PIMCO

OCTOBER 2024

PIMCO Europe Ltd.

2023 UK Stewardship Code Statement and Report

A company of Allianz

OCTOBER 2024

We are pleased to share PIMCO's 2023 U.K. Stewardship Code Statement and Report, covering the period 1 January 2023 to 31 December 2023.

At PIMCO, our mission is to deliver superior investment returns, solutions, and service to our clients, always with fiduciary duty top of mind. As a global leader in active investment management, we view careful stewardship as more than just a regulatory requirement; it is a fundamental part of our fiduciary responsibility.

From a financial perspective, 2023 was a relatively volatile year, characterised by runaway inflation, higher interest rates, rising geopolitical tensions and significant banking failures – all key themes which investors had to navigate. In this environment, it is paramount for our clients to have confidence in our commitment when it comes to effective stewardship of their assets. This report outlines how we have continued to practice and evolve our approach to stewardship in 2023, such as incorporating the latest Artificial Intelligence (AI) technologies into our decision-making frameworks, and expand on our progress regarding our internal expertise in behavioural science. Through more thorough integration of these factors, we have been able to further strengthen our investment approach as well as fortify our risk management function.

PIMCO continues to be cognisant of the importance of sustainable investing considerations for our clients. Throughout 2023, we have further developed the proprietary tools and framework that support our sustainable investment and reporting capabilities, such as through the expansion of our climate related analytical toolkit for our portfolios. We have also furthered the integration of Environmental, Social & Governance (ESG) considerations within our alternative investment platform.

Finally, this report outlines PIMCO's engagement activities throughout 2023. At PIMCO, we recognise that our role extends beyond merely managing assets; it encompasses a commitment to actively engage with the companies in which we invest. We believe PIMCO's size, scale, history, and involvement across industry initiatives provides a platform to engage in meaningful constructive dialogue with issuers to drive change, enhance accountability, and ultimately deliver long-term value for our clients. As part of our commitment to effective stewardship, we also ensure that we hold suppliers to account and have robust governance frameworks in place.

PIMCO is dedicated to being a responsible steward of capital, continuously enhancing our approach to create long-term value for our clients and beneficiaries. This dedication can also foster sustainable benefits for the economy, the environment, and society as a whole. Thank you for your interest in our efforts.

Craig Dawson
Chief Executive Officer, PIMCO Europe Ltd.

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

The information contained herein is as of 31 December 2023, unless otherwise noted.

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Past performance is not a guarantee or a reliable indicator of future results. An investment in a fund involves a risk of total loss of capital.

The information herein is not intended to provide, and should not be relied on for, accounting, legal, tax, investment or other advice. Recipient should consult its own counsel, accountant, investment, tax, business and any other advisers as to legal, accounting, regulatory, investment, tax and any other matters, including economic risks and merits, related to making an investment in the Fund.

ESG

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

Outlook

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

Risk

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

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PRINCIPLE 1:

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

The purpose of this report is to outline how PIMCO Europe Ltd. ("PEL") has demonstrated the Principles of the UK Stewardship Code over the 12 months ending 31 December 2023. PEL operates within the global PIMCO business model. The benefit of such a model is that it enables the standard operation of functions and processes and the common use of technology, systems and vendor services. A number of core groups are represented globally and at PEL. Within this global framework, portfolio management and analysis operates at a global level, ultimately reporting to PIMCO's Investment Committee. PEL relies on PIMCO's global business model to formulate and oversee strategy relating to many key elements of stewardship, subject to oversight by the PEL board. As such, within this report, "PIMCO" refers to the global business model, unless otherwise stated.

OUR PURPOSE AND INVESTMENT PHILOSOPHY

PIMCO is a global leader in active fixed income with deep expertise across public and private markets. With our launch in 1971 in Newport Beach, California, PIMCO introduced investors to a total return, long-term, focused approach to fixed income investing. In 2023, PIMCO managed a broad range of strategies across different asset classes including fixed income, alternatives, equities, and real assets. In the 50+ years since our inception, we have maintained our belief that active management is the responsible way to invest, and we remain dedicated stewards of our clients' assets.

