

PIMCO

# Global 2025 TCFD Report



## CEO Statement

In a world marked by geopolitical uncertainty and rapid technological change, investors increasingly recognize that climate and nature-related risks and opportunities affect financial markets. These dynamics intersect with questions of energy security, supply chain resilience, and long-term competitiveness, as policymakers work to balance affordability and reliability with the economic upside associated with the energy transition. At the same time, the growing frequency of extreme weather events is sharpening the focus on climate adaptation and resilience as material drivers of both risk and value.

As a leading asset manager with fiduciary responsibility, PIMCO remains committed to continually strengthening our proprietary climate and broader environmental risk evaluation capabilities while also embracing stewardship. This commitment enables us to effectively meet the diverse investment objectives of our clients.

In 2025, PIMCO continued to deepen the integration of climate factors across our investment platform, strengthening our analysis of physical and transition risks, nature related considerations, and broader environmental factors impacting long-term value. This included enhancements to our proprietary frameworks, expanded coverage of sectors sensitive to climate and natural-resource pressures, and new approaches that help us evaluate adaptation and resilience across asset classes. Our work also extended into areas where climate intersects with other structural forces such as technology and energy systems, confirming our investment insights remain aligned with a rapidly evolving sustainability landscape.

Alongside these developments, the firm continued our involvement in global climate and sustainable finance initiatives aimed at improving transparency, strengthening standards, and mobilizing capital toward real-economy<sup>1</sup> outcomes. Our participation in efforts such as the Partnership for Carbon Accounting Financials, the Methane Finance Working Group, and a range of UN aligned development finance platforms reflects our commitment to supporting climate best practices. We also continued to promote high quality labeled bond issuance and advanced work on transition and adaptation themes, while maintaining a broad stewardship strategy that addresses systemic risks that can influence asset values, including those across climate, nature, and social domains.

PIMCO endorses reporting guidelines designed to improve the disclosures of financial information related to climate risk management, such as those in line with the TCFD. In this report, we deliver an extensive overview of our methods for addressing climate-related risk and opportunities, focusing on their application to PIMCO in our role as a fiduciary of our client's assets.

The purpose of this document is to present a detailed account of our management of climate-related risks and opportunities, including the processes for their oversight, identification, and assessment.



A handwritten signature in black ink, reading "Emmanuel Roman". The signature is stylized with a large, sweeping "E" and "R".

Emmanuel Roman  
CEO of PIMCO

<sup>1</sup> The real economy is the part of an economy that produces goods and services, as distinct from the financial sector

## Introduction

In order to help stakeholders better understand an organization's climate-related risks and opportunities, the Financial Stability Board established the Task Force on Climate-related Financial Disclosures (TCFD). Enabling decision-useful and forward-looking information, the framework's four main areas are governance, strategy, risk management and metrics and targets.

- Governance disclosures illustrate how an organization's board and management team monitor and assess climate risks and opportunities.
- Strategy disclosures provide insight into the climate-related risks and opportunities the organization has identified, and the actual and potential impacts of those risks and opportunities on the organization's business, strategy and financial planning.
- Risk management disclosures highlight how the firm identifies, assesses, and manages these risks.
- The final section consists of the metrics and targets that are relevant to manage and assess these climate-related risks and opportunities, for example Scope 1, 2, and 3 greenhouse gas emissions<sup>2</sup>.

The purpose of this report is to disclose PIMCO's processes and capabilities in these four areas, as well as share practical case studies to illustrate these efforts where relevant. Importantly, this report encompasses both PIMCO's portfolios that are managed to sustainability strategies<sup>3</sup> and guidelines as well as those that do not. Therefore, the extent to which the frameworks, assessments, and metrics discussed are applied and optimized in individual portfolios will vary dependent on client driven preferences.

PIMCO's investment approach seeks to appropriately integrate material ESG factors<sup>4</sup>, including climate-related risks and opportunities, into investment decision-making and the portfolio construction process, where applicable. This was one of the main drivers that led us to formalize PIMCO's support for the TCFD in 2019. PIMCO aims to integrate material climate factors into the firm's top-down (i.e. longer-term macro and socio-economic view) and bottom-up assessment in seeking to enhance clients' risk-adjusted returns. PIMCO believes these factors should be part of a robust investment process.

Integrating relevant climate related risks and opportunities into the evaluation process does not mean that this is the sole or primary consideration for an investment decision; instead, PIMCO's portfolio managers and analyst teams consider a variety of factors including the financial materiality of those factors to make investment decisions. Importantly, by increasing and diversifying the information available to the portfolio management team, PIMCO is able to pursue a more holistic view of an investment, which PIMCO believes will ultimately benefit PIMCO's clients.

As an asset manager and fiduciary, PIMCO's duty is to seek to achieve PIMCO's clients' stated investment objectives, which vary across portfolios based on investor discretion. Where clients have, for example, ambitions to achieve decarbonization goals over a long-term horizon in their portfolios, PIMCO offers solutions to support this, but also recognizes the diversity of strategies, approaches, and commitments to get there. PIMCO's role as a fiduciary differs from asset owners that set targets to reduce their portfolio emissions. Consistent with our fiduciary duty, PIMCO can impose sustainable investment guidelines and restrictions (including transition targets or climate-related exclusions) on client portfolios when directed by clients.

Lastly, as recognition of the interconnected challenges, PIMCO outlines in this report how we assess material nature-related risks.

## CORE ELEMENTS OF RECOMMENDED CLIMATE-RELATED FINANCIAL DISCLOSURES



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

2 Refer to appendix for details on Scope 1, 2, and 3 emissions

3 Sustainable Strategies are strategies with client-driven sustainability requirements. For these strategies, PIMCO actively incorporates sustainability principles (i.e. excluding issuers fundamentally misaligned with sustainability factors, evaluating issuers using proprietary and independent ESG scoring) consistent with those strategies and guidelines. Further information is available in PIMCO's Sustainable Investment Policy Statement. For information about funds that are managed to sustainability strategies and guidelines, please refer to the fund's prospectus for more detailed information related to its investment objectives, investment strategies, and approach to sustainable investment.

4 Environmental, Social and Governance ("ESG") factors refer to a set of non financial considerations relating to environmental impacts, social practices and governance structures that may be material to an issuer's business, financial performance, risk profile and long term value.

## Summary

The below summary table provides an overview of how the content of this report aligns with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD)<sup>5</sup>.

| TCFD recommendations to Asset Managers |                                                                                                                                                                                                                                                              | Section's focus                                                                             | Title                                                                                                         | Summary                                                                                                                                                                                                                                                                                                               |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Governance                             | Describe the board's oversight of climate-related risks and opportunities and describe management's role in assessing and managing climate-related risks and opportunities                                                                                   | PIMCO's governance concerning climate-related risks and opportunities                       | Management's role in assessing and managing climate-related risks and opportunities                           | PIMCO's governance framework includes defined roles and groups that are responsible for the facets of sustainable investing                                                                                                                                                                                           |
|                                        |                                                                                                                                                                                                                                                              |                                                                                             | Sustainability Leadership team and committees overseeing climate risks and business strategy                  | PIMCO's Sustainability Leadership team is responsible for overseeing climate risk integration into the investment process, guiding PIMCO's portfolio management team                                                                                                                                                  |
|                                        |                                                                                                                                                                                                                                                              |                                                                                             | PIMCO's Forums, Global Advisory Board, and specialized Committees                                             | Climate risks have been assessed as part of both PIMCO's Secular and Cyclical forums as well as regional committees                                                                                                                                                                                                   |
|                                        |                                                                                                                                                                                                                                                              |                                                                                             |                                                                                                               | ESG risk (including climate-related risks) is considered as a risk category in PIMCO'S risk taxonomy, risk management framework and risk appetite                                                                                                                                                                     |
| Strategy                               | Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term                                                                                                                                   | Actual and potential impacts of climate-related risks and opportunities on PIMCO's business | Climate-related risks and opportunities: potential impacts, specific issues and time frames                   | Over the cyclical horizon (short term: 0-1 year), we see mixed trends for the energy transition and continued potential for weather-related disruptions<br><br>Over the secular horizon (medium to long term: 1-5 years and beyond), key developments suggest a structural rise in both transition and physical risks |
|                                        | Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning                                                                                                                            |                                                                                             | The impact of climate-related risks on PIMCO's business                                                       | These potential impacts led us to continuously deepen our framework that aims to systematically integrate relevant climate factors into our investment process                                                                                                                                                        |
|                                        |                                                                                                                                                                                                                                                              |                                                                                             | The impact of climate-related opportunities on PIMCO's business                                               | PIMCO has a developed framework to seize opportunities linked to financing the transition<br><br>Introduced PIMCO's Net Zero Framework to Decarbonize Bond Portfolios supports clients with specified decarbonization goals                                                                                           |
|                                        | Describe how climate-related risks and opportunities are factored into relevant products or investment strategies. Asset managers should also describe how each product or investment strategy might be affected by the transition to a lower-carbon economy |                                                                                             | How climate-related risks and opportunities are factored into PIMCO's investment strategy                     | Climate risks are embedded into PIMCO's process to integrate ESG factors into our credit research and investment process firm-wide, including frameworks for major asset classes relevant to PIMCO                                                                                                                    |
|                                        |                                                                                                                                                                                                                                                              |                                                                                             | Climate risks and impact embedded into PIMCO's sustainable investment solutions                               | In PIMCO's ESG funds that follow sustainability strategies and guidelines, we embed climate change into our three-step approach of exclusion, evaluation and engagement                                                                                                                                               |
|                                        | Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario                                                                                                     |                                                                                             | Climate scenario analysis models: assessing the resilience of assets from top-down from top-down to bottom-up | Our climate scenario models suggest it is important to pay attention to climate change now, before damage in the future becomes irreversible and much more severe                                                                                                                                                     |
|                                        |                                                                                                                                                                                                                                                              |                                                                                             | Collaboration to advance climate risk measurement and management                                              | PIMCO assists with climate efforts in numerous regions and via multiple initiatives                                                                                                                                                                                                                                   |
|                                        |                                                                                                                                                                                                                                                              |                                                                                             |                                                                                                               |                                                                                                                                                                                                                                                                                                                       |

<sup>5</sup> While a firm-wide net zero commitment has not been made, PIMCO is committed to providing industry-leading advice and solutions for clients on a range of sustainability and ESG issues, including climate change and reducing greenhouse gas emissions to net zero.

| TCFD recommendations to Asset Managers |                                                                                                                                                                                                                                                                                                                          | Section's focus                                                  | Title                                                                                           | Summary                                                                                                                                                                                                                                                                                                                                          |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risk Management                        | Describe the organization's processes for identifying and assessing climate-related risks                                                                                                                                                                                                                                | How PIMCO identifies, assesses and manages climate-related risks | Process for identifying, assessing and managing climate-related risks                           | <p>PIMCO measures and manages portfolio risk by focusing on a series of factor-based risk measures</p> <p>PIMCO's ESG specialists designed proprietary climate tools and frameworks covering a range of perspectives and metrics</p> <p>We engage with issuers for enhanced corporate disclosure on climate change</p>                           |
|                                        | Describe the organization's processes for managing climate-related risks                                                                                                                                                                                                                                                 |                                                                  |                                                                                                 |                                                                                                                                                                                                                                                                                                                                                  |
|                                        | Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management                                                                                                                                                                     |                                                                  |                                                                                                 |                                                                                                                                                                                                                                                                                                                                                  |
|                                        | Describe, where appropriate, engagement activity with investee companies to encourage better disclosure and practices related to climate-related risks in order to improve data availability and asset managers' ability to assess climate-related risks                                                                 |                                                                  |                                                                                                 |                                                                                                                                                                                                                                                                                                                                                  |
|                                        | Asset managers should also describe how they identify and assess material climate-related risks for each product or investment strategy. This might include a description of the resources and tools used in the process                                                                                                 |                                                                  |                                                                                                 |                                                                                                                                                                                                                                                                                                                                                  |
| Metrics and Targets                    | Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process                                                                                                                                                                    | Climate-focused investment exposure of PIMCO                     | Metrics and targets used to assess and manage relevant climate-related risks and opportunities. | <p>This section shows, for PIMCO, selected metrics linked to the recommendations of the Task Force on Climate-Related Financial Disclosures and similar disclosure frameworks.</p> <p>At present, given our role as a fiduciary, PIMCO does not employ any universal climate-related targets on the assets managed on behalf of our clients.</p> |
|                                        | Describe metrics used to assess climate-related risks and opportunities in each product or investment strategy. Where relevant, asset managers should also describe how these metrics have changed over time. Where appropriate, asset managers should provide metrics considered in investment decisions and monitoring |                                                                  |                                                                                                 |                                                                                                                                                                                                                                                                                                                                                  |
|                                        | Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks                                                                                                                                                                                                            |                                                                  |                                                                                                 |                                                                                                                                                                                                                                                                                                                                                  |
|                                        | Provide the weighted average carbon intensity, where data are available or can be reasonably estimated, for each product or investment strategy. In addition, asset managers should provide other metrics they believe are useful for decision-making along with a description of the methodology used                   |                                                                  |                                                                                                 |                                                                                                                                                                                                                                                                                                                                                  |
|                                        | Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets                                                                                                                                                                                          |                                                                  |                                                                                                 |                                                                                                                                                                                                                                                                                                                                                  |

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# GOVERNANCE

Roles and Responsibilities



## Board's oversight and Management's role in assessing and managing climate-related risks and opportunities

PIMCO's global governance framework includes defined roles and groups that are responsible for the facets of sustainable investing, including keeping the Risk Committee and Executive Committee apprised of PIMCO's efforts.

PIMCO's Sustainability Leadership Team sets the strategic priorities for the platform and oversees firm-wide ESG integration efforts, including research frameworks, systems, and tools. PIMCO's Sustainability Leadership Team includes an Executive Committee member responsible for oversight of the firm's Sustainability platform. This Executive Committee member also oversees the firm's sustainability initiatives including firmwide ESG integration, as well as product development, marketing and messaging for the firm's sustainable investment solutions. The Portfolio Management Lead for ESG is responsible for the management of the ESG Research Analyst team, coordination with the broader credit research team, ESG integration across the trade floor, and consistent implementation of the firm's research frameworks. The Sustainability Leadership Team builds on inputs from PIMCO professionals focused on climate research and investing as well as analytics and technology teams who have developed firm-wide tools to assess climate risks. This involves portfolio management tools, and a recurring dashboard shared with portfolio managers comprised of key data on ESG-labeled<sup>6</sup> bond issuances, pricing, and notable market observations. This includes a list of news flows and research covering important developments linked to climate and nature risks (e.g. regulatory updates).

Alongside the Sustainability Leadership Team, the Sustainability Oversight Group (SOG) provides senior oversight and sponsorship for PIMCO's global sustainable investing efforts, including the

implementation of ESG integration and engagement principles in the firm's investment process, supervision of sustainability (including climate-and-nature-related) issues, and guiding external initiatives related to public policy and/or industry partnerships.

The SOG is comprised of several representatives from the PIMCO Management team (Managing Directors), including PIMCO's CEO and Group CIO. The SOG meets periodically, and includes two members from the Sustainability Leadership Team with direct sustainability responsibilities.

PIMCO's Global Executive Committee is responsible for PIMCO's strategic direction and management, including establishing PIMCO's firm-wide business strategy and deciding upon a range of financial, operational and other material matters. PIMCO's investment strategy is established by the Global Investment Committee, guided by PIMCO's economic forums and subsequent strategy sessions. Notably, in recent years, the Investment Committee covered the topics of portfolio decarbonization targets, investment opportunities and potential winners and laggards of the energy transition, acknowledging that issuers are at different stages of their sustainability journey. These topics included "stranded assets" (defined as those that turn out to be worth less than expected as a result of changes associated with the energy transition).

Additionally, PIMCO's Business Management group functions each have designated contacts to help coordinate functional support for sustainability efforts across areas such as Operations, Legal & Compliance, Information Technology, and Marketing.

<sup>6</sup> **ESG-labeled** bonds are defined as green, social, sustainability and sustainability-linked bonds. **Green Bonds** are those issues with proceeds specifically earmarked to be used for climate and environmental projects. **Social Bonds** are use-of-proceeds bonds earmarked to finance new and existing projects or activities with positive social impacts. **Sustainability Bonds** are use-of-proceeds bonds earmarked to finance new and existing projects or activities with positive environmental and social impacts. **Sustainability-Linked Bonds (SLBs)** are any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ESG objectives.

## PIMCO's Forums, Global Advisory Board and specialized committees

As previously introduced, PIMCO's active investment process combines PIMCO's top-down macroeconomic view with bottom-up research and analysis. Top-down views are driven by PIMCO's economic forums, consisting of the Secular and Cyclical forums.

During PIMCO's Secular forums, the firm formulates its outlook for global financial markets over the next five years and, as relevant for such considerations or discussions, considers relevant climate-related issues. Please see below for climate-related considerations over the past five Secular forums.

|      |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
|------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 2025 | PIMCO discussed key challenges and breakthrough opportunities in energy investing, emerging technologies, and closing critical financing gaps in renewables.                                                                                                                                                                                                                                                                                                                             |
| 2024 | PIMCO assessed the potential impact different U.S. election outcomes could have on renewables and the broader energy sector.                                                                                                                                                                                                                                                                                                                                                             |
| 2023 | PIMCO's Secular Outlook underscored how energy security and independence have grown into paramount objectives for various countries after widespread geopolitical conflict triggered acute energy supply shocks in several regions around the world. Further, during the forum itself, PIMCO had a dedicated session towards the secular outlook on capital expenditures ("capex"), including a portion spent analyzing a potential green capex super-cycle driven by fiscal incentives. |
| 2022 | The Secular Forum addressed physical risks and climate resilience, including a focus on the agriculture sector.                                                                                                                                                                                                                                                                                                                                                                          |
| 2021 | The transition from brown to green energy was highlighted as one of the major disruptive trends likely to drive a major transformation of the global economy and markets.                                                                                                                                                                                                                                                                                                                |

PIMCO's Global Advisory Board (GAB), which comprises macroeconomic thinkers and former policymakers, participates in these forums and typically provides insights on global economic, political and strategic developments and their relevance for financial markets. The impact of climate risks was notably highlighted over recent years by members of the GAB.

These topics are also analyzed in the context of PIMCO's quarterly Cyclical Forums to the extent that they affect PIMCO's bottom-up perspective, as well as growth and inflation forecasts over the business cycle horizon of the next 6-12 months. For example, the momentum for green, sustainability and sustainability-linked bonds associated with climate targets – including potential step-ups triggered by greenhouse gas emissions reduction targets being missed – was explored during the latest quarterly forums held in both 2024 and 2025.

PIMCO's Secular and Cyclical Forums build on PIMCO's research and economic data from presentations by the firm's regional portfolio committees and the ESG research analysts, among others. PIMCO's regional committees are supplemented by additional committees focused on certain sectors (e.g., PIMCO's European Credit Committee) meeting periodically and addressing a broad range of climate-related risks throughout the year. In recent years, these presentations examined topics such as the U.S., Asian or European climate policy agenda for businesses and the finance sector in particular (such

as the EU taxonomy for sustainable activities and broader sustainability-related disclosure rules, such as EU's Sustainable Finance Disclosure Regulation)<sup>7</sup>, and the consequences of the international climate policy ambition (takeaways of the United Nations Climate Change conferences). These presentations were led by PIMCO's ESG research analysts in collaboration with credit research analysts and portfolio managers. Metrics included a review of portfolio greenhouse gas emissions, and net zero<sup>8</sup> alignment methodologies or portfolios' exposure to long-dated bonds in the energy and fossil fuel industries, with a focus on issuers whose transition plan is less advanced.

Further, over the past few years, PIMCO has conducted a number of climate-focused educational sessions for the firm's investment professionals, with internal and external experts focusing on specific topics, including meeting client targets for decarbonizing their portfolios, green bonds, and carbon pricing risks.

Additionally, PIMCO has an ESG Data Governance Group, which includes representatives from various teams such as Risk, Analytics, Client Solutions, Credit and Portfolio Management. This group's focus areas include, among others, exploring ways of updating and enhancing proprietary ESG methodologies, and further embedding climate-related risk into existing PIMCO core stress-testing tools, portfolio risk-profiling and research.

