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

Environmental, social and governance (ESG)-related issues are an increasingly critical factor in understanding global economies or markets. Whether climate change, social inequality or unethical conduct, ESG factors pose real threats to sustainable economic growth. Yet these same factors are also stimulating innovative new technologies and forward looking solutions. As an allocator of capital, PIMCO's goal is to understand the sustainability-related linkages that underpin economic growth, the transitions that are resulting from them, and ultimately the impact on the long-term health of companies and capital markets.

ESG MISSION STATEMENT

Our mission is to deliver risk-adjusted returns that are consistent with our clients' objectives, through an investment process that is designed to identify the medium- to long-term dynamics associated with sound governance and the sustainable utilization of both human capital and natural resources.

As a firm, we believe in investing in issuers that have demonstrated a sustainable framework for dealing with ESG matters. We also believe in avoiding – or limiting our exposure to – issuers we deem as having activities increasingly inconsistent with societal standards of conduct. Our commitment to full ESG integration is what led PIMCO to become a signatory to the UN Principles of Responsible Investment (PRI) in September 2011. We embrace the commitment this entails as reflected in PIMCO's ESG mission statement, above, which we adopted in 2011.

Our ESG mission statement is consistent with PIMCO's singular focus on preserving and enhancing investors' assets, a mission that since PIMCO's founding more than four decades ago has been grounded in a holistic investment process designed to apply rigorous top-down and bottom-up analysis of inputs to identify investment opportunities and risks. By articulating a mission statement specific to ESG investing, we are able to more formally define the way we integrate ESG principles and practices every day.

INVESTMENT PROCESS

PIMCO has been using ESG-based analysis in portfolios for many years, launching one of the industry's first socially responsible fixed income funds in the U.S. in 1991, a socially responsible emerging markets fund in Europe in 2010, and in January 2017, a range of dedicated ESG core bond strategies. Since 2011 PIMCO has also been a signatory to the UN PRI.

Our approach is guided by four key beliefs:

1. ESG analysis is consistent with PIMCO's long-established investment process. Long-term thinking is a critical feature of ESG investing, and is well-aligned with PIMCO's investment process, which seeks to identify themes that can affect asset markets over the next three to five years
2. ESG investing doesn't need to be an "either/or": either financial performance or positive impact. We believe that ESG strategies have the potential to deliver attractive long-term returns and to outperform standard market benchmarks. A fixed income ESG portfolio will reflect PIMCO's top-down views, and as such will share many of the same characteristics of other PIMCO portfolios. Where our ESG portfolios may differ is in sector and security selection, but this need not be the sole source of portfolio return.
3. Engagement is crucial to successful ESG investing. We believe that ESG investing is not only about partnering with issuers who already demonstrate a deeply integrated approach to ESG, but also about engaging with those who may not be considered best-in-class, but who wish to move forward with their ESG initiatives. This can be a direct way to influence change.
4. ESG issuance is about more than green bonds. Although the green bond market has been an excellent catalyst for fixed income investing, we believe there is more that can be

achieved by broadening the reach of ESG-eligible securities, by using criteria such as the Sustainable Development Goals (SDGs). Our view is that ESG-based investing should be "inclusive" rather than "exclusive," and broadening the range of eligible criteria is an important way in which we can accelerate growth.

ESG INTEGRATION IN PIMCO'S INVESTMENT PROCESS

Integrating ESG analysis into PIMCO's investment process is a natural evolution of what the firm has been doing for many years. When assessing any issuer, PIMCO's credit analysts consider the factors that can affect both its current and future credit quality. ESG analysis fits naturally within this forward-looking assessment.

In recent years PIMCO has formalized these assessments by developing a proprietary ESG scoring system for corporate, securitized and sovereign issuers while continuing to broaden coverage to other fixed income sectors.

PIMCO'S ESG PLATFORM

In addition to the broad process described above, PIMCO has launched a dedicated ESG platform that targets attractive investment returns and positive impact. The platform builds on PIMCO's core ESG process, but adds a number of sustainability-specific features focused in three areas: exclusions, evaluation and engagement.