PIMCO's role as a fiduciary means that our investment activities are led by client mandates and considerations expressed through investment objectives and guidelines. Our duty is to seek to achieve our clients' stated investment objectives, which vary across portfolios based on investor direction. We offer a wide range of solutions to support clients' ambitions and have worked relentlessly to help millions of investors pursue their objectives through shifting market conditions. Bringing together our investment professionals from across the globe, PIMCO's investment process is designed to promote fresh ideas and differing points of view, always with our stewardship and fiduciary duty top of mind.

With regards to stewardship: We uphold the belief that it is inherently a long-term commitment, which we practice and refine over multiple years. Consequently, our approach to stewardship in 2023 has continued to evolve, building on previous years as we strive to enhance our ability to manage our clients' assets. While our philosophy on stewardship does not change drastically within a single year, we have consistently strengthened our active approach to better serve our clients. This starts with a deep understanding of every investment we make on behalf of our clients, with the goal of not just finding opportunities, but creating them.

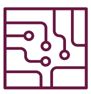
The tenets of our investment process are key components of our mission: to deliver superior investment returns, solutions, and services to our clients.

Long-Term Orientation

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

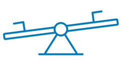
Broad Universe

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



Multiple Strategies

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

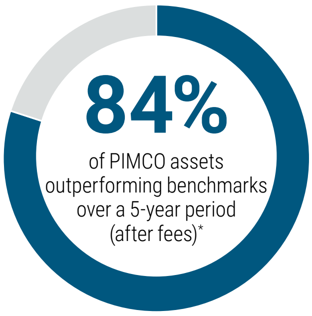


Risk Management

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

In our commitment to our clients and firmwide mission, we strive to integrate key principles of stewardship to drive long-term value for clients leading to sustainable benefits for the economy, the environment and society.

One of the core ways in which we seek to quantify the long-term value created for our clients is through our five-year track-record of investment performance relative to benchmarks, as illustrated in the exhibit below.



* As of December 2023. Based on PIMCO managed portfolios with at least a 5-year history. The after-fees performance of each portfolio was compared to the portfolio's primary benchmark. If the after-fees portfolio performance was greater than the benchmark performance for a given period, the assets in that portfolio were included in the outperforming data. Benchmark outperformance indicates the performance of a portfolio as compared to its benchmark. As such, it does not indicate that a portfolio's performance was positive during any given period. For example, if a portfolio declined 3% during a given period, and its benchmark declined 4%, the portfolio would have outperformed its benchmark, even though it lost value during the period. Certain absolute return oriented portfolios contained within the data may inflate the data either positively or negatively due to the low return/volatility characteristics of the primary benchmark. For example, a portfolio measured against 3- month USD Libor would be more likely to out- or under perform its benchmark. No measure of past performance should be understood to ensure that future performance will be positive, whether on a relative or absolute basis.

A CONTINUED FOCUS ON OUR INVESTMENT PROCESS

As stewards of our clients' capital, PIMCO seeks to constantly evolve, improve and enhance our time-tested investment process to add value for our clients. PIMCO's investment process is designed to give portfolio managers a 360-degree view of risks and opportunities across public and private markets. Built on our 50+ years of experience navigating complex debt markets, our process is powered by five key drivers. Our portfolio managers draw on all these inputs to construct portfolios that emphasise multiple sources of value, targeting exposures with the best risk-adjusted return potential while positioning for various scenarios. Key tenets are outlined in the graphic below.

