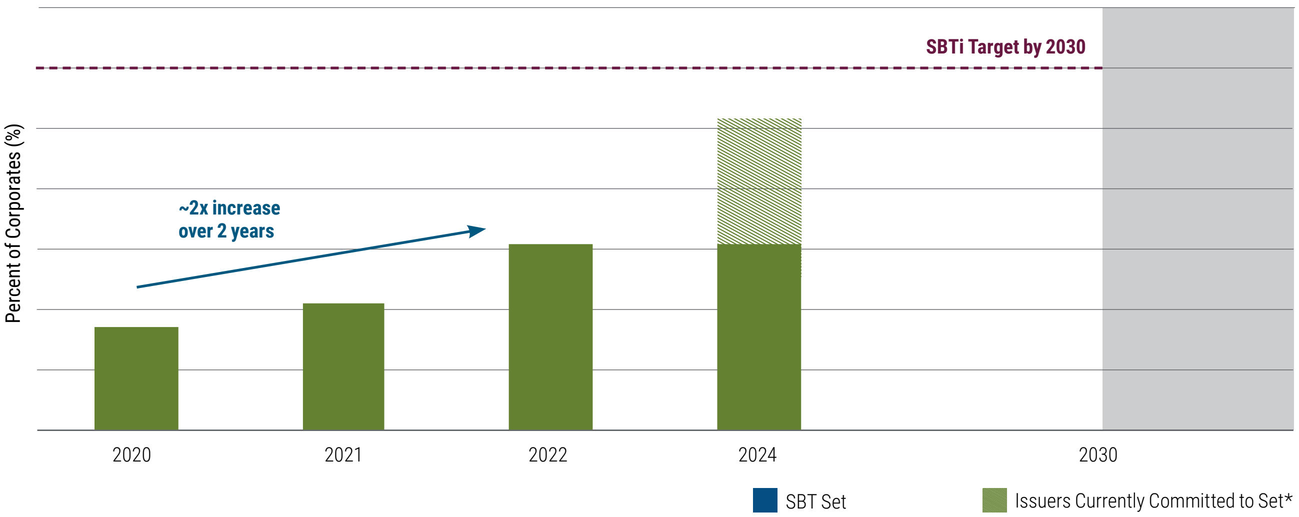
Over the past 12 months, we have seen clients further refine their net zero commitments and set specific interim targets. For example, we have worked closely with a UK pension scheme client to help them understand how they might achieve their scheme's specific objectives, which focus on reaching a certain exposure to issuers who have set SBTi targets within their portfolios by 2030.

With the help of Northstar, our one-stop ESG platform capable of performing instantaneous portfolio optimisations, our ESG and client servicing teams provided metrics to assess the current exposure to issuers with SBTi targets set and committed within the portfolio and forecast the expected evolution of this exposure between now and the target date of 2030. Engaging our internal ESG experts and the portfolio management team, we were also able to provide more qualitative input, highlighting recent trends in SBTi target adoption as well as external factors that may need to be considered. We also offered our views on how explicit portfolio guidelines relating to these targets could be implemented and how this may affect the portfolio composition going forward.

CONTINUATION

REACHING 2030 TARGET

Science-Based Targets Breakdown of Corporate Issuers within Portfolio



STATUS QUO

1. **Approach:** Achieve target via issuers who have set or committed to set targets

2. **Assumptions:**
   • Portfolio allocation remains unchanged
   • Issuers setting carbon emissions reduction targets will **continue to grow at a fast pace**, in line with the increase experienced over recent years. For context, from **2020 to 2022** the portfolio's share of corporates with **set carbon emissions reduction targets has nearly doubled**
   • Issuers currently committed to set do implement verified targets within 24 months as required by Science Based Targets Initiative (SBTi)

3. **Conclusions:**
   • Assuming all issuers who committed to set targets do in fact set within 24 months, the **portfolio is on track to achieve the SBTi target by 2030**

As of 31 December 2022. **For illustrative purposes only.** *Issuers have 24 months to submit targets to the SBTi for validation, or they will be removed from the SBTi (unless specific circumstances apply)

Additionally, we offered similar input on secondary targets that the client may wish to consider alongside this, such as carbon intensity reduction and engagement. The decarbonisation process is a journey, and as a long-term partner, we look forward to working with clients such as these to help them achieve their goals in the coming years.

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CASE STUDY: SUPPORTING CLIENTS THROUGH THE LDI CRISIS

At PIMCO, we take great pride in serving as a trusted long-term partner for our clients, and this role becomes even more crucial during times of market stress and uncertainty. In the second half of 2022, the LDI crisis, triggered by an unprecedented sell-off in UK Gilts, hugely impacted our client base, particularly UK defined benefit pension schemes.

During the crisis, PIMCO placed a strong emphasis on close collaboration with our clients. We dedicated time to thoroughly understand clients' unique circumstances to provide them timely and transparent information to make informed decisions. Our client servicing team prioritised proactive daily and intra-day updates on market developments and worked tirelessly to address idiosyncratic concerns or questions, including live liquidity and leverage analysis on portfolios. Additionally, our portfolio and risk management teams were on hand to speak directly with clients, often at short notice.

Where clients required liquidity urgently, we worked diligently to facilitate these transactions as smoothly as possible. We shared insights on market conditions and optimal approaches, while also coordinating the operational and governance aspects. Investors in PIMCO's public UCITS funds were able to utilise daily liquidity and T+1 settlement terms. In certain circumstances, we were also able to work with clients to implement bespoke solutions, such as credit repo facilities to avoid selling down assets, crystallising losses and incurring transaction costs.

We are pleased to have delivered high-quality, customised support to our clients during this challenging period. Throughout the crisis and in subsequent months, we received positive feedback on the level of client service provided, particularly in supporting liquidity needs and responding to data requirements promptly and accurately.

An example of the rapid market commentary that PIMCO published during this time can be found here: U.K. Market: Growth, But at What Price?

CASE STUDY: CREATING BESPOKE, DUAL-OBJECTIVE MANDATES

In our previous UK Stewardship Code Statement and Report, we highlighted a collaboration between a UK pension client and PIMCO to build a buy & maintain credit mandate with a dual objective to achieve a certain spread target and to incorporate ESG metrics.

At construction, the buy & maintain credit portfolio aimed to "minimise owned absolute carbon emissions to the extent it does not negatively impact the yield maximisation objective." In practice, this meant creating a reference "universe" (a blended benchmark) that was suitable for this purpose and which we used to optimise the portfolio at inception for this dual objective. The optimised portfolio achieved a 53% reduction in owned carbon emissions in comparison to the reference investment universe for the investment strategy.

Through 2022, PIMCO has been working to further enhance the portfolio's ESG targets and guidelines, and as a result the client is now exploring the adoption of a net zero target. In close collaboration with the client and PIMCO's Client Solutions and Analytics team, the original blended reference benchmark used to construct the portfolio was changed to be aligned to the EU's Climate Transition Benchmark (CTB). Thorough discussions were carried out to consider any potential effects that the change might have on the portfolio before agreeing to update the guidelines.

REPORTING

For clients who are interested in assessing climate risk or the alignment of their portfolios to specific climate regulations and targets, we can use Northstar to report on the carbon intensity of their portfolios, the exposure to fossil fuels, green/social/sustainability bond exposure, ESG portfolio optimisation, as well as scenario analysis.

For PIMCO-sponsored funds that follow sustainable investment objectives and restrictions, we regularly publish reports in an effort to provide the latest fund information as well as our sustainability efforts to both retail and institutional investors. For instance, the fund factsheet and commentary for PIMCO funds that follow sustainable investment guidelines and restrictions are publicly available.

For portfolios that do not follow sustainable investment objectives and restrictions, we can provide upon request a multitude of sustainability metrics and factors regarding the portfolios, including ESG-labelled bond allocations, carbon metrics, and portfolio ESG scores. However, it should be noted that these portfolios do not seek to optimise these types of sustainability factors and metrics in portfolio construction.

In terms of carbon reporting, we continue to provide carbon metrics and scope of the analysis, including Scope 1 and 2, and 3 of most portfolios across the firm. With regard to Scope 3, PIMCO includes Scope 3 emissions (indirect emissions including supply chain, products etc.) during ESG analysis as these represent a large share of absolute emissions and can offer us a better understanding of the issuer's level of responsibility and associated risks. In our engagement efforts, we also encourage issuers to report on this metric to have a more holistic view of the carbon profile of the company and make a better informed investment decision. We have noted that data quality and availability on Scope 3 emissions have improved over recent years, from being limited and poorer in quality. As such, over 2022, we decided to begin reporting on Scope 3 emissions externally when requested by clients.

CASE STUDY: SFDR REPORTING

The Sustainable Finance Disclosure Regulation (SFDR) transparency framework set forward by the EU Commission is aimed at setting standards of how financial market participants disclose sustainability information to help investors to make informed choices. PIMCO is committed to the integration of ESG factors broadly into our investment research process where applicable, and offers a variety of sponsored funds which are labelled as Article 8 (referring to the promotion of environmental or social characteristics) or Article 9 (referring to employing a sustainable investment objective) to our clients. Given the onset of European SFDR Regulation, and the associated reporting obligations, PIMCO has worked to ensure that we meet regulatory requirements with regards to Article 8 and 9 labelled products.

Outcome: Over 2022, Product Strategy, Legal and Technology members worked to form, automate and systematise client reporting on key SFDR metrics as per "pre-contractual" and "periodic" regulatory reporting requirements.

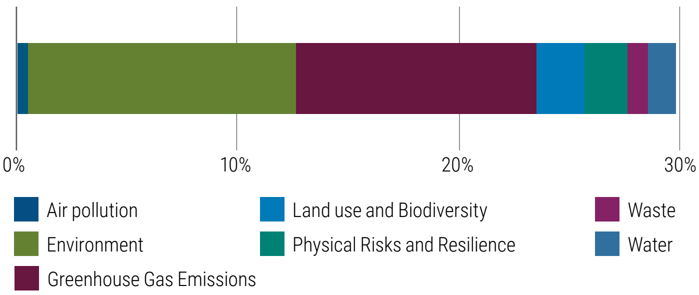
ENGAGEMENT

As described in-depth in Principle 9, in 2022, we deepened our engagements across four main themes as relevant and material to priority issuers: Climate change, human rights, human capital and natural capital. To monitor PIMCO's engagement dialogues, we have built and continued to enhance engagement tracking systems, so that we can track progress over time against objectives. Over the past few years, we have enhanced our engagement tracking capabilities via our proprietary tools and systems which seek to capture the latest information on issuers' forward-looking strategy to manage ESG and positive impact factors. More specifically, we started to track engagement on particular topics and asks such as carbon target setting and net zero, decarbonisation strategy, and climate risk disclosure, among others. We continue to enhance these to ensure that we can report engagement specific data by region, topic and theme on specific portfolios with increasing depth and accuracy on a go forward basis. This engagement data can be used to provide Engagement Reports, such as the example highlighted below, that outline the proportion of issuers in specific portfolios with whom we have engaged as to provide an overview on a per portfolio basis.

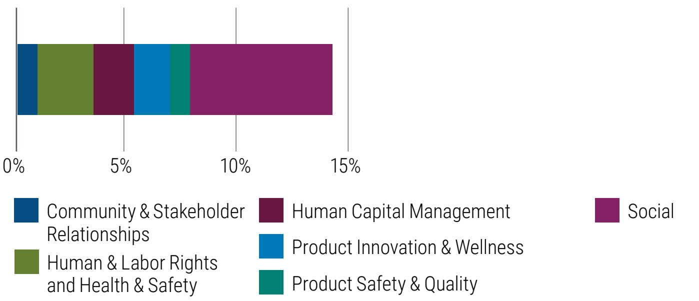
ENGAGEMENT ACROSS SUSTAINABILITY THEMES CAN LEAD TO POSITIVE IMPACT
PIMCO ENGAGED WITH 294 CORPORATE ISSUERS IN THE CLIENT'S INVESTMENT PORTFOLIO IN 2022

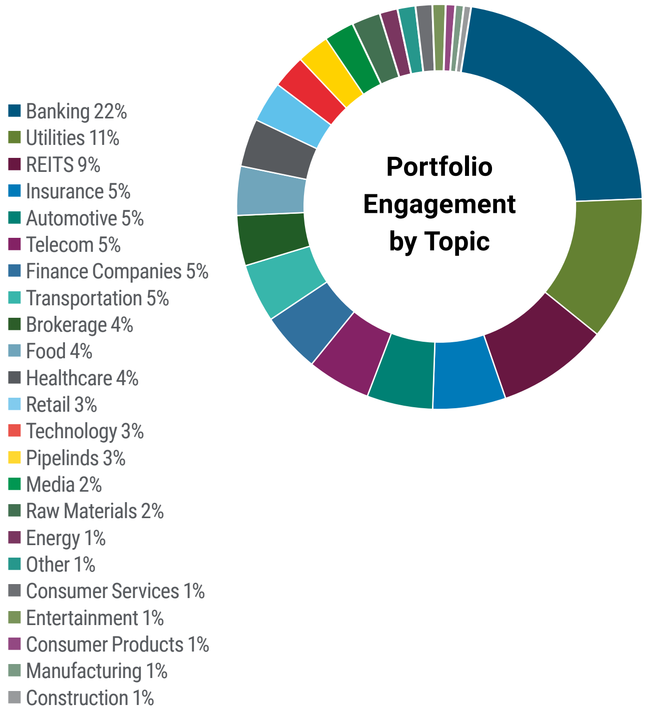
Interaction by Pillar and Topic by No. of Interactions

