PIMCO

PIMCO's Sustainable Investment Policy Statement

PIMCO's mission is to deliver superior investment returns, solutions and service to our clients.

For over 50 years, we have worked relentlessly to help millions of investors pursue their objectives – regardless of shifting market conditions. Leadership in sustainable investing is essential to deliver on our clients' financial objectives while sustainable long-term economic growth is essential to maintain healthy markets.

For PIMCO, sustainable investing represents an approach that seeks to appropriately consider material issues in investment decision making and portfolio construction. Sustainable investing includes issuers' impact on the environment and society, as well as how environmental, social, and governance factors (ESG) may impact the issuer more broadly. We analyze the extent to which ESG factors could impact valuations. This approach can be achieved through a process of integrating these factors into investment research and decision making where relevant and material, to ultimately help manage portfolio risks and identify opportunities. Additionally, sustainable investing can also be achieved through offering specific sustainable investment solutions that explicitly include and seek to optimize these factors. Sustainable investment solutions may encompass negative screening, the proactive selection of assets based on more favorable ESG factors relative to their investment universe (e.g. positive screening), and, in certain circumstances, the selection of investments based in part on their contribution to broader objectives, such as alignment with the Paris Agreement[1], the Sustainable Development Goals (SDGs), or overall contribution to society, aligned with fiduciary duty and investment objectives.

This Sustainable Investment Policy Statement details PIMCO's commitment to:

- The integration of relevant sustainability factors, including ESG factors in the firm's long-term investment process,
- Providing sustainable investment solutions designed to meet certain client's investment related objectives,
- Engagement with issuers to try to improve investment outcomes through dialogue on sustainability factors and related risks,
- The evaluation of climate change and related risks in our investment analysis, and
- Governance and oversight of these areas.

ESG INTEGRATION IN PIMCO'S INVESTMENT RESEARCH PROCESS

At PIMCO, we define ESG Integration as the consistent consideration of relevant ESG factors in our investment research process with the goal of enhancing our clients' risk-adjusted returns. Relevant ESG factors may include but are not limited to: climate change risks, resource efficiency, natural capital, human capital management, human rights, regulatory risk, and reputational risk for an issuer, among others. We recognize that these factors are increasingly essential inputs when evaluating global economies, markets, industries and business models, and that these risks may materialize over the short-, medium-, or long-term horizons. Where relevant, these factors are important considerations when evaluating investment opportunities and risks for asset classes in both public and private markets. Our commitment to ESG Integration was one of the main drivers that led PIMCO to become a signatory to the United Nations Principles of Responsible Investment (PRI) in September 2011.

Integrating relevant factors into the evaluation process does not mean that ESG related information is the sole or primary consideration for an investment decision. PIMCO's portfolio managers and research analyst teams consider a variety of factors and assess the materiality of those factors to make investment decisions. The materiality or relevancy of ESG considerations to investment decisions varies across asset classes, strategies, products, issuers, and valuations, and ESG integration is not applicable to all strategies. By increasing and diversifying the information available to the portfolio management team, we are able to provide a more holistic view of an investment, which we believe will benefit our clients.

1 The Paris Agreement is the global accord to limit the global temperature rise to well below 2°, preferably to 1.5° Celsius compared to pre-industrial levels. According to the Intergovernmental Panel on Climate Change (IPCC), global net human-caused emissions of carbon dioxide (CO2) would need to reach 'net zero' emissions around 2050 to limit global warming to 1.5 degrees Celsius.

PIMCO SUSTAINABLE INVESTMENT SOLUTIONS: ESG OPTIMIZATION

We have developed a suite of sustainable investment solutions for clients seeking risk-adjusted returns and the explicit inclusion of sustainable factors in the investment selection process which may include managing the portfolio's carbon footprint, green, social, sustainable or sustainability linked (GSSS)[2] bond allocations and/or a tilt toward issuers with higher quality or improving ESG characteristics. These solutions build on PIMCO's over 50-year core investment processes, while actively incorporating our clients' sustainability investment objectives. Clients around the world define their sustainability investment objectives differently – and that customization is supported. At PIMCO, we are eager to partner with clients to identify and deliver sustainability investment objectives customized to their risk and return profile.

More specifically, our sustainable investment solutions are organized into three categories: exclusionary, enhanced and thematic.

Exclusionary strategies restrict a portion of the investment universe by excluding issuers misaligned with specific sustainability factors as defined by a client's investment objectives.