<sup>7</sup> The EU Sustainable Finance Disclosure Regulation (SFDR) is a regulatory framework that requires financial market participants to disclose how sustainability risks are integrated into investment decision making and how financial products consider environmental and social characteristics, with the aim of improving transparency, comparability and reducing greenwashing in sustainable investing.

<sup>8</sup> While a firm-wide net zero commitment has not been made, PIMCO is committed to providing industry-leading advice and solutions for clients on a range of sustainability and ESG issues, including climate change and reducing greenhouse gas emissions to net zero.

## STRATEGY

Climate Risk Integration



## PIMCO's role in the transition to a low-carbon economy

PIMCO is committed to providing appropriate advice and solutions for clients on a range of sustainability issues, including climate change and nature. PIMCO, as an asset manager, recognizes the distinct role that it plays relative to asset owners, who each have varying investment objectives, preferences, and regulatory environments. PIMCO's role is to manage clients' assets using the parameters that they have established, which can often incorporate climate risk considerations but will do so to varying degrees and in varying formats. Consequently, PIMCO has not imposed universal climate targets on all portfolios managed by the firm. As clients begin or continue to assess the possibility of adding these targets, PIMCO will work collaboratively with them on assessing the feasibility of structuring and managing these.

PIMCO's strategy, or climate action plan, for clients that have implemented parameters that incorporate climate risk considerations has been to:

1. Provide clients with investment solutions to meet their decarbonization ambitions.
2. Develop portfolio analytics available to the portfolio managers to use in evaluating investments and managing portfolios.
3. Engage with those issuers where the firm has meaningful financial and ESG risk exposure, to evaluate their transition plans to maximize value for investors.
4. Work with industry groups that meet internal criteria to develop standards and educate constituents.
5. Help finance the transition to a low-carbon and climate resilient economy through investments in climate solutions (such as labeled green bonds), for portfolios that are managed to sustainability strategies and guidelines.

As part of PIMCO's support to clients with specified decarbonization goals, PIMCO utilizes a four-pronged approach of: 1. managing the carbon footprint; 2. investing in climate leaders or in those progressing in their climate objectives; 3. supporting climate solutions; and 4. influencing change through engagement activities.

## Climate-related risks and opportunities: potential impacts, specific issues and time frames

PIMCO recognizes that climate change may have a profound impact on the global economy, financial markets, and issuers. While the horizon of climate models can span a very long period, which PIMCO typically characterizes as the secular (1-5 years) or super-secular horizon (5+ years), the pace of change can be swift and relate to PIMCO's cyclical horizon (0-1 year). Risks

and opportunities related to climate change may materialize in unexpected ways, and can affect investments across asset classes, including a wide range of fixed income securities, such as corporate credit, mortgage-backed securities, sovereign debt and municipalities. The impact on financial markets and bond prices may be abrupt and sudden.

## How climate-related risks and opportunities are factored into PIMCO's investment process

When evaluating relevant climate-related risks of specific sectors and issuers as part of PIMCO's firmwide integration of material ESG factors into the investment process, PIMCO begins with two broad categories:

1. **Transition risks**, including policy, legal, technology, market, and reputation risks (e.g., tighter regulations on carbon emissions, climate-related litigation).

2. **Physical risks**, including both acute and chronic. Acute risks are event-driven, such as hurricanes and wildfires. Chronic risks are longer-term shifts in climate patterns, such as how the rising intensity and frequency of extreme weather events affects critical assets and natural resources used by the issuer.

## ILLUSTRATIVE CLIMATE RISK DRIVERS AND ASSETS EXPOSED TO THESE DRIVERS

|                                                            | Transition Risk                                                                                                                                                                                                                                                                                                                                       | Physical Risk                                                                                                                                                                                                                                                                                                                                                                                           |
|------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Examples</b>                                            | <ul style="list-style-type: none"> <li>Carbon regulation (e.g. tax or cap and trade systems)</li> <li>Energy-related technology changes (e.g. rise of low-carbon sources of energy such as renewables)</li> <li>Shifting customer preferences</li> <li>Liability e.g. litigation against governments and companies due to a lack of action</li> </ul> | <ul style="list-style-type: none"> <li>Acute physical risks (e.g. increased severity of extreme weather events, such as cyclones and floods)</li> <li>Chronic physical risks (e.g. changes in precipitation patterns and extreme variability in weather patterns, rising mean temperatures and sea levels)</li> <li>Air pollution</li> <li>Water stress</li> <li>Forest and land degradation</li> </ul> |
| <b>Corporates</b>                                          | Autos, Energy, Coal mining                                                                                                                                                                                                                                                                                                                            | Insurance Property and Casualty (P&C), Utilities, Refining                                                                                                                                                                                                                                                                                                                                              |
| <b>Sovereign</b>                                           | Fossil fuel-exporting and energy-intensive sovereigns, depending on their fiscal positions and savings                                                                                                                                                                                                                                                | Developing and least developed economies, resource-limited economies with weak institutions, especially those dependent on sectors like agriculture and situated near the equator or on small islands, due to their limited adaptive capacity and increased exposure                                                                                                                                    |
| <b>Munis</b>                                               | Coal-fired generation among utilities                                                                                                                                                                                                                                                                                                                 | Significant risks of water shortages for U.S. water utilities connected with regional and local governments                                                                                                                                                                                                                                                                                             |
| <b>Mortgage- and asset-backed securities (MBS and ABS)</b> | ABS: Aircraft, auto loans, leases affected by carbon regulations; MBS: 'Brown' assets lacking compliance with energy efficiency and environmental standards                                                                                                                                                                                           | MBS: Holders of residuals or Mortgage Servicing Rights, mostly on the private side; activities with concentrated exposure to specific geographies, such as Commercial Real Estate lending                                                                                                                                                                                                               |

Source: PIMCO, IPCC, IEA, Maplecroft, Moody's, as of 31 December 2025. Illustrative climate risk drivers and assets exposed to these drivers.

PIMCO has developed a climate risk scoring methodology that evaluates corporate sectors' exposure to these two climate risks over different time horizons, the cyclical (0-1 year), secular (1-5 years), and super-secular (>5 years). This assessment serves as a starting point before examining specific issuers. The graphic below provides an illustration of this scoring methodology, examining one credit-focused benchmark.

|                                          | Cyclical (0-1) |         |                  |            |        |            | Secular (1-5 years) |         |                  |            |        |            | Super-secular (>5 years) |         |                  |            |        |            |
|------------------------------------------|----------------|---------|------------------|------------|--------|------------|---------------------|---------|------------------|------------|--------|------------|--------------------------|---------|------------------|------------|--------|------------|
|                                          | Physical Risk  |         | Transition Risk  |            |        |            | Physical Risk       |         | Transition Risk  |            |        |            | Physical Risk            |         | Transition Risk  |            |        |            |
|                                          | Acute          | Chronic | Policy and legal | Technology | Market | Reputation | Acute               | Chronic | Policy and legal | Technology | Market | Reputation | Acute                    | Chronic | Policy and legal | Technology | Market | Reputation |
| <b>Bloomberg Global Agg Credit Index</b> |                |         |                  |            |        |            |                     |         |                  |            |        |            |                          |         |                  |            |        |            |

### For Illustrative Purposes Only

As of 31 December 2025. Source: Moody's, PIMCO, IPCC, IEA, DNB, IPR Climate Transition Forecasting Consortium.



The following table provides additional information on the time horizons PIMCO uses to assess climate-related risks and opportunities when relevant, alongside selected issues identified and analyzed in terms of potential investment implications (illustrative given that PIMCO's global footprint across various asset classes involves a broad range of climate-related risk drivers) and other types of impacts, such as on PIMCO's clients or the firm from a regulatory or reputational perspective.

| Time horizons   | Time horizon label                         | Short term (0-1 year)                                                                                                                                                                  | Medium term (1-5 years)                                                                                                                                       | Long term (>5 years)                                                                                                                                                            |
|-----------------|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                 | PIMCO's investment process (forums' terms) | Cyclical                                                                                                                                                                               | Secular                                                                                                                                                       | Super-secular                                                                                                                                                                   |
|                 | Perspective                                | How to identify potential changes in monetary and fiscal policies, market risk premiums, and relative valuations that drive portfolio positioning                                      |                                                                                                                                                               | How to position portfolios to benefit from structural changes and trends in the global economy                                                                                  |
| Transition Risk | Policy and Legal                           | Greater support for low-carbon energy sources, such as renewable energy and storage, as part of government's response to the energy shock                                              |                                                                                                                                                               | Carbon price increase in terms of value and coverage of greenhouse gas emissions phase-out (including bans) of certain high carbon sources of energy, technologies and products |
|                 | Technology                                 | Record growth of renewables capacity additions amid improved competitiveness                                                                                                           | Renewable energy emerges as the dominant source of electricity generation                                                                                     | Deployment at scale of advanced batteries, hydrogen electrolyzers, and direct air capture and storage                                                                           |
|                 | Market                                     | Increased uncertainties and growing demand for fossil fuel<br>ESG-labeled bonds growth and diversification (e.g. transition-related green bonds and sustainability-linked bonds)       | Increased investments into renewable energy and lower investment into fossil fuels supply<br>Growth in climate-related requirements and requests from clients | Declining demand for fossil fuels, especially oil                                                                                                                               |
|                 | Reputation                                 | Increased scrutiny and concerns over "greenwashing" (e.g., misrepresentation of climate characteristics of an issuer or financial product), including ESG data and standards integrity |                                                                                                                                                               |                                                                                                                                                                                 |
| Physical Risk   | Acute                                      | Rising costs of disasters such as hurricanes, wildfires, floods                                                                                                                        |                                                                                                                                                               |                                                                                                                                                                                 |
|                 | Chronic                                    | Disruptions to energy supply brought about by droughts                                                                                                                                 | Heatwaves could result in labor productivity and crop yield losses, disrupting soft commodity supply                                                          |                                                                                                                                                                                 |

Source: IEA, PIMCO, S&P, Munich Re, Swiss Re, as of 31 December 2024. **For illustrative purposes only.**

Over the cyclical horizon, some geopolitical uncertainties and other sources of energy market volatility may occur, as well as continued potential for weather-related disruption impacting PIMCO's investments, as seen in previous years. Over the long term, key developments in policy, economics, and consumer trends suggest a potential structural, non-linear rise in both transition and physical risks, with material regional variations.

## The impact of climate-related risks on PIMCO's business

PIMCO's proprietary climate risk evaluation framework has been enhanced throughout recent years. This led to the development of tools and methods that seek to integrate over time relevant climate risk evaluations in PIMCO's investment decisions as per applicable investment guidelines or business considerations.

PIMCO aims to consider all potential risks and opportunities that could affect particular issuers or industries where appropriate, including climate-related risks – both physical and transition. For instance, PIMCO's fundamental analysis of credits in the energy sector closely examines companies' exposure to different types of energy sources and extraction

methods, environmental and regulatory risks to their business activities, the relative cost positions of companies and their commitments, and steps taken to diversify into lower-carbon sources of energy. Further, PIMCO has developed proprietary carbon measurement and optimization tools. These tools include an attribution methodology which allows users to measure the estimated contribution of different factors to

a change in portfolio carbon metrics over time and identify potential real-world emissions decarbonization.

Ultimately, PIMCO looks to map the extent to which long-term climate risks can be reflected in PIMCO's credit views and bond prices where applicable, and, if they are not, what this could mean for issuers' credit quality considering bond characteristics (e.g., duration) over time.

## The impact of climate-related opportunities on PIMCO's business

As risks mount, many issuers around the world are shifting from climate awareness to action, giving rise to new investment opportunities. Investors are monitoring government responses to climate risks in the form of regulatory developments, carbon taxes, and public investment, as well as shifts in consumer sentiment and business models. PIMCO expects these trends to materially change the investment landscape: the transition away from fossil fuels towards clean energy coupled with the increase in the electricity demand driven by Artificial Intelligence (AI) and data centers, for example, could create compelling investment opportunities not just limited to the energy sector (e.g. clean transport, energy efficient buildings).

Fixed income markets, in PIMCO's view, currently offer a diverse array of sustainable investment options and even more so in the years to come. The sustainable bond market, including green, sustainability and sustainability-linked bonds, continues to grow at a strong pace, offering compelling opportunities to finance, among others, the climate transition. PIMCO's ESG Research Analysts have published best practices for issuers of ESG labeled bonds in both the corporate, sovereign and municipals space.

[PIMCO's Best Practice Guidance for Corporate Sustainable Bond Issuance](#)

[PIMCO's Best Practice Guidance for Sovereign Sustainable Bond Issuance](#)

[PIMCO's Best Practice Guidance for Municipal Sustainable Bond Issuance](#)

For clients looking to implement decarbonization targets, PIMCO has developed a four-pillar decarbonization framework to help investors target long-term objectives to reduce portfolio exposure to greenhouse gases. This framework provides a meaningful and realistic approach to decarbonizing fixed income portfolios over time, while engaging and investing in the climate solutions and those best positioned to contribute to real-economy emissions reductions.

As certain asset owners explore the possibility of incorporating decarbonization targets in their investment portfolios, PIMCO has collaborated with numerous clients on assessing the feasibility and portfolio implications of implementing such targets.

## PIMCO's assessment of climate risks across asset classes

This section provides details on climate risks identified and analyzed for major asset classes relevant to PIMCO (for illustrative purposes only), including how they may be affected by the transition to a lower-carbon economy: Corporate, Sovereign, Municipal, Securitized, and Alternative.

While the findings of this climate risk assessment may inform various actions (e.g. engagement), the examples below illustrate how they impact PIMCO's research and investment decisions. They broadly show that PIMCO's evaluation of climate risks fits into the firm's global investment process, including the assessment of issuer's credit quality and whether PIMCO is appropriately compensated for the climate-related financial risks analyzed.

## CORPORATE CREDIT CLIMATE-RELATED RISKS AND OPPORTUNITIES

**Physical risks:** There have been a limited number of instances where acute risks already had a more significant impact on corporate issuers. In these scenarios, the impact has been on a rather small number of corporate issuers (e.g., hurricanes for U.S. refiners or chemicals companies, or floods in Europe for financials).

Chronic physical risks are inherently set to be more apparent over a longer period. While there are large uncertainties, PIMCO evaluates the possibility for those to occur sooner rather than later and thus to potentially have a significant importance already over a medium-term horizon. In the short term, heatwaves and reduced rainfall are two examples of risks that had a limited and temporary impact on corporate issuers' financials, for example for food and beverage companies and utilities firms in Europe.

Climate models suggest that these impacts may be exacerbated in the very long term (second part of the century) and could potentially remain moderate in the coming decade (e.g. by 2035). 2025 has been identified as the third hottest year on record globally<sup>9</sup>. This has been linked to severe heatwaves, floods and wildfires in places with very different climates.

**Transition risks:** Policy, technology, market, and reputation transition risks have had a significant impact in Western markets, for example in the utilities sector given carbon regulations, renewables subsidies, shifting demand from end-use sectors, and the changing economics of coal versus modern renewables. Transition risks also had a significant impact on the automobile sector, given tightening carbon standards and the shift to electric vehicles.

2025 proved eventful for the transition to a lower-carbon economy. While certain trends were mixed when looking at market or policy developments (e.g., disruptions occurred in parts of the renewables market, certain policy changes are less supportive of certain technologies or were softened), PIMCO believes the drivers of green technologies remain appropriate overall and the momentum for additional climate action remains strong.

Below are select examples which illustrate how material climate factors may affect a PIMCO analyst's overall credit view on a corporate issuer.

|                                                         | Corporate                                                                                                                                                                                        | Corporate                                                                                                                                                                            |
|---------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Climate risk type                                       | Physical risk                                                                                                                                                                                    | Transition risk                                                                                                                                                                      |
| Issuer profile                                          | Utility Company                                                                                                                                                                                  | Chemical Company                                                                                                                                                                     |
| Material climate factors affecting analyst overall view | Compensation for damages caused by a fire, collaboration with the public sector to backstop wildfire liabilities and mitigate systemic risk, and continuous investments to reduce wildfire risks | High energy and carbon costs that may create uncertainty, and jeopardize projects and investments; subsidy reform could be marginally positive and drive decarbonization investments |
| PIMCO credit research and investment implication        | Latest fire an overhang <sup>10</sup> for the credit                                                                                                                                             | Near-term risks and medium-term potential upside if one decarbonization project is successful                                                                                        |

As of 31 December 2025. **The above is presented for illustrative purposes only**, as a general example of PIMCO's ESG research capability and is 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. **Past performance is not indicative of future results**

<sup>9</sup> <https://climate.copernicus.eu/sites/default/files/custom-uploads/GCH-2025/GCH2025-full-report.pdf>

<sup>10</sup> An overhang is a state where an entity's existing debt is so high that new borrowing for profitable projects becomes difficult, often leading to underinvestment and stagnation

SOVEREIGN CREDIT CLIMATE-RELATED RISKS AND OPPORTUNITIES

**Physical risks:** Countries’ exposure and costs from both acute physical risks (wildfire, flooding, and storms) and chronic risks (those manifesting over the medium to longer term, including changes to precipitation and temperature patterns and sea level rise) are expected to increase<sup>11</sup>. Countries around the equator, and those reliant on agriculture, appear particularly vulnerable. Southeastern Asia, Central and Eastern Africa, the Caribbean and Central America are among the regions that could be the most impacted.

Climate hazards can affect countries and their wealth over a long-term horizon through direct damage to their physical capital stock (loss of land, changing crop yields, depleted natural resources, damages to infrastructure etc.). They can also be affected via indirect social impacts (food insecurity, productivity loss, international migration, civil unrest etc.), or biodiversity loss and international trade disruptions (climate change impacts on supply chains).

Public finance could be particularly affected by climate shocks (e.g. loss of revenues, increasing insurance costs, loss of value), leading to greater debt burdens that can undermine the financial stability of a country (e.g. increased probability of default).

Below is an example which illustrates how material climate factors may affect a PIMCO analyst’s fundamental valuation on a sovereign.

| Issuer                                                  | EM country                                                                                                                                                                                                                                                                 |
|---------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Asset Class/Sector                                      | Sovereign                                                                                                                                                                                                                                                                  |
| Climate risk type                                       | Physical risks                                                                                                                                                                                                                                                             |
| Issuer profile                                          | Asian Country                                                                                                                                                                                                                                                              |
| Material climate factors affecting analyst overall view | As a highly climate vulnerable archipelago, the country continues to grapple with stronger typhoons, heavier precipitation, elevated temperatures, and rising sea levels, all of which pose persistent threats to economic activity and infrastructure resilience.         |
| PIMCO credit research and investment implication        | As 2025 evolved from El Niño to La Niña, which typically brings above-average rainfall in the southeast Asian region, PIMCO followed the deployment of infrastructure projects towards climate adaptation and flood control, and the related GDP impact in the short term. |

**Source:** PIMCO, as of 31 December 2025. **The above is presented for illustrative purposes only**, as a general example of PIMCO’s ESG research capability and is 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. **Past performance is not indicative of future results.**

11 Sources: Bennett Institute, Federal Reserve Bank of Dallas, Moody’s, NGFS, S&P, World Bank.  
12 World Bank, The Government of Pakistan, Asian Development Bank, European Union, United Nations Development Programme.  
13 IPCC

## SOVEREIGN CREDIT CLIMATE-RELATED RISKS AND OPPORTUNITIES (CONTINUED)

**Transition risks:** The impact of transition risks varies across different countries and sectors. For example, countries with a large dependence on fossil fuels may see their budget pressured by the energy transition.

In the International Energy Agency (IEA) reference scenario (based on existing policies and those under development), oil demand peaks this decade. In the latest IEA Net Zero Scenario, the IEA reiterated that “no new long lead time conventional oil and gas projects need to be approved for development”. However, the IEA recently reintroduced a more conservative scenario based on existing policies, which projects a continued growth in oil demand till 2050.

The general trend towards more aggressive carbon targets and tightening carbon policies across carbon-intensive sectors could entail material implications for businesses, households, and government spending. The impact could stem from both domestic and international actions, e.g., carbon border tax or reduced demand for fossil fuel.

Mitigation actions partly depend on countries’ response and resilience. Significant opportunities could arise on the back of low-carbon technology and governments propping up these sectors could in turn foster their economic growth. Transition policies that would help advance the global net zero target in an orderly fashion could help alleviate these risks.