Environment

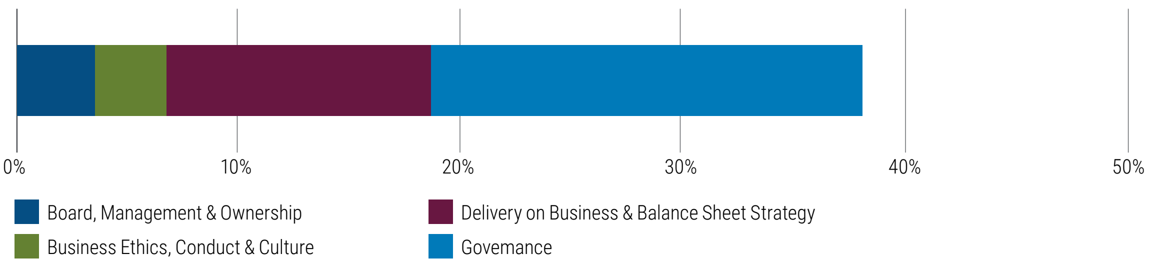


Social

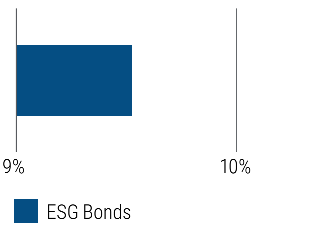




Governance



ESG Bonds



As of 31 December 2022. SOURCE: PIMCO. Client Investment Portfolio engagement activities, Jan 1 - Dec 31, 2022. Interactions by Pillar and Topic: Interactions refers to the number of times topics are discussed, which may not reflect the different depth of discussion across topics in interactions. "Broad environmental", "Broad social" and "Broad governance" refer to other topics not captured by named themes, as well as engagements which may span across multiple named topics as relevant. LHS charts: presented by number of interactions (for example, 10% of all engagement interactions firm wide covered broad environmental topics). Greenhouse Gas (GHG). ESG bond issuance topic references engagements regarding issuing ESG labelled bonds. 294 corporate issuers engaged in 2022 refers to all tracked engagements that discussed ESG topics. Engagements were conducted by ESG and/or credit analysts. Not all ESG analysts are 100% ESG-dedicated, some split time between ESG engagement and traditional credit research. Refers to tracked engagements conducted by ESG or corporate analysts. Engagement by topic information is based on the total number of topics identified by PIMCO ESG analysts in one or more PIMCO systems and reflect only of a subset of the total engagement activities conducted by PIMCO in 2022. Engagements may cover more than one topic per issuer. The engagement breakdown by topic, region and industry is intended to provide more general trend information as we do not currently require that each engagement be tracked for industry, topic or region.

UK ESG REPORTING GROUP

Following its formation in 2020, PIMCO's dedicated ESG reporting group for UK institutional clients continues to adapt to the requirements of an evolving regulatory landscape with new templates and metrics. Working closely with members from the account management, product strategy and ESG technology teams, the UK ESG reporting team helps provide the necessary tools to customise client reports and address client queries.

For example, the Investment Consultants Sustainability Working Group (ICSWG) announced in 2021 that they sought standardised ESG engagement reporting from all UK asset owners. Over 2022, PIMCO engaged with various consultants to enhance our reporting and attended ICSWG seminars to help in their efforts to streamline the information requested for client reporting practices on ESG. Our firm-wide effort in compiling these questionnaires has helped our clients receive recent and tangible examples of PIMCO's engagement efforts within their portfolios and meet their investment disclosure obligations.

ESG DATA, TECHNOLOGY AND REPORTING INFRASTRUCTURE

As a firm, we continue to enhance proprietary tools to assess, manage, and help mitigate climate-related risks in our portfolios, and to harness potential opportunities in the evolving market landscape. This framework helps us to, among other things, decrease portfolio exposure to financial risks brought about by climate change and reduce the overall exposure to activities contributing to global warming.

PIMCO has been investing in the team and the technology to incorporate ESG data into our investment process for many years. Our dedicated ESG technology team has developed tools that enable portfolio managers across the firm to integrate third-party data and proprietary ESG data into our overall investment process where relevant. We centralise ESG data for easy access across the entire firm and incorporation into our research and investment processes.

Engagement

- Allowing analysts to capture interactions with companies on various ESG issues and themes

Reporting

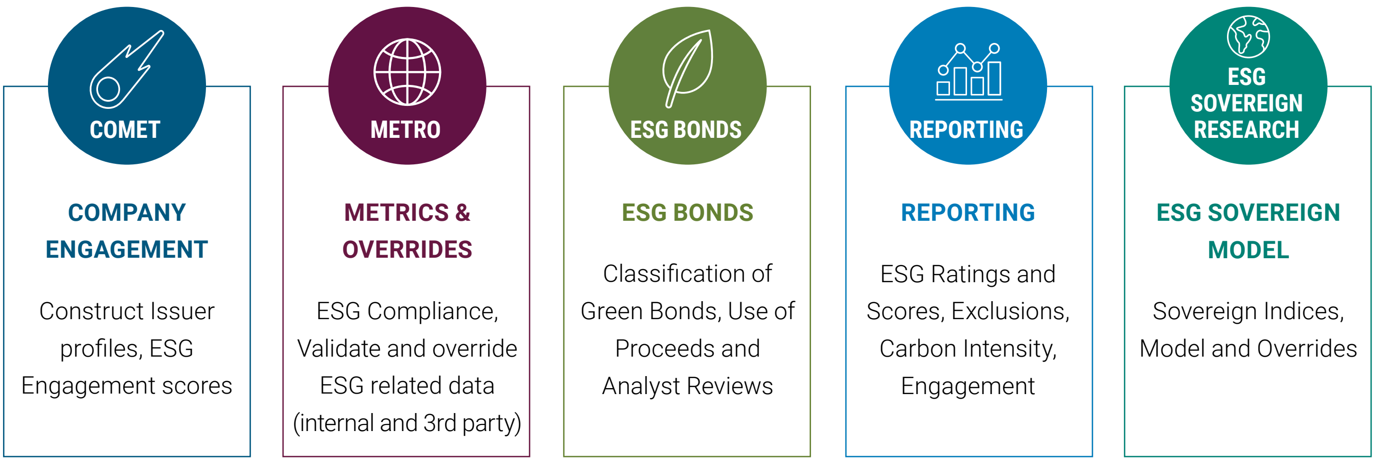
- Facilitating internal, client and regulatory reporting and covering third-party as well as proprietary PIMCO data

ESG Bonds

- Centralising all ESG (green, social and sustainability and sustainability-linked bond information to facilitate ESG bond research

Sovereign Model

- Assessing sovereign issuers on ESG criteria based on bottom-up analysis framework



As of 31 December 2022. Source: PIMCO.

PIMCO also leverages partnerships with select third-party ESG data providers, such as CDP, to guide our engagement with issuers, enabling us to engage firms which have failed to meet emissions disclosure requests to improve transparency. More details on our partnership with CDP and how it is leading to improved emissions data for our clients is available in a case study within Principle 10.

In 2022, PIMCO's ESG Technology team launched **Northstar,** our new proprietary ESG analysis, optimisation, and reporting tool that combines all ESG-related data onto one platform. Northstar offers a wide range of capabilities to provide clients with meaningful and detailed reporting, including TCFD metrics and engagement statistics. Our ESG Technology team, in collaboration with ESG Product Strategy and UK client servicing teams, developed and integrated Northstar into our reporting process, building on continued feedback from our clients to ensure its effectiveness in meeting their needs.

Northstar incorporates industry-leading ESG best practices to provide robust analytics and in-depth insights into portfolio ESG profiles. With capabilities ranging from carbon projections to climate scenario analysis based on various climate risks, we can adjust portfolio positions to align with specific ESG objectives. Northstar also helps to streamline our ESG reporting by allowing for a high level of customisation, consolidation of all reports into a single study, and simplification of the report-sharing process. This results in a more organised and efficient way to present key sustainability data to our clients.

PRINCIPLE 7:

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

At PIMCO, we continue to integrate stewardship through our ESG integration and engagement processes, and continue to evaluate our approach and enhance it where we see opportunities to do so. Whether climate change, income inequality, shifting consumer preferences, regulatory risks, talent management or unethical conduct, ESG factors are important considerations when evaluating long-term investment opportunities. To facilitate this analysis, we seek to continually enhance our proprietary ESG research and scoring frameworks. We believe incorporating these factors should be part of a robust investment process, which ultimately helps to serve our mission as an organisation: delivering strong risk-adjusted investment returns for our clients.

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 where applicable) to make investment decisions. The materiality of ESG considerations in investment decisions varies across asset classes and strategies; materiality is determined by a client's applicable investment guidelines and restrictions. By increasing and diversifying the information assessed by the portfolio management team where material, we believe that we are able to generate a more holistic view of an investment, which we believe will generate opportunities to enhance risk-adjusted returns for our clients.

At the firm-wide level, PIMCO has sought to evaluate key risks and opportunities for the investments we make on behalf of our clients. Our process emphasises rigorous analysis of broad secular trends, many of which are at the core of both global sustainability trends and long-term asset returns, like climate change and income inequality. Our investment process combines top-down and bottom-up analysis to actively manage portfolios, drawing on our regular economic forums, portfolio management, the Investment Committee, and leading research and analytic teams, which uncover risk and identify investment opportunities.

From the top down, PIMCO seeks to identify the major long-term themes that will affect the global economy and financial markets. PIMCO believes that such analysis is fundamental to making sound investment decisions. The firm's annual Secular Forums are devoted to identifying and analysing these longer-term trends. PIMCO blends its macro analysis with detailed bottom-up work. In addition to rigorous fundamental analysis, the firm's global research teams evaluate material ESG factors as part of the research process. PIMCO has developed proprietary ESG scoring frameworks across the major asset classes within fixed income, including corporates, sovereigns, securitised and even sustainable bonds (e.g., green bonds, among other types of sustainable bonds) at the issuance level.

Please see below an illustration of generic ESG indicators and examples of sector-specific metrics used by PIMCO to analyse corporate issuers' exposure to ESG risks as well as practices to mitigate those risks. These metrics are not exhaustive but help us to form a materiality matrix for ESG issues.

	Theme	Issue	Key Performance Indicators & Topics
Environment	Climate Change	Greenhouse Gas Emissions	• Carbon and GHG emissions • Energy management, mix and reserves • Transition risks (market, policy, technology) • Climate strategy for risk mitigation
		Physical Risks and Resilience	• Extreme weather impacts • Adaptation and mitigation
	Resource Efficiency and Natural Capital	Water	• Water security & scarcity • Water use, recycling & efficiency
		Land use and Biodiversity	• Agriculture, forestry, land use change • Soft commodities sourcing and production, including restoration costs
		Waste	• Materials efficiency & process mass intensity • Waste recycling, hazardous waste management • Critical incidents, environmental remediation & fines
		Air Pollution	• Air quality
Social	Human Capital	Human Capital Management	• Employee training, development, & engagement • Attraction, retention & pay equity • Diversity, equity & inclusion
		Human & Labour Rights and Health & Safety	• Occupational health and safety incident rates • Organised labour policies and relationships • Supplier policies on worker rights, health, safety and compulsory labour
		Community & Stakeholder Relationships	• Community engagement & relationship management • Conflict minerals sourcing • Involvement in controversial projects
	Product Health, Quality, Safety & Innovation	Product Safety & Quality	• Product safety & lifecycle management, recall track record • Product liabilities, litigation, controversies and fines • User data policies, data security
		Product Innovation & Wellness	• Products & services tied to secular sustainability trends • Innovation and intellectual capital, dedicated R&D • Social/Inclusive business models ("triple bottom line")
Governance	Corporate Governance	Board, Management & Ownership	• Qualifications, characteristics and oversight & effectiveness, remuneration & succession • Shareholder profiles (majority, family, government, activist), voting rights & proxy access • Conflicts of interest and/or related party transactions
		Business Ethics, Conduct & Culture	• Bribery & corruption, litigation, anti-competitive practices & tax transparency • Regulatory capture and political influence • Code of ethics, corporate behaviour & conflicts of interest • Treatment of customers and key stakeholders, reputation
		Delivery on Business & Balance Sheet Strategy	• Track record in achieving guidance and targets • Controls over capital allocation, share buybacks and distributions • Acquisitions, asset sales, divestitures or other transactions
	Risk Management & Transparency	Risk Management	• Climate / critical incident / systemic / cyber enterprise risk management • Susceptibility to headline risks
		Transparency & Reporting	• ESG data disclosure, accounting practices & audit quality • Internal controls and reporting (timeliness and accuracy) • Communication with key stakeholders (customers, employees, clients, investors)

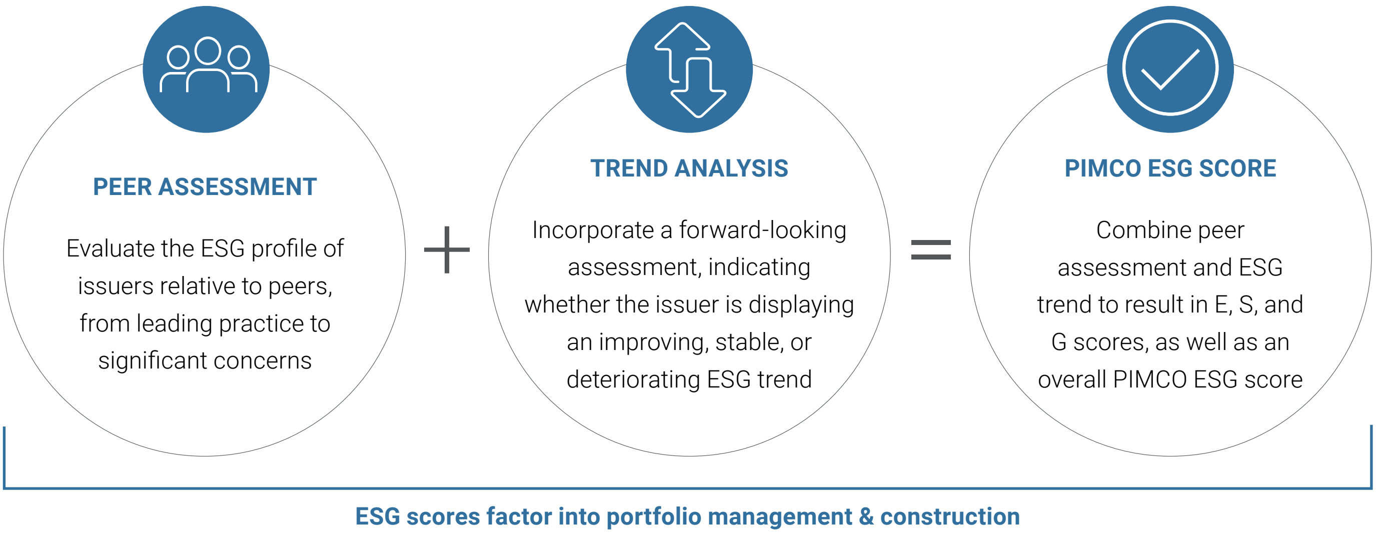
A HOLISTIC AND INTEGRATED APPROACH, NUANCED BY ASSET CLASS

Provided below are details on how PIMCO incorporates ESG into different asset types. Over 2022, we looked to expand our analysis and frameworks in securitised credit, particularly covered bonds. This was driven by our stewardship responsibility towards our clients: for many years, we have appreciated that ESG risks can be material across asset classes, but data issues and disclosure scope and quality, among other issues meant that investment analysis across all asset classes was not always feasible or of high quality – especially when we move away from public corporate credit.