MACRO THEMES

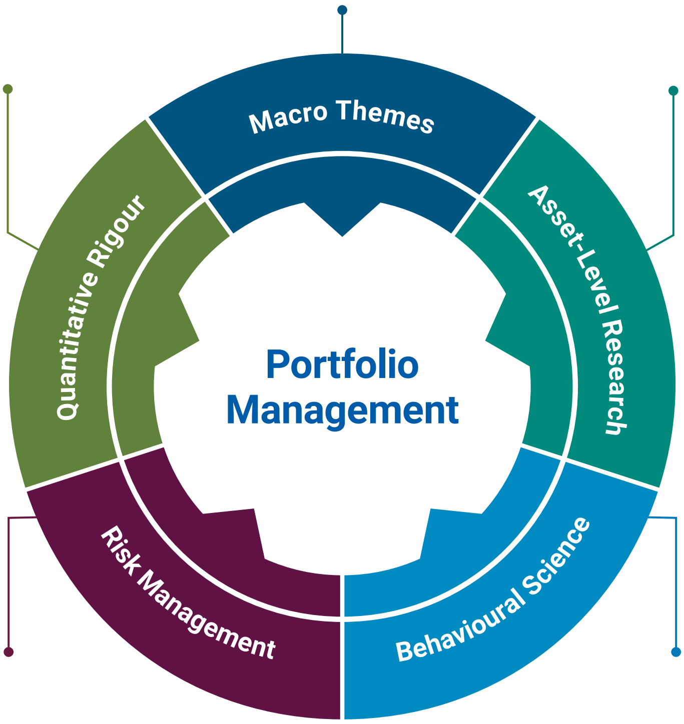
Our annual Secular Forum helps us cultivate longer-term investment themes while our three Cyclical Forums refine those views against more timely market and economic conditions.

QUANTITATIVE RIGOUR

PIMCO's quantitative investment professionals are integrated into all aspects of portfolio management, leveraging technology and proprietary analytics to uncover data-driven insights.

ASSET-LEVEL RESEARCH

PIMCO's global team of credit analysts and asset experts conduct independent, in-depth analysis to uncover relative value across public and private markets globally.



RISK MANAGEMENT

Our robust risk management framework is central to our process, using targeted tools to surface, manage and diversify portfolio and firm-wide risks.

BEHAVIOURAL SCIENCE

Our investment process employs behavioural science practices to maximise the exchange of ideas, challenge biases, and continuously evaluate our practices and thinking.

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

2023 Deep Dive

A FOCUS ON ARTIFICIAL INTELLIGENCE

Our time-tested investment approach requires continuous evaluation of the world's changing risks and opportunities to develop forward-looking solutions that meet our clients' evolving needs. In light of the significant role Artificial Intelligence (AI) is playing in driving business efficiencies, we are actively investing in AI to optimise our investment process. Through our multifaceted approach to AI, PIMCO is enhancing its ability to deliver superior investment outcomes.

We have been focusing on harnessing the power of AI to drive value for clients in several ways. This is part of our multiyear investment in technology and quantitative capabilities across the organisation. Specifically, we believe AI will help to enhance investment insights, enrich client experiences and optimise operations. At the same time, our approach to AI will maintain our rigorous and time-tested risk management focus, which is coordinated through an interconnected AI-focused governance framework. Importantly, we view AI as a tool to augment human contributions and not a substitute for human judgement, decision-making, or accountability. We aim to enhance insights through scalable AI solutions. To achieve this, we are deploying enterprise and customised AI tools.

Currently, we are leveraging AI capabilities to extract insights from large unstructured data and text inputs to inform and augment ideas across investment decision-making and client service.

ENHANCING OUR UNDERSTANDING OF BEHAVIOURAL SCIENCE

Behavioural science is another avenue that PIMCO has identified as a key pillar in our pursuit of investment excellence whilst stewarding our clients' capital. We have continued to integrate behavioural science considerations to better our investment process, broadening the scope of the content on behavioural science outlined in our 2022 UK Stewardship Code Report.

We apply behavioural science principles and best practices across our processes to help us become better investors and achieve the best possible outcomes for our clients, arching over three key pillars as outlined in the following case studies.