## SECURITIZED CREDIT CLIMATE-RELATED RISKS AND OPPORTUNITIES

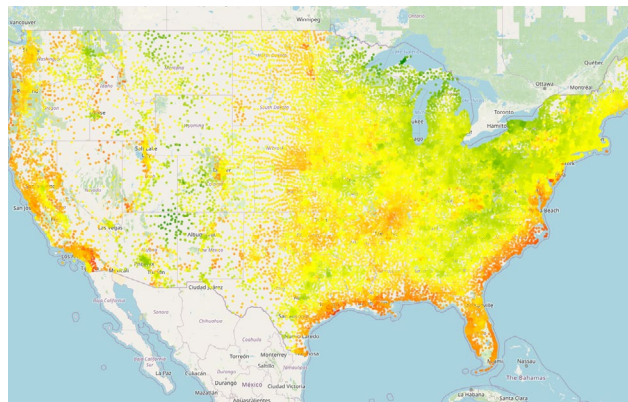
Similar to other financial assets, securitized products are subject to transition and physical risks, which can be material.

**Physical risks:** PIMCO views physical risk affecting securitized credit predominantly through the risk that natural hazards could impose on the underlying collateral.

Given the wide span of securitized credits, PIMCO thinks that a differentiated approach to measure physical risk is warranted. For those where collateral is mostly concentrated in real assets, such as Residential Mortgage-Backed Securities (RMBS) or Commercial Mortgage-Backed Securities (CMBS), PIMCO utilizes proprietary tools to locate the real estate assets in the underlying pool and combine the geographic data with climate research data (e.g. Federal Emergency Management Agency) to estimate the aggregated historical impact of various natural hazards (e.g. hurricanes or wildfires) on these assets.

For those where collateral is mostly concentrated in financial assets, such as Collateralized Loan Obligations (CLOs), PIMCO looks to leverage physical risk tools, including forward-looking data that PIMCO is developing for the underlying corporates, but further extend the analysis to the CLO manager and structure level.

While PIMCO thinks that physical risk could have a more meaningful impact in both the medium term (more likely via acute risks) and long term (via both chronic risks and more frequent occurrences of acute risks), PIMCO notes the collateralization nature could, to some extent, be supportive for certain tranches, and the impact across tranches may be different.



Source: PIMCO, FEMA. Estimated building loss is as of Mar 2023. **The above is presented for illustrative purposes only**, as a general example of PIMCO’s ESG research capability and is 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. **Past performance is not indicative of future results**

SECURITIZED CREDIT CLIMATE-RELATED RISKS AND OPPORTUNITIES (CONTINUED)

**Transition risks:** The main transition risk focus for securitized credit stems from the potential impacts of an acceleration of the energy transition and tightening carbon regulations on the underlying sectors and assets (e.g., reduced value for those lacking compliance with energy efficiency and environmental standards). Therefore, PIMCO leverages internal corporate sector frameworks designed to evaluate climate risks for those relevant to the underlying loans, such as automotive, banks, or real estate.

From the risk perspective, PIMCO focuses not only on the greenhouse gas (GHG) emissions from underlying assets, but also collaterals’ exposure to carbon-sensitive or hard-to-abate sectors (e.g. aircraft ABS). PIMCO has developed

a resource to calculate Scope 1 and 2 absolute carbon emissions associated with MBS, as well as measure carbon intensity and exposure to electrified vehicles for select auto ABS deals. The carbon analytics toolkit allows PIMCO to identify compelling investment opportunities in the region.

From a stewardship perspective, as part of Partnership for Carbon Accounting Financials (PCAF) working group, PIMCO contributed to the development of the first industry standard on financed GHG emissions for structured credit.

From the opportunity side, PIMCO focuses on the potential ability of underlying assets to decarbonize across the value chain.

Select Securitized Credit Potential Materiality Exposure

HighMediumLow

|                                               | Transition Risk | Physical Risk |
|-----------------------------------------------|-----------------|---------------|
| Residential Mortgage-Backed Securities (RMBS) | High            | High          |
| Commercial Mortgage-Backed Securities (CMBS)  | High            | High          |
| Auto Asset- Backed Securities (ABS)           | High            | Low           |
| Student Loan ABS                              | Low             | Low           |
| Credit Card ABS                               | Low             | Low           |
| Collateralized Loan Obligation (CLO)          | Medium          | Medium        |
| Covered Bond                                  | Medium          | Medium        |

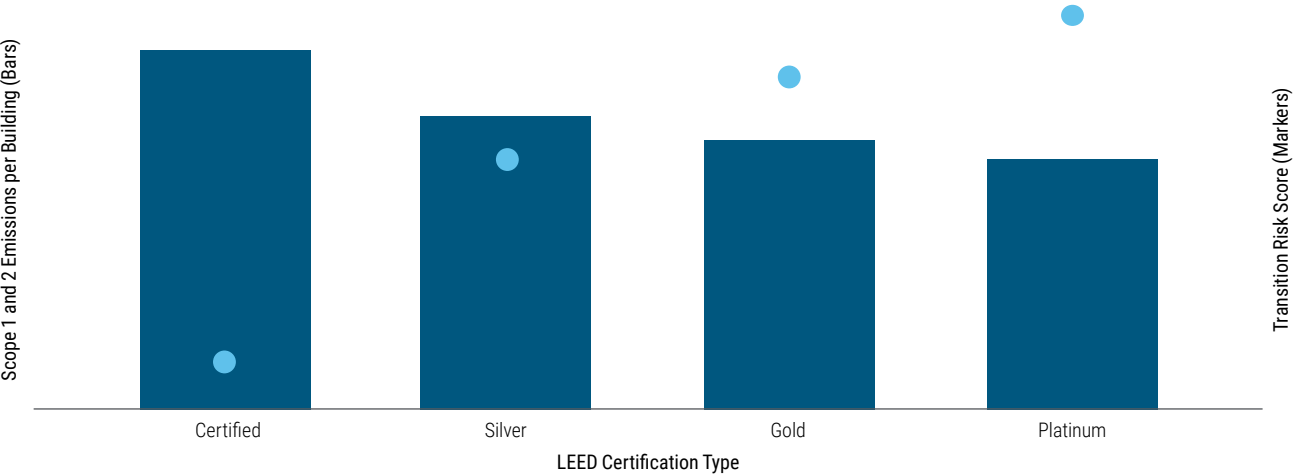
As of 31 December 2025. Source: PIMCO. For illustrative purpose only.

**Note:** High/Medium/Low refer to the perceived materiality (potential exposure) in scenarios that may be deemed relatively extreme relative to the current situation and unfold over several decades from now (e.g., disorderly transition to net zero, or limited climate action resulting in a significant increase in the intensity and frequency of extreme weather events). ‘Low’ includes areas where there is a particularly low visibility given data availability and quality.

SECURITIZED CREDIT CLIMATE-RELATED RISKS AND OPPORTUNITIES (CONTINUED)

Within CMBS, PIMCO’s proprietary analytics back testing also suggests that LEED certified buildings tend to negatively correlate with the emissions profile of the underlying building collateral.

Transition Risk by LEED Certifications



Source: PIMCO, non-agency CMBS. Transition risk score ranged from 1 to 5, where 5 represents the issuer has low exposure to transition risks.

Below is a select example which illustrates how material climate factors may affect a PIMCO analyst’s overall view on a securitized investment.

| Asset Class/Sector                                      | Securitized                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|---------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Climate risk type                                       | Transition/Physical risk                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| Issuer profile                                          | Data Center Asset-backed Security                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Material climate factors affecting analyst overall view | <div><ul style="list-style-type: none"><li>100% of the collateral looks to meet the top energy efficiency/water management standards, which is viewed as attractive in light of increasing demand for energy and water under broader AI infrastructure build out.</li><li>Physical risk of the underlying collateral is assessed, with the collateral broadly diversified across a number of assets in the U.S. and concluded to be low.</li></ul></div> |
| PIMCO credit research and investment implications       | Supportive. PIMCO participated in the new issue.                                                                                                                                                                                                                                                                                                                                                                                                         |

The above is presented for illustrative purposes only, as a general example of PIMCO’s ESG research capability and is 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. **Past performance is not indicative of future results.**

## ALTERNATIVE INVESTMENTS

Alternative investments are subject to potential transition and physical risks which, similar to other financial assets, can be material and partly depend on the segment in scope.

**Physical risks:** Alternative assets with physical underlying collateral or real asset exposure have the greatest sensitivity to physical risks. Natural hazards and perils are taken into consideration during the pre-investment due diligence process, particularly when underwriting

commercial real estate deals, as asset performance can be severely impacted by weather-driven disruptions to tenancy, property availability, or residual value.

**Transition risks:** Alternative assets are exposed to potential transition risk, with the built environment and transportation-related collateral having the greatest potential exposure.

### Select Alternative Investment Potential Materiality Exposure

■ High    ■ Medium    □ Low

|                        | Transition Risk | Physical Risk |
|------------------------|-----------------|---------------|
| Aircraft Finance       | High            | Low           |
| Auto Loans             | High            | Low           |
| CMBS                   | High            | High          |
| Consumer Loans         | Low             | Medium        |
| CRE Equity / Debt      | High            | High          |
| Equipment Finance      | Medium          | Low           |
| Land Development       | High            | High          |
| Private Resi           | Medium          | High          |
| REIT                   | High            | High          |
| Small Business Loans   | Low             | Medium        |
| Telecom Infrastructure | Medium          | Medium        |

As of 31 December 2025. Source: PIMCO. **For illustrative purpose only.**

**Note:** High/Medium/Low refer to the perceived materiality (potential exposure) in scenarios that may be deemed relatively extreme relative to the current situation and unfold over several decades from now (e.g., disorderly transition to net zero, or limited climate action resulting in a significant increase in the intensity and frequency of extreme weather events). 'Low' includes areas where there is a particularly low visibility given data availability and quality.

### EXAMPLE ALTERNATIVE INVESTMENT – REAL ESTATE

**Physical risks:** PIMCO Prime Real Estate generally utilizes two tools in the climate-related due diligence / evaluation process for potential real estate investments – ACCRiS (Allianz's climate and natural-catastrophe screening tool for risks such as flood, wind and heat) and Jupiter Intelligence, an external data provider – to see how it could be hit by climate hazards today and under future

scenarios. PIMCO screens for flooding (from rain, rivers and the coast), hail, wind, heat and cold. Prior to any upgrade program, most assets score low to medium on heat resilience; PIMCO would then target that any capital expenditure boosts comfort and cuts energy bills. Flooding and heavy rain remain the biggest source of potential physical damage.

For more information see this interview with Raphael Mertens, Chief Sustainability Officer at PIMCO Prime Real Estate – the manager of Allianz's real estate portfolio and part of PIMCO's global real estate platform. <https://pimcoprimerealestate.com/en/publications/cities-under-stress-building-and-investing-in-a-warming-climate>

## MUNICIPAL CREDIT CLIMATE-RELATED RISKS AND OPPORTUNITIES

**Physical risks:** Physical risks can be both short- and long-term, 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. Currently, the Federal Emergency Management Agency (FEMA) plays a significant role in helping state and local governments recover from acute events, though FEMA does not eliminate physical risks entirely. Additionally, PIMCO expects that physical hazards may continue to worsen, potentially having more significant long-term impacts on communities that do not have the ability or means to sufficiently adapt or retreat, with the potential to substantially impair a community's tax and/or employment base.

**Transition risks:** While physical risk is a more immediate consideration for the municipal market than transition risk, PIMCO considers how transition risk could affect communities with significant ties to the fossil fuel industry, such as significant concentration in the fossil fuel industry in the tax or employment base. PIMCO views transition risk as a more medium-term risk and more likely to have a nearer-term impact on communities located in states with more robust renewable portfolio standards, net zero carbon targets, or other climate-related regulations. PIMCO also looks at where the transition away from fossil fuels could have positive impacts on communities. For example, where communities are experiencing growth in sectors that are supportive of the transition, such as renewable energy technology manufacturing plants or generation facilities, the transition could be a net job creator.

## The impact of climate risks embedded into PIMCO's sustainable investment solutions

In PIMCO's commingled funds that are managed to sustainability strategies and guidelines, PIMCO has embedded climate change into a three-step approach of exclusion (e.g., fossil fuels<sup>14</sup>), evaluation (e.g., climate performance) and engagement, to assess both the portfolio's contribution to climate change, and the impact of climate change from a credit risk perspective. Sustainability strategies often aim to be better positioned than their respective benchmarks with respect to their exposure and management of climate risks, given their

relative focus on issuers with stronger climate characteristics overall (e.g., issuers with lower carbon intensity than peers, and companies with science-based carbon emission reduction targets and robust transition plans).

PIMCO's process to evaluate these risks includes both the incorporation of this analysis into credit and ESG research, as well as the utilization of climate scenario analysis and stress tests.

<sup>14</sup> Defined as issuers principally engaged in the oil industry, including extraction, production, refining, transportation, or the production, sale of coal and coal-fired generation.

## Climate-scenario analysis models: assessing the resilience of assets from top-down to bottom-up

PIMCO has developed models taking both top-down and bottom-up approaches to climate scenario analysis in order to assess potential resilience of portfolios to relevant climate risks. PIMCO 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 section expands further on these models and demonstrates 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.

The scenario analysis presented is a theoretical, assumption-based exercise designed to complement broader long-term investment research. These scenarios are

not forecasts or predictions, and the results should not be interpreted as indicative of future portfolio performance, nor a view on the probability or plausibility of these outcomes. They rely on third-party data, evolving climate models, and multiple simplifying assumptions, each of which involves material uncertainties and methodological limitations.

The top-down and bottom-up models serve different purposes and are not intended to be directly comparable. The top-down analysis applies four NGFS scenarios in seeking to capture economy-wide macroeconomic impacts, which may produce larger aggregate return effects, while the bottom-up model focuses on sector-level credit stress testing using a smaller set of scenarios supported by available data, resulting in more modest impacts. Taken together, the two approaches provide complementary insights into the potential portfolio resilience across different transmission channels and time horizons, rather than forecasts of expected returns.

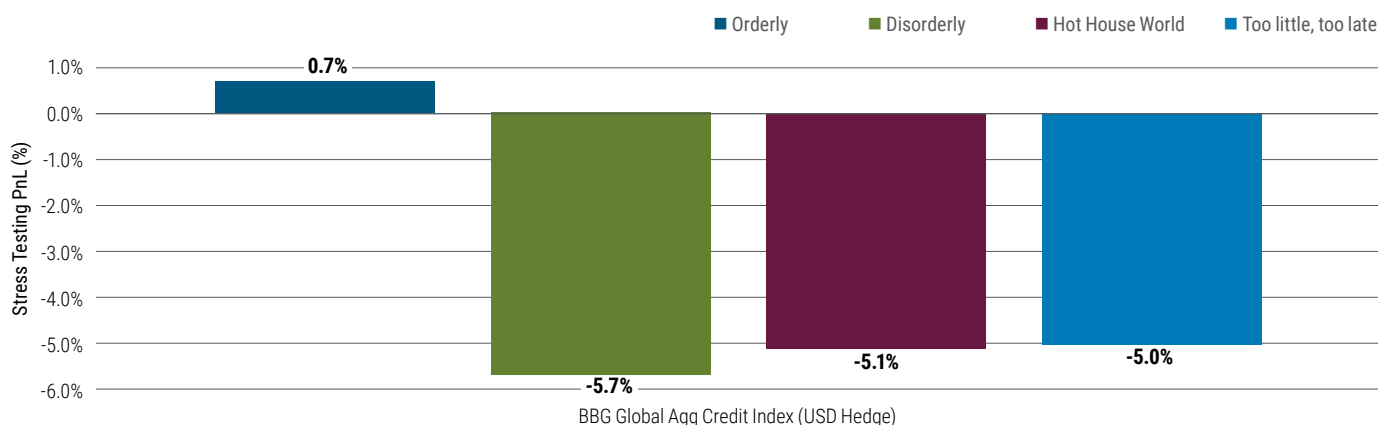
### TOP-DOWN MODEL

PIMCO has created a proprietary model which uses central banks and empirical data to capture the main mechanisms linking climate change to the global economy, such as changes in inflation derived from both physical and transition risks. With this model, PIMCO 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 different scenarios designed by the Network for Greening the Financial System

(NGFS) - More information on the top-down model and the NGFS Scenarios can be found in the Appendix.

To determine the impact of climate scenarios on asset prices, PIMCO maps 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 credit fixed income index (Bloomberg Global Aggregate Credit Index) and a global equity index (MSCI All Country World (ACWI) Index).

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



15 Source: PIMCO Proteus model output as of 31 December 2025 for the Bloomberg Global Agg Credit (USD Hedged) Index. For illustrative purposes only. The top-down macro model captures the main mechanisms linking climate change to the global economy, such as changes in inflation derived from both physical and transition risks. 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, PIMCO

In the Orderly and Disorderly scenarios, the implementation of a carbon tax causes lower real GDP and higher inflation. However, for the Orderly scenario the inflation ends up rising less overall because early climate action reduces long term cost pressures (e.g. impact of climate physical risks). This lower inflation keeps interest rates from rising as much, which supports fixed income index performance.

The Disorderly scenario features a delayed transition and larger losses in real GDP due to transitioning later, and also larger inflation causing a negative return for the fixed income benchmark. Based on PIMCO's mapping to asset prices, this implies that equities fall and rates rise. For the Bloomberg Global Aggregate Credit index, PIMCO finds the negative return on equity also means credit spreads widen.

## BOTTOM-UP MODEL

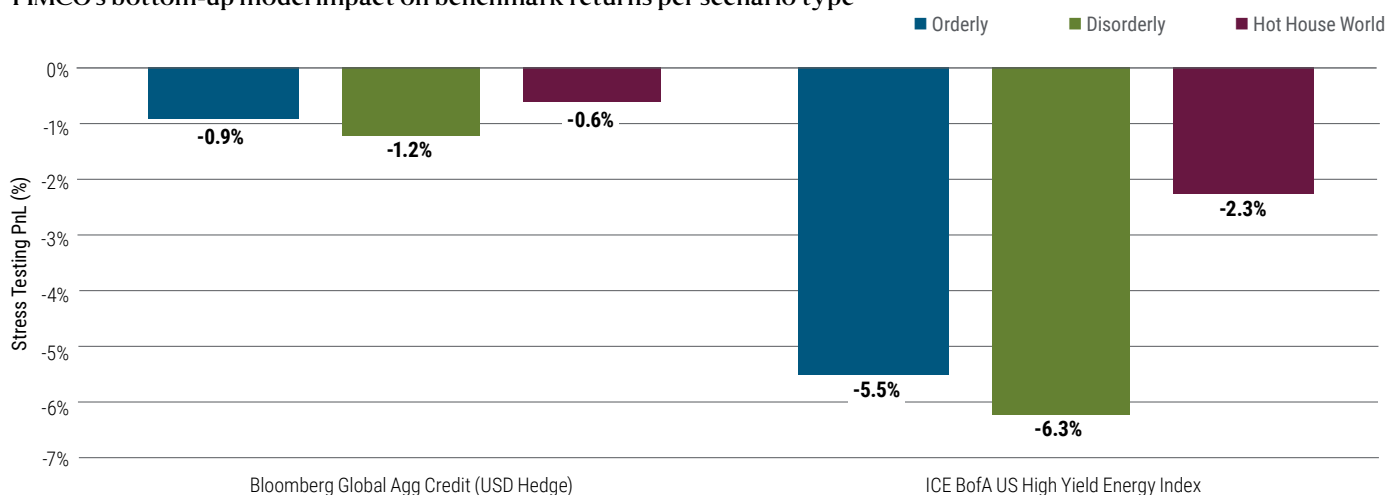
PIMCO has developed a bottom-up sector stress-testing model using a distinct set of assumptions separate from those of the top-down approach. This model builds upon internal research and central bank stress-testing exercises to determine equity price shocks for material sectors<sup>16</sup>. These shocks incorporate both physical and transition risks across the 2021 NGFS's six scenarios<sup>17</sup>. PIMCO then translates these equity shocks into fixed income shocks and can apply them to corporate bonds in a portfolio<sup>18</sup>.

The Too little, too late scenario, introduced by the NGFS in 2023, sees the implementation of a smaller carbon tax which does not meaningfully reduce physical risk and negatively impacts the economy, in PIMCO's view. In this scenario, real GDP growth falls due to both physical and transition risk, and inflation is positive.