1. SUSTAINABLE INVESTING IN CORPORATES

PIMCO's team of credit research analysts generally assess the ESG profile of the issuers that they cover relative to peers with a goal of separating leading issuers from issuers who are not as advanced on their sustainability journey. Using industry-specific frameworks, analysts review their companies' ESG performance based on information available in public filings, recent news and controversies, as well as through regular engagement with company management teams to assign separate scores for "E", "S", and "G." In determining the efficacy of an issuer's ESG practices, PIMCO will use its own proprietary assessments of material ESG issues. PIMCO also utilises external data providers as inputs and guidance for our scores – however, in the end, PIMCO's resulting assessments are proprietary and distinct from those provided by ESG rating providers. More in detail, PIMCO's ESG scores seek to distinguish between "Leading Practice" issuers and those that raise "Significant Concerns." They also include a forward-looking ESG trend assessment, which recognises companies whose ESG performance is significantly improving or deteriorating. These factors are combined to create a proprietary ESG score in which the relative weighting of the E, S, and G pillars, and the trend assessment, is based on the company's business profile and differences in industry dynamics. For example, the environmental pillar has the highest weight for issuers in extractive industries (e.g. oil, gas and mining), the social pillar has the highest weight for pharmaceutical issuers, and the governance pillar has the highest weight for financial issuers. As the ESG landscape has evolved over time, the investment team continues to evolve and refine this approach accordingly.

PIMCO's proprietary ESG score incorporates our global research team's peer assessment and ESG trend analysis.



As of 31 December 2022.
SOURCE: PIMCO. **For illustrative purposes only.**

Below we detail an example of our ESG integration analysis with regards to the integrated oil sector and a specific issuer, on which we expressed a view to remain underweight in terms of investment grade credit exposure, partially due to our ESG analysis and view.

CASE STUDY: ESG INTEGRATION IN CREDIT SECTORS – INTEGRATED OIL

We remain broadly cautious on the energy sector given its beta to commodity prices and the cyclical nature of the sector. Within the energy sector, we are particularly cautious on integrated oil majors given a variety of secular risk factors, including energy transition risks, ESG concerns, regulation and policy risk, as well as terminal value questions.

Looking specifically at an international oil and gas major with operations across upstream, integrated gas, chemicals and products and renewables, we would note that the issuer's credit profile is challenged by its high exposure to the price volatility in the energy commodity market and its lower reserve life compared to peers. The firm is exposed to environmental risk and has a history of pollution challenges.

Key risks to the name include exposure to oil & gas commodities prices, operations in a capital-intensive industry, and strategic risks in the energy transition.

2. SUSTAINABLE INVESTING IN SOVEREIGN DEBT MARKETS

Moving on to asset classes beyond corporate credit, PIMCO's in-depth, bottom-up sovereign risk analysis assesses financial, macroeconomic and ESG variables. ESG criteria have been an integral part of PIMCO's sovereign ratings analysis since 2011 when we explicitly included variables that measure ESG factors into the PIMCO sovereign ratings model.

Our standalone ESG scoring framework for sovereigns provides valuable input into our sovereign risk scenario assessments and serves as an input for relative value decisions in portfolios that follow ESG strategies and guidelines. In addition to the traditional financial metrics used in sovereign credit analysis, we explicitly score the sovereign on each ESG component and compile a combined sovereign ESG score as shown in the following graphic:

SOVEREIGN ESG SCORES

Emphasis on quantitative metrics to limit subjectivity in cross-country comparisons

E	S	G
CLIMATE RISKS **1/3 weight**	**CIVIL, POLITICAL, LABOUR RIGHTS** **1/3 weight**	**INSTITUTIONAL FRAMEWORK** **1/3 weight**
Dependence on fossil fuels, air quality, biodiversity (marine & terrestrial), deforestation, recycling, water pollution and stress, carbon policy, environmental regulation, climate agreements, climate change vulnerability	Human capital and poverty, living wage, child / forced / informal labour, unlawful killings / torture, arbitrary arrest and detention, freedom of assembly / opinion, gender / minority / sexual rights, discrimination, health and safety rules, collective action	Democratic governance, judicial effectiveness and independence, government effectiveness, regulatory framework and efficacy, criminality and corruption, property rights and contract enforcement, government stability, conflict / terrorism / regional unrest

DATA SOURCES: Third party specialist data sources, International Financial Institutions e.g. UN, ILO, World Bank, and not-for-profit organizations offering ESG and climate-risk assessments

Source: PIMCO. **For illustrative purposes only.**

Over 2022, PIMCO ESG Research Analysts worked on and internally disseminated guidance on how to think about integrating sovereign considerations in the context of corporate and quasi-sovereign issuers' ESG assessments. This is an example of how the ESG Research Analyst team continues to work in partnership with our broader team of credit research analysts such that they are better equipped to evaluate material ESG risks in the names they cover.

Specifically, this framework draws on how a sovereign's ESG practice is an important factor to consider when evaluating a quasi-sovereign or corporate credit's ESG profile. While sovereign analysis is built on a separate framework from quasi-sovereigns or corporates, it remains crucial to acknowledge the interconnection between the two and integrate sovereign considerations into the ESG assessments for quasi-sovereigns or corporates where relevant. Key questions to be asked in the analysis include:

- Would government policies or performance improve or inhibit the environmental and social performance of the issuer?
- Does the issuer commit to targets and/or show performance which is stronger than the sovereign?
- Has the issuer indicated additional effort needed to improve performance in the absence of regulatory support?

CASE STUDY: LEADING ASIAN AUTO MANUFACTURER

For this issuer, labour rights and worker safety is a material factor for the auto sector, but also an area where the issuer's governing sovereign exhibits meaningful weakness. The issuer has demonstrated an improving trend from peer average on labour rights for employees given its well-placed compliance protocol and union presence, improving turnover rate, and clear disclosure. The company also recently signed up to UNGC and fully supports ILO principles. Its performance on human and labour rights in the supply chain is weaker than peers but with improving positive trend given improving oversights on direct suppliers, although further efforts are needed around external audits and coverage of indirect suppliers.

CASE STUDY: PAPER AND PULP PRODUCER

The company's core paper and pulp business creates significant impacts on biodiversity. However the company has improved recently in sustainable forestry credentials, though we continue to flag regulatory risk given the recent focus on environmental protection in the issuer's governing sovereign. This issuer is a good example of how despite the fact that the governing sovereign performs weaker than peers in biodiversity caused by deforestation, it does not necessarily mean that all companies in the sovereign necessarily lag peers on this front. This particular issuer now has a deforestation commitment, for example, and its pulp is sourced from owned or verified sustainable plantations where sourcing is both traceable and audited, meaning ultimately it is better than its peers on the environmental front.

3. SUSTAINABLE INVESTING IN STRUCTURED PRODUCTS

With PIMCO's access to vast loan-level mortgage data, we developed a proprietary responsible investing scoring model for mortgages and made strides in terms of coverage and analysis in recent years. Importantly, we appreciate the fact that the mortgage market is not homogenous and have built analytical frameworks for its different segments. More recently, we have developed frameworks for the ESG analysis of covered bonds and refined our incorporation of ESG analysis for Collateralised Loan Obligations (CLOs). Over 2022, building out a framework for the evaluation of covered bonds was a particular point of focus. PIMCO's ESG framework for covered bond-structures leverages our existing corporate frameworks, such as the one for banks and for real estate: the bank acts as the issuer, and the underlying loans are primarily real estate mortgages. From the bank side, we are interested on the overall corporate sustainability strategy, from its operations but also from its loan book and financing activities. Particularly for covered bonds, we are interested in the mortgage book's climate strategy, climate risk analysis, and exclusions of controversial sectors for example. On the real estate side, we focus mainly on the pool of assets related to the covered bonds, and the underlying mortgage characteristics. Understanding the ESG characteristics (with aspects around energy efficiency certification, share breakdown, and targets – or the social purpose and definition of the program) is relevant to our understanding of whether if the use of proceeds correctly represents the label (Green, Social, Sustainability). Moreover, given that covered bond structures are primarily a European market, we continue to seek to understand the extent to which the issuer discloses information related to the EU Taxonomy.

CASE STUDY: COVERED BOND FRAMEWORK

Below, we outline a materiality-based due-diligence questionnaire that a PIMCO ESG Research Analyst put together to guide the ESG integration process for covered bonds.

Pillar	Theme	Issue	Related Questions:
E	Climate Change, Resource Efficiency & Natural Capital	Greenhouse Gas Emissions, Water, Waste	Does the bank have climate reduction targets? (target, year, base year) Includes Scope 3 emissions? (loan book, financing) and science-based targets? Part of Net Zero Banking Alliance? Are there environmental-related exclusions? Signatory of Equators Principles?
			What is the breakdown/share of the mortgage portfolio, with regards to energy efficiency? (EPC, LEED, BREEAM...) Are there targets related to these breakdowns? Is the bank aligning mortgage portfolio to EU/regional taxonomy?
		Physical Risks and Resilience	Is the bank doing climate risk analysis? (incl. scenario analysis?) Following TCFD recommendations and reporting? What are climate risk exposures of the mortgage portfolio?
S	Human Capital	Human Capital Management	Are there any controversies related to human capital management (workforce related)?
		Community & Stakeholder Relationships	Is the bank involved in controversy sectors? Is the bank providing mortgages with a social angle? (affordability, social housing) Is the bank having exposure to themes like SMEs, education, social inclusion, etc?
	Product Health, Quality, Safety & Innovation	Product Safety & Quality	Are there controversies related to products (loans, etc)? Are there controversies related to mortgage programs? Are there controversies in relation to data privacy and breaches?
		Product Innovation & Wellness	Does the bank have green loan products? What % and future targets? Does the bank count with ES screening, analysis and exclusions, to avoid exposure to controversial sectors?
G	Conduct & Culture and Business Ethics	Business Ethics & Risk Management	Are there any controversies related to management practices? (i.e. past fines and litigation / regulatory enforcement actions / complicated ownership) Are the explicit links between compensation and sustainability targets?
	Covered Bond	Structure	Is the covered bond program providing best-in-class provisions for investors? Is the issuer part of the EU Covered Bond Label? If yes, is the issuer disclosing via the HTT (Harmonized Transparency Template), including energy efficiency and EPC labels?

We outline our approach to the ESG evaluation of other areas of the securitised credit market below:

Agency Mortgage Backed Securities (MBS):	Our ESG research model is based on pool-level characteristics and data we have collected over decades of studying mortgages. For non-government-guaranteed mortgages (Non-Agency MBS), our quantitative analysis is loan-level-based and again draws on a huge set of data PIMCO's mortgage team has gathered since before the financial crisis.
Commercial Mortgage Backed Securities (CMBS):	In order to analyse Agency and Non-Agency CMBS, PIMCO developed a framework with a focus on environmental criteria, specifically on industry standard Silver / Gold / Platinum LEED and Green certifications on properties to differentiate sustainably built structures. From a social standpoint, analysts have been evaluating the health and safety measures taken post-COVID for the tenants, and from the governance side, we are looking at the underlying ESG scores of the owners of the building. Similar to the residential side, green securitisations remain a small part of the market issue by Fannie Mae and Freddie Mac. However, in their annual outlooks, there is an explicit shift to target more green loans, and so we expect green-labelled Agency CMBS to be a growing market going forward. We also look to promote underserved communities and affordable lending, such as through low-income multifamily loans issued by Fannie Mae and Freddie Mac.
Asset Backed Securities (ABS):	Given the heterogeneous nature of ABS, we have developed a framework to make sure we are approaching analysis in the same manner across various ABS subsectors. PIMCO's proprietary framework focuses on each pillar of E/S/G, leveraging the social framework constructed for Non-Agency MBS and expanding upon it with the addition of environmental and Governance criteria. For the Environmental criteria, our framework emphasises ABS that are promoting investment in renewable energy production, storage, and utilisation. We look to capture the positive impact of electric vehicles, solar panels, power storage, and other green energy-focused endeavours. On the social side, our goal is to improve affordability and home ownership through responsible lending. We look to encourage responsible lending to consumers and small businesses, and identify and limit investment in predatory lending practices. Lastly, for governance, we aim to avoid those with high risk servicer behaviour such as recent servicer headline risk.
Collateralised Loan Obligations (CLOs):	For PIMCO's CLO analysis, our analysts map existing loan-level ESG scoring to CLO collateral to produce CLO trust-level scoring. We supplement loan scoring with sector scoring for unscored CLO holdings. Here, we look to leverage the bottom-up ESG research of PIMCO credit analysts and the bank loan team to evaluate each loan collateralising the transaction on all three metrics (E/S/G). With this loan-level analysis, PIMCO discourages overly-aggressive management and non-transparent structures when selecting what will be included in a portfolio that follows ESG strategies and guidelines. Further, as CLOs are not a static pool of loans, we continue to monitor the underlying loans over time and are working to create pools that have positive ESG scores and stay that way.