CASE STUDY: UTILISING AI IN OUR PORTFOLIO MANAGEMENT PROCESS

ALTERNATIVES DUE DILIGENCE

We seek to use AI for enhanced due diligence in alternatives deals. For example, when interacting with deal rooms and other relevant textual sources, AI significantly accelerates locating, extracting and formatting information and insights across multiple documents.

RESIDENTIAL LOAN ANALYSIS

Residential loan analysis – AI can help our residential loan portfolio managers review thousands of servicer call records as additional input to identify at-risk loans. In this area, AI is also useful for multimodal information summarisation and insights extraction, helping to swiftly summarise and extract details from structured and unstructured datasets. These datasets include internal and external research and credit reports, due diligence deal room reports, earnings calls, and transcripts of PIMCO's Secular and Cyclical Forums.

PIMCO SENTIMENT ANALYSIS

We have sought to leverage AI for PIMCO's proprietary sentiment analysis. Here, our tool extracts sentiment metrics from textual sources such as Federal Reserve speeches and corporate filings, aiding economists and portfolio managers in making well-informed decisions.

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CASE STUDY: BEHAVIOURAL SCIENCE INTEGRATION INTO THE INVESTMENT PROCESS

Partnering with behavioural finance experts, we integrate best practices throughout our investment process to improve collective and individual decision-making, amplify risk management, and publish behavioural insights.

We aim to improve collective decision-making by combatting groupthink – the range of biases amplified in group contexts – in our Secular and Cyclical Forums, Investment Committee, and Regional Portfolio Committees. Some key developments in 2023 are outlined below.

- In September 2023, we held our first Forum outside of the US, in London, U.K.. This was to help ensure we fight any US bias and meet with colleagues across different geographies.
- One of the key strategies to combat groupthink is by incorporating diverse perspectives in formulating our investment theses. For instance, while we have traditionally invited a variety of external experts to present to our investment team, we are now placing even greater emphasis on identifying individuals with alternative viewpoints on the same issues. This approach encourages debate, reduces authority bias, and minimises the risk of over-precision in our forecasts.
    - In particular, we utilise the views and expertise of our portfolio managers and our Global Advisory Board (GAB). The GAB members, who are world-renowned experts on economic and political issues, provide valuable insights on global economic, political, and strategic developments and their relevance to financial markets.
- Furthermore, we have reflected on our internal committee processes and evolved the way in which those groups come together to share information.
    - Over 2022 and 2023, our Investment Committee adopted a number of best practices from research on group decision-making, including reducing the size of the committee based on research indicating that the optimal committee size to encourage decision accountability is seven members or less.
    - The Investment Committee has also modified the structure of presentations made to the group, ensuring speakers have several minutes of uninterrupted speaking time to convey their key points, and asking more senior members of the group to speak at the end to reduce the risk of authority bias influencing the conversation.
    - An independent moderator was added to the group to keep everyone to the agenda and facilitate discussion, including anchoring members on objective data points during a debate.

Meeting several times a year, the GAB brings expertise and insights to the firm's investment process. Members are outlined below:

Ben Bernanke
Former Federal Reserve Chair and Distinguished Senior Fellow at the Brookings Institution

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

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

Michèle Flournoy
U.S. Defense Policy and National Security Expert, Former U.S. Under Secretary of Defense for Policy

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

CASE STUDY: BEHAVIOURAL SCIENCE TO AMPLIFY RISK MANAGEMENT

Risk management is a critical component of our behavioural science mindset. We have employed behavioural analytics and decision dashboards to improve entry and exit discipline and ease biases like the disposition effect and home bias.

- Dashboards are embedded into regular risk reviews to monitor biases like the disposition effect across asset classes and sectors, creating a framework to increase accountability. The Decision Dashboard monitors for potential drift in both high-level strategy styles (i.e., portfolio managers' evolving views) and more granular risk measures both at the portfolio and trade level. It creates a framework to increase portfolio manager accountability, improve entry and exit discipline, set explicit guidelines for holding periods and create decision thresholds. These structures combat bias by enabling more self-awareness and accountable decision-making. Those who see evidence of bias adopt entry and exit rules that enforce accountable decisions.