Enhanced strategies are designed to target a better overall ESG profile than their investment universe. In the context of our ESG Enhanced strategies, PIMCO's investment process for commingled fund offerings applies the following guiding principles, which can also be applied to separately managed accounts:

- **Exclude:** We exclude issuers fundamentally misaligned with sustainability factors, which may be customized for client preferences in separately managed accounts.
- **Evaluate:** Using our proprietary and independent ESG scoring system as one factor in portfolio construction, in addition to externally sourced and internally developed criteria, we seek to optimize ESG portfolios to emphasize companies in each industry and more generally issuers with certain ESG practices, limited carbon footprint and/or high-quality sustainable bond frameworks in order to target higher aggregate ESG scores and/or criteria for these portfolios. Analysts on PIMCO's global credit research team are responsible for assigning ESG scores to issuers under their coverage in collaboration with our dedicated ESG research analysts, and ESG scores are augmented by insights from PIMCO's engagement activities.
- **Engage:** Our analysts engage with issuers with the objective of improving investment outcomes. For ESG optimized portfolios, we believe that by allocating capital toward issuers willing to improve their ESG-related business practices, informed by our engagement activity, may have more influence than excluding issuers with poor ESG metrics and favoring those with strong metrics. We conduct engagement based on ESG themes that the firm believes have the most opportunity to reduce risk or capitalize on investment opportunities for each specific issuer.

Thematic strategies build on the Enhanced strategies approach and are designed to incorporate a specific environmental and/or social objective or outcome in addition to their financial objectives.

ENGAGEMENT PHILOSOPHY

As one of the largest bondholders in the world, PIMCO has a large and important platform with which to engage issuers on sustainability matters. Engagement is an essential tool for both improving investment outcomes and influencing sustainability outcomes. We believe that sustainable investing is not only about partnering with issuers which already demonstrate a deeply unified approach to sustainability, but also about engaging with those issuers that are evolving their sustainability practices.

The global bond market is significantly broader and more diverse than the equity market – providing a larger opportunity set in terms of engagement candidates, including private businesses, sovereigns, local authorities, supranational issuers, etc. Additionally, bonds mature and companies need to refinance; this facilitates a long-standing relationship between bond investors and issuers and can be a contributor to the issuance of dedicated ESG labeled or GSSS fixed income securities. This primary market activity allows investors to deploy capital in more targeted ways and monitor how the capital is being used through ESG-labeled bond frameworks, allocation reporting, and other metrics.

PIMCO credit research and ESG analysts actively engage with the companies on material ESG topics as an integrated part of their formal research process. By investing across diverse asset classes and issuers – including but not limited to corporates and sovereigns - we believe PIMCO's engagement practices are ideally positioned to influence change that can benefit investment outcomes rather than through exclusions or evaluations alone. In our experience, we have found that our approach of collaborating with issuers has the potential to result in tangible outcomes for certain issuers given the scale of our platform.

2 **GSSS Bonds:** are defined as green, social, and sustainable bonds and sustainability-linked bonds. **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 aforementioned goals or selected key performance indicators results in a decrease or increase in the instrument's coupon.

We prioritize issuers where we have established financial and ESG risk exposures, focusing on what we believe to be material. PIMCO's credit research analysts periodically engage with issuers they cover in the corporate space by, for example, discussing topics with company management related to corporate strategy, leverage, and balance sheet management, as well as sustainability-related topics that may be relevant such as climate targets and environmental plans, human capital management, board qualifications and composition.

PIMCO maintains thematic and sector-specific questions tailored to each asset class that inform our engagement objectives. Key themes include climate change, biodiversity, and human rights. We address various aspects such as measurement, disclosure, targets, investments, ESG-labeled bond issuance, and policy. Additionally, there is an escalation process to monitor observations raised by analysts during the engagement process.

CLIMATE CHANGE INVESTMENT ANALYSIS[3]

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

Details on PIMCO's broad climate research approach include :

- When evaluating climate-related risks and opportunities within specific sectors and issuers, we typically begin with two broad categories: 1) transition risks (e.g., tighter regulations on carbon emissions) and 2) physical risks (e.g., how the rising intensity and frequency of extreme weather events affects critical assets and natural resources used or relied upon by the issuer);
- In sustainable portfolio solutions, the insights these tools provide are designed to enhance material information available to portfolio managers to more directly manage and mitigate climate-related credit risks and assess a portfolio's alignment with the Paris Agreement targets[4];
- For portfolios with decarbonization goals, we have developed a four-pronged approach of (1) reducing the carbon footprint, (2) investing in climate leaders, (3) supporting climate solutions, and (4) influencing change through engagements; and
- We explore climate change in the context of broader sustainability risk and are supportive of the SDGs as the reference framework to assess these wide-ranging risks (e.g. biodiversity, water scarcity, just transition, human and labor rights)

APPROACH TO OTHER SUSTAINABILITY THEMES

In addition to climate change, PIMCO has developed tools to assess material sustainable risks and opportunities associated with other topics such as biodiversity and human rights. For example:

Biodiversity: PIMCO has a framework on natural capital to help further integrate these considerations into our investment process. This framework is supported by nature-related assessments to identify risks and opportunities from impacts (such as externalities or damages to natural capital) and dependencies (such as heavy reliance on natural capital).