4. SUSTAINABLE INVESTING IN THE U.S. MUNICIPAL BOND MARKET:

We consider issuer-level ESG factors across municipal bond issuers to better understand the risks and opportunities inherent in our bond selections. The municipal market is vast and diverse, with issuers ranging from states and cities to enterprises such as higher education institutions, airports, and continuing care facilities. Analysts use proprietary frameworks to evaluate material ESG risks specific to each municipal sector, as well as identify ESG leaders within each sector.

Analysts review municipal issuers' exposure to ESG factors through information available in public filings, recent news, and third-party data sources. These factors are then combined to create a proprietary ESG score utilising the relative weighting of the E, S, and G pillars, and the expected trend going forward for that issuer. Issuers who have significant exposure to material ESG risks and lack mitigating factors to combat those risks would typically have lower ESG scores, while issuers who are exposed to fewer risks and are leaders in making progress on ESG issues, such as through greenhouse gas reduction measures, would typically have higher ESG scores.

Environmental risk includes exposure to physical climate risks as well as risks associated with the transition off fossil fuels, such as significant tax base reliance on the fossil fuel industry. Additional environmental risks could include exposure to water stress or environmental compliance concerns for sewer utilities. Typical social risks involve vulnerability of the tax base, which could be due to factors like a declining population or high poverty levels for cities and counties, or low graduation rates for higher education sectors. Governance risks generally include an assessment of how the issuer has managed its long-term liabilities such as debt and pensions, as well as overall management practices.

CASE STUDY: U.S. MUNICIPAL ESG EVALUATION

ENVIRONMENT

Environmental risks are not a significant concern for this U.S. State. The State is naturally more resilient than other parts of the country on some fronts, having abundant water supplies. Primary immediate physical climate-related risks that the State is facing are increased precipitation, which can cause some increased flooding, and fewer cold days in the winter, which can reduce the time that lakes are frozen over for recreational activities, as well as increase pests/disease among trees and wildlife as certain pests/disease need very cold days to die off over the winter. From a transition risk perspective, the State has minimal GDP exposure to fossil-fuel extraction and its general operating budget does not rely on oil/gas-related revenues. Carbon intensity is comparable to that of the US overall. The State has made some commitments around climate change, including a law to reduce greenhouse gas emissions by 30% by 2025 (from 2005 levels) and by 80% by 2050, though the state missed the goal of a 15% reduction by 2015 and is not on track to meet the 2025 goal. The governor has established a Climate Change Subcabinet, bringing together various State agencies to get back on track to meet the goals, as well as a Governor's Advisory Council on Climate Change. One of the newer measures includes adoption of clean car standards by the state, which will increase the number of plug-in hybrids and electric vehicles available to consumers within the State starting with model year 2025.

SOCIAL

Social risks are not a significant concern within the State. The State's demographic profile is strong, and it leads other states in measures of social progress. The State has continued to experience strong population growth in recent censuses, seeing 8% growth from 2010 to 2020. Income indices are above average, with median family income at 110% of the U.S. The State's old-age dependency ratio is identical to the U.S. as a whole with 25% of its population 65+ compared to the working age population.

GOVERNANCE

Governance risks are not a significant concern for the State, though we note that the State has at times had budget impasses and stand-offs. When they have occurred, the State has rectified them in a timely manner and not experienced material impacts in credit quality because of them. The State has been proactive about passing legislation in recent years to increase pension funding, and its pension and OPEB obligations are at manageable levels, surpassing expected contribution levels in recent years.

For further information on our engagement framework and examples, please refer to Principles 9-12.

PRINCIPLE 8:

Signatories monitor and hold to account managers and/or service providers.

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As an asset manager, we have continued to focus primarily on the monitoring of data providers, as opposed to service providers – which would be most relevant to asset owners.

As part of PIMCO's investment process, we screen substantial amounts of external research; however, the firm relies primarily on internal research for decision making. External research can help PIMCO understand and anticipate the views and opinions of market participants, which in turn helps the firm gauge market sentiment and trends. External research sources used as input into PIMCO's internal efforts may include, among others: banks; sell-side research brokers; and independent research providers. PIMCO evaluates the use of data providers across a variety of criteria which is detailed below, on at least an annual basis. As well as day-to-day portfolio management considerations, this data is used to design, construct and meet client guidelines (for example, maximum limits in ESG-sensitive sectors, or minimum ESG scores from external providers).

Importantly, the data points provided by external data providers are one of many factors in PIMCO's ESG analysis of issuers, the outcome of which is a proprietary ESG assessment and score that may differ significantly from that of other research providers. At PIMCO, we have built this proprietary scoring so as to not primarily rely on external providers and to ensure that the insights and expertise of our credit analysts are reflected in the ESG profile of issuers.

In selecting its data providers, PIMCO evaluates a range of criteria including:

- Area of specialisation, in terms of asset class
- Market coverage
- Data quality
- Data scope
- Methodologies used
- Pricing
- Capacity to integrate with PIMCO's IT systems

When reviewing third-party data providers, we conduct a number of checks to ensure data reliability and accuracy (such as comparing similar metrics from different providers, as well as other sources like company reports).

Specifically for ESG data, we regularly evaluate providers that may add additional input into the in-house analysis conducted by our credit, sovereign and mortgage analyst teams. Our current ESG data providers include:

<table>
<tr><td>Bloomberg</td><td>MSCI</td><td>RepRisk</td></tr>
<tr><td>TruCost</td><td>CDP (Carbon Disclosure Project)</td><td>SBTi</td></tr>
<tr><td>TPI</td><td>Freedom House</td><td>MapleCroft</td></tr>
<tr><td rowspan="2">Haver</td><td rowspan="2">Moody's</td><td>RisQ</td></tr>
<tr><td>CBI (Climate Bonds Initiative)</td></tr>
</table>

Further, data in our systems is not only limited to subscriptions to data providers. We also look at data and rankings available across different platforms including data sourced from the NGO sector. Examples of sources here include: Forest 500; Forest and Finance; Sustainability Policy Transparency Toolkit (SPOTT); the Ocean Health Index; and Exploring Natural Capital Opportunities, Risks and Exposure (ENCORE). We have also reviewed data sets from the Natural History Museum, Global Forest Watch, Yale and the World Bank.

Please also refer to Principle 2 for details on our newly formed ESG Vendors Committee.

CASE STUDY: PHYSICAL RISK DATA IN CLIMATE ANALYSIS

Physical risks represent both short-term and long-term risks, with exposure to acute events in the near term, such as flooding, wildfire, and hurricanes, and the expectation of long-term changes to communities from permanent sea level rise, temperature change, extended droughts, damage from acute events, and other physical impacts. This area of research has been growing in importance as new models and techniques emerge to better account for potential physical risk impact on portfolios. PIMCO research, open data sources, and academic literature help evaluate the possible materiality of physical risk for sovereign and sectors, but PIMCO determined additional data procurement was needed to inform engagement and investment decisions. PIMCO carried out an exercise to evaluate data providers on their physical data and ultimately narrowed it to two leading candidates with the selected vendor delivering better coverage and model flexibility than competitors. This being said, physical risk data coverage remains challenging for all market participants and is an area that PIMCO consistently monitors for developments.

The following table provides an illustration of how certain factors (such as data coverage and assessment of both direct and indirect risks) allowed us to differentiate some of these providers.

	PROVIDER 1	PROVIDER 2
SPECIALISATION		
Corporates	X	X
Sovereign / Sub-sovereign		X
Available in the future?		
OUTPUT		
Scoring	X	X
Available in the future?		
Climate VaR/PD/probabilistic metrics	X	
Available in the future?		X
Raw financial Metrics		
EVALUATION		
Number of Companies	3	4
Number of Assets	5	3
Number of hazards	3	3
Forward-Looking climate hazards	4	5
Sensitive Modelling	4	3
Broad Value Chain *(upstream-Supply Chain risk & downstream-Market risk)*	5	1
Available in the future?		
Final Score	4.07	3.53

Source: PIMCO. **For illustrative purposes only.**

Data points on metrics such as absolute carbon emissions and carbon intensity that help support our evaluation are primarily sourced from external data providers. As such, ensuring that our data providers have the ability to support our stewardship activities is crucial.

Below we detail an example on how we do this by putting the utmost importance on the accuracy of data and evaluating data we receive from external sources.

CASE STUDY: CORPORATE DATA PROVIDER

With corporate issuers, we use many data providers including MSCI, which provides input across a variety of fronts including scores, revenues from certain business activities and carbon figures. We look to keep track of data quality from such providers and PIMCO analysts regularly query and discuss data points in detail with external providers, to gain clarity on data points and methodologies. We take an active and thorough approach to reviewing data. We have, in the past, challenged external providers' metrics as well as their qualitative assessment of companies.

For instance, in the last year, we once noted that a key data provider reported data that looked inaccurate upon our analysts' further scrutiny on a multinational conglomerate port developer and operator. When PIMCO analysts could not reconcile the reported figures with numbers in the data provider's report, we queried this, flagging inconsistencies and asking the provider to outline the data-checking and sourcing process. Following PIMCO's engagement, the provider noted the inaccuracies, reviewed the data sources, and also looked to estimate certain missing data in a more granular fashion.

Broadly, our selection of data providers in the corporate space and across asset classes integrate considerations of data quality, scope coverage, methodologies use and pricing among other factors (as further outlined in Principle 8). Ultimately, we seek to utilise data providers that help us best meet our responsibilities of stewardship for our clients assets.

PRINCIPLE 9:

Signatories engage with issuers to maintain or enhance the value of assets.

As a leading asset manager, PIMCO has a large and important platform to engage with issuers to drive meaningful change on sustainability dimensions. Importantly, we prioritise engagement where financial exposure, influence and thematic exposure are the greatest. 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 changes that may benefit all stakeholders, including investors, employees, clients, society and the environment.

As outlined in Principle 7, we believe that collaborating with and allocating capital toward issuers willing to improve the sustainability of their practices can generate a greater impact than simply excluding issuers with poor ESG metrics. Our approach seeks to be more inclusive and active, and we are conscious that change does not always come easily or smoothly. That is why, for us, an active hands-on engagement program is key to driving change.

The objective of engagement at PIMCO is to influence change, improve returns and reduce risks for our clients. Material ESG factors are those ones that could have a significant impact (either positive or negative) on the issuer's business model, and as a consequence can influence the overall performance of the investment. Materiality plays an important role in determining how we prioritise our engagement activity. We believe that bondholder engagement in the research phase is critical to understanding the risk and reward profile of an issuance and ultimately making buy/sell decisions. At present, our engagements are focused on the corporate and sovereign asset classes, though we have engaged on structured credit issuances and with municipal issuers and we continue to work to expand our coverage of asset classes.

Engagement refers to any interaction[14] with issuers, in which PIMCO requested details on their business relating to an ESG topic[15] (e.g. climate change/emissions, human capital management, liquidity / leverage targets / balance sheet management, controversies or potential litigation, management changes, improved disclosure).

PIMCO'S APPROACH TO CORPORATE BOND ENGAGEMENT: OUR FRAMEWORK

We aim to have a premier engagement program within fixed income. By investing in corporates willing to improve their ESG practices, we believe we can drive greater change than through exclusions alone. Our goal is not just to find the best opportunities in the market, but to create them for investors by engaging with issuers. While PIMCO does not claim that our engagement was the sole factor driving changes made by these companies, we do believe that our engagement and our sizable active holdings may have influence on the scope or timing of the commitments made by issuers, as well as the disclosures that those issuers will report to investors.

PIMCO identifies the top three to five ESG topics for each company based on our internal ESG assessment, external ESG data, research by Non-Governmental Organisations (NGOs), and expertise input from collaborative initiatives. PIMCO initiates engagement by setting up meetings or calls with the company with specific questions identified as material. Our goal is to maintain a constructive and ongoing dialogue by providing specific recommendations and references and setting regular follow-up where appropriate. PIMCO also leverages collaborative engagement to amplify our reach and reinforce the message.

PIMCO often initiates engagement through discussions with an issuer's investor relations and sustainability teams. We also raise inquiries during roadshows and investor calls. When appropriate, our team also requests meetings with management and/or board members and ensures that our stewardship is well communicated across the firm.

14 ESG-related interaction refers to any conversation PIMCO analysts have with issuers including email exchanges, deal or non-deal roadshows, calls or meetings at conferences, bilateral or small group calls or meetings. These interactions do not need to be dedicated to ESG, provided any ESG topics are discussed with the issuers during the interaction.

15 The list of ESG topics are defined in PIMCO's internal ESG Taxonomy, including topics for Environment (e.g. Greenhouse Gas Emissions, Waste), Social (e.g. Human Capital Management, Human and Labour Rights and Health & Safety) and Governance (e.g. Broad, Management and Ownership, Business Ethics, Conduct & Culture).