With exclusions, the objective is to restrict investment in issuers with business practices that are fundamentally misaligned with sustainability principles. Evaluation aims to assess all issuers from an ESG perspective in addition to traditional investment fundamentals, helping us emphasize those we consider to be "best-in-class." A proactive and collaborative engagement strategy ensures a continued communication process that seeks to influence issuers to improve their ESG-related business practices. Importantly, we report on all steps through our engagement process in an effort to demonstrate impact and highlight the achievements of well-defined ESG-related objectives.

PIMCO’s three step approach to building ESG portfolios

EXCLUDE	EVALUATE	ENGAGE
<p>Restrict investment in issuers which do not engage in acceptable sustainability practices</p>	<p>Construct ESG-optimized portfolios based on PIMCO ESG scores and prime engagement candidates</p>	<p>Engage with and empower issuers to change ESG-related business practices</p>
<p>PROCESS</p> <ul style="list-style-type: none"> • Two-tiered exclusion process: <ul style="list-style-type: none"> • Core: Permanently exclude due to nature of business • Dynamic: Temporarily excluded • Overseen by PIMCO ESG Advisory Group 	<p>PROCESS</p> <ul style="list-style-type: none"> • Emphasize best-in-class issuers based on proprietary quantitative scoring • Conducted by PIMCO’s credit research team • Augmented by insights from PIMCO’s engagement activities 	<p>PROCESS</p> <ul style="list-style-type: none"> • Develop set of engagement objectives tailored by issuer • Conduct engagement on a collaborative and constructive basis • Includes meetings, questionnaires and ongoing dialogue

PIMCO’S INCLUSION, DIVERSITY AND CULTURE (IDC) EFFORTS

PIMCO’s Inclusion, Diversity and Culture (IDC) efforts are complementary to the firm’s ESG initiative. At a broad level, the goal of PIMCO’s IDC initiative is to foster a culture of greater cognitive diversity and inclusiveness, which we believe will lead to better business outcomes. The current initiative oversight includes PIMCO Women, PIMCO PRIDE, PIMCO Veterans, PIMCO Multicultural, PIMCO Families and Flex@PIMCO. In their totality, these initiatives are meant to facilitate the

attraction, retention, development and engagement of top talent. Culturally, the initiatives are meant to facilitate an environment that embraces inclusion and enables employees to 1) better understand the perspectives of those colleagues with varying life experiences, 2) develop skills that enable better team collaboration and 3) optimally engage at work in the context of broader life circumstances. PIMCO IDC also partners closely with the PIMCO Foundation on initiatives that help accomplish mutual objectives such as gender equality.

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.

This material contains the current opinions of the manager and such opinions are subject to change without notice. This material is distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed.