Part I: Strategy Style
Distill high-level objectives and targets

	Lower	Med	High
Risk Level		X	
Cash Level			X
Macro	X		
Spread Beta		X	
Corp Credit	X		
Quality			X
Duration	X		
FX	X		

Part II: Decision Thresholds
Set portfolio and trade-level risk measures

Portfolio Composition & Total Risk

		Review level		vs. Review level	
Measure	**Current**	**Down**	**Up**	**Down**	**Up**
TE	100		125		(25)
IG Beta	1.00		1.25		(0.3)
Financing	(3)	(5)		3	
97.5 CVaR	(200)	(175)		(25)	
Credit TE%	40%	25%	50%	15%	

Trade Level Monitoring

Risk Factor Range Monitoring

CASE STUDY: BEHAVIOURAL SCIENCE TO REFINE INDIVIDUAL DECISION-MAKING

Another key strategy is to mitigate the host of behavioural biases that challenge even the smartest investors. When it comes to portfolio managers' individual decision making, we use a number of frameworks inspired by research in behavioural science. The first of those is the idea of running pre-mortems on positions.

- Typically, when we take a position, we have a high level of confidence that this position will be financially rewarding and have difficulty seeing a future in which the position does not do well. To reduce the risk of becoming overconfident in our holdings, we have implemented a checklist to run pre-mortems on higher-risk holdings.

This involves working in partnership with the risk team and credit analysts to review company fundamentals and valuation, and then asking a series of questions to imagine and analyse downside scenarios. Those scenarios help portfolio managers identify company milestones – potential turning points at which the thesis should be revisited – and prepare and document an exit strategy if it looks more likely that a downside scenario might occur.

- Over the past few years, we have constructed the following framework as an example of how to conduct pre- and post-mortems:

1. Imagine it is a year from now and the position has lost you a significant amount of money.
2. What went wrong? Describe in detail at least two scenarios which could have led this to occur.
3. What are some early indicators that the probability of one of these scenarios has increased? Note these down as decision thresholds at which you would re-evaluate the position.
4. Write down your exit strategy and pre-commit to a plan of action in a "cold state".

Source: PIMCO

Checklist for Higher Risk Credits

- Review fundamentals vs. valuation
- Analyse downside scenario
- Review thresholds & milestones
- Define exit strategy
- Review position sizing / generalist exposure
- Review trading activity

CASE STUDY: BUILDING POWERFUL PARTNERSHIPS

At PIMCO, we are working to strengthen awareness of behavioural science both internally and externally. Through our long-term collaborative partnership with the Roman Family Center for Decision Research (CDR) at The University of Chicago Booth School of Business, we advanced the PIMCO Decision Research Laboratories and strengthened Mindworks, a behavioural science research and discovery centre, in downtown Chicago – the first of its kind.

The PIMCO Decision Research Labs enable academics to conduct high-quality behavioural science experiments to better understand how people form judgements and make decisions. In 2023, the Labs served 90 CDR faculty and researchers, conducting 118 studies with over 12,000 unique participants across its locations (Mindworks, popup, campus, online).

Mindworks shares behavioural science with a broader audience through highly interactive multimedia exhibits. Free and open to the public, Mindworks attracted over 12,000 visitors from all 50 states in the U.S., more than 50 countries, and six continents, just during its first year (2022). Visitors are invited to participate in research experiments designed by scientists at the University of Chicago. This one-of-a-kind storefront research lab helps improve research findings by involving a more diverse range of research participants beyond the traditional college student demographic.

Through this partnership, PIMCO has access to research insights, faculty speaker events on decision-making biases, as well as top talent and expertise.