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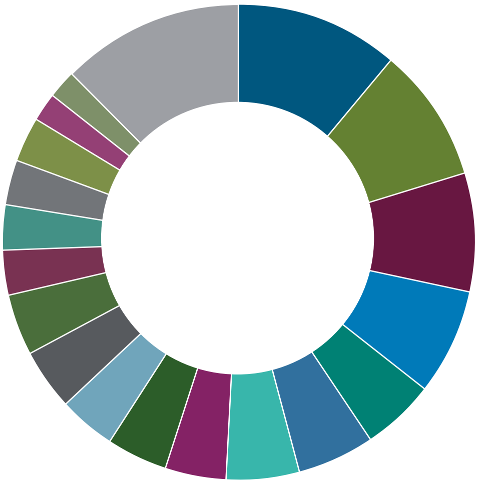
HOW WE ENGAGED IN 2022

As outlined in Principle 1, in 2022 PIMCO analysts engaged about 1,370 corporate bond issuers[16] across a range of industries and regions on ESG topics; more than 650 of these issuers were substantially engaged, including in-depth discussions and specific recommendations on ESG performance shared by our team. Since 2020, PIMCO has been consistently engaging with approximately 80% of our corporate AUM, of which 50% – 60% is covered by in-depth engagement.

PIMCO Engaged Corporate Issuers Across All Major Industries

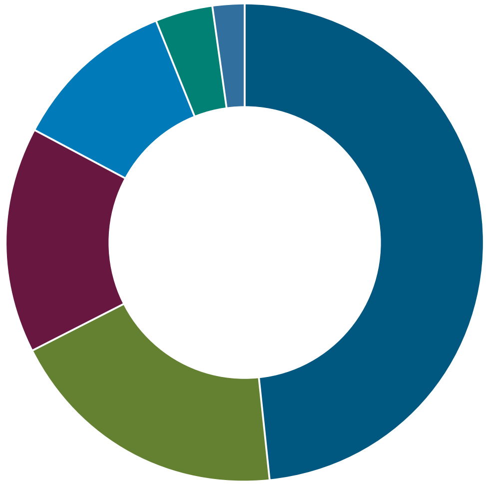
- Utilities 11%
- Banking 9%
- Raw Materials 8%
- Energy 7%
- Insurance 5%
- Transportation 5%
- Technology 5%
- Finance Companies 4%
- Food 4%
- Brokerage 4%
- REITS 4%
- Pipelines 4%
- Automotive 3%
- Healthcare 3%
- Construction 3%
- Telecom 3%
- Entertainment 2%
- Retail 2%
- Other 12%



Source: ESG engagement activities by PIMCO analysts, Jan 1-Dec 31, 2022. Other includes manufacturing, media, industrial services, consumer products, consumer services, EM sovereigns, developed sovereigns, municipals, mortgages, and other sectors.

PIMCO Engaged Globally Across Developed and Emerging Markets

- North America 48%
- Europe (EMU) 19%
- Asia 15%
- Europe Non-EMU/ Africa 11%
- South America 4%
- Australia 2%



Source: ESG engagement activities by PIMCO analysts, Jan 1-Dec 31, 2022

PIMCO Engaged Corporate Issuers Across a Range of ESG Topics

ENVIRONMENT 24%

- Air pollution Environment
- Waste
- Water
- Greenhouse Gas Emissions
- Land Use and Biodiversity
- Physical Risks and Resilience

ESG BONDS 9%

GOVERNANCE 57%

- Board, Management and Ownership
- Business Ethics, Conduct and Culture
- Delivery on Business and Balance Sheet Strategy
- Risk Management
- Transparency and Reporting

SOCIAL 10%

- Community and Stakeholder Relationships
- Human & Labour Rights and Health & Safety
- Human Capital Management
- Product Innovation and Wellness
- Product Safety and Quality

Source: ESG engagement activities by PIMCO ESG analysts, 1 January – 31 December 2022.

Note: Engagements may cover more than one theme per issuer.

16 Refers to ultimate parent entities, which year-on-year figures are subject to changes in PIMCO's internal entities mapping.

As outlined previously, we prioritise engagement where financial exposure, influence and thematic exposure are the greatest. In 2022, we deepened our engagements across four main themes as relevant and material to priority issuers: Climate change, human rights, human capital and natural capital. Building onto the thematic focus noted in our previous UK Stewardship Code Submission and Report, the key actions noted below are particularly important for us to assess an issuer's long-term resilience against ESG risks:

- **Ambitious goals and credible implementation plan on climate, notably on methane and emissions reductions in the real economy**

  We continue to follow up on thematic engagement previously highlighted in our 2021 UK Stewardship Report, such as net zero strategy with banks, methane with energy companies and climate strategy with national oil companies. While credible target setting and disclosure continue to be a priority for some issuers, our 2022 engagement on climate further expands on credible transition plan across high-risk sectors such as energy, power, automotive, banks, etc. Key engagement topics include, but are not limited to: emissions reduction and capital allocation trajectory by key decarbonisation levers; suppliers or customers' engagement; embedding climate risks in core business risk management; and executive remuneration to ensure consistent implementation across the business.

- **Thorough due diligence on human rights risks embedded across their value chain**

  One of the prominent themes of our human rights engagement is responsible sourcing, including but not limited to: responsible minerals; forced labour; working conditions, etc. We discussed best practices with issuers in high-risk sectors, stressing the importance of committing to important international principles on human rights, robust due diligence processes, disclosure on the process and findings of a grievance mechanism (including both in operation and the supply chain), regular third-party audits in conjunction with an issuer's own investigation on supplier's performance or controversy, clear and time-bound processes to handle supplier's non-compliance to human rights obligations, etc. PIMCO deepened our engagement with high-risk issuers in 2022, focusing on human rights risks in raw material sourcing, and steps taken to increase traceability and secure stable, conflict-free supplies, and transparency in monitoring supplier adherence to human rights protocols. While we see improvement on commitment and disclosure among issuers in Europe and North America, there is room for improvement for Asia Pacific issuers to formalise a robust supply chain sustainability program with a dedicated focus on human rights, in line with international standards and best practices.

- **Effective, transparent and inclusive human capital strategy for talent retention**

  In our U.S. engagements, we have prioritised companies with large hourly employee bases, and companies in sectors that have previously presented challenging working environments for women, people of colour and other historically excluded/marginalised populations. Sector priorities have included consumer discretionary sub-sectors such as retail and restaurant franchises, consumer staples sub-sectors (food and personal products producers), and IT subsectors (e-commerce and telecommunications). As a result of numerous headlines alleging concerns over freedom of association in 2022, our approach to engagement is to broaden the talent retention discussion to include supplemental or "quality of work" benefits that employers may consider. The goal of these engagements is to help improve company's relationships with its stakeholders and encourage thoughtful approaches that may mitigate the risk of negative headlines, high employee turnover, and work stoppages.

- **Solid understanding of impact and dependency on natural capital (e.g. deforestation, water, biodiversity)**

  We continued our engagement related to nature in 2022 in sectors where there are emerging and material risks such as: water risks management and target setting; Taskforce on Nature-related Financial Disclosures (TNFD); regulatory risks regarding biodiversity; deforestation in sectors such as energy, chemicals, metals & mining, food & beverages, retail, banks, etc.

Please see our <u>2022 Sustainable Investing Report</u> for more details on these themes. Taking a risk-based approach, effective and timely management of key ESG issues highlights issuers' risk management quality and long-term business resilience. We also acknowledge that the engagement progress may take time to materialise, and we aim to monitor and adjust our engagement strategy accordingly over time.

ENGAGEMENT CASE STUDIES:

GOVERNANCE

PACIFIC GAS AND ELECTRIC COMPANY (PG&E)

Background: Climate resilience is one of the most prominent issues faced by the utility sector. After going through multiple destructive wildfire seasons since 2018, PG&E suffered significant financial losses, reputational damage, and regulatory action, leading to meaningfully wider spreads and exclusion from much of the sustainable investment universe due to a UN Global Compact "Fail" status issued by MSCI.

Engagement: PIMCO's ESG and credit analyst teams worked with PG&E over a number of years. PIMCO worked alongside its sustainability and climate resilience team on climate adaptation best practices and continued improvements for climate resilience disclosure and actions.

Progress to date: PG&E has met its climate resilience targets and committed to future multi-year targets, and MSCI removed its 'Fail' status on the issuer in 2022. While the progress aligns with our view on key next steps for improvement, we will continue to monitor uncertainty in the effectiveness and residual risks in PG&E's adaptation measures, given the multi-year horizon and cyclical nature of climate physical risks. We expect continuous conversations with the issuer as it continues to strengthen climate resilience and rebuild its financial strength and reputation.

ENVIRONMENT

STATE-OWNED OIL & GAS COMPANY IN LATIN AMERICA

Background: PIMCO has engaged the issuer over the years, on topics including methane emissions reduction and climate disclosure through a collaborative engagement initiative and bilaterally, corresponding to our thematic engagement with national oil companies on climate.

Engagement: As part of the engagement group, we had in-depth discussions with the company about its role in supporting the country's energy transition while maintaining resilience across various climate scenarios. We highlighted the need for greater transparency in line with TCFD and accelerating reduction of methane emissions through direct measurement. In the past two years, the company has made considerable progress in climate disclosure on Scope 3 emissions, scenario analysis methodology and findings, capital expenditure (CAPEX) for low-carbon business, etc. The company is also relatively advanced on methane compared to peers, by joining the Oil and Gas Methane Partnership 2.0 in 2022, and providing clear disclosures.

Progress to date: Building on the progress made so far, PIMCO will continue to encourage the company to further align its methane effort with best practices and address other areas of its climate strategy, such as climate physical risks, credible transition plan, just transition, etc.

The examples above are presented for illustrative purposes only, as general examples of PIMCO's ESG research and engagement capability and are not intended to represent any specific portfolio's performance or how a portfolio will be invested or allocated at any particular time. PIMCO's ESG processes may yield different results than other investment managers' and a company's ESG rankings and factors may change over time. All data is as of 31 December 2022, unless otherwise stated.

ENGAGEMENT CASE STUDIES:

ENVIRONMENT

US OIL & GAS E&P AND MIDSTREAM COMPANIES

Background: Methane emissions from oil and gas production significantly contribute to global warming, but could be reduced in cost-effective ways, potentially helping mitigate a significant transition risk. PIMCO has engaged dozens of companies on the need to reduce methane emissions, where according to the International Energy Agency,[17] around 40% of these emissions could be avoided at no net cost.[18] Reducing emissions could also help operators remain competitive against tightening regulatory regimes outside the U.S.

Engagement: PIMCO has been engaging extensively with 50+ U.S. energy companies on their approach to methane emissions abatement. We have discussed setting aggressive targets, documenting emissions abatement performance, measurement-based emissions reporting (including direct and indirect emissions along the value chain), and adopting industry-leading standards for disclosure. Nearly all companies acknowledged the importance and benefits of better methane management and are assessing next steps following our discussions. Specifically, we have asked each of them to consider joining the Oil and Gas Methane Partnership 2.0, which we view as a highly credible and comprehensive measurement framework created by an independent third party to ensure accurate measurement of their methane emissions and reduction progress.

Progress to date: Since our engagements EOG Resources, Occidental Petroleum, ConocoPhillips, Williams, Pioneer Natural Resources, and Cheniere Energy have all joined OGMP 2.0, and committed to achieving the "Gold Standard" of emissions measurement and disclosure.

VOLUMETRIC BUILDING COMPANY

Background: Volumetric Building Company (VBC) is a modular construction company. A core part of VBC's value proposition is the sustainability profile of its business model, however, data regarding the environmental performance of both its construction and completed assets had not been formally quantified. Market expectations for sustainability or ESG-themed investments include quantitative environmental and social data points.

Engagement: Working with VBC's senior leaders, PIMCO discussed and provided guidance on sustainability priorities that are most immediately material. Our discussions included the undertaking of a Life Cycle Assessment by an external consultant, the hiring of personnel, and improvements for climate risk disclosure.

Progress to date: A "whole life embodied carbon" (total carbon emission analysis throughout a built asset's lifespan) was conducted in the form of a Life Cycle Assessment on a building recently constructed by VBC. The results demonstrated significant carbon reductions versus other construction methods (61% – 65% versus U.S. benchmarks from a whole life carbon perspective)[19] – a key value proposition for the company. The results also confirmed additional opportunities for VBC to reduce the embodied carbon its products, which are estimated to provide additional input and transportation cost savings.

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17 As of 31 December 2022. Research conducted in 2020 and the engagements are ongoing to date.

18 Sources: International Energy Agency, "Methane Tracker 2020": https://www.iea.org/reports/methane-tracker-2020. Ilissa B. Ocko et al., "Acting rapidly to deploy readily available methane mitigation measures by sector can immediately slow global warming" (Environmental Research Letters, Institute of Physics, May 2021): https://iopscience.iop.org/article/10.1088/1748-9326/abf9c8

19 Source: PIMCO internal materials, as of 31 December 2022.

ENGAGEMENT CASE STUDIES:

SOCIAL

SANTANDER USA

Background: PIMCO has a long track record of engagement with Santander entities on ESG topics and provided detailed feedback on the framework for its inaugural sustainability bond from its U.S. entity (SANUSA).

Engagement: PIMCO discussed the structure of the bond with Santander, including the appropriateness of including subprime auto loans. Eligible Projects in its sustainability bond use of proceeds also highlighted PIMCO's best practice guidance for sustainable bond issuance, including the importance of alignment to the UN-adopted Sustainable Development Goals (SDGs) and we provided feedback on the impact metrics for Affordable Housing and Clean Transportation.