PIMCO provides services only to qualified institutions and investors. This is not an offer to any person in any jurisdiction where unlawful or unauthorized. | **Pacific Investment Management Company LLC**, 650 Newport Center Drive, Newport Beach, CA 92660 is regulated by the United States Securities and Exchange Commission. | **PIMCO Europe Ltd** (Company No. 2604517) and **PIMCO Europe Ltd - Italy** (Company No. 07533910969) are authorised and regulated by the Financial Conduct Authority (12 Endeavour Square, London E20 1JN) in the UK. The Italy branch is additionally regulated by the Commissione Nazionale per le Società e la Borsa (CONSOB) in accordance with Article 27 of the Italian Consolidated Financial Act. PIMCO Europe Ltd services are available only to professional clients as defined in the Financial Conduct Authority's Handbook and are not available to individual investors, who should not rely on this communication. | **PIMCO Deutschland GmbH** (Company No. 192083, Seidlstr. 24-24a, 80335 Munich, Germany), PIMCO Deutschland GmbH Italian Branch (Company No. 10005170963) and PIMCO Deutschland GmbH Swedish Branch (SCRO Reg. No. 516410-9190) are authorised and regulated by the German Federal Financial Supervisory Authority (BaFin) (Marie-Curie-Str. 24-28, 60439 Frankfurt am Main) in Germany in accordance with Section 32 of the German Banking Act (KWG). The Italian Branch and Swedish Branch are additionally supervised by the Commissione Nazionale per le Società e la Borsa (CONSOB) in accordance with Article 27 of the Italian Consolidated Financial Act and the Swedish Financial Supervisory Authority (Finansinspektionen) in accordance with Chapter 25 Sections 12-14 of the Swedish Securities Markets Act, respectively. The services provided by PIMCO Deutschland GmbH are available only to professional clients as defined in Section 67 para. 2 German Securities Trading Act (WpHG). They are not available to individual investors, who should not rely on this communication. | **PIMCO (Schweiz) GmbH** (registered in Switzerland, Company No. CH-020.4.038.582-2), Brandschenkestrasse 41, 8002 Zurich, Switzerland, Tel: + 41 44 512 49 10. The services provided by PIMCO (Schweiz) GmbH are not available to individual investors, who should not rely on this communication but contact their financial adviser. | **PIMCO Asia Pte Ltd** (8 Marina View, #30-01, Asia Square Tower 1, Singapore 018960, Registration No. 199804652K) is regulated by the Monetary Authority of Singapore as a holder of a capital markets services licence and an exempt financial adviser. The asset management services and investment products are not available to persons where provision of such services and products is unauthorised. | PIMCO Asia Limited (Suite 2201, 22nd Floor, Two International Finance Centre, No. 8 Finance Street, Central, Hong Kong) is licensed by the Securities and Futures Commission for Types 1, 4 and 9 regulated activities under the Securities and Futures Ordinance. The asset management services and investment products are not available to persons where provision of such services and products is unauthorised. | **PIMCO Australia Pty Ltd** ABN 54 084 280 508, AFSL 246862 (PIMCO Australia). This publication has been prepared without taking into account the objectives, financial situation or needs of investors. Before making an investment decision, investors should obtain professional advice and consider whether the information contained herein is appropriate having regard to their objectives, financial situation and needs. | **PIMCO Japan Ltd** (Toranomon Towers Office 18F, 4-1-28, Toranomon, Minato-ku, Tokyo, Japan 105-0001) Financial Instruments Business Registration Number is Director of Kanto Local Finance Bureau (Financial Instruments Firm) No. 382. PIMCO Japan Ltd is a member of Japan Investment Advisers Association and The Investment Trusts Association, Japan. Investment management products and services offered by PIMCO Japan Ltd are offered only to persons within its respective jurisdiction, and are not available to persons where provision of such products or services is unauthorized. Valuations of assets will fluctuate based upon prices of securities and values of derivative transactions in the portfolio, market conditions, interest rates and credit risk, among others. Investments in foreign currency denominated assets will be affected by foreign exchange rates. There is no guarantee that the principal amount of the investment will be preserved, or that a certain return will be realized; the investment could suffer a loss. All profits and losses incur to the investor. The amounts, maximum amounts and calculation methodologies of each type of fee and expense and their total amounts will vary depending on the investment strategy, the status of investment performance, period of management and outstanding balance of assets and thus such fees and expenses cannot be set forth herein. | **PIMCO Taiwan Limited** is managed and operated independently. The reference number of business license of the company approved by the competent authority is (107) FSC SICE Reg. No.001. 40F., No.68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.), Tel: +886 (02) 8729-5500. | PIMCO Canada Corp. (199 Bay Street, Suite 2050, Commerce Court Station, P.O. Box 363, Toronto, ON, M5L 1G2) services and products may only be available in certain provinces or territories of Canada and only through dealers authorized for that purpose. | **PIMCO Latin America** Edificio Internacional Rio Praia do Flamengo, 154 1o andar, Rio de Janeiro – RJ Brasil 22210-906. | No part of this publication may be reproduced in any form, or referred to in any other publication, without express written permission. PIMCO is a trademark of Allianz Asset Management of America L.P. in the United States and throughout the world. ©2018, PIMCO.

pimco.com
blog.pimco.com