In the Hot house world scenario, there is a higher impact from physical risk events, which leads to a loss in productivity due to human-driven increases in global temperature and increased inflation. As a result, equities fall and rates increase slightly, leading to losses in the fixed income benchmark. While this simplified modelling inherently does not capture the specific impacts on fixed income sectors and securities given their characteristics and respective vulnerability to climate risks, it is useful as a first step to shed light on the potential connections between climate-induced GDP shocks and portfolio returns, all else equal.

The charts below illustrate the impact climate change could have on two different corporate credit benchmarks, the Bloomberg Global Aggregate Credit Index and the ICE BofAML US High Yield Energy Index. Portfolios with a higher allocation to materially exposed sectors (e.g., energy), can increase the severity of losses across scenarios. The Disorderly scenario can produce 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 impact on benchmark returns per scenario type



As of 31 December 2025. Source: Bank of England, NGFS, PIMCO. **For illustrative purposes only**

<sup>16</sup> Source: Bank of England

<sup>17</sup> NGFS - <https://www.ngfs.net/ngfs-scenarios-portal/>

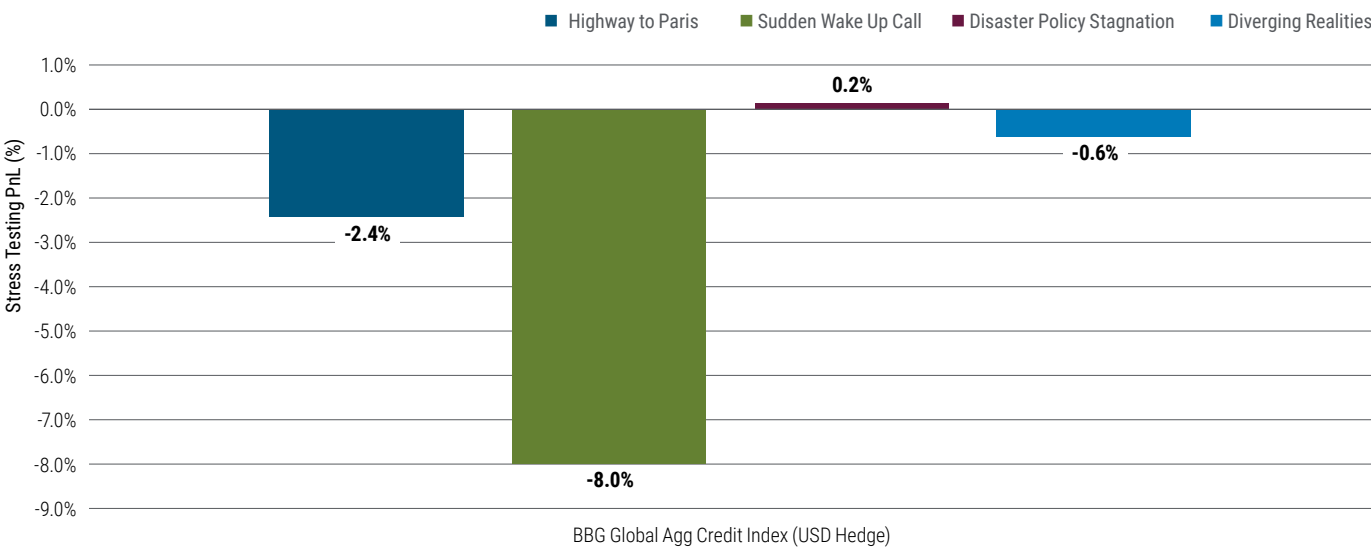
<sup>18</sup> Source: PIMCO bottom-up model output as of 31 December 2025 for the Bloomberg Global Aggregate Credit USD hedged index and the ICE BofAML US High Yield Energy Index. Output represents the impact on corporate bonds for both transition and physical risk. For illustrative purposes only. This 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. The database used to model the impact by sector does not include an equivalent to the 'too little, too late' scenario. 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.

While the model does not account for a company’s specific dynamics, which PIMCO addresses via a complementary bottom-up research approach, it provides insights into sector selection that can help structure more climate-resilient portfolios. Overall, the scenario results indicate that climate risk may be more pronounced at the macroeconomic level and over longer time horizons, particularly under delayed or disorderly transition pathways. Sector-level credit impacts may be more moderate and differentiated, reflecting bond structures and portfolio diversification. Taken together, the analysis highlights climate change as a potential material long-term risk factor for portfolio resilience, while suggesting that near-term impacts on diversified fixed income portfolios are likely to be more limited.

SHORT-TERM SCENARIOS

**Top-down:** PIMCO has also created a model for the short-term<sup>20</sup> scenarios recently developed by the NGFS, which includes changes to carbon prices and impacts of rising temperatures. Unlike traditional models targeting 2050, these new scenarios quantify impacts through 2030.

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



As of 31 December 2025. Source: NGFS, PIMCO. For illustrative purposes only<sup>21</sup>.

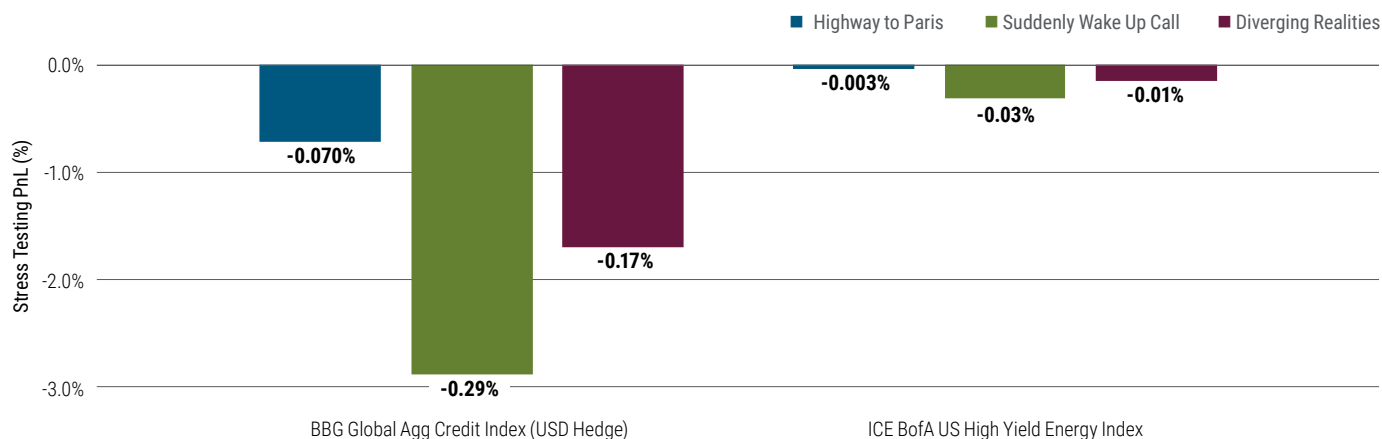
In “Sudden Wake Up Call”, the world is initially climate-unaware, then experiences a sudden shift in policy preferences and an abrupt swing in consumer/investor preferences toward green sectors. The NGFS explicitly frames this as a sharp surge in carbon prices that triggers a supply shock, with markets unable to adapt quickly. That is fundamentally different from the orderly case (“Highway to Paris”), where policy ramps gradually and is intended to limit disruption. It is also different from physical-risk-only narratives, such as in “Disaster Policy Stagnation”, where the shock is severe but (in the scenario design) more event-driven and often regionally concentrated.

20 See appendix for details on the NGFS short-term scenarios. NGFS Short-Term Climate Scenarios – Technical Documentation (May 2025). <https://www.ngfs.net/ngfs-scenarios-portal/> Although these short term scenarios overlap with the investment horizon typically used in PIMCO’s secular investment framework, they remain hypothetical and are for illustrative purposes only. The illustrative figures disclosed do not represent a view on their probability or relevance

21 Source: PIMCO Proteus model output as of 31 December 2025 for the BBG Global Agg Credit (USD Hedged). For illustrative purposes only. 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. PIMCO assumes 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 subsidizing renewable investment. These macroeconomic shocks flow through to asset prices which is captured 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).

**Bottom-Up:** PIMCO has also adapted the bottom-up model to the short-term scenarios recently developed by the NGFS, building upon equity price shocks for material sectors indicated by the CLIMACRED<sup>22</sup> model used by the NGFS.

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



Source: Bank of England, NGFS, PIMCO, as of 31 December 2025. **For illustrative purposes only**<sup>23</sup>.

### CLIMATE RESILIENCE OF PIMCO'S BUSINESS MODEL AND SUSTAINABLE INVESTING APPROACH

In general, preliminary data produced by these models suggest a moderate impact of climate scenarios on PIMCO. However, limitations of stress-testing methodologies and data described in the appendix (page 44), alongside the areas for improvement PIMCO focuses on, warrant great caution.

To help address these risks, PIMCO focuses on two types of risk mitigation levers:

1. PIMCO's business model and investments' diversification in terms of asset classes, credit quality, sectors, and geographies.

Climate-related risks have the potential to impact the value of PIMCO's assets under management (AuM), which would affect future profitability. PIMCO's exposure to climate-related risks is predominantly via the financial assets PIMCO manages on behalf of clients. PIMCO's business model offers a certain degree of flexibility and agility to adapt exposure

depending on the realized climate scenario, in order to effectively mitigate such risks.

Moreover, PIMCO's portfolios are broadly diversified across a number of asset classes and geographies; a large portion of PIMCO's assets are invested in high-quality, highly liquid instruments in the fixed income market including investment grade corporate credit, government and government-related securities, and cash equivalents. Climate risk-driven expected losses for bonds are typically smaller in magnitude compared to other asset classes (such as equities); diversification helps avoid unwanted concentrations towards economies that are geographically and/or structurally more vulnerable to climate change.

2. PIMCO's climate risk integration and management process, described in other sections, most notably in the Risk Management section.

<sup>22</sup> NGFS Short-Term Climate Scenarios – Technical Documentation (May 2025). <https://www.ngfs.net/ngfs-scenarios-portal/>. Although these short term scenarios overlap with the investment horizon typically used in PIMCO's secular investment framework, they remain hypothetical and are for illustrative purposes only. The illustrative figures disclosed do not represent a view on their probability or relevance

<sup>23</sup> Source: PIMCO bottom-up model output as of 31 December 2025. 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. It includes the Bank of England's three short-term climate scenarios (Highway to Paris, Sudden wake up call, and Disaster policy stagnation). The equity impacts are extracted from the CLIMACRED model used by the NGFS. Bond price impact is estimated to be 15% of equity impact. The database used to model the impact by sector does not include an equivalent to the 'too little, too late' scenario. 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

## PLANS FOR TRANSITIONING TO A LOW-CARBON ECONOMY

As an organization that operates in jurisdictions with GHG emissions reduction commitments, the firm is closely monitoring the implications for its clients and portfolios but has not set universal GHG emissions targets as an organization<sup>18</sup>. However, as detailed throughout this report,

PIMCO is taking various actions to have leading capabilities to support the transition, for example, as it relates to investment solutions for clients with decarbonization objectives or engagement with issuers and various organizations on best practices.

## Collaboration to advance climate risk measurement and management

As a leading global asset manager, PIMCO helps define global climate metrics for investment purposes, and encourages greater climate-related disclosure from issuers. Below are select examples of PIMCO's industry leadership with third-party sponsored partnerships that are involved with improving global climate-related practices with regards to investment analysis and diligence. This includes a range of industry initiatives that are linked to the implementations of the TCFD.

### THE PARTNERSHIP FOR CARBON ACCOUNTING FINANCIALS (PCAF)

PCAF is a global partnership of financial institutions that work together to develop and implement a harmonized approach to assess and disclose the GHG emissions associated with their loans and investments. This subsequently helps asset owners obtain more consistent and meaningful carbon data from asset managers, which may help achieve different objectives (e.g., assess carbon-related financial risks).

### PIMCO'S INVOLVEMENT

Reporting Standard for the financial industry and all its updates and expansions. It has the ultimate goal of harmonizing GHG accounting and reporting across the financial industry. PIMCO co-chaired the Climate Transition Finance working group and chaired the sub-working group dedicated to avoided emissions and forward-looking emissions. PIMCO also significantly contributed to new standards being developed for fixed income more broadly.

### PROGRESS TO DATE

PCAF's updated standard published in 2025 now covers key fixed income segments including securitized products, sub-sovereign debt, and sustainable bonds. These enhancements boost transparency, align best practices, and help measure climate impact through avoided emissions and forward-looking indicators.

<sup>18</sup> While a firm-wide net zero commitment has not been made, PIMCO is committed to providing industry leading advice and solutions for clients on a range of sustainability and ESG issues, including climate change and reducing greenhouse gas emissions to net zero.

# **RISK MANAGEMENT**

Framework to Identify,  
Assess and Manage  
Climate Risks



# Processes for identifying, assessing and managing climate-related risks

Risk management is a major focus at PIMCO and has been a cornerstone of the firm’s investment philosophy since inception. PIMCO believes that successful risk management demands constant reassessment of the investment landscape in order to anticipate future market events and evolutions in potential risk frameworks.

The identification and assessment of relevant climate-related financial risks in PIMCO’s portfolios starts with the in-house investment research team. PIMCO’s climate research is led by credit research analysts – experts in their market sectors – who build on the structure of PIMCO’s broader ESG research analysts for coordination and consistency. Where climate risk constitutes a material investment consideration, it is included in credit recommendations and PIMCO’s proprietary ESG scores for the issuers PIMCO evaluates where applicable. In this way, the expertise of PIMCO’s analyst teams is leveraged, while harmonizing climate risk analysis across asset classes and sectors where applicable. Importantly, ESG scores are a component of the risk analysis applied

to broad PIMCO portfolios, not only portfolios with explicit sustainability objectives<sup>24</sup>. Material ESG factors may include but are not limited to: climate change risks (both transition and physical risks); nature-related risks; shifting consumer preferences; other factors associated with the concept of a Just Transition<sup>25</sup> or human rights (e.g., supply chain risks). PIMCO’s proprietary ESG scores have been developed based on internal frameworks and methodologies relevant to various fixed income sectors, such as: CLOs; corporate credit; covered bonds and Danish mortgages; municipal debt; and sovereign- or government-related debt, such as local authorities, supranational issuers and development banks.

To help analysts evaluate climate risk, PIMCO’s ESG Research Analysts designed various proprietary tools (see full list in graphic below), drawing on decades of experience in fixed income analysis. The insights these tools provide are intended to help portfolio managers with managing and mitigating climate-related credit risks– as always, working within specific portfolio objectives and guidelines.

## PIMCO’s seven climate tools for risk analysis and management

| Integrating material climate risk into broad investment decisions |        |                                 |                                                                             |                                                                                                  |
|-------------------------------------------------------------------|--------|---------------------------------|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| Objective                                                         | Tool # | Focus                           | PIMCO Tool Name                                                             | Key Question                                                                                     |
| Lower Credit Risk                                                 | 1      | Economic Impacts (Top-down)     | Climate Macro Tracker                                                       | How to assess and decrease portfolio exposure to financial risks brought about by climate change |
|                                                                   | 2      | Credit Risk Impacts (Bottom-up) | Portfolio Climate Risk Heat Map                                             |                                                                                                  |
|                                                                   | 3      |                                 | Issuer Climate Risk Score                                                   |                                                                                                  |
| Reduce Carbon Emissions                                           | 4      | Brown Bonds                     | Energy and Technology mix compared with the Paris Agreement (IEA Scenarios) | How to reduce portfolio exposure to activities contributing to global warming                    |
|                                                                   | 5      | Carbon Intensity                | Portfolio Carbon Intensity Analysis                                         | How to reduce portfolio's carbon footprint                                                       |
|                                                                   | 6      | Green Bonds                     | Green Bonds Score                                                           | How to increase portfolio exposure to activities that help mitigate global warming               |
| Both                                                              | 7      | Engagement                      | Expectations toward issuers on climate change                               | How to influence companies' strategy                                                             |

Tools / Analytics to support construction of sustainability portfolios

As of 31 December 2025. Source: PIMCO. **For illustrative purposes only.**

24 Note that for PIMCO strategies that do not have specific sustainability objectives, integrating material ESG factors into the evaluation process does not mean that ESG information is the sole consideration for an investment decision; instead, PIMCO’s portfolio managers and analyst teams evaluate a variety of factors, which can include ESG considerations, to make investment decisions

25 According to the International Labor Organization (ILO), a Just Transition, “involves maximizing the social and economic opportunities of climate action, while minimizing and carefully managing any challenges – including through effective social dialogue among all groups impacted, and respect for fundamental labor principles and rights”.

The first three tools, the Climate Macro Tracker, Climate Risk Heat Map, and Issuer Climate Risk Score (Tools 1-3), seek to assess and reduce portfolio exposure to material financial risks due to climate change. The Climate Macro Tracker monitors broad momentum in climate change across key themes and scenarios, measuring the gap between the real-world metrics and global climate goals. PIMCO’s Climate Risk Heat Map seeks to provide a high-level overview of exposure to climate risk among relevant sectors and assets. Finally, PIMCO’s Issuer Climate Risk Score assesses climate change risks for a wide range of relevant sectors and issuers, drawing on metrics such as the issuer’s current and future carbon emissions. Use of these tools are generally not required; they serve as a discretionary resource to aid in the investment process at the election of portfolio management. These tools are used in client portfolios that maintain investment guidelines and restrictions related to sustainability matters.

Alongside the tools that are integrated into broad investment decisions, PIMCO’s subsequent three climate tools (Tools 4-6) aim to reduce carbon emissions in sustainable investment portfolios. The Energy and Technology Mix looks to reduce portfolio exposure to activities contributing to global warming. Carbon Intensity Analysis seeks to provide insight on how to improve a portfolio’s carbon profile. Finally, PIMCO’s Green Bond Score assesses ESG-labeled debt, both prior to and after issuance, mapping them across a spectrum based on strategic fit, potential impact, red flags, and reporting.

PIMCO may also seeks to engage with relevant issuers to understand their approach to certain topics. PIMCO continues to deepen and strengthen its proprietary climate frameworks and tools to support investment decisions. The table below expands on specific 2024 enhancements, highlighting their breadth and depth.

Evaluation of corporate climate performance across key metrics

The below metrics are applicable as part of PIMCO’s firm-wide integration of climate risks into the investment process (i.e. where climate risks could have material implications on the credit profile of the issuer), as well as for portfolios that have explicit sustainability strategies and guidelines.

| Main perspective                   | Asset class      | Description                                                                                                                                                                                                                                                                                                                                                                                          |
|------------------------------------|------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Climate risk evaluation            | Corporate credit | Banks: Incorporated new industry-specific databases as part of PIMCO’s sector framework and net-zero alignment evaluation, including metrics that assess their transition plan quality, sectoral policies, and relative loan exposure to high versus low carbon sectors. Increased the weight of the environmental pillar to reflect the perceived increased materiality of climate transition risks |
|                                    | Corporate credit | Insurance: Updated PIMCO’s ESG sector framework for P&C insurance to recognize the positive environmental benefits enabled by property insurers and reinsurers when they offer well-underwritten coverage at a price level that incentivizes clients to actively manage their climate and catastrophe risk.                                                                                          |
| Climate reporting and optimization | ABS              | Autos: Incorporated updated specific metrics such as vehicle average tailpipe CO <sub>2</sub> emissions, electric vehicles (percent of total pool balance) and EU taxonomy alignment (in Europe) to inform environmental scores and expanded analysis for the U.S. and Europe.                                                                                                                       |
|                                    | Real estate      | Operationalized and piloted carbon footprinting measurement for private real estate.                                                                                                                                                                                                                                                                                                                 |
| Both                               | CLO              | Mapped corporate climate metrics to CLOs (e.g., alignment, transition, and physical risk scores, and GHG emissions across different scopes).                                                                                                                                                                                                                                                         |

Source: PIMCO

Insights from PIMCO's climate tools along with general ESG-related analysis are incorporated into PIMCO's proprietary ESG scores, as well as asset class and sector views where applicable. These assessments are subsequently made available to firm-wide Portfolio Managers in order to account for and manage relevant ESG risks and opportunities within investment strategies<sup>22</sup>. For portfolios that do not follow any sustainability strategy, the management of climate risks involves evaluating if the portfolio is being sufficiently compensated for such risks over the investment horizon.

Further, for portfolios that are managed to sustainability strategies, management of climate risks often involves actively optimizing portfolios in order to avoid positions most exposed

to climate risks and tilting to issuers better positioned to take advantage of the identified climate opportunities. PIMCO's ESG Research Analysts provide relevant portfolio managers with ESG reports on a periodic basis to actively monitor and manage these risks. Quarterly reviews are also conducted for PIMCO ESG commingled funds that are managed to sustainability strategies and guidelines to update Portfolio Managers regarding various trends, including engagement activity progress or issuers' climate-related performance and controversies. In addition, ESG risk reports are available to portfolio management to provide additional details on a portfolio's exposure to carbon-sensitive sectors, climate solutions, and issuers' alignment with the Paris Agreement or PIMCO's proprietary climate risk score.

## CLIMATE RISKS' INCORPORATION INTO THE ENTERPRISE'S RISK MANAGEMENT FRAMEWORK

Specifically, in regards to enterprise risk management, sustainability risk is considered as a risk category in PIMCO's Enterprise Risk Management framework, both for the overarching strategic assessments (top risk assessments and risk appetite statement) and the tactical operational risk and control reviews (risk inventory, risk and control self-assessments). PIMCO believes addressing climate and other sustainability-related risks as a part of this framework, and not in a discrete process, appropriately integrates climate risk into PIMCO's risk management processes. In consideration of overall strategic risks, PIMCO's Risk Committee gives consideration to its most significant risks as part of its Top Risk Assessment. This is reviewed on at least an annual basis, taking into consideration the output from the various components of the Enterprise Risk Management framework. Each top risk is assessed against the firm's risk appetite, with consideration given to mitigating strategies that are in place. The Top Risk Assessment is further complemented by PIMCO's

annual Risk and Control Self-Assessment ("RCSA"). The RCSA encompasses a detailed annual process-level assessment across all key operational areas of the firm. PIMCO's Enterprise Risk Management team provides challenge and guidance for each assessment conducted by business line functions, including the triangulation of data from risk events and audit findings, among other inputs.

Additionally, PIMCO broadly takes into account a wide array of risk categories, including those related to regulatory compliance risk, and vendor risk. In assessment of each of those risk categories, sustainability considerations are factored into the ongoing assessments where sustainability considerations may result in a direct influence on the overall disposition of the associated risk profile. The processes described in the risk management section hence approximately consider sustainability risks and mitigations.

## ISSUER DISCLOSURE AND PRACTICES RELATED TO CLIMATE RISKS

PIMCO may discuss climate-related risks with certain issuers.

Where material to the relevant issuer, PIMCO evaluates the evidence of issuers' activities in relation to the points highlighted in the table further below (illustrative), acknowledging issuers are at various stages, and the importance of the direction of travel and momentum. These expectations build on several frameworks, including the TCFD, Science-Based Targets initiative, or International Sustainability Standards Board<sup>26</sup>.

|   |                   |             |     |                                                                                                                                                                                                                                                                            |
|---|-------------------|-------------|-----|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Climate Awareness | Recognition | I   | <ul style="list-style-type: none"> <li>Recognize climate change as a significant issue</li> <li>Develop a policy</li> </ul>                                                                                                                                                |
| 2 | Climate Readiness | Reporting   | I   | <ul style="list-style-type: none"> <li>Report absolute and relative carbon emissions across entire value chain</li> <li>Report carbon intensity based on relevant metrics</li> </ul>                                                                                       |
|   |                   | Target      | II  | <ul style="list-style-type: none"> <li>Set a GHG emissions reductions target</li> </ul>                                                                                                                                                                                    |
| 3 | Climate Alignment | Scenarios   | I   | <ul style="list-style-type: none"> <li>Implement comprehensive qualitative scenario analysis</li> </ul>                                                                                                                                                                    |
|   |                   |             | II  | <ul style="list-style-type: none"> <li>Factor an internal price of carbon into business decisions</li> </ul>                                                                                                                                                               |
|   |                   |             | III | <ul style="list-style-type: none"> <li>Address potential financial impacts of transition and physical risks</li> </ul>                                                                                                                                                     |
|   |                   | Strategy    | I   | <ul style="list-style-type: none"> <li>Set a Paris Agreement-aligned (science based) GHG emissions reductions target</li> </ul>                                                                                                                                            |
|   |                   |             | II  | <ul style="list-style-type: none"> <li>Report business and broader actions' alignment with Paris Agreement (e.g., capex, R&amp;D, technology, revenues, profit exposure outlook, climate policy engagement<sup>27</sup>) and potential climate adaptation needs</li> </ul> |
|   |                   |             | III | <ul style="list-style-type: none"> <li>Consider setting a net zero commitment, detailing interim targets, emissions covered, and any absorption or offset mechanisms</li> </ul>                                                                                            |

Source: PIMCO, as of 31 December 2025. **For illustrative purposes only**

PIMCO's engagement activities include a focus on climate policy engagement. For example, PIMCO is part of the Institutional Investors Group on Climate Change's (IIGCC) banks working group that engages with banks on best practices related to climate risks and transition plans. Additionally, there is an escalation process to monitor observations raised by analysts during the engagement process.

Throughout 2025, PIMCO placed greater emphasis on systemic stewardship and policy engagement to tackle the structural barriers that may limit progress through issuer-level dialogue alone. For example, PIMCO joined the Principles for Responsible Investment's (PRI) Collaborative Sovereign Engagement on Climate Change, which aims to support governments taking action on climate change to reduce financial risks. PIMCO also partook in major events in the extractive sectors, which highlighted why this broader lens is essential.

<sup>26</sup> Exposure draft named 'IFRS S2 Climate-related Disclosures'.

<sup>27</sup> "Climate policy engagement" is defined by the UN-convened Net-Zero Asset Owner Alliance as encompassing: business/corporate activities (including advertising, social media, public relations, and sponsorship of research), contact with regulators/elected officials, and political spending that supports, influences or informs climate-relevant policy or regulation. For companies with climate commitments or targets, this involves for example an expectation to clarify how their climate lobbying aligns with those and disclose accordingly.



## CASE STUDY: ABU DHABI INTERNATIONAL PETROLEUM EXHIBITION AND CONFERENCE (ADIPEC)

PIMCO was invited to attend the Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC) in early November, to make formal remarks during an Executive Roundtable co-hosted by ADNOC and the Oil & Gas Decarbonization Charter (OGDC). The topic was centered on the mitigation of methane and flaring during oil & gas production. As one of two investor representatives, PIMCO conveyed its interest to the NOCs<sup>28</sup> and IOCs<sup>29</sup> in attendance, in partnering with the industry toward mitigating the impact of the sector on climate change. A second roundtable was organized, to specifically discuss the role debt capital markets can play in financing the decarbonization of oil & gas production.

PIMCO continues to view stewardship and engagement as long-term and dynamic processes that evolve over several years. While changes may take time to materialize (e.g. issuer's implementation of the TCFD recommendations or development of science-based targets often take at least two to three years), PIMCO analysts reinforce and follow up on ESG engagement objectives as part of their periodic interactions with issuer<sup>31</sup>.

### Key Takeaways from both discussions included:

- Significant progress in disclosure and data quality among OGDC signatories, as highlighted in the latest report released at COP30<sup>30</sup>.
- Beyond capital, technical expertise is critical—from project design through execution and ongoing maintenance—to ensure successful implementation.
- Investor sentiment has shifted: climate-focused investors have notably changed their approach to engaging with the sector, creating both opportunities and uncertainty in a rapidly evolving ecosystem.
- Labeled transactions could unlock value, making abatement and flaring reduction projects more competitive for internal capital allocation.

<sup>28</sup> National Oil Companies

<sup>29</sup> International Oil Companies

<sup>30</sup> COP30 is the 30th Conference of the Parties to the UN Framework Convention on Climate Change (UNFCCC), the United Nations' annual global climate negotiations, held in Belém, Brazil, in November 2025

<sup>31</sup> For more details on PIMCO's ESG engagement and escalation approach, including on how this may affect investment decisions (e.g. purchasing hold or divestment consideration), see PIMCO's UK Stewardship Report (e.g. page 55) - <https://www.pimco.com/gb/en/documents/b4fbb4b76dc6e54ae09e568faefdd37eff59a1bf87fe847c38a2683e85c69206a937e0dd783ea0980f953b735ada5f4aee0529b56a70d3d0f74a2f44920ccba?app=dot>

## ENGAGEMENT CASE STUDIES<sup>32</sup>



### CASE STUDY 1

**Issuer:** European car company

**Topics:** Decarbonization strategy, climate policy

**Context and engagement objectives:** The European car manufacturer has an advanced climate strategy and disclosure, including a commitment to the Paris Agreement and science-based decarbonization targets. PIMCO sought to clarify how its engagement with trade associations aligns with its climate objectives

**Recent engagement:** PIMCO had several interactions in 2025, including a virtual ESG roadshow with the company's senior management and bilateral interactions to delve deeper into—and share feedback on—the issuer's climate- and sustainability-related disclosures and initiatives. The

company plans to continue increasing their transparency on climate policy, including through a dedicated webpage. The issuer has welcomed the establishment of transparency and lobbying registers.

**Progress to date on milestones and looking forward:**

The company has committed to Paris-aligned policy advocacy within relevant trade associations. PIMCO shared detailed examples of regional and global peers that are more advanced on this topic in relation to certain criteria which were still not met (review of climate policy positions' alignment with the Paris Agreement and disclosure on how it has advocated for those, as well as review of trade associations' positions and consequential actions taken), which are being reviewed.



### CASE STUDY 2

**Issuer:** European utility

**Topics:** ESG-labeled bond issuance

**Background and engagement objectives:**

PIMCO started engaging with the company in 2019 regarding their sustainable bond program.

The company was an early mover among gas transmission companies in developing a climate strategy and utilizing bond instruments (both use of proceeds and sustainability-linked) to support its decarbonization initiatives and targets.

**Recent engagement:** PIMCO has frequently engaged bilaterally and through industry initiatives with the company, notably the CFO Coalition on the SDGs. PIMCO has shared its positive view on the company's climate progress and orientation, including the role played by methane measurement and merit of the sustainability-linked bond format in providing a holistic and forward-looking perspective. PIMCO has also collaborated in numerous bilateral meetings on efforts to elevate the work of the CFO coalition to more

broadly encourage other coalition members to issue Green, Social Sustainable or Sustainability-linked debt.

**Progress on milestones and future outlook:**

In 2025, the company issued its first USD-denominated SLB bond, one of the largest SLB issuances in the USD corporate bond market in 2025.

The bond had:

1. Refreshed net zero-linked targets as it relates to carbon emissions (scopes 1, 2, and 3);
2. External assessment as consistent with the Paris Agreement to the United Nations Framework Convention on Climate change; and
3. 25bps coupon step up<sup>33</sup>.

The result speaks to PIMCO's size and scale as well as the ability of multi-year bilateral and multi-lateral engagements in driving the growth of the GSSS+ labeled bond market.

PIMCO will continue to monitor the implementation of its transition plan and the progress across key targets.

<sup>32</sup> The above is presented for illustrative purposes only, as a general example of PIMCO's ESG research capability and is 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. **Past performance is not indicative of future results.**

<sup>33</sup> A coupon step up is a contractual feature of a sustainability linked bond (SLB) under which the bond's interest coupon increases if the issuer fails to achieve one or more predefined sustainability performance targets (SPTs) by specified observation dates. The step up mechanism is intended to financially incentivize the issuer to meet its sustainability objectives by increasing the cost of borrowing in the event of underperformance



CASE STUDY 3

**Issuer:** American Metals and Mining company

**Topics:** Decarbonization strategy, climate physical risks, biodiversity, and safety

**Context and engagement objectives:** The PIMCO has had multi-year bilateral engagements with the issuer, including in 2022 when PIMCO shared several recommendations on climate change mitigation, biodiversity, and human rights.

The issuer faces material ESG risks such as maintaining its social license to operate, critical infrastructure risk management, and emergency preparedness. Given the boost in copper production and a recent mine collapse, a focus on internal controls is critical to ensure continuing operations and growth, while reducing potential carbon risks.

**Recent engagement:** Topics included: assessing the risk of tailings and other critical infrastructure, community concern about land remediations, and occupational health and safety performance. PIMCO reiterated recommendations that were not addressed by the issuer from prior interactions. Among others PIMCO encouraged the company to set a target to reduce hazardous waste, and to explicit link executive compensation to broader sustainability indicators.

**Progress to date on milestones and looking forward:** The issuer has made notable progress in key areas (e.g. climate change, nature, human rights) since PIMCO made the first set of recommendations. The company now reports Scope 3 emissions. They have targets for Scope 1 and 2 (absolute), Scope 3 (intensity), and published a climate transition plan.

TAKING A HOLISTIC APPROACH TO CLIMATE RISKS

PIMCO explores and engage on climate change in the context of broader sustainability risk and are supportive of the Sustainable Development Goals (SDGs) as the reference framework to assess these wide-ranging risks (e.g., biodiversity, water scarcity, Just Transition, human and labor rights).

Further, deforestation – an important topic from both a biodiversity and Just Transition perspective – has been a particular area of thematic focus for engagement, as halting and reversing land degradation is crucial to limiting global warming and mitigating a wide variety of risks, such as biodiversity loss and human rights violations. On this front, while PIMCO’s direct exposure to forest-risk commodities was limited, PIMCO engaged companies across sectors, including food manufacturers, retailers, and banks, on their commitment to eliminating deforestation in their value chain.

In terms of portfolio screening and issuer-level evaluation, PIMCO has explored the use of tools that help evaluate the impact and dependence of portfolio holdings on nature using publicly available data such as ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure). PIMCO’s proprietary score is comprised of both impacts and dependencies on nature, across the value chain. For impacts, PIMCO scores sectors under the direct drivers of biodiversity loss identified by the Intergovernmental Science Policy Platform on Biodiversity and Ecosystem Services (IPBES). For dependencies, PIMCO follows ENCORE’s (the UN’s Exploring Natural Capital Opportunities, Risks and Exposure tool) list of ecosystem service, which is closely aligned to the UN’s System of Environmental Economic Accounting - Ecosystem Accounting.

|                                   | DEPENDENCIES      |          |            | IMPACTS           |          |            |
|-----------------------------------|-------------------|----------|------------|-------------------|----------|------------|
|                                   | Direct Operations | Upstream | Downstream | Direct Operations | Upstream | Downstream |
| Bloomberg Global Agg Credit Index | Green             | Yellow   | Red        | Green             | Yellow   | Red        |

Source: PIMCO. As of 31 December 2025. Source: Barclays, ENCORE, PIMCO. Green indicates minimal impact and dependency, while red implies a high potential impact and dependency. At sector level, the underlying data builds on the updated ENCORE framework, which incorporates direct operations, as well as value chain impacts and dependencies on nature. At the issuer level, we factor in a positive or negative tilt, based on our PIMCO Environmental score, to integrate financial material aspects based on the underlying industry. The portfolio level scores are a weighted average of these company scores.

## METRICS AND TARGETS

Climate-focused  
Investment Exposure of  
Sample PIMCO Portfolios



## Metrics and targets used to assess and manage relevant climate-related risks and opportunities

### CLIMATE-FOCUSED INVESTMENT EXPOSURE OF SAMPLE PIMCO PORTFOLIOS

Investments within the sample PIMCO portfolios are exposed to a share of the carbon emissions within the broader global bond market. This section shows for sample PIMCO portfolios, representative of the assets that fall under PIMCO, and a representative benchmark selected metrics linked to the recommendations of the Task Force on Climate-Related Financial Disclosures and similar disclosure frameworks. This is a shortlist as there is a broader range of metrics PIMCO monitors and report in selected contexts. PIMCO has continued to refine and expand carbon measurement, data reporting, and portfolio optimization capabilities based on guidance from ESG-focused financial institutions, such as the Partnership for Carbon Accounting Financials (PCAF), and the Science-Based Targets initiative (SBTi).

PIMCO's 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), asset classes (e.g., sovereign bonds further to the publication of the guidance on carbon measurement for sovereign debt by the Partnership for Carbon Accounting Financials in 2022) and instrument types (e.g., green and sustainability bonds). This helps clients better understand key climate and carbon metrics in their portfolios. Importantly, these figures consist of ESG-optimized portfolios as well as those that do not follow a sustainability strategy. Therefore, although these metrics may be optimized in portfolio construction for mandates that are managed to sustainability strategies and guidelines<sup>23</sup>, they are not optimized in aggregate across all portfolios. PIMCO's obligation as a fiduciary means that PIMCO's investment activities must be led by client mandates and considerations expressed through investment objectives, guidelines, and/or restrictions which vary across portfolios

depending on investor preference. These climate metrics are not directly incorporated into remuneration policies. Carbon pricing is a component of climate evaluation for PIMCO's portfolios, as reflected in the climate scenario analysis section of this report. An internal carbon price in relation to the GHG emissions associated with PIMCO's operations is not used.

### SUMMARY TABLE FOR PIMCO PORTFOLIOS

This table includes the aggregated value for PIMCO portfolios (assets under management) for selected climate-related metrics based on the recommendations of the TCFD and other initiatives providing guidance on carbon, and nature-related risks measurement and reporting from financial institutions (e.g. Partnership for Carbon Accounting Financials or PCAF, Science-Based Targets initiative or SBTi, Taskforce on Nature-related Financial Disclosures or TNFD).

This includes:

- A data quality score to give a sense of the degree of external verification of the underlying data.
- Both data for the 2025 and 2024, which suggests several trends (e.g., relative stability of key carbon emissions metrics such as weighted average carbon emissions or carbon footprint).
- Data on the coverage per indicator: Corporates (investment grade and high yield) and sovereign bonds represent a material, but not comprehensive, share of PIMCO's assets, meaning a significant portion of assets is not covered by the carbon metrics presented here
- PIMCO's exposure to green and sustainability bonds as a climate-related opportunity metric, and PIMCO's exposure to nature-sensitive sectors as a metric informing about the potential exposure to sectors considered to have material nature-related dependencies and impacts.

## Corporate credit

| Metric type        | Metric                                                                                                                                                                                                                                    | Asset class covered <sup>34</sup> | Units                    | 2025 Value PIMCO <sup>35</sup> | 2025 Value Benchmark <sup>36</sup> | Diff Over Index | 2024 Value PIMCO <sup>37</sup> | 2024 Value benchmark <sup>38</sup> | 2025 PIMCO Coverage <sup>39</sup> | 2024 PIMCO Coverage <sup>39</sup> |
|--------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|--------------------------|--------------------------------|------------------------------------|-----------------|--------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| Financed emissions | Weighted Average Carbon Intensity (Scope 1 and 2 emissions)                                                                                                                                                                               | Corporates                        | tCO2e / \$M USD Sales    | 231                            | 216                                | 6.8%            | 233                            | 209                                | 88.2%                             | 89.5%                             |
|                    | <b>Definition:</b> Portfolios' exposure to carbon-intensive companies (Scope 1 absolute emissions + Scope 2 absolute greenhouse gas emissions)/issuers' revenues in \$M USD (weighted based on Market Value)                              |                                   |                          |                                |                                    |                 |                                |                                    |                                   |                                   |
|                    | Total Carbon Emissions (Scope 1 and 2 emissions)                                                                                                                                                                                          | Corporates                        | tCO2e                    | 78,029,128                     | 81,028,793                         | -3.7%           | 78,962,990                     | 78,251,173                         | 85.8%                             | 88.1%                             |
|                    | <b>Definition:</b> Proxy for the carbon emissions that the position in the security is responsible for. Total GHG emissions for portfolios (Scope 1 and 2 emissions). Based on enterprise value including cash                            |                                   |                          |                                |                                    |                 |                                |                                    |                                   |                                   |
|                    | Carbon Footprint (Scope 1 and 2 emissions)                                                                                                                                                                                                | Corporates                        | tCO2e / \$M USD invested | 83                             | 78                                 | 7.5%            | 91                             | 83                                 | 85.8%                             | 88.1%                             |
|                    | <b>Definition:</b> Total GHG emissions for a portfolio normalized by the market value of the corporates in the portfolio with Scope 1+2 GHG emissions data, expressed in tons CO2e/\$M invested. Based on enterprise value including cash |                                   |                          |                                |                                    |                 |                                |                                    |                                   |                                   |
|                    | Weighted Average Carbon Intensity (Scope 3 emissions)                                                                                                                                                                                     | Corporates                        | tCO2e / \$M USD Sales    | 958                            | 1,022                              | -6.3%           | 925                            | 990                                | 88.3%                             | 88.3%                             |
|                    | <b>Definition:</b> Portfolios' exposure to carbon-intensive companies (Scope 3 absolute emissions)/issuers' revenues in \$M USD (weighted based on Market Value)                                                                          |                                   |                          |                                |                                    |                 |                                |                                    |                                   |                                   |
|                    | Total Carbon Emissions (Scope 3 emissions)                                                                                                                                                                                                | Corporates                        | tCO2e                    | 373,484,944                    | 508,817,134                        | -26.6%          | 362,655,028                    | 483,308,190                        | 86.2%                             | 89.2%                             |
|                    | <b>Definition:</b> Proxy for the carbon emissions that the position in the security is responsible for. Total GHG emissions for portfolios (Scope 3 emissions). Based on enterprise value including cash                                  |                                   |                          |                                |                                    |                 |                                |                                    |                                   |                                   |
|                    | Carbon Footprint (Scope 3 emissions)                                                                                                                                                                                                      | Corporates                        | tCO2e / \$M USD invested | 397                            | 485                                | -18.0%          | 414                            | 507                                | 86.2%                             | 89.2%                             |
|                    | <b>Definition:</b> Total GHG emissions for a portfolio normalized by the market value of the corporates in the portfolio with Scope 3 GHG emissions data, expressed in tons CO2e/\$M invested. Based on enterprise value including cash   |                                   |                          |                                |                                    |                 |                                |                                    |                                   |                                   |
|                    | Data Quality Score (Scope 1 and 2)                                                                                                                                                                                                        | Corporates                        | -                        | 1.97                           | 1.87                               | 0.10            | 1.97                           | 1.91                               | -                                 | -                                 |
|                    | <b>Definition:</b> Data Quality score (1 to 3 – 1: best, 3: worst) that takes into account if the emissions are reported or estimated and if there is existence of assurance audits for the emissions data                                |                                   |                          |                                |                                    |                 |                                |                                    |                                   |                                   |
|                    | Data Quality Score (Scope 3)                                                                                                                                                                                                              | Corporates                        | -                        | 2.01                           | 1.92                               | 0.09            | 2.00                           | 1.95                               | -                                 | -                                 |
|                    | <b>Definition:</b> Data Quality score (1 to 3 – 1: best, 3: worst) that takes into account if the emissions are reported or estimated and if there is existence of assurance audits for the emissions data                                |                                   |                          |                                |                                    |                 |                                |                                    |                                   |                                   |

Sources: MSCI, PIMCO, TCFD, PCAF, SBT, Moody's, as of 31 December 2025 and as of 31 December 2024. For illustrative purposes only. Calculations for carbon metrics are based on the guidance developed by the TCFD and the Partnership for Carbon Accounting Financials (PCAF). Carbon data reflects the last level of emissions reported by the company, although in some instances it can reflect emissions data that had been disclosed before 2025 (e.g. 2024 and 2023), subject to availability.

34 Corporates refer to Corporate Bonds, Commercial Paper, Certificate of Deposit, Time Deposit, Bankers' Acceptance. This is repeated across all the charts and tables in this section.

35 PIMCO's aggregate value is based on PIMCO accounts as of 31 December 2025, subject to data availability.

36 Benchmark value is based on Bloomberg Global Agg Credit Index as of 31 December 2025, subject to data availability. The Bloomberg Global Agg Credit Index serves as a proxy for the corporate credit market.

37 PIMCO's aggregate value based on PIMCO accounts as of 31 December 2024, subject to data availability

38 Benchmark value is based on Bloomberg Global Agg Credit Index as of 31 December 2024, subject to data availability. The Bloomberg Global Agg Credit Index serves as a proxy for the corporate credit market.

39 Coverage metrics represent the share of securities with data as a % of the corporate market value of assets under management.

| Metric type                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Metric                                                                                                                                                                                                                                                  | Asset class covered <sup>24</sup> | Units              | 2025 Value PIMCO <sup>25</sup> | 2025 Value Benchmark <sup>26</sup> | Diff Over Index | 2024 Value PIMCO <sup>27</sup> | 2024 Value benchmark <sup>28</sup> | 2025 PIMCO Coverage <sup>29</sup> | 2024 PIMCO Coverage <sup>29</sup> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|--------------------|--------------------------------|------------------------------------|-----------------|--------------------------------|------------------------------------|-----------------------------------|-----------------------------------|
| Portfolio Alignment Metrics                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Share of issuers with a Science Based Target set                                                                                                                                                                                                        | Corporates                        | %                  | 29.6%                          | 37.9%                              | -8.3 p.p.       | 25.4%                          | 32.1%                              | -                                 | -                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>Definition:</b> % of Corporate Market Value of portfolios invested in issuers with a Science-Based Target set                                                                                                                                        |                                   |                    |                                |                                    |                 |                                |                                    |                                   |                                   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Weighted Average Temperature Score (WATS)                                                                                                                                                                                                               | Corporates                        | Centigrade Degrees | 2.38                           | 2.22                               | 6.9%            | 2.39                           | 2.24                               | -                                 | -                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>Definition:</b> The respective weighting of companies' implied temperature rise is the invested value in a company divided by the total value of the portfolio                                                                                       |                                   |                    |                                |                                    |                 |                                |                                    |                                   |                                   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Share of Corporate Market Value potentially aligned with a well below 2 degrees Scenario (incl. 1.5-degree)                                                                                                                                             | Corporates                        | %                  | 54.0%                          | 62.5%                              | -8.5 p.p.       | 49.6%                          | 56.8%                              | -                                 | -                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Share of Corporate Market Value potentially aligned with a 1.5-degree Scenario                                                                                                                                                                          | Corporates                        | %                  | 36.4%                          | 42.1%                              | -5.7 p.p.       | 31.5%                          | 37.4%                              | -                                 | -                                 |
| <b>Definition:</b> Based on an estimate of the global temperature rise associated with the greenhouse gas emissions of each company (source: TPI, SBTi, Trucost). It incorporates current GHG emissions or other data and assumptions to estimate expected future emissions associated with the entity. Then the estimate is translated into a projected increase in global average temperature (in °C) above preindustrial levels that would occur if all companies in corresponding sectors had the same carbon intensity as the selected asset(s) |                                                                                                                                                                                                                                                         |                                   |                    |                                |                                    |                 |                                |                                    |                                   |                                   |
| Exposure to carbon-related assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Share of Carbon Sensitive Sectors                                                                                                                                                                                                                       | Corporates                        | %                  | 34.4%                          | 36.5%                              | -2.1 p.p        | 35.6%                          | 36.2%                              | -                                 | -                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>Definition:</b> % of Corporate Market Value of portfolios invested in sectors deemed particularly sensitive to risks brought about by the energy transition (Energy; Materials and Buildings; Transportation; Food and Agriculture; Forest products) |                                   |                    |                                |                                    |                 |                                |                                    |                                   |                                   |
| Exposure to Nature-related assets                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Share of Nature Sensitive Sectors                                                                                                                                                                                                                       | Corporates                        | %                  | 13.4%                          | 16.0%                              | -2.6 p.p        | 14.1%                          | 16.0%                              | -                                 | -                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>Definition:</b> % of Corporate Market Value with exposure to a defined set of sectors considered to have material nature-related dependencies and impacts                                                                                            |                                   |                    |                                |                                    |                 |                                |                                    |                                   |                                   |
| Climate-related Opportunities                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Share of Green Bonds                                                                                                                                                                                                                                    | All asset classes                 | %                  | 2.1%                           | 6.1%                               | -4.0 p.p.       | 2.2%                           | 5.7%                               | -                                 | -                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>Definition:</b> % Market Value of portfolios invested in Green Bonds                                                                                                                                                                                 |                                   |                    |                                |                                    |                 |                                |                                    |                                   |                                   |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Share of Sustainability Bonds                                                                                                                                                                                                                           | All asset classes                 | %                  | 0.8%                           | 3.0%                               | -2.2 p.p.       | 0.8%                           | 2.7%                               | -                                 | -                                 |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>Definition:</b> % Market Value of portfolios invested in Sustainability Bonds                                                                                                                                                                        |                                   |                    |                                |                                    |                 |                                |                                    |                                   |                                   |

Sources: MSCI, PIMCO, TCFD, PCAF, SBT, Moody's, as of 31 December 2025 and as of 31 December 2024. For illustrative purposes only. Calculations for carbon metrics are based on the guidance developed by the TCFD and the Partnership for Carbon Accounting Financials (PCAF). Carbon data reflects the last level of emissions reported by the company, although in some instances it can reflect emissions data that had been disclosed before 2025 (e.g. 2024 and 2023), subject to availability.

34 Corporates refer to Corporate Bonds, Commercial Paper, Certificate of Deposit, Time Deposit, Bankers' Acceptance. This is repeated across all the charts and tables in this section.

35 PIMCO's aggregate value is based on PIMCO accounts as of 31 December 2025, subject to data availability.

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37 PIMCO's aggregate value based on PIMCO accounts as of 31 December 2024, subject to data availability

38 Benchmark value is based on Bloomberg Global Agg Credit Index as of 31 December 2024, subject to data availability. The Bloomberg Global Agg Credit Index serves as a proxy for the corporate credit market.

39 Coverage metrics represent the share of securities with data as a % of the corporate market value of assets under management.

## Sovereign

| Metric type        | Metric                                                                                                                                                                                                                                                                                                                    | Asset class covered | Units                     | 2025 Value PIMCO | 2025 Value Benchmark | Diff Over Index | 2024 Value PIMCO | 2024 Value benchmark |
|--------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------------------|------------------|----------------------|-----------------|------------------|----------------------|
| Financed emissions | Production Emissions excl. LULUCF (Scope 1 excl. LULUCF)                                                                                                                                                                                                                                                                  | Sovereigns          | tCO2e                     | 222,717,944      | 268,790,652          | -17.1%          | 195,150,070      | 208,153,934          |
|                    | <b>Definition:</b> The absolute production emissions (defined as Scope 1, excl. land use, land-use change, and forestry (LULUCF) emissions associated with a portfolio, expressed as the amount of production greenhouse gas (mtCO2e) emissions generated per million US\$ of national economic output (PPP-adjusted GDP) |                     |                           |                  |                      |                 |                  |                      |
|                    | Production Emissions incl. LULUCF (Scope 1 incl. LULUCF)                                                                                                                                                                                                                                                                  | Sovereigns          | tCO2e                     | 233,526,715      | 738,235,476          | -68.4%          | 199,030,167      | 624,826,948          |
|                    | <b>Definition:</b> The absolute production emissions (defined as Scope 1 incl. land use, land-use change, and forestry (LULUCF) emissions associated with a portfolio, expressed as the amount of production greenhouse gas (tCO2e) emissions generated per million US\$ of national economic output (PPP-adjusted GDP)   |                     |                           |                  |                      |                 |                  |                      |
|                    | Weighted Average Production Emission Intensity (excl. LULUCF)                                                                                                                                                                                                                                                             | Sovereigns          | tCO2e/\$MPPP adjusted GDP | 209              | 258                  | -19.0%          | 229              | 255                  |
|                    | <b>Definition:</b> Weighted average of production emissions (defined as Scope 1 excl. land use, land-use change, and forestry (LULUCF) emissions/ \$M PPP-adjusted_GDP), (weighted based on PMV)                                                                                                                          |                     |                           |                  |                      |                 |                  |                      |
|                    | Weighted Average Production Emission Intensity (incl. LULUCF)                                                                                                                                                                                                                                                             | Sovereigns          | tCO2e/\$MPPP adjusted GDP | 207              | 278                  | -25.6%          | 219              | 273                  |
|                    | <b>Definition:</b> Weighted average of production emissions (defined as Scope 1 incl. land use, land-use change, and forestry (LULUCF) emissions/ \$M PPP-adjusted_GDP) (weighted based on PMV)                                                                                                                           |                     |                           |                  |                      |                 |                  |                      |

Source: MSCI. The asset class named Sovereign covers here bonds classified as Treasury (i.e. excluding government-related securities such as quasi-sovereign, agencies and supranational). Scope 1 refers to Production Emissions which are Territorial emissions of a country, excluding/including land use, land use change and forestry (including direct exports). Under this approach, a sovereign is seen primarily as a national territory, and direct (scope 1) GHG emissions are attributable to emissions generated within its boundaries and are equivalent to production emissions which are emissions produced domestically and inclusive of domestic consumption and direct exports. (This definition follows the territorial emissions approach adopted by UNFCCC for annual national inventories and is typically referenced by sovereigns in their Nationally Determined Contributions (NDCs). Note: Given a divergence of views among emissions data providers and climate experts regarding the accounting of land use, land-use change and forestry (LULUCF) emissions, PCAF states that investors have to report Scope 1 twice, including and excluding LULUCF as separate metrics. Due to the time lag associated with carbon emissions, there may be a discrepancy in the year between the emissions, population, and GDP data from MSCI and the most recent PMV and Adjusted\_PARR values for PIMCO's sovereign holdings.

## PIMCO's carbon emissions beyond those linked to assets under management

PIMCO believes that long-term business success involves integrating material environmental, social and governance factors into the firm's strategy, operations, and culture.

In 2024, PIMCO published its Corporate Environmental Sustainability Statement (CESS), which outlines five key focus areas for ongoing monitoring: energy, travel, waste, water, and paper.

Overseen by the Corporate Engagement team, the CESS reflects PIMCO's commitment to its corporate environmental objectives and to the UN Global Compact principles. These principles—

alongside the firm's Code of Business Conduct and CORE Values of Collaboration, Openness, Responsibility, and Excellence—inform PIMCO's efforts towards sustainable best practices.

PIMCO collects data from internal and external sources to conduct monitoring and internal reporting related to the identified environmental focus areas where feasible and consistent with firm priorities. As a professional services company, PIMCO does not see PIMCO's own emissions as providing relevant material risks and opportunities, but PIMCO recognizes their importance in shaping the overall strategy.

## Targets used by the organization to manage climate-related risks and opportunities and performance against targets

PIMCO does not employ any universal targets as a firm on the assets managed on behalf of clients. As a firm, PIMCO's climate-related actions are principles-based, guided by the firm's official commitment to the UN Global Compact's (UNGC) core environment principles. The firm reports annually on its progress in relation to the UNGC principles. PIMCO's obligation as an asset manager and fiduciary is seeking to maximize

portfolio return for a given level of client risk, which varies across portfolios depending on investor preference. Currently, the extent to which PIMCO employs carbon-related targets in portfolios on behalf of clients consists of relative targets, where portfolios seek to have a better carbon intensity compared to relevant benchmarks, or targets related to a reduction in portfolio's financed emissions over time.

## APPENDIX



## Scope of this report

Data refer to assets under management (AuM) for PIMCO.

## Governance

The governance section focuses on PIMCO's Management since PIMCO does not have a global board of Directors.

## Climate data

### GENERAL NOTE

Alongside the core metrics recommended by the TCFD, PIMCO endeavors to include additional content that seeks to provide a more comprehensive approach overview. This content is informed by similar voluntary frameworks, recommendations or proposals developed by various related initiatives (e.g., CDP, ISSB, PCAF, CFRE, UK Transition Plan Taskforce (TPT), TNFD). This inherently involves methodologies and data that are at various degrees of development, quality and acceptance, notably as it relates to greenhouse gas emissions accounting, asset classes beyond corporate credit, and forward-looking assumptions. For example, certain metrics such as a portfolio's climate value at risk or implied temperature rise, are subject to particularly significant limitations. In the future, regulators, investors' own constituents, academics, and non-governmental organizations could have different interpretations and expectations for GHG accounting and climate risk disclosure in portfolios. There is no representation that data presented in this report will suffice to draw conclusions linked to investment decisions or make a positive or negative environmental impact claim. Past environmental performance and available proxies for the potential future performance is no guarantee of future results.

In this section, PIMCO shares details on methodology considerations (including uncertainties and broader limitations) and the room for improvement identified as PIMCO continuously looks at ways of enhancing ESG evaluation and disclosure, while increasing transparency.

## Methodology

| Category                             | Use case                  | Metric type        | Metric                            | TCFD Reference                                                                                         | Definition                                                                                                                                                                                                                           | Use case                                                                                                         | Strengths                                                                                                                                                                                                 | Weaknesses                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|--------------------------------------|---------------------------|--------------------|-----------------------------------|--------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Impact of the firm on climate change | Portfolio decarbonization | Financed emissions | Weighted Average Carbon Intensity | TCFD Implementation Guidance: Cross-Industry, Climate-Related Metric Categories (page 80), and others. | Portfolios' exposure to carbon-intensive companies (Scope 1 absolute emissions + Scope 2 absolute greenhouse gas emissions)/ issuer's revenues in \$M USD (weighted based on Market Value).                                          | Proxy for the portfolio's efficiency in terms of emitting less carbon considering a certain level of activity.   | Factors in company's size. Enables some comparison over time and between portfolios. Easier to manage than absolute carbon emissions. Helps assess carbon (transition) risks but is far from equating it. | Coverage of Carbon Emissions of issuers (especially for Scope 3) remains the biggest challenge when calculating carbon performance metrics such as Weighted Average Carbon Intensity, Total Carbon Emissions or Carbon Footprint. Carbon metrics including Scope 3 data are considering only issuers that have all the Scopes populated (Scope 1, 2 and 3). It is worth noting that even when Scope 3 emissions are reported, sometimes they only include a few categories (emissions from use of sold products often lacking). To cover this gap, we are using estimated Scope 3 emissions provided by MSCI when the issuer is not reporting Scope 3 data. |
| Impact of the firm on climate change | Portfolio decarbonization | Financed emissions | Total Carbon Emissions            | TCFD Implementation Guidance: Cross-Industry, Climate-Related Metric Categories (page 80), and others. | Proxy for the carbon emissions that the position in the security is responsible for. Total GHG emissions for portfolios (scope 1 and 2 emissions). Based on enterprise value including cash.                                         | Proxy for the portfolio's contribution to global warming.                                                        | Can be linked to the absolute impact and a portfolio's total contribution to GHG emissions.                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| Impact of the firm on climate change | Portfolio decarbonization | Financed emissions | Carbon Footprint                  | TCFD Implementation Guidance: Cross-Industry, Climate-Related Metric Categories (page 80), and others. | Total GHG emissions for a portfolio normalized by the market value of the corporates in the portfolio with Scope 1+2 GHG emissions data, expressed in tons CO <sub>2</sub> e/\$M invested. Based on enterprise value including cash. | Proxy for the portfolio's efficiency in terms of emitting less carbon considering a certain level of investment. | Can be linked to the absolute impact and a portfolio's total contribution to GHG emissions.                                                                                                               | For the sake of a fair comparison in Total Carbon Emissions, the market value of the benchmark has been rescaled to match the market value of in score PIMCO assets under management.<br><br>Total Carbon Emissions and Carbon Footprint are linked to volatility, notably due to biases linked to EVIC changes and changes in the equity/debt structure. Difficult to determine appropriate capital structure of private issuers.                                                                                                                                                                                                                          |
| Impact of the firm on climate change | Portfolio decarbonization | Financed emissions | Data Quality Score                | PCAF – Global GHG Standard for Financed Emissions (page 57), and others.                               | Data Quality score (1 to 3 – 1: best, 3: worst) that takes into account if the emissions are reported or estimated and if there is existence of assurance audits for the emissions data.                                             | Proxy for the portfolio's carbon data quality.                                                                   | Directly comparable across companies regardless of size. Provides a general indication of the degree of advancement in company's carbon reporting.                                                        | Weighted Average Carbon Intensity use revenues as a denominator, which introduces bias. Not a proxy for the portfolio's contribution to global warming.<br><br>The quality gap between the highest and lowest Data Quality Scores is significant. Lacks additional buckets to further differentiate company data that is estimated.                                                                                                                                                                                                                                                                                                                         |

| Category                             | Use case                  | Metric type                 | Metric                                            | TCFD Reference                                                             | Definition                                                                                                                                         | Use case                                                                                                                                                             | Strengths                                                                                                                                   | Weaknesses                                                                                                                                                                                                     |
|--------------------------------------|---------------------------|-----------------------------|---------------------------------------------------|----------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Impact of the firm on climate change | Portfolio decarbonization | Portfolio alignment metrics | Share of issuers with a Science Based Target set  | Summary of Changes to Guidance, October 2021 (page 6, 47, 48), and others. | % of Corporate Market Value of portfolios invested in issuers with a Science Based Target set.                                                     | Proxy for the exposure to issuers with more advanced decarbonization strategies. Proxy to map alignment of the Portfolio with the objectives of the Paris Agreement. | Forward looking. Only publicly available initiative that verifies decarbonization targets based on a transparent process and methodologies. | Limitations to SBTi's coverage and methods, e.g., sectors are covered to varying degrees.                                                                                                                      |
| Impact of the firm on climate change | Portfolio decarbonization | Portfolio alignment metrics | Share of issuers aligned with the Paris Agreement | Summary of Changes to Guidance, October 2021 (page 6, 47, 48), and others. | % of Corporate Market Value of portfolios invested in issuers aligned with the Paris Agreement climate targets.                                    | Proxy for the exposure to issuers with more advanced decarbonization strategies. Proxy to map alignment of the Portfolio with the objectives of the Paris Agreement. | Forward looking. Uses a waterfall logic leveraging sources such as SBTi, TPI, Trucost and MSCI to address data gaps.                        | It is not a standardized metric (e.g. no standard methodology to calculate it). The use of a waterfall logic means that the value might be driven by different data sources which carry different assumptions. |
| Impact of the firm on climate change | Portfolio decarbonization | Portfolio alignment metrics | Implied Temperature Rise                          | TCFD Implementation Guidance (page 48, page 5 – footnote 7), and others.   | % of Corporate Market Value of portfolios invested in issuers with an Implied Temperature Rise aligned with the objectives of the Paris Agreement. | Proxy for the exposure to issuers with more advanced decarbonization strategies. Proxy to map alignment of the Portfolio with the objectives of the Paris Agreement. | Forward looking. Granular, as it is calculated at company level and later aggregated at portfolio level.                                    | High dispersion in the results depending on the methodology to evaluate the warming potential of an entity and how to aggregate those at portfolio level.                                                      |

## Additional limitations and areas under development

### BESIDES STRENGTHS AND WEAKNESSES MENTIONED IN THE PREVIOUS TABLE, WE NOTE THAT:

- **Coverage:** Especially for scope 3, this remains the biggest challenge when calculating carbon performance metrics such as Weighted Average Carbon Intensity, Total Carbon Emissions or Carbon Footprint. Carbon metrics including Scope 3 data consider only issuers that have all the Scopes populated (Scope 1, 2, and 3). PIMCO is using both reported and estimated Scope 3 emissions provided by MSCI. There are significant limitations associated with each approach (reported or estimated). It is worth noting that even when Scope 3 emissions are reported, sometimes they only include a few Greenhouse Gas Protocol categories (e.g., emissions from use of sold products are often lacking) and may omit the most material ones. Issuers' disclosure on the types and sources of data as well as methodology to calculate these emissions may also be partial while the heterogeneity of practices, together with uncertainties associated with these calculations, hamper the comparison over time or between issuers. Besides, MSCI's methodology uses various assumptions and proxies (e.g., estimating emissions based on sectoral revenues and intensities) that may make these values materially different from actual emissions. There are also inherently some double counting issues associated with both Scope 2 and Scope 3 (the same ton of carbon is counted several times within a portfolio). For the sake of a fair comparison for Total Carbon Emissions, the market value of the benchmark has been rescaled to match the market value of PIMCO assets under management. As explained individually in the "Definition" column, metrics representing a share of market value have been adjusted for data coverage (e.g., calculating the share only within the corporate universe with data available). Metrics using weights (e.g., for Weighted Average Carbon Intensity) have used a weighting system which calculates the weight based on the market value universe of corporates with carbon data populated.
- **Asset classes in scope:** Carbon emissions covered in this report focus on corporate issuers, in line with the initial focus of the TCFD recommendations. Most other asset classes relevant to PIMCO have only recently become covered by PCAF. PIMCO actively engages with external initiatives and market participants to enhance and improve the data that underpins these frameworks and methodologies. PIMCO is a Core Team member of PCAF that finalized its guidance in 2025 covering sub-sovereign and structured products. Previously, only mortgages originated by banks (not explicitly securitized) were included by PCAF from a reporting perspective. However, PIMCO, has been actively working to develop its measurement, reporting, and optimization capabilities beyond corporate credit, including sovereign, securitized and structured products, covered bonds, and alternative investments.
- **Use of proceeds bonds:** All data on carbon emissions are in this report at issuer level, i.e., without applying any assumptions regarding green bonds that fund low-carbon projects such as renewable energy.
- The **'as of date':** Data reflect portfolios' holdings at the end of last year. However, given the time lag in issuers' disclosure and vendors making these data or their revised estimates available to PIMCO, the carbon data correspond to previous years.
- **Sovereign data:**
  - Data Coverage: limited to Sovereign debt (sub-sovereign and municipalities are not currently covered).
  - Double Counting: when reporting emissions associated with sovereign bonds beyond the emissions of the governmental organization only, double counting occurs with Scope 1 and 2 emissions generated by other sectors. This double counting may also spill over to GHG accounting from FIs with investment portfolios in multiple asset classes (e.g., loans or investments to corporates). This type of double counting occurs with all approaches described in this document.
  - Use of multiple sources of data in the composite dataset increases uncertainty. Datasets from different sources might use varying assumptions about the set of activity data, emission factors, and Global Warming Potential (GWP) values. Each source of data has its own extrapolation and simplification rules.
  - Time series restatements are common, and estimated data will be replaced with reported data (when made available).
  - The dataset does not include emissions for the international shipping and aviation sector.
  - MSCI assigns a data quality score 4 to estimated data based on historical reported emissions (PCAF does not provide guidance for data quality scores for extrapolated data). Besides, the data quality score does not differentiate the quality of issuers' reported data here (e.g., GHG accounting coverage and robustness).
  - Due to the time lag associated with carbon emissions, there may be a discrepancy in the year between the emissions, population, and GDP data from MSCI and the most recent PMV and Adjusted\_PARR values for PIMCO's sovereign holdings. Latest data for carbon refer to FY-2022.

## Scenario analysis covered in Strategy section

### METHODOLOGY DETAILS

The starting point is the off-the-shelf model developed by the Network for Greening the Financial System (NGFS), a coalition of central banks dedicated to assessing the impact of climate change<sup>41</sup>. Its approach tries to capture all the major components of the global economy including government policy, labor and capital markets, and trade flows.

The PIMCO model used in the scenario analysis of the strategic section uses empirical data to capture the main mechanisms linking climate change to the global economy. This bespoke approach abstracts away from modelling all components of the economy and chooses instead to focus on the key mechanisms that are linked to climate change. The PIMCO top-down macro model maps the NGFS climate scenarios 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. PIMCO has used different variables extracted from the NGFS scenarios for the long-term scenarios and the short-term scenarios: i) for the long-term models in specific, PIMCO assumes the climate scenario affects inflation, including as combined effect from both physical and transition risks, and ii) the short term models affect the macroeconomic outputs through two channels:

1) Physical risks: Loss in productivity due to human-driven increase in global temperature and increased inflation from higher commodity prices (e.g. agriculture); 2) Transition risks: Increased inflation and loss in growth from taxing carbon and subsidizing renewable investment. These macroeconomic shocks flow through to asset

prices which PIMCO captures using a set of risk factors. The risk factor outputs are then plugged into PIMCO's risk model (Proteus) and applied to the desired account, index or security to generate the final return impact of the climate scenario.

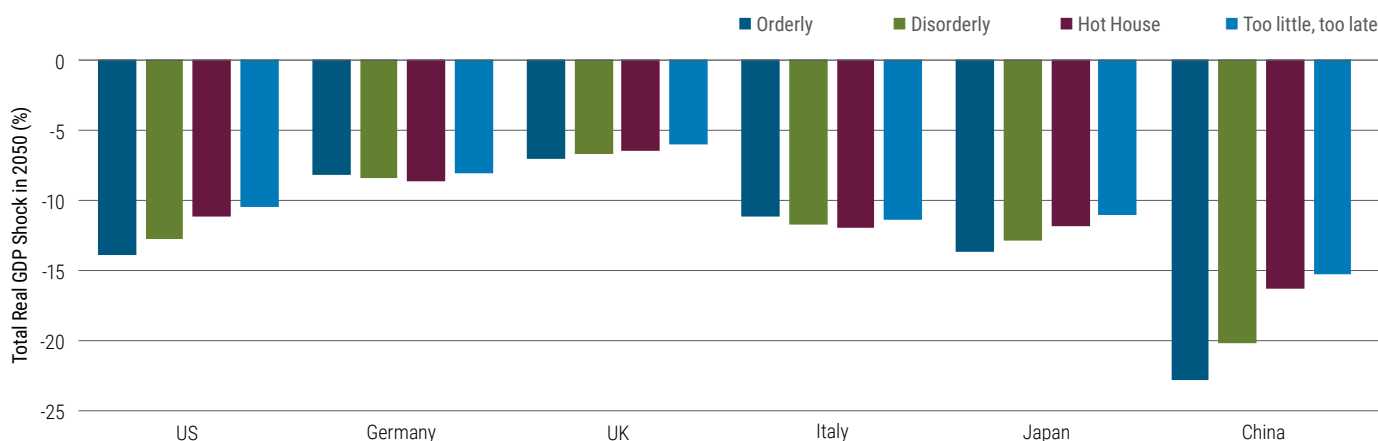
Using the two models, PIMCO can simulate the cumulative impact climate change could have on real GDP or equity for the world, the U.S., and Europe over the years 2023-2050 under four different scenarios (designed by the NGFS<sup>42</sup>):

1. Orderly transition: Net zero (medium transition risks, low physical risks)
2. Disorderly: Delayed transition (high transition risks, medium physical risks)
3. Hot house world: Continuation of current policies (low transition risks, very high physical risk)
4. Too little, too late: delayed action and high emission (high transition risks, high physical risk)

In a similar fashion, PIMCO simulates cumulative impacts up to 2030 for the four different short-term scenarios designed by the NGFS:

1. Highway to Paris (Transition risk only, orderly transition)
2. Sudden Wake-Up Call (Transition risk only, disorderly transition)
3. Disasters and Policy Stagnation (Physical risk only)
4. Diverging Realities (Both transition and physical risk).

### PIMCO model predictions for real GDP shocks per region and scenario

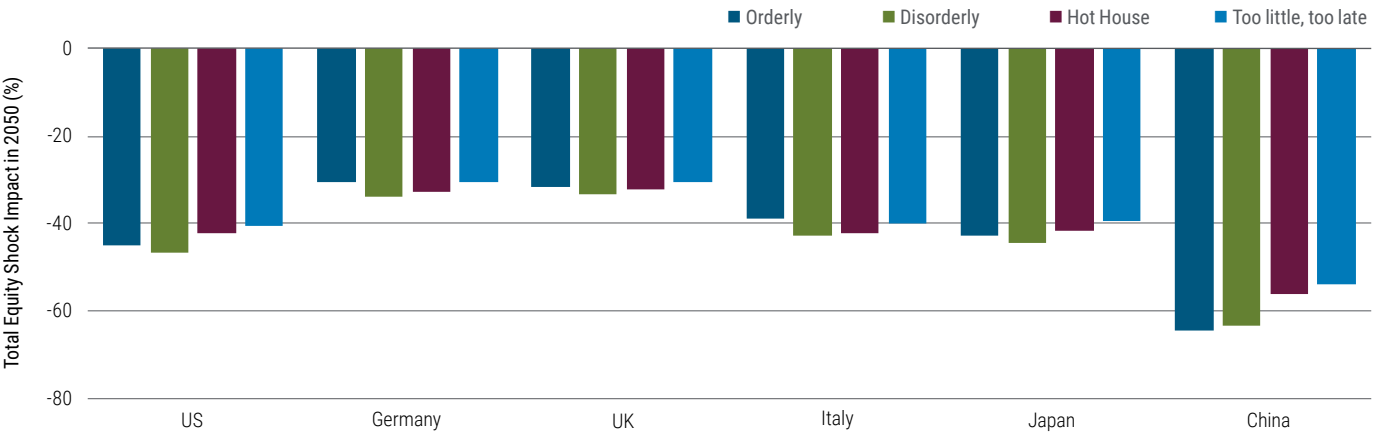


As of 31 December 2025. Source: NGFS, PIMCO. **For illustrative purposes only.**

<sup>41</sup> The model combines "REMIND," an integrated assessment model, and "NIGEM," a large global macroeconomic model.

<sup>42</sup> Orderly scenarios assume climate policies are introduced early and become gradually more stringent. Disorderly scenarios explore higher transition risk due to policies being delayed or divergent across countries and sectors. Hot house world scenarios assume that some climate policies are implemented in some jurisdictions, but globally efforts are insufficient to halt significant global warming. The scenarios result in severe physical risk including irreversible impacts, such as sea-level rise.

PIMCO model predictions for equity shocks per region and scenario



As of 31 December 2025. Source: NGFS, PIMCO. **For illustrative purposes only.**

In the Orderly scenario, inflation ends up rising less overall because early climate action reduces long term cost pressures. This lower inflation keeps interest rates from rising as much, which supports fixed income index performance. For the Hot house world scenario, the loss in GDP comes from high physical risk; increasing temperatures impact output through losses in productivity and increased disaster risk, which results in higher cumulative inflation. For the Too little, too late scenario, both transition risk and physical risk cause losses in real GDP.

The NGFS model predicts that early climate action is better than late climate action. This effect is driven by how a late

transition in the Disorderly scenario causes larger and more sudden increases in carbon policy. An Orderly transition is less disruptive, causing less deadweight loss and less inflation.

It is important to note the worst of climate change is anticipated to occur after 2050 under these assumptions, if temperatures continue to rise and the effects of sustained carbon concentration begin to appear. The results suggest that between 2020-2050 the immediate effect of climate change may be moderate, which implies that it is crucial to pay attention to climate change now, before damages in the future become irreversible and much more severe.

## LIMITATIONS AND AREAS UNDER DEVELOPMENT (ILLUSTRATIVE)

- **Asset class coverage:** Data and methods are at a very early stage besides corporate credit and sovereign credit.
- **Top-down versus bottom-up:** The illustrative scenarios addressed in this report evaluate separately the impact on macroeconomic parameters (top-down model) from the impact on corporate credit (bottom-up model).
- **Country-specific climate change-related macroeconomic effects** are difficult to quantify (whether in terms of transition risk or physical climate risk), and their time horizon is challenging to predict.
- **Physical risks:** Estimates used to model physical climate risks are primarily based on historical data and chronic, not acute climate physical risks, and may thus underestimate future climate shocks.
- **Nature of the shock and complexity:**
  - Future climate pathways are inherently uncertain and non-linear and historical data cannot apply.
  - Second order effects, negative feedback loop and irreversible tipping points, migration, low probability high impact events together are not taken into account.
  - None of these models calculates the GDP endogenously by adding the activity in individual sectors. The effects of the mitigation policies on GDP are calculated at the macro level, by taking into account the overall changes in the costs of energy, not the increasing or decreasing activity in individual sectors.
  - The interplay between transition and physical risks is hard to model.
  - The nexus with broader environmental and social factors add to the complexity. For example, energy prices and economic disruptions associated with fossil fuels are not factored in.
- **Input macro variables:** The impact on other key macroeconomic variables (currency changes versus USD) is not addressed.
- **Time horizon:** Physical risks materialize far in time across scenarios. The scenarios deviate more in the 2nd half of the century.
- **Issuer, policy and market reactions:** There are no 'dynamic' assumptions regarding the actions taken by issuers, policy makers or the market (e.g. based on their commitments, policies or adaptive capacity).
- **Capital Market Assumptions (CMAs) and Strategic Asset Allocation (SAA):** The output of this climate scenario analysis can be connected to the existing models and infrastructure used for CMA.

## GLOSSARY

| Term                                                           | Description                                                                                                                                                                                                                                                                                                                                                                                                     |
|----------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Adaptation</b>                                              | Actions that minimize or remove the negative impacts of global warming or climate change. Adaptation takes different forms depending on how well the potential damage is understood, and the type of damage it is designed to prevent.                                                                                                                                                                          |
| <b>Avoided Emissions</b>                                       | Emission reductions that the financed project produces versus what would have been emitted in the absence of the project (the baseline emissions).                                                                                                                                                                                                                                                              |
| <b>Bank of England Climate Financial Risk Forum (CFRF)</b>     | The CFRF is an initiative to build capacity and share best practice across industry and financial regulators to advance the sector's responses to the financial risks from climate change.                                                                                                                                                                                                                      |
| <b>Biodiversity</b>                                            | The variability among living organisms from all sources, including, inter alia, terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems.                                                                                                                                                |
| <b>Carbon Dioxide</b>                                          | A naturally occurring gas, CO <sub>2</sub> is also a by-product of burning fossil fuels (such as oil, gas and coal), of burning biomass, of land-use changes (LUC) and of industrial processes (e.g., cement production).                                                                                                                                                                                       |
| <b>Carbon Disclosure Project (CDP)</b>                         | The CDP is an organization that runs the global disclosure system for investors, companies, cities, states and regions to manage their environmental impacts.                                                                                                                                                                                                                                                   |
| <b>Carbon Footprint</b>                                        | Total carbon emissions for a portfolio normalized by the market value of the portfolio, expressed in tCO <sub>2</sub> e/USDmm invested.                                                                                                                                                                                                                                                                         |
| <b>Carbon Price</b>                                            | The price for avoided or released carbon dioxide (CO <sub>2</sub> ) or CO <sub>2</sub> -equivalent emissions. This may refer to the rate of a carbon tax, or the price of emission permits. In many models that are used to assess the economic costs of mitigation, carbon prices are used as a proxy to represent the level of effort in mitigation policies.                                                 |
| <b>Climate Risk Score</b>                                      | Assesses climate change risks for a wide range of relevant sectors and issuers.                                                                                                                                                                                                                                                                                                                                 |
| <b>Enterprise Value Including Cash (EVIC)</b>                  | The sum of the market capitalization of ordinary shares at fiscal year end, the market capitalization of preferred shares at fiscal year-end, and the book values of total debt and minorities' interests.                                                                                                                                                                                                      |
| <b>Environmental Degradation</b>                               | Reductions in the health and resilience of the environment (or an ecosystem) from human activity. Environmental degradation is also referred to as 'ecological degradation'. Environmental degradation includes the depletion and pollution of resources (e.g. soil, water, air), habitat destruction, and the extinction of species.                                                                           |
| <b>Global Mean Surface Temperature</b>                         | Estimated global average of near-surface air temperatures over land and sea-ice, and sea surface temperatures over ice-free ocean regions, with changes normally expressed as departures from a value over a specified reference period. When estimating changes in GMST, near-surface air temperature over both land and oceans are also used.                                                                 |
| <b>Global Warming</b>                                          | The estimated increase in global mean surface temperature (GMST) averaged over a 30-year period, or the 30-year period centered on a particular year or decade, expressed relative to pre-industrial levels unless otherwise specified.                                                                                                                                                                         |
| <b>Green Bonds</b>                                             | Portfolio exposure (%MV) to green bonds – bonds issued with use of proceeds devoted to environmental projects.                                                                                                                                                                                                                                                                                                  |
| <b>Green Bonds Score</b>                                       | PIMCO assesses green bond instruments both prior to and after issuance, mapping them across a spectrum based on strategic fit, potential impact, red flags, and reporting, resulting in PIMCO's impact score for green, social, or SDG bonds.                                                                                                                                                                   |
| <b>Greenhouse Gas (GHG) Emissions</b>                          | The seven gases mandated under the Kyoto Protocol and to be included in national inventories under the United Nations Framework Convention on Climate Change (UNFCCC)—carbon dioxide (CO <sub>2</sub> ), methane (CH <sub>4</sub> ), nitrous oxide (N <sub>2</sub> O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulfur hexafluoride (SF <sub>6</sub> ), and nitrogen trifluoride (NF <sub>3</sub> ). |
| <b>Greenhouse Gases</b>                                        | A naturally occurring gas, CO <sub>2</sub> is also a by-product of burning fossil fuels (such as oil, gas and coal), of burning biomass, of land-use changes (LUC) and of industrial processes (e.g., cement production).                                                                                                                                                                                       |
| <b>Greenium</b>                                                | Pricing differential between green bonds (issues where proceeds are used to finance or re-finance environmentally sustainable projects) and conventional non-green fixed income securities.                                                                                                                                                                                                                     |
| <b>Institutional Investors Group on Climate Change (IIGCC)</b> | The IIGCC is a leading investor coalition on climate change with more than 170 members across 13 countries, with over €23 trillion in assets.                                                                                                                                                                                                                                                                   |