Progress to date: The company issued a sustainability bond in September 2022 with the use of proceeds, targeting primarily net new lending for electric vehicles (EVs) and EV infrastructure. The bank pledged to allocate only prime-rate loans to the UoP and will track EV lending across FICO groups. We plan on monitoring progress on the use of proceeds and the funded projects, as well as the company's impact disclosures and any additional ESG-labelled bond issuances.

EMERGING MARKET SOVEREIGN

Background: PIMCO regularly engages with the issuer on its coal phase-out plan and just transition, which focuses on the shift of economies toward sustainable production in terms of social equality and justice, as well as, climate mitigation efforts, deforestation, and addressing market noise on a potentially controversial labour law.

Engagement: Our team discussed the plan and challenges for its coal phase-out plans and challenges and the need for both public and private sector coordination given the legal nature of new coal contracts. While it highlighted the collaboration with national oil companies to align its climate strategy with the country's nationally determined contribution to the Paris Agreement, PIMCO encouraged it to consider providing more transparency on this work and implementing a joint mechanism on climate mitigation. Regarding deforestation, we discussed the steps the government is taking to fill some of the policy implementation gaps via government taxes and levies and the emissions trading system (ETS). We also discussed its just transition plan and main components, such as power sector emissions peak by 2030, sector emissions caps and accelerated deployment of renewables. We also discussed next steps in advancing a commitment to creating quality jobs and protecting livelihoods and communities with the help of international cooperation.

Progress to date: PIMCO mentioned some concerns on possible environmental deregulation and softening of worker protection measures that stemmed from a recent policy proposal. Despite government intention to strengthen environmental standards and law enforcement with the proposed legislation, we intend to continue conversations with the issuer as part of regular country due-diligence and engagement efforts on material ESG topics and labelled bonds issuance.

The examples above are presented for illustrative purposes only, as general examples of PIMCO's ESG research and engagement capability and are not intended to represent any specific portfolio's performance or how a portfolio will be invested or allocated at any particular time. PIMCO's ESG processes may yield different results than other investment managers' and a company's ESG rankings and factors may change over time. All data is as of 31 December 2022, unless otherwise stated.

PRINCIPLE 10:

Signatories, where necessary, participate in collaborative engagement to influence issuers.

Our effort on collaborative stewardship through engagement includes both joining other investors in outreach to companies as well as developing and shaping ESG guidance for companies alongside industry groups. Below details only a small subset of the initiatives that PIMCO has developed or led to drive sustainable finance in fixed income. More are available in Principle 4. For a more exhaustive list of PIMCO's industry affiliations, please refer to Appendix III.

Below we outline cases of collaborative engagement carried out over 2022, which focused on various environmental and social topics.

INSTITUTIONAL INVESTORS GROUP ON CLIMATE CHANGE (IIGCC) NET ZERO ENGAGEMENT WITH BANKS

Since 2021, PIMCO joined the collaborative engagement initiative organised by IIGCC.

- **Background:** Building on the Transition Pathway Initiative's Net Zero Banking Assessment Framework, PIMCO participated in joint discussions with other investors and banks to discuss their disclosure and implementation strategy towards Net Zero targets.
- **Engagement:** PIMCO has been leading or supporting the engagement with more than 20 global banks on implementing their carbon emission strategy and alignment with the Paris Agreement. We shared our view and recommendations on setting time-bound expectations in lending policy in line with the Paris Agreement, clarifying the timeline and scope of interim targets, transparent approaches to assess and engage clients on credible transition, linking climate targets to compensation, and so on.
- **Progress to Date:** We see incremental progress by banks on additional sectoral targets announced, updated energy policy further in line with Net Zero pathways, and some convergence towards assessing clients' transition progress. However, there remains room for improvement in the criteria for their credible transition assessment, target setting and disclosure for facilitated emissions, consistent client engagement strategy and outcome disclosure. The group will continue to engage with these banks based on the next updates of the Net Zero Banking Assessment Framework to be released in the second half of 2023.

PRI ADVANCE HUMAN RIGHTS ENGAGEMENT

In 2022, PIMCO joined the Advisory Committee and engagement groups to support collaborative engagement on human rights.

- **Background:** Active participation in this initiative helps us highlight the relevance of human rights risks to issuers. It may also enable us to amplify our human rights risk-management where our influence over issuers may be less than ideal. Our goal is to deepen our engagement efforts under the social pillar, and to some extent governance, and balance those efforts alongside climate and environment.
- **Engagement:** As part of the Advisory Committee, PIMCO provided input to shape the development and governance of the initiative. Key engagement priorities for the initiative include implementation of the United Nations Guiding Principles on Business and Human Rights (UNGPs) – a universal framework of corporate conduct on human rights, alignment of corporate political engagement with their responsibility to respect human rights, and increased progress on the most severe human rights issues within their operations and externally across their value chains.[20]
- **Looking Forward:** Engagement will commence in the first half of 2023 with shortlisted companies in the renewable and mining sector. PIMCO will lead or support upcoming engagement with six issuers (i.e. Southern Co, NextEra Energy, Duke Energy, Rio Tinto, Vale SA, and AngloGold Shanti).

20 Source: https://www.unpri.org/investment-tools/stewardship/advance/engagement-approach

CDP NON-DISCLOSURE CAMPAIGN

In 2022, PIMCO joined the CDP'S Non-Disclosure Campaign to encourage better ESG disclosure.

- **Background:** Formerly the Carbon Disclosure Project, CDP is the world's largest, most comprehensive dataset on environmental action, empowering investors to make more informed decisions. Each year CDP supports thousands of companies and state entities to measure and manage their ESG risks and opportunities.
- **Engagement:** PIMCO supports the development of enhanced corporate disclosure regarding alignment with the Paris Agreement and the UN's Sustainable Development Goals (SDGs). We see CDP as a key source of data on opportunities for ESG investment and how corporates respond to ESG trends. We continued to support the Non-Disclosure Campaign in 2022 by leading or supporting the outreach to more than 15 issuers to encourage disclosure through CDP. This campaign offers investors the opportunity to engage companies that have received a CDP disclosure request but have not provided a response.
- **Progress to Date:** CDP's 2022 Results report stated the disclosure rate for companies targeted by this initiative increased from 25% in last year's campaign to 28%. Specifically 31% of the companies through which we supported engagement via this campaign submitted their response to CDP in 2022.

ACCESS TO NUTRITION INITIATIVE (ATNI)

PIMCO joined ATNI in 2020, an initiative which aims to drive change by tracking and driving the food industry's attempts to tackle undernutrition, obesity and diet-related chronic diseases at the local and global levels.

- **Background:** The goal of collaborative engagement facilitated by ATNI is to persuade the rated companies to improve their performance on nutrition and demonstrate their positive impact on consumers' health by improving their products and business practices.
- **Engagement:** PIMCO engaged with at least eight global food and beverages companies covered by the ATNI Global Index, of which we lead or co-lead over half of these engagement groups – steering engagement priorities and meetings with support from participating investors and ATNI. We met with nutrition and sustainability specialists from these companies and discussed investors' expectations on their nutrition strategy and disclosure. Key engagement priorities include setting long-term climate ambition including covering protein supply chains, transparency on various protein products exposure, evidence-based protein diversification approach, and enabling dietary transition.
- **Progress to Date:** According to FAIRR analysis, the share of issuers in scope who have set or committed to set a Net Zero target has grown from 52% in 2021 to 70% in 2022. We noted these targets often omit supply chain emissions and the limited consideration of protein diversification in these companies' decarbonisation strategies for Scope 3 emissions. PIMCO will continue to engage these companies on these topics in 2023 and contribute to industry discussions on sustainable protein metrics organised by FAIRR to help inform future engagement.

PRINCIPLE 11:

Signatories, where necessary, escalate stewardship activities to influence issuers.

PIMCO continues to view stewardship and engagement as a long-term and dynamic process that evolves over several years. While we have not made significant changes to our escalation process and framework over the last year, we believe that we have the key pillars in place to make sure that our escalation process is an effective one. While changes may take time (years) to materialise, PIMCO analysts reinforce and follow up on ESG engagement objectives as part of their regular interactions with issuers. We have found incorporating sustainability issues into this regular dialogue across multiple touchpoints to be a highly effective method of steering for long-term improvement. Our escalation approach continues to apply consistently across assets, geographies and funds, in line with our obligation of fiduciary duty and treating clients fairly.

Progress is tracked by both the interim steps taken by issuers and effective communication (e.g., responsiveness, openness to suggestions and references). If there is a need for accelerating progress, PIMCO focuses on potential break-through points via constructive dialogue (e.g., providing references and examples to overcome technical hurdles, or meeting with senior management).

Engagements may be escalated in the following scenarios:

1. **Controversy driven:** Negative idiosyncratic event/controversy occurs and issuer fails to communicate mitigation efforts or resolve.
2. **Inadequate progress:** Moderate ESG-performing issuer with engagement aspirations showing limited progress in pace or level of ambition.
3. **Reluctance to engage:** Issuer lacking willingness to participate in constructive ESG discussions, to disclose key and/or quality ESG information.

PIMCO ESG Engagement and Escalation Approach

CONSTRUCTIVE DIALOGUE

Effective communication and regular access to the ESG teams, Treasury, or senior management

COLLABORATIVE ENGAGEMENT

Leverage influence of industry engagement groups or joint engagement with key stakeholders

PIMCO focuses on constructive dialogue and collaborative engagements where possible.

When progress continues to be insufficient, we flag the increasing risks to PMs and analysts and look into the following actions for escalation

COMMUNICATION

Elevated communication with issuer to notify of our concern and possible implications

PURCHASING HOLD

Recommend restricting further purchases and inform issuer of this change resulting from unresponsiveness to engagement

DIVESTMENT CONSIDERATION

Advise PMs and analysts on the increasing risk and inform issuer of the changes resulting from unresponsiveness to engagement

While we do not disclose specific engagements where progress may be slower than desired, any lack of progress or response is taken into consideration. Ultimately, the persistent lack of response or progress from issuers and prevailing evidence of ESG risks is reflected in the issuer ESG assessment, sustainability bond assessment, and investment recommendations for PIMCO strategies, including dedicated ESG portfolios.

CASE STUDY: ESG ESCALATION WITH A U.S.-BASED REAL ESTATE INVESTMENT TRUST (REIT)

Background: The company issued a sustainability bond in 2020 with some disclosure practices falling short of market best practices, including second party opinion and indication of impact reporting post issuance. They did not provide any impact report until two years after the issuance. This is misaligned with standard market practice, per International Capital Market Association (ICMA) guidance to publish annually, starting one year after issuance.

Engagement: Given the slightly weaker disclosure at issuance, PIMCO engaged with the company to share our expectations on impact reporting and best practices for ESG bonds more broadly. When they failed to publish any impact reports two years into the three-year maturity, PIMCO reached out to the company about the timeline for the impact report publication and did not receive any expected timeline for the disclosure. We escalated to the company that we would assume the bond program misaligned with ICMA principles in the absence of an update, and highlighted the lack of plan to align its overall environmental disclosure with industry standards including Task Force on Climate-Related Financial Disclosures (TCFD), Carbon Disclosure Project (CDP), Global Reporting Initiative (GRI) or Sustainability Accounting Standards Board (SASB). PIMCO spoke with the company's Treasury team several times to reinforce our recommendations and potential impacts on ESG assessment for the program.

Progress to date: The company published an allocation report and obtained a second-party opinion for the program, including impact metrics, showing some progress in improving disclosure. PIMCO plans to continue engaging the issuer on best practices including more ambitious eligibility criteria and impact metrics.

PRINCIPLE 12:

Signatories actively exercise their rights and responsibilities.

As primarily fixed income investors, we can look to exercise our stewardship responsibilities through a variety of methods. We take our rights and responsibilities as an active asset manager seriously, and look to work with issuers through a variety of credit events, including new issuances (for example of sustainability-linked bonds as detailed below) and reverse enquiries, changes to their capital structures through restructurings and defaults as well as through collaborative engagement on material ESG topics.

ENGAGING WITH ISSUERS ON ESG BOND ISSUANCE

PIMCO engages with issuers by proactively reviewing prospectuses of green, social, sustainability and sustainability-linked bonds (SLBs). We engage issuers to discuss the rationales and stringency of their ESG-labelled bond frameworks and share our view on best practices, looking to raise the standards on ESG bonds.

SLBs are particularly pertinent to our approach to stewardship and engagement, particularly in the context of exercising our rights and responsibilities on seeking amendments in bond indentures and contracts. Sustainability-linked bonds are bonds where key performance indicators are structurally linked to the issuer's achievement of climate or broader SDG goals, such as through a covenant linking the coupon of a bond. In this case, progress, or lack thereof, toward the SDGs or selected KPIs then results in a decrease or increase in the instrument's coupon. These bonds can play a key role in encouraging companies to make sustainability commitments at the corporate level, particularly through aligning to the UN SDGs or Paris Agreement. The market also continues to grow quickly, since the International Capital Market Association (ICMA) released its Sustainability-Linked Bond Principles in June 2020 (a set of voluntary guidelines aimed at improving the transparency and overall integrity of the SLB market), exceeding $70 billion in issuance over 2022. We believe that the experience accumulated so far thanks to this rapid rise in issuance provides an opportunity for issuers to include more relevant and ambitious sustainability targets and enhance bond characteristics.

CASE STUDY: PIMCO'S ROLE IN STRENGTHENING THE CREDIBILITY OF THE SLB MARKET, AND NEXT STEPS

While the ICMA's guiding principles have improved the SLB market's credibility by encouraging more transparent disclosure and reporting, we believe there is still room for improvement given that a number of debatable practices continue to pose challenges for investors. These include bond structures perceived as misrepresenting the positive environmental impact of SLBs or issuers' degree of commitment to advancing sustainability issues, a practice that may be associated with "greenwashing." Such practices may overshadow examples of quality SLBs and sustainability targets. For example, in many cases, deals have included ESG metrics only for direct greenhouse gas emissions even if the vast majority of the issuer's overall emissions are indirect and other sustainability metrics, such as water, pollution, waste, safety, or health, are more relevant for the issuer's industry.

In 2022, the ICMA updated the illustrative KPI registry and the Q&A related to SLBs, which complement the Sustainability-Linked Bond Principles, to clarify in particular the key performance indicators (KPIs), the credibility of the targets, coupon step-up, and structures that SLB issuers should use. Importantly, PIMCO is a coordinator of the SLB working group and a contributor to the guidance documents.

PIMCO is also an elected member of the ICMA Green Bond Principles and Social Sustainable Bond Principles Executive Committee, whose goal is to uphold the credibility of the market and engage policymakers on sustainable bonds.

Therefore, in addition to ICMA's Sustainability-Linked Bond Principles and its guidance documents (as noted in PIMCO's Best Practice Guidance for Corporate Sustainable Bond Issuance), we highlight possibilities for issuers to bolster SLB structures:

- Introduce shorter trigger dates for evaluating whether a KPI target has been met in recognition of the need for near-term progress on climate action in particular
- Build milestones into their Sustainability Performance Targets (SPT) and provide legal documentation to demonstrate progress throughout the life of the bond (e.g., ensuring the issuer's most recent and ambitious KPI and SPT targets will automatically apply to all outstanding bonds using the same KPI and SPT definition)
- Provide external verification of the historical performance for KPIs prior to issuance, along with the KPI calculation methods and data quality based on recognised standards (e.g., Food Loss and Waste Protocol, and the Oil and Gas Methane Partnership for methane emissions)
- Follow practices in line with typical covenants for bonds not labelled as sustainable to facilitate the mainstreaming of the instrument and its connection with credible and ambitious targets (e.g., meaningful and commensurate coupon step-up rather than charitable donations, and inclusion of material and relevant metrics based on recognised sector materiality matrices. This involves incorporating broader KPIs than greenhouse gas emissions where applicable)

Finally, on Proxy Voting: PIMCO's proxy voting policy outlines how we comply with our fiduciary obligations, with respect to accounts for which PIMCO has discretionary voting authority. PIMCO has selected an unaffiliated third-party proxy research and voting service (the "Proxy Service") to assist it in researching and voting, and PIMCO reviews the third-party's and PIMCO's own proxy voting policies and practices at least annually. See Principle 3 for more information on PIMCO's proxy voting policy.

APPENDIX I, II AND III

APPENDIX I

Kimberley Stafford Ms. Stafford is a managing director, global head of product strategy, and Executive Committee member responsible for oversight of sustainability. As global head of product strategy, she oversees traditional strategies and alternatives, including private strategies and hedge funds. She also oversees ESG and sustainability initiatives, providing strategic direction and firm wide coordination around sustainability efforts. She joined the firm in 2000 and has held several positions, including head of PIMCO Asia-Pacific, global head of consultant relations, head of U.S. institutional sales and alternatives marketing teams, and global head of human resources and talent management. Prior to these roles, Ms. Stafford was a member of PIMCO's executive office, contributing to firm wide strategic, financial, and operational initiatives; an account manager in the consultant relations group; and an analyst in PIMCO's trade compliance group. She has 23 years of investment experience and holds an MBA from the Marshall School of Business at the University of Southern California. She earned her undergraduate degree at the University of Redlands.

Tina Adatia Ms. Adatia is an executive vice president and product strategist in the London office, focusing on global fixed income and ESG strategies. Previously, she was an account manager focusing on the Middle East and North Africa region and servicing institutional clients. Prior to joining PIMCO in 2004, she was on the consultant relationship team at Henderson Global Investors and was also an investment associate at Hewitt in London. She has 17 years of investment experience and holds an undergraduate degree in economics and actuarial science from the University of Southampton.

Del Anderson Mr. Anderson is a senior vice president in the Newport Beach office and a member of PIMCO's global sustainability initiative, leading the integration of ESG factors for corporate credit research. He is also a credit analyst covering regional banks, insurance, and insurance brokerage and a member of PIMCO's Americas portfolio committee. Prior to joining PIMCO in 2011, Mr. Anderson was an engagement manager at McKinsey, responsible for developing strategic and risk solutions for global financial institutions, and was previously a banking analyst at the Federal Reserve. He has 19 years of investment and financial services experience and holds an undergraduate degree in computer science from Stanford University and an MBA from Columbia Business School.

Kwame Anochie Mr. Anochie is an executive vice president and a member of PIMCO's global wealth management group in the Newport Beach office, where he oversees the team's separate account servicing, including sub-advised funds and HNW family office relationships. Mr. Anochie is also a member of PIMCO's Global Sustainability leadership, helping to oversee the firm's environmental, social and governance efforts. Prior to joining PIMCO in 2003, he was with Wells Fargo Bank's commercial lending group. He has 20 years of investment experience and holds an MBA from the Anderson School of Management at the University of California, Los Angeles. He received his undergraduate degree from the University of Southern California.

Meredith Block Ms. Block is a vice president and ESG research analyst in the Newport Beach office. Prior to joining PIMCO in 2021, she served as senior vice president and senior ESG engagement and research analyst at Rockefeller Capital Management in New York City, where she deepened the ESG integration process and led shareholder engagement efforts. She previously served as the director of programs for Africa and Asia at the Blacksmith Institute, and she has worked with national governments, the private sector, community stakeholders, and multilateral institutions to reduce the environmental and human health impacts of industry and mining in over a dozen countries. She has 16 years of experience working on environmental and human rights issues. She has seven years of investment experience and holds an MPA in environmental science and policy from Columbia University. She received an undergraduate degree from New York University.

Grover Burthey Mr. Burthey is an executive vice president in the Newport Beach office and head of ESG portfolio management, leading ESG investment activity and the ESG analyst team. He also focuses on infrastructure investment opportunities. He re-joined PIMCO in 2019. From 2017 to 2019, Mr. Burthey served as Deputy Assistant Secretary for Policy at the U.S. Department of Transportation, where he led several infrastructure policy initiatives, including discretionary grants and federal loans. He originally joined PIMCO in 2012 and was a portfolio manager on the structured credit desk, focusing on commercial real estate, mortgage-backed securities, and corporate debt. Prior to that, he was with HSBC's debt capital markets group. He has 15 years of investment experience and holds an MBA from the Stanford Graduate School of Business and a bachelor's degree in economics from the Wharton School of the University of Pennsylvania.

Gavin Power Mr. Power is an executive vice president and chief of sustainable development and international affairs. Prior to joining PIMCO in 2018, he was the deputy executive director of the United Nations Global Compact, which advances sustainability and responsible investment in more than 160 countries. There he advised U.N. secretaries-general and oversaw sustainability initiatives in both developed and emerging markets. Between 2012 and 2015, Mr. Power co-led the U.N. Global Compact's role in developing the Sustainable Development Goals. He also led government affairs for the U.N. Global Compact, interacting at ambassadorial and ministerial levels. He was a co-founder and board member of the Principles for Responsible Investment, launched in 2006, and he has held senior positions at Ketchum and Levi Strauss and worked as a financial journalist for the San Francisco Chronicle. He holds a degree in economics from the University of California, as well as U.N. accreditation in leadership and ethics, and human rights. He is on the board of the Pacific Institute, an environmental research and advocacy organisation, and is a member of the U.N. Development Program's SDG Impact Committee.

Samuel Mary

Mr. Mary is a senior vice president and ESG research analyst in the London office, focused on the integration of ESG (environmental, social, and governance) factors into PIMCO's portfolio management and credit research. He also leads PIMCO's research on climate change. Prior to joining PIMCO in 2018, he worked as a senior ESG and sustainability research analyst at Kepler Cheuvreux, where he was responsible for the group's thematic and impact investing research product, ESG corporate access and in-house ESG integration framework, based on methodologies that integrate ESG issues within fundamental equity analysis for specific sectors. He has 11 years of investment experience and holds a master's degree in management with a specialisation in finance from ESCP Europe. He was Extel's top-ranked individual for SRI (Stanford Research Institute) Research in 2017, based on surveys of U.K. asset managers.

Julie Meggers

Ms. Meggers is a managing director in the Newport Beach office and head of strategy and corporate sustainability. She oversees all aspects of corporate sustainability, including the firm's strategy, initiatives, partnerships, and inclusion and diversity. She also partners with the executive office on business strategy and serves on the board of the PIMCO Foundation. Previously, she served as global co-head of human resources; global head of consultant relations; led alternatives, equities, OCIO, and DC specialist sales in the Americas; and was a senior member of the institutional client management team, overseeing the U.S. endowment and foundation practice and managing relationships with public, insurance, healthcare, and corporate clients. Prior to joining PIMCO in 2003, she was with St. Augustine University in Tanzania as a lecturer in the business school, Arthur Andersen in their advisory services group, and at Casa de Clara women's shelter. She has 25 years of investment experience and holds an MBA from Harvard Business School and undergraduate degrees from Santa Clara University. She also holds the Chartered Financial Analyst (CFA) and Chartered Alternatives Investment Analyst (CAIA) designations.

Lupin Rahman

Ms. Rahman is an executive vice president and portfolio manager in the New York office. She oversees PIMCO's sovereign credit investing on the emerging markets (EM) portfolio management team and is responsible for ESG (environmental, social, and governance) integration across PIMCO's investment strategies. Prior to joining PIMCO in 2008, she spent five years at the International Monetary Fund as an emerging markets macroeconomist. Before joining the IMF, she worked for the World Bank, the Centre for Economic Performance, and STICERD (the Suntory and Toyota International Centres for Economics and Related Disciplines). She has 25 years of investment experience and holds a Ph.D. in economics from the London School of Economics.

APPENDIX II

Conflicts of Interest Policy – PIMCO UK and EU Entities

INTRODUCTION

As a global asset manager, PIMCO Europe represents multiple clients and investors across many strategies, products and markets. PIMCO Europe is part of a wider group and has different legal entities and multiple employees in a number of locations. As is the case with the asset management business generally, there are various inherent potential conflicts of interest in its business and conflicts of interest may arise from time to time. This Annex to the Global Policy applies to PIMCO's EU entities, PIMCO Europe Limited ("PEL") and PIMCO Europe GmbH ("PEG") (together, "PIMCO Europe").

PIMCO EUROPE'S POLICY STATEMENT

It is PIMCO Europe's policy to seek to avoid or mitigate potential conflicts of interest so that PIMCO Europe may act in the best interest of its clients.

Why might conflicts of interest arise?
Conflicts of interest may arise from time to time including between:

1. PIMCO Europe (and/or any of its affiliates, directors, officers, employees or other representatives) and a client or clients; and
2. Any client(s) of PIMCO Europe and one or more other clients of PIMCO Europe.

How does PIMCO Europe address potential conflicts of interest?
PIMCO Europe has policies and/or procedures in place, as noted below, in order to identify, prevent, manage and/or mitigate potential conflicts of interest, including any conflicts that may give rise to a risk (not only a material risk) of damage to client interests.

At all times, PIMCO Europe complies with information barriers and duties of confidentiality; indeed, information barriers are one of the mechanisms employed by PIMCO Europe to prevent and manage conflicts of interest.

How does PIMCO Europe record its potential conflicts of interest?
PIMCO Europe maintains a register of conflicts of interest, whereby:

1. Potential PIMCO conflicts of interest and PIMCO Europe's strategy to avoid or mitigate such conflicts are identified;
2. The conflicts register shall be updated if additional potential conflicts are identified, and
3. The register of conflicts of interest is reviewed on a regular basis, and reports are provided to PIMCO Europe senior management in this regard.

What policies and / or procedures does PIMCO Europe have to handle potential conflicts of interest?
PIMCO Europe has policies and procedures in place to identify, manage and/or mitigate potential conflicts of interest. These policies and/or procedures include, but are not limited to, the following:

- **Best Execution** – PIMCO Europe's policy is to seek to obtain best execution for its clients and to execute client trades on the most advantageous terms reasonably available under the circumstances.
- **Trade Allocations** – PIMCO Europe has adopted a trade allocation policy which includes procedures for allocation of investment opportunities, to ensure trade allocations are timely, and that no set of trade allocations are accomplished to unfairly advantage one client over another, and over time, its client accounts are treated equitably.
- **Trade Errors** – PIMCO Europe seeks to avoid trade errors and in the event a trade error occurs, PIMCO Europe has a strict protocol which requires trade errors to be corrected, recorded and to be escalated to management and compliance.
- **Trading with Affiliates** – PIMCO Europe generally seeks to avoid trading with affiliated counterparties and investing in affiliated issuers and prohibits the placement of deposits with affiliated institutions.
- **Cross Trades** – PIMCO Europe has adopted detailed policies to ensure that cross trades only occur where the proposed trade is permitted by law, regulation and consistent with the respective investment policies and restrictions of each client. Furthermore, PIMCO Europe will only permit cross trades when it is in the best interests of both the selling and buying client.

