

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

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

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

## **ESG INTEGRATION**

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

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

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

## **PIMCO'S ESG PORTFOLIO SOLUTIONS**

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

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

**Exclude:**

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

**Evaluate:**

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

**Engage:**

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

## **ENGAGEMENT PHILOSOPHY**

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

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

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

## **CLIMATE CHANGE PRACTICE**

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

Details on PIMCO's broad climate research approach:

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

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

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

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

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

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

This material contains the current opinions of the manager and such opinions are subject to change without notice. This material is distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product.

PIMCO as a general matter provides services to qualified institutions, financial intermediaries and institutional investors. Individual investors should contact their own financial professional to determine the most appropriate investment options for their financial situation. This is not an offer to any person in any jurisdiction where unlawful or unauthorized. | **Pacific Investment Management Company LLC**, 650 Newport Center Drive, Newport Beach, CA 92660 is regulated by the United States Securities and Exchange Commission. | **PIMCO Europe Ltd** (Company No. 2604517) and **PIMCO Europe Ltd - Italy** (Company No. 07533910969) are authorised and regulated by the Financial Conduct Authority (12 Endeavour Square, London E20 1JN) in the UK. The Italy branch is additionally regulated by the Commissione Nazionale per le Società e la Borsa (CONSOB) in accordance with Article 27 of the Italian Consolidated Financial Act. PIMCO Europe Ltd services are available only to professional clients as defined in the Financial Conduct Authority's Handbook and are not available to individual investors, who should not rely on this communication. | **PIMCO Deutschland GmbH** (Company No. 192083, Seidlstr. 24-24a, 80335 Munich, Germany), **PIMCO Deutschland GmbH Italian Branch** (Company No. 10005170963) and **PIMCO Deutschland GmbH Spanish Branch** (N.I.F. W2765338E) are authorised and regulated by the German Federal Financial Supervisory Authority (BaFin) (Marie-Curie-Str. 24-28, 60439 Frankfurt am Main) in Germany in accordance with Section 32 of the German Banking Act (KWG). The Italian Branch and Spanish Branch are additionally supervised by the Commissione Nazionale per le Società e la Borsa (CONSOB) in accordance with Article 27 of the Italian Consolidated Financial Act and the Comisión Nacional del Mercado de Valores (CNMV) in accordance with obligations stipulated in articles 168 and 203 to 224, as well as obligations contained in Title V, Section I of the Law on the Securities Market (LSM) and in articles 111, 114 and 117 of Royal Decree 217/2008, respectively. The services provided by PIMCO Deutschland GmbH are available only to professional clients as defined in Section 67 para. 2 German Securities Trading Act (WpHG). They are not available to individual investors, who should not rely on this communication. | **PIMCO (Schweiz) GmbH** (registered in Switzerland, Company No. CH-020.4.038.582-2), Brandschenkestrasse 41, 8002 Zurich, Switzerland, Tel: + 41 44 512 49 10. The services provided by PIMCO (Schweiz) GmbH are not available to individual investors, who should not rely on this communication but contact their financial adviser. | **PIMCO Asia Pte Ltd** (Registration No. 199804652K) is regulated by the Monetary Authority of Singapore as a holder of a capital markets services licence and an exempt financial adviser. The asset management services and investment products are not available to persons where provision of such services and products is unauthorised. | **PIMCO Asia Limited** is licensed by the Securities and Futures Commission for Types 1, 4 and 9 regulated activities under the Securities and Futures Ordinance. PIMCO Asia Limited is registered as a cross-border discretionary investment manager with the Financial Supervisory Commission of Korea (Registration No. 08-02-307). The asset management services and investment products are not available to persons where provision of such services and products is unauthorised. | **PIMCO Australia Pty Ltd** ABN 54 084 280 508, AFSL 246862. This publication has been prepared without taking into account the objectives, financial situation or needs of investors. Before making an investment decision, investors should obtain professional advice and consider whether the information contained herein is appropriate having regard to their objectives, financial situation and needs. | **PIMCO Japan Ltd**, Financial Instruments Business Registration Number is Director of Kanto Local Finance Bureau (Financial Instruments Firm) No. 382. PIMCO Japan Ltd is a member of Japan Investment Advisers Association and The Investment Trusts Association, Japan. All investments contain risk. There is no guarantee that the principal amount of the investment will be preserved, or that a certain return will be realized; the investment could suffer a loss. All profits and losses incur to the investor. The amounts, maximum amounts and calculation methodologies of each type of fee and expense and their total amounts will vary depending on the investment strategy, the status of investment performance, period of management and outstanding balance of assets and thus such fees and expenses cannot be set forth herein. | **PIMCO Taiwan Limited** is managed and operated independently. The reference number of business license of the company approved by the competent authority is (107) FSC SICE Reg. No.001. 40F., No.68, Sec. 5, Zhongxiao E. Rd., Xinyi Dist., Taipei City 110, Taiwan (R.O.C.), Tel: +886 2 8729-5500. | **PIMCO Canada Corp.** (199 Bay Street, Suite 2050, Commerce Court Station, P.O. Box 363, Toronto, ON, M5L 1G2) services and products may only be available in certain provinces or territories of Canada and only through dealers authorized for that purpose. | **PIMCO Latin America Av.** Brigadeiro Faria Lima 3477, Torre A, 5º andar São Paulo, Brazil 04538-133. | No part of this publication may be reproduced in any form, or referred to in any other publication, without express written permission. PIMCO is a trademark of Allianz Asset Management of America L.P. in the United States and throughout the world. ©2020, PIMCO.