| Term                                                       | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Integrated Assessment Model (IAMs)</b>                  | Integrated assessment models (IAMs) integrate knowledge from two or more domains into a single framework. They are one of the main tools for undertaking integrated assessments. One class of IAM used in respect of climate change mitigation may include representations of: multiple sectors of the economy, such as energy, land use and land-use change; interactions between sectors; the economy as a whole; associated GHG emissions and sinks; and reduced representations of the climate system. This class of model is used to assess linkages between economic, social and technological development and the evolution of the climate system. Another class of IAM additionally includes representations of the costs associated with climate change impacts, but includes less detailed representations of economic systems.                                                     |
| <b>Intergovernmental Panel on Climate Change (IPCC)</b>    | The IPCC is a United Nations intergovernmental body that assesses and synthesizes the body of scientific knowledge regarding climate change.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
| <b>Interim Target</b>                                      | Refers to a short-term milestone between the organization's medium- or long-term target and current period.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
| <b>Issuers Engaged on Net Zero</b>                         | Net zero engagement topics includes: environment, greenhouse gas emissions, transparency and reporting, land use and biodiversity, physical risks and resilience and ESG bonds.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Just Transition</b>                                     | Involves maximizing the social and economic opportunities of climate action, while minimizing and carefully managing any challenges – including through effective social dialogue among all groups impacted, and respect for fundamental labor principles and rights.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Mitigation</b>                                          | Actions that minimize or remove the processes that cause global warming or climate change. Mitigation involves minimizing greenhouse gas emissions and/or maximizing greenhouse gas sequestration.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>Nationally Determined Contribution</b>                  | A term used under the United Nations Framework Convention on Climate Change (UNFCCC) whereby a country that has joined the Paris Agreement outlines its plans for reducing its emissions. Some countries' NDCs also address how they will adapt to climate change impacts, and what support they need from, or will provide to, other countries to adopt low-carbon pathways and to build climate resilience.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
| <b>Net Zero</b>                                            | Achieving an equal balance between GHG emissions produced and GHG emissions removed from the atmosphere.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Network for Greening the Financial System (NGFS)</b>    | The NGFS is a coalition of central banks dedicated to assessing the impact of climate change. Their approach tries to capture all the major components of the global economy including government policy, labor and capital markets, and trade flows.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Paris Agreement</b>                                     | The Paris Agreement, adopted within the UNFCCC in December 2015, commits participating countries to limit global temperature rise to well-below 2°C above preindustrial levels and pursue efforts to limit warming to 1.5°C, adapt to changes already occurring, and regularly increase efforts over time.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Partnership for Carbon Accounting Financials (PCAF)</b> | An industry-led initiative enabling financial institutions to measure and disclose GHG emissions of loans and investments.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| <b>Physical Risk</b>                                       | Physical risks from climate change broadly include risk to facilities and infrastructure, impact on operations, water and raw material availability and supply chain disruptions.<br>Physical risks affect the economy in two ways. <ul style="list-style-type: none"> <li>• <b>Acute</b> impacts from extreme weather events can lead to business disruption and damages to property. Historically these impacts were considered transient but this will change with increased global warming. These events can increase underwriting risks for insurers and impair asset values.</li> <li>• <b>Chronic</b> impacts, particularly from increased temperatures, sea levels rise and precipitation, may affect labor, capital and agriculture productivity. These changes will require a significant level of investment and adaptation from companies, households and governments.</li> </ul> |
| <b>Portfolio Carbon Intensity Analysis</b>                 | Consists of high-level portfolio screens that allow comparison of carbon intensity of different portfolios and benchmarks, for example based on the weighted average sum of both direct greenhouse gas emissions and greenhouse gas emissions due to purchases of electricity, heating, and cooling (i.e., Scope 1 + Scope 2 emissions in tonnes of carbon dioxide equivalent, or tCO <sub>2</sub> e / revenues in USD (weighted based on percentage of market value)).                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <b>Portfolio Climate Risk Heat Map</b>                     | Gives a high-level overview of exposure to climate risk (both transition and physical) among relevant sectors and assets. It illustrates a "heat map" of select corporate sectors' exposure, from low risk (green) to high risk (red), along with examples of relevant climate risks within each sector.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| <b>Scenario Analysis</b>                                   | A plausible description of how the future may develop based on a coherent and internally consistent set of assumptions about key driving forces (e.g., rate of technological change, prices) and relationships.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
| <b>Science Based Target initiative (SBTi)</b>              | The Science Based Targets initiative is a collaboration between the CDP, the United Nations Global Compact, World Resources Institute and the World Wide Fund for Nature.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

| Term                                        | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Scope 1 Emissions</b>                    | <b>Corporate:</b> Direct GHG emissions that occur from sources owned or controlled by the reporting company—i.e., emissions from combustion in owned or controlled boilers, furnaces, vehicles, etc. <b>Sovereign:</b> Domestic GHG emissions from sources located within the country territory.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Scope 2 Emissions</b>                    | <b>Corporate:</b> Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating, or cooling consumed by the reporting company. Scope 2 emissions physically occur at the facility where the electricity, steam, heating, or cooling is generated. <b>Sovereign:</b> GHG emissions occurring as a consequence of the domestic use of grid-supplied electricity, heat, steam and/or cooling which is imported from another territory.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| <b>Scope 3 Emissions</b>                    | <p><b>Corporate:</b> All other indirect GHG emissions (not included in Scope 1 and 2) that occur in the value chain of the reporting company. The 15 Scope 3 GHG Protocol categories consist of;</p> <ul style="list-style-type: none"> <li>• Purchased Goods and Services</li> <li>• Capital Goods</li> <li>• Fuel and Energy related Activities (Not included in Scope 1 and 2)</li> <li>• Upstream Transportation and Distribution</li> <li>• Waste Generated in Operations</li> <li>• Business Travel</li> <li>• Employee Commuting</li> <li>• Upstream Leased Assets</li> <li>• Downstream Transportation and Distribution</li> <li>• Processing of Sold Products</li> <li>• Use of Sold Products</li> <li>• End of Life Treatment of Sold Products</li> <li>• Downstream Leased Assets</li> <li>• Franchises</li> <li>• Investments</li> </ul> <p><b>Sovereign:</b> Emissions attributable to non-energy imports as a result of activities taking place within the country territory.</p> |
| <b>Sovereign Consumption Emissions</b>      | Reflect the demand side of sovereign emissions and account for consumption patterns and trade effects. This metric provides a broader view of a sovereign's GHG emissions and tackles the issue of carbon leakage that arises due to production shifts from countries where goods and services are actually consumed later.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Sovereign Production Emissions</b>       | Emissions attributable to emissions produced domestically and include domestic consumption and exports. This definition follows the territorial emissions approach adopted by UNFCCC for annual national inventories and is typically referenced by sovereigns in their Nationally Determined Contributions (NDCs).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
| <b>Stranded Assets</b>                      | Assets that turn out to be worth less than expected as a result of changes associated with the energy transition                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
| <b>Sustainable Development Goals (SDGs)</b> | A collection of seventeen interlinked objectives designed to serve as a "shared blueprint for peace and prosperity for people and the planet, now and into the future".                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Total Carbon Emissions</b>               | The absolute greenhouse gas emissions associated with a portfolio, expressed in tons CO <sub>2</sub> e.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Transition Pathway Initiative (TPI)</b>  | TPI is a global asset owner-led initiative (including clients and investment consultants) that assesses companies' preparedness for the transition to a low-carbon economy.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
| <b>Transition Risks</b>                     | Transitioning to a lower-carbon economy can entail extensive policy, legal, technology and market changes to address mitigation and adaptation requirements related to climate change. Transition risks will affect the profitability of businesses and wealth of households, creating financial risks for lenders and investors. They will also affect the broader macroeconomy through investment, productivity and relative price channels, particularly if the transition leads to stranded assets.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
| <b>Weighted Average Carbon Intensity</b>    | Portfolio's exposure to carbon-intensive companies, expressed in tCO <sub>2</sub> e/USDmm sales.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |

The information contained herein is as of December 31, 2025 unless otherwise noted.

This presentation contains examples of the firm's internal investment research capability. The data contained within the reports may not be related to the strategy discussed herein, may be stale and should not be relied upon as investment advice or a recommendation of any particular security, strategy or investment product. In selecting case studies, PIMCO considers investment performance in addition to other factors, including, but not limited to, whether the example illustrates the particular investment strategy being featured and processes applied by PIMCO to making investment decisions. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed.

Environmental ("E") factors can include matters such as climate change, pollution, waste, and how an issuer protects and/or conserves natural resources. Social ("S") factors can include how an issuer manages its relationships with individuals, such as its employees, stakeholders, customers and its community. Governance ("G") factors can include how an issuer operates, such as its leadership, pay and incentive structures, internal controls, and the rights of equity and debt holders.

The climate-related risks and opportunities discussed in this report are not necessarily material to PIMCO or any vehicle or client it manages or advises for purposes of the U.S. federal securities laws, under any other statute or regulation or otherwise and their discussion herein should not be construed as a determination of materiality by PIMCO. These also may not be the only climate-related risks and opportunities applicable to PIMCO and any vehicle or client it manages or advises.

Sustainable Strategies are strategies with client-driven sustainability requirements. For these strategies, PIMCO actively incorporates sustainability principles (i.e. excluding issuers fundamentally misaligned with sustainability factors, evaluating issuers using proprietary and independent ESG scoring) consistent with those strategies and guidelines. Further information is available in PIMCO's Sustainable Investment Policy Statement. For information about funds that are managed to sustainability strategies and guidelines, please refer to the fund's prospectus for more detailed information related to its investment objectives, investment strategies, and approach to sustainable investment.

There is no assurance that the socially responsible investing strategy and techniques employed will be successful.

**Green Bonds:** are a type of bond whose proceeds are used to finance or re-finance new and existing projects or activities with positive environmental impact. Eligible project categories include: renewable energy, energy efficiency, clean transportation, green buildings, wastewater management and climate change adaptation. **Social Bonds:** are a type of bond whose proceeds are used to finance or re-finance social projects or activities that aim to address or mitigate a specific social issue or seek to achieve positive social outcomes. Social project categories include providing and/or promoting: affordable basic infrastructure, access to essential services, affordable housing, employment generation, food security, or socioeconomic advancement and empowerment. **Sustainability Bonds:** are a type of bond whose proceeds are used to finance or re-finance a combination of green and social projects or activities. Sustainability bonds with strict accountability of the use of proceeds towards activities that advance the UN Sustainable Development Goals or SDGs may be labeled as SDG Bonds. **Sustainability-linked Bonds:** are bonds which are structurally linked to the issuer's achievement of certain sustainability goals, such as through a covenant linking the coupon of a bond to specific environmental and/or social goals. Progress, or lack thereof, toward the forementioned goals or selected key performance indicators results in a decrease or increase in the instrument's coupon. In contrast to the green, social and sustainability bonds described above, sustainability-linked bonds do not finance particular projects but rather finance the general functioning of an issuer that has explicit sustainability targets that are linked to the financing conditions of the bond.

**All investments** contain risk and may lose value. 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. 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. **Mortgage and asset-backed securities** may be sensitive to changes in interest rates, subject to early repayment risk, and their value may

fluctuate in response to the markets perception of issuer creditworthiness; while generally supported by some form of government or private guarantee there is no assurance that private guarantors will meet their obligations. **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. Structured products such as Collateralized Debt Obligations (CDOs), Constant Proportion Portfolio Insurance (CPPI), and Constant Proportion Debt Obligations (CPDOs) are complex instruments, typically involving a high degree of risk and intended for qualified investors only. Use of these instruments may involve derivative instruments that could lose more than the principal amount invested. The market value may also be affected by changes in economic, financial, and political environment (including, but not limited to spot and forward interest and exchange rates), maturity, market, and the credit quality of any issuer. **Equities** may decline in value due to both real and perceived general market, economic, and industry conditions. **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. **Diversification** does not ensure against loss. **Management risk** is the risk that the investment techniques and risk analyses applied by an investment manager will not produce the desired results, and that certain policies or developments may affect the investment techniques available to the manager in connection with managing the strategy.

**ESG investing is qualitative and subjective by nature**, and there is no guarantee that the factors utilized by PIMCO or any judgment exercised by PIMCO will reflect the opinions of any particular investor, and the factors utilized by PIMCO may differ from the factors that any particular investor considers relevant in evaluating an issuer's ESG practices. In evaluating an issuer, PIMCO is dependent upon information and data obtained through voluntary or third-party reporting that may be incomplete, inaccurate or unavailable, or present conflicting information and data with respect to an issuer, which in each case could cause PIMCO to incorrectly assess an issuer's business practices with respect to its ESG practices. Socially responsible norms differ by region, and an issuer's ESG practices or PIMCO's assessment of an issuer's ESG practices may change over time. There is no standardized industry definition or certification for certain ESG categories, for example "green bonds"; as such, the inclusion of securities in these statistics involves PIMCO's subjectivity and discretion. There is no assurance that the ESG investing strategy or techniques employed will be successful. Past performance is not a guarantee or reliable indicator of future results.

PIMCO's Credit Research Analysts assess the Environmental, Social, and Governance ("ESG") profile of corporate, municipal, and sovereign issuers relative to peer issuers with a goal of separating leaders from laggards. Using industry-specific ESG frameworks, analysts review issuers' ESG performance based on information available in public filings, recent ESG news and controversies, as well as through engagement with company management teams. Analysts assign three separate numerical scores from 1 to 5 (with 5 being the highest) to their environmental, social and governance-based business practices. The score in each category is related to an issuer's rank relative to industry peers, and the relative weights of the E, S, and G scores in the composite score vary based on industries, as each industry is assigned a different factor weight. For example, the environmental category has the greatest weight for issuers in extractive industries (e.g., oil, gas, and mining), the social category has the greatest weight for pharmaceutical issuers, and the governance category has the greatest weight for financial issuers. Analysts also include a forward-looking ESG trend assessment, which recognizes companies whose ESG performance is significantly improving or deteriorating. These factors are combined to create a proprietary composite ESG issuer score.

PIMCO's Credit Research Analysts also assess green, social, sustainability, and sustainability-linked bonds (collectively "ESG bonds") at an issuance level, including prior to and after issuance. Utilizing PIMCO's proprietary ESG Bond Framework assessment, Credit Research Analysts evaluate such instruments starting with the strategic fit, assessing the alignment of the issuers' ESG-related strategies with the bond's objectives and use of proceeds, key performance indicators (KPIs), and the evidence of significant positive impact of the activities compared to "business as usual". PIMCO continuously screens for "red flags" and controversies through this process and also assess the degree of reporting by the issuer to analyze misalignment with key market standards, such as the Green Bond Principles. These factors result in a proprietary ESG bond score ranging from 1 to 5 (with 5 being the highest). PIMCO does not score all ESG bonds. Unassessed ESG bonds receive a default score of 3. ESG bonds holdings in PIMCO portfolios are then assigned a score that combines the issuer's ESG score and the ESG bond score. Specifically, an ESG bond holding receives the ESG issuer score plus an adjustment ranging from 0 up to 1.0 point, depending on the type of ESG bond (use

of proceeds or sustainability-linked) and the quality of the ESG bond according to PIMCO's proprietary assessment. Holdings of securitized ESG bond issuances (asset-backed securities, collateralized loan obligations, collateralized mortgage obligations, collateralized debt obligations, and mortgage pass through securities) receive the ESG issuer score and are not adjusted.

PIMCO uses MSCI and other third-party ratings for reference but make our own assessment based on our own, independent analysis of the industry and relevant ESG factors. PIMCO's resulting assessments are proprietary and distinct from those provided by ESG rating providers. Inclusion of a proprietary PIMCO ESG rating creates a conflict of interest because PIMCO and its affiliates benefit when PIMCO assigns a particular security a high score, or assigns a benchmark index or security a low score.

Statements concerning financial market trends or portfolio strategies are based on current market conditions, which will fluctuate. There is no guarantee that these investment strategies will work under all market conditions or are appropriate for all investors 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. Investors should consult their investment professional prior to making an investment decision.

The issuers referenced are examples of issuers PIMCO considers to be well known and that may fall into the stated sectors. References to specific issuers are not intended and should not be interpreted as recommendations to purchase, sell or hold securities of those issuers. PIMCO products and strategies may or may not include the securities of the issuers referenced and, if such securities are included, no representation is being made that such securities will continue to be included.

Stress testing involves asset or portfolio modelling techniques that attempt to simulate possible performance outcomes using historical data and/or hypothetical performance modelling events. These methodologies can include among other things, use of historical data modelling, various factor or market change assumptions, different valuation models and subjective judgments.

While PIMCO has not made a firm wide net zero commitment, PIMCO is committed to providing industry leading advice and solutions for clients on a range of sustainability and ESG issues, including climate change and reducing greenhouse gas emissions to net zero.

**Weighted Average Carbon Intensity** is intended to reflect how an issuer's greenhouse gas (GHG) emissions (expressed as tonnes of CO<sub>2</sub> equivalent (tCO<sub>2</sub>e)) compares to its overall revenues. The carbon intensity of the securities portfolio is defined as the weighted average carbon emissions (Scope 1 + Scope 2 emissions tCO<sub>2</sub>e)/Revenues in USD of corporate bond holdings only in the portfolio (for issuers with available data). Absolute carbon emission analysis takes the total emission per issuer into consideration. PIMCO applies emissions values of the parent to subsidiaries where MSCI data is not available. As defined by the U.S. Environmental Protection Agency (EPA), Scope 1 emissions are direct GHG emissions that occur from sources owned or controlled by a company (for example, company vehicles and facilities), and Scope 2 emissions are indirect GHG emissions from the purchase of electricity, steam, heating or cooling. Data used by PIMCO to calculate carbon intensity is (i) sourced from MSCI based on data reported by companies, a company specific model, or an industry specific model (MSCI's methodology is available here: <https://www.msci.com/index-carbon-footprint-metrics>), or (ii) estimated by PIMCO for "use of proceeds" bonds not covered by MSCI (green and sustainability bonds). PIMCO's estimates generally apply absolute emissions of the issuer's parent company/companies to its subsidiaries.

**Carbon Discounting Methodology:** In its calculation of carbon metrics for ESG labeled bonds, PIMCO applies a proprietary carbon discounting methodology which generally can include the consideration of: i) publicly available information disclosed by an issuer/ company, ii) third-party data sources, and/ or iii) internal proprietary assessments, as applicable. Green bonds and sustainability bonds issued by select electric utility companies adjust a company's carbon metrics by subtracting at a proportion equal to the contribution of eligible renewable energy projects to the proceeds allocation (i.e. the portion allocated to renewable energy projects are treated as having zero carbon emissions and, therefore, zero carbon intensity). For green or sustainability bonds where proceeds are allocated to eligible green or social projects other than renewable energy or are issued by companies in nonelectric utility sectors, carbon metrics are directly passed through from the company level to these bonds with no adjustments. To the extent possible, PIMCO utilizes an issuer's public disclosure, such as post-issuance allocation report, when calculating the allocation of proceeds to renewable energy projects. In some cases, PIMCO may leverage third party data to source such information. In the case of absent or incomplete disclosure, PIMCO uses several assumptions to estimate the allocation of proceeds to renewable energy projects

for the respective utility sector, such as the potential allocation split across eligible green projects communicated by the issuer or the average allocation to renewable energy for the industry. PIMCO climate and carbon metrics and methodologies may change over time and may not be comparable to prior period metrics reported. The firm's proprietary methodologies are not verified by a third-party and may vary from other independent carbon methodologies.

**Carbon Footprint** refers to the calculation of the total GHG emissions (Scope 1 and Scope 2) of corporates in the portfolio normalized by the bond exposure of corporates in the portfolio and expressed as a carbon dioxide equivalent.

It is not possible to invest directly in an unmanaged index

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