Human rights[5]: we consider issuer actions to safeguard human rights in their operations which includes establishing and maintaining appropriate policies, retaining processes for responding to controversy, and grievance mechanisms consistent with international standards.

GOVERNANCE AND OVERSIGHT

PIMCO's governance framework includes defined roles and groups that are responsible for the various facets of the firm's Sustainability platform, including keeping our Risk Committee and Executive Committee apprised of our efforts.

Our:

- Sustainability Oversight Group provides senior oversight and sponsorship for PIMCO's global sustainable investing efforts. In its capacity, the group oversees several responsibilities, including the implementation of ESG integration and engagement principles in the firm's broad investment process, and guiding external initiatives related to public policy and/ or industry partnerships.
- Sustainability Leadership team sets the strategic priorities for the platform and directs our firm wide integration and stewardship efforts, including our research frameworks, proprietary systems, and tools. This group is also responsible for PIMCO's Sustainable Investment Policy Statement.
- Executive Committee member responsible for oversight of Sustainability oversees the firm's Sustainability initiatives including corporate sustainability, sustainable investing, and providing strategic direction on firm wide sustainability efforts.
- Head of Corporate Sustainability oversees the firm's approach to corporate sustainability including the strategy, initiatives, and external partnerships.

3 For more information on our approach to climate change, see PIMCO's TCFD report that can be found on the Sustainable Investing page of our website PIMCO.com.

4 The Paris Agreement is the global accord to limit the global temperature rise to well below 2°, preferably to 1.5° Celsius compared to pre-industrial levels. According to the Intergovernmental Panel on Climate Change (IPCC), global net human-caused emissions of carbon dioxide (CO2) would need to reach 'net zero' emissions around 2050 to limit global warming to 1.5 degrees Celsius.

5 For more information on our approach to human rights, see PIMCO's Statement on Human Rights.

- Portfolio Management Global Lead, ESG Investments 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.
- ESG Product Strategy team is responsible for product development, marketing, and messaging for Sustainable Investment Solutions as well as messaging around our firm-wide integration of ESG.
- Chief of Sustainable Development and International Affairs is responsible for the firm's corporate engagement in global initiatives and platforms focused on SDG investment and financing.
- 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.

Our Sustainability Leadership Team also oversees the evaluation and approval of the firm's participation in certain third-party sponsored partnerships (i.e., industry engagements and/ or affiliations). We view these partnerships as important ways to add value for our investors through increasing our knowledge and expertise in particular areas and providing leadership in areas where internal sustainability stakeholders have strong views, all with the objective of reaching better investment outcomes.

PIMCO's role as a fiduciary is a guiding principle for evaluating potential affiliations; of paramount importance is the firm's role as a steward of client assets – which means that our investment activities and commitments must be led by client mandates and considerations expressed through investment objectives, guidelines, and/or restrictions. Asset managers have a different role to play in sustainable investing relative to asset owners – while we can advise, educate, and invest on behalf of our asset owner clients, it is not appropriate to commit to any course of action collectively for all clients.

Finally, while we have attempted to be comprehensive and clear in this document, as a fixed income and alternatives manager, there are many asset classes that we invest in which include exposure to investments other than a public company. Public companies have the most extensive data and frameworks for sustainability established to date, while there can be significant variation for other issuer types. This could lead to differences in the application of the principles of sustainable investing noted throughout this policy statement, although we hope and expect those to diminish over time.

As of December 1, 2024

PIMCO formally reports on its sustainability activities in its annual Sustainable Investing Report. For more information about PIMCO's Sustainable Investing capabilities, please review here.

For more information about PIMCO's Corporate Sustainability program, including the annual Corporate Sustainability Report please review here.

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 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". We continuously screen 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.

We use 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. **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.

With respect to comingled funds with sustainability objectives ("ESG-dedicated funds"), please see each ESG-dedicated fund's prospectus for more detailed information related to its investment objectives, investment strategies and approach to ESG.

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