- **Directed Brokerage** – PIMCO Europe policy is to ensure that PIMCO Europe does not use trading relationships to reward brokers for fund sales. Funds sales include creation orders by market makers for shares of PIMCO Europe's exchange traded funds. This conflict is also addressed by, among other things, PIMCO Europe's best execution policies.
- **Material Non-Public Information / Inside Information** – PIMCO Europe has adopted a general policy of seeking to remain on the public side of deals or not to be wall-crossed and PIMCO Europe's policy is to comply with applicable laws and regulations prohibiting the misuse of material and non-public information. PIMCO Europe's policies and procedures are reasonably designed to restrict access to, and prevent the misuse of such Material Non-Public Information ("MNPI").
- **Pricing** – PIMCO Europe's policy is to ensure that the prices PIMCO Europe uses for clients' holdings reasonably reflect fair market value.
- **Proxy Voting** – PIMCO Europe seeks to vote proxies, exercise rights or give consents in the client's best interests, consistent with the client's mandate, and to prevent or manage potential conflicts of interest that may arise.
- **Code of Ethics** – PIMCO Europe has adopted a detailed Code of Ethics (the "Code") which governs the personal trading of all employees and provides standards of conduct to help employees avoid potential conflicts that may arise from their actions and any of their applicable personal investments.
- **Gifts & Entertainment** – PIMCO Europe has gifts and entertainment and inducements policies in force which, seeks to provide guidance, prevent or manage the potential conflicts of interest, or the appearance of such conflicts, that may arise when PIMCO Europe employees give or receive gifts, or host or receive gifts from brokers, vendors, issuers, clients, government officials and consultants.
- **Political Contributions and Lobbying Activities** – PIMCO Europe has adopted policies that seek to prevent or manage the potential conflicts of interest that may arise when PIMCO Europe or its employees make political contributions and/or engage in lobbying governmental and regulatory bodies on matters that relate to the services we provide to clients or investments held in clients' portfolios.
- **Remuneration** – a conflict of interest may arise between activities conducted by different personnel of PIMCO Europe, if the remuneration of the personnel performing those different activities is linked (for example, a conflict may arise in relation to risk taking activities and control or supervisory activities). PIMCO Europe has implemented remuneration policies designed to ensure that its compensation plans are consistent with and promote sound and effective risk management, do not encourage excessive risk taking, include measures to avoid conflicts of interests, and are in line with PIMCO Europe's business strategy, objectives, values and long-term interests.
- **Co-investments** – PIMCO Europe has strict procedures in place including an approval process that must be complied with whenever a co-investment is contemplated.
- **Investment Research and related Inducements** – PIMCO Europe has a research policy in place to address receipt and consumption of, and payment for, investment research and certain related items. PIMCO Europe's policy is that, as a general rule, its employees are not permitted to receive investment research, unless the PIMCO Europe pays for the research from theirown resources.

What are the responsibilities of PIMCO Europe employees in relation to conflicts of interest?
PIMCO Europe employees must be familiar with and follow this policy, along with the policies referred to above and any other policies that address potential conflicts of interest identified in the conflicts of interest register.

If an employee identifies a conflict of interest or is unsure in relation to any of the potential conflicts of interest, then the employee should contact their local compliance officer immediately who will address the action point and / or question as applicable.

What conflicts may arise from PIMCO Europe's ownership structure?
PIMCO Europe is majority owned by Allianz, a global financial services company, as such, PIMCO Europe is affiliated with various investment advisers, insurance companies, broker-dealers and pooled investment vehicles, among other financial entities. From time to time, PIMCO Europe may engage in business activities with some or all of these companies, subject to its policies and procedures governing how we handle conflicts of interest. PIMCO Europe may use its affiliates to provide other services to its clients in accordance with applicable law.

In addition, these affiliates may take actions, on their own behalf or on behalf of their own clients or other related persons, which are adverse to our clients. These affiliates typically operate autonomously from PIMCO Europe and PIMCO Europe will typically not have any advance knowledge of these actions by its affiliates and, even if it does, will typically not have any ability to influence its affiliates' actions.

What conflicts may arise from providing discretionary and non-discretionary services?
PIMCO Europe may provide non-discretionary investment management services, pursuant to which it may advise a client with respect to purchasing, selling, holding, valuing, or exercising rights associated with particular investments. Discretionary and nondiscretionary clients may hold the same or similar instruments.

Where PIMCO Europe is given authority to execute transactions upon the approval of a non-discretionary client, there may be timing differences related to the provision of advice to a non-discretionary client for consideration and that client's determination of whether or not to act on the advice. Before receipt of the client order, PIMCO Europe may execute transactions for the account of discretionary clients.

The conflicts of interest that arise as a result of these differences in timing are an inherent consequence of the services requested by clients.

PIMCO Europe addresses these conflicts through the procedures and arrangements it has implemented with respect to the prompt, fair and expeditious execution of transactions for clients and, as appropriate, through disclosure.

Does PIMCO Europe have a conflicts committee?
Yes, PIMCO Europe, at a group level, has also established a Conflicts Committee and related policies and procedures that seek to identify, prevent, manage and/or mitigate potential conflicts of interest. Business divisions are required to undertake product reviews, new product and transactional approvals and assessments of suitability and appropriateness as applicable, all of which are targeted at identifying, escalating and addressing conflicts of interest.

How often is this policy reviewed?
This policy is assessed and reviewed at least annually. If additional material conflicts of interest are identified or if there is a material change in how a previously identified conflict of interest is addressed, a determination should be made as to whether the policy should be assessed and reviewed in advance of its scheduled annual review.

APPENDIX III

Industry Leadership		Overview
PRI Principles for Responsible Investment	**PRI Sovereign Working Group (SWG)** PIMCO is a Member	• The purpose of this working group is to provide practical guidance for ESG integration and effective engagement in sovereign debt investing, by i) analysing material ESG risks and opportunities for sovereign bonds, ii) identifying main obstacles to further integration practices, and iii) establishing rationale and boundaries to bondholder engagement.
	PRI SDG Advisory Committee PIMCO is a Member	• The purpose of this committee is to advise the PRI Association Executive on what activities PRI could undertake to stimulate, support and potentially monitor signatories who seek to align their investment strategy, policy, asset allocation, mandates, selection processes, investment decisions or active ownership with the ambitions of the SDGs.
	PRI Fixed Income Advisory Committee PIMCO is a Member	• This steering committee comprised of asset owners and managers oversees work streams related to raising awareness and understanding of responsible investing, helping investors develop robust processes for implementing the PRI, engaging with credit rating agencies on ESG integration, and identifying and sharing best practices among PRI signatories.
	PRI Sub-Sovereign Debt Advisory Committee PIMCO is a Chair and Member	• Aims to identify how investors consider ESG factors when allocating capital to sub-sovereign debt. • Promotes systematic and transparent incorporation of ESG factors in investment decisions for sub-sovereign debt.
	PRI Collaborative Stewardship Initiative on Social Issues and Human Rights Advisory Committee PIMCO is an Advisory Committee member and participant	• Aims to coordinate collaborative engagement among investors to address human rights and social issues related to their investment. • Our role as part of the advisory committee is to help steer strategic decision and focus of the initiative and lead at least one collaborative engagement with companies.
United Nations Global Compact	**UN Global Compact** PIMCO is a Participant	• This is a principle-based framework for businesses worldwide that is aimed to adopt sustainable and socially responsible policies and report on their implementation. • PIMCO supports the ten principles of the Global Compact with respect to human rights, labour environment, and anti-corruption and is committed to incorporating them into our strategy, culture, and day-to-day operations.
	UN Global Compact SDG Finance Lab PIMCO is a Member	• This brings together a multi-disciplinary group of finance practitioners and experts to develop innovative private financial instruments that have the potential to direct private finance toward critical sustainability solutions. • The goal is to improve the risk/return profile of SDG instruments to attract institutional investors.
	UNGC CFO Taskforce PIMCO is a co-Founder	• PIMCO, in partnership with the UN Global Compact and energy utility ENEL, launched the CFO Taskforce. • The aim of the taskforce is to mobilise hundreds of CFOs to tackle the financing needs around the Sustainable Development Goals.

Affiliation	Overview
CDP DISCLOSURE INSIGHT ACTION **Carbon Disclosure Project (CDP)** PIMCO is a Signatory	• Organization that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts. • It is backed by over 650 investors totaling $87 trillion in assets.
SASB **Sustainability Accounting Standards Board – Investor Advisory Group (IAG)** PIMCO is a Founding Member	• This group comprises leading asset owners and managers who recognise the need for consistent, comparable, and reliable disclosure of material and decision-useful ESG information. • The group participates in the ongoing standards development process and encourages companies to participate in the development process.
Climate Action 100+ **Climate Action 100+** PIMCO is an Investor	• This is a pledge made by investors to push 100 of the highest-emitting companies globally to do more to tackle the threat of climate change. • More than 200 institutional investors with $26 trillion in assets under management pledged to support this initiative.
TCFD **FSB's Task Force on Climate-Related Financial Disclosures (TCFD)** PIMCO is a Signatory	• This task force has created a set of non-binding, voluntary recommendations for better climate-related financial disclosures. • Its goal is to help firms understand what financial markets want from disclosure in order to measure and respond to climate change risks, and encourage firms to align their disclosures with investors' needs.
IIGCC The Institutional Investors Group on Climate Change **Institutional Investors Group on Climate Change (IIGCC)** PIMCO is a Member	• The leading investors coalition on climate change with more than 170 members across 13 countries, with over €23 trillion in assets. • The IIGCC is the membership body for investor collaboration on climate change and the voice of investors taking action for a prosperous, low carbon future.
GISD Global Investors for Sustainable Development Alliance **Global Investors for Sustainable Development Alliance (GISD)** PIMCO is a Member	• The GISD will focus on accelerating long-term investment into sustainable development. • In partnership with investors, governments and multilateral institutions around the world, the GISD will deliver concrete solutions to scale up long-term finance and investment which will specifically contribute to the realisation of the UN's Sustainable Development Goals (SDGs).
ICMA International Capital Market Association **International Capital Market Association (ICMA)** PIMCO is a Member of the Executive Committee	• The Association promotes building internationally accepted standards of best practice in markets through the development of appropriate, broadly accepted guidelines, rules, recommendations, and standard documentation in order to maintain and enhance the framework of cross-border issuing, trade, and investing in debt securities. • The Executive Committee is responsible for the executive management and administration of the Association, including addressing all matters relating to the ICMA's Principles: the Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG). PIMCO portfolio manager, Ketish Pothalingam, is on the Executive Committee.

Affiliation	Overview
Transition Pathway Initiative (TPI) PIMCO is a Supporter	• A global asset owner-led initiative (including clients and investment consultants) that assesses companies' preparedness for the transition to a low-carbon economy. • TPI data and tools help inform our assessment of climate risks and engagement with bond issuers.
Climate Bonds Initiative (CBI) PIMCO is a Partner	• A leading organization focused on fixed income and climate change solutions. • CBI has been instrumental in supporting more robust data and standards to propel the Green bond market, and remains heavily involved in shaping new Green bond-related regulations.
FAIRR PIMCO is a Member	• A global network of investors addressing ESG issues in protein supply chains, with over $23 trillion in member AUM. • The aim of the initiative is to build a network of investors who are aware of the issues linked to intensive animal production and seek to minimise the risks within the broader food system.
One Planet Asset Management Initiative PIMCO is a Member	• Initiative created following the 2015 Paris Agreement to collectively mitigate the effects of climate change. • Aims to help Sovereign Wealth Funds foster a shared understanding of key principles, methodologies, and indicators related to climate change; identify climate-related risks and opportunities in their investments; and enhance their decision-making frameworks to better inform their priorities as investors and financial market participants.
Investor Group on Climate Change (IGCC) PIMCO is a Member	• Collaboration of institutional investors from Australia and New Zealand focused on the impact of climate change on investments. • Represents investors with total funds under management of over $2 trillion in Australia and New Zealand and $20 trillion around the world. IGCC members cover over 7.5 million people in Australia and New Zealand.
Bank of England Climate Financial Risk Forum (CFRF) PIMCO is a working group member	• Aims to build capacity and share best practices across industry and financial regulators to advance our sector's responses to the financial risks from climate change. • Brings together senior representatives from across the financial sector, including banks, insurers, and asset managers and also includes observers from trade bodies to represent a broader range of firms and ensure the outputs of the CFRF are communicated to their members.
Access to Nutrition Initiative PIMCO is a Signatory	• Aims to drive change by tracking and driving the food industry's attempts to tackle undernutrition, obesity and diet-related chronic diseases at the local and global levels. • Collaborative engagement facilitated by ATNI; goal is to persuade the companies rated by ATNI to improve their performance on nutrition and demonstrate their positive impact on consumers' health by improving their products and business practices.

Industry Leadership	Overview
US SIF PIMCO is a Member	• Seeks to shift investment practices towards sustainability and focuses on positive social and environmental impacts. • Produces research, offers educational resources, advances public policy initiatives and public awareness, and connects the sustainable and impact investing community.
The Investor Agenda - Global Investor Statement to Governments on the Climate Crisis PIMCO is a Signatory	• Coordinated by the seven Founding Partners of The Investor Agenda, Asia Investor Group on Climate Change, CDP, Ceres, Investor Group on Climate Change, Institutional Investors Group on Climate Change, Principles for Responsible Investment and UNEP Finance Initiative. • Signed by 456 investors representing over USD $41 trillion in assets.
Sustainable Markets Initiative (SMI) PIMCO is a Member	• Aims to use the framework of sustainable markets and rapid decarbonisation to change our current sustainability trajectory. • Relies on the 10 key areas as outlined in HRH The Prince of Wales's 10-point action plan.
Sustainable Bond Network (NASDAQ) PIMCO is an Advisory board member	• Connects issuers of sustainable bonds with investors looking to source detailed sustainable bond information for investment due diligence, selection, reporting and monitoring. • Provides all the documents, data and qualitative information investors need, and holds data on allocation, impact, frameworks, certifications, targeted sustainable development goals and bonds.
Milken Public Finance Advisory Council PIMCO is a Member	• Aims to solidify the fragmented municipal securities market, lift public sector capacity for financial innovation, and develop policies, partnerships, and financial products to support essential and equitable public services that will accelerate post-COVID-19 economic recovery and job creation.