PIMCO'S SUSTAINABLE INVESTMENT PHILOSOPHY

At PIMCO, given our fiduciary duty, we seek to incorporate financially material considerations in our investment process in order to achieve our clients' stated investment objectives, which vary across portfolios and may include sustainability objectives. We believe that integrating sustainability considerations into our investment process, where relevant, is one element that enables us to provide a more holistic view of an investment and best serve our clients' diverse investment objectives.

The sustainable investing landscape is being transformed by several long-term drivers, from evolving global regulation that will continue to have investment implications, to dominant trends like climate transition risks and the unlocking of capital flows to underserved markets. As long-term investors, we need to consider these secular trends to continue supporting and creating innovative solutions for our clients. 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.

While our philosophy on sustainable investing remains largely constant, we have sought to make several enhancements to our approach.

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

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

Stewardship of our client's capital	PIMCO seeks to deliver superior investment returns, solutions, and service to our clients. For over 50 years, our extensive resources, global presence, and time-tested investment process have helped clients meet their financial goals and investment objectives.
Fiduciary duty to consider relevant risks in our investment process	Where applicable, we aim to integrate sustainability risks in our investment process for our actively managed assets as a key risk management tool. The consideration of ESG factors may be appropriate when evaluating long-term investment opportunities and risks for certain asset classes across public and private markets. This integration of sustainability risks can take place during both the bottom-up analysis of issuers and the top-down analysis of cyclical and secular trends.
A client-centric approach to sustainability	For clients seeking to achieve specific sustainability outcomes alongside financial objectives, we offer a suite of dedicated investment solutions that incorporate the firm's proprietary ESG optimisation criteria. PIMCO recognises that sustainable investment solutions are not one-size-fits-all, and we are well equipped to partner with clients to identify and customise sustainability objectives that can help satisfy their specific needs.
A platform to engage with issuers	As a leading fixed income manager, PIMCO has the scale and access to engage issuers in matters that we believe are essential when pursuing compelling risk-adjusted returns. We believe PIMCO's size, scale, history, and involvement across industry initiatives provides a platform to engage with issuers who are continuing to evolve their sustainability practices.

In 2023, we have focused on enhancing certain engagements, climate tools and proprietary frameworks.

- **Thematic sustainability engagements** – PIMCO's global team of 80+ credit research analysts engaged with over 1,300 corporate bond issuers across industries and regions on sustainability topics, representing over 75% of corporate firmwide assets under management (AUM). The Credit Research Team engages to drive progress on sustainability commitments, impact bond issuance, climate risk mitigation and other central sustainability topics. Moreover, PIMCO's credit research analysts engage regularly with the companies that they cover, discussing topics with company management teams related to corporate strategy, leverage, and balance sheet management, as well as sustainability-related topics such as climate change targets and environmental plans, human capital management, DEI (Diversity, Equity, and Inclusion), and board qualifications and composition.

- **Carbon and carbon-related tools** – we continuously look for a way to enhance and expand our capabilities to assess and manage climate risks, as well as measure and optimise the climate impacts of portfolios. For example, we deepened our research on topics such as Scope 3 emissions (indirect upstream and downstream), carbon reporting beyond corporates (e.g., sovereign, securitised), and climate solutions (e.g., taxonomy alignment of capex and revenues). We will continue to expand our capabilities across asset classes as external data sources improve in quality and coverage.
- **Proprietary thematic frameworks** – following on from 2022, natural capital has also been an area of focus. We have sought to expand our framework on biodiversity, which leverages COP15's Kunming-Montreal Global Biodiversity Framework, guidance established by the Taskforce on Nature-related Financial Disclosures (TNFD), and targets related to the Natural Capital set by Science Based Targets Networks (SBTN).

PIMCO'S CULTURE

Our mission to deliver superior investment returns, solutions, and service to our clients goes beyond financial success. We believe in delivering a return on trust – going above and beyond to serve our clients' best interests, guided not just by rules, but by responsibilities. Achieving this objective demands a high-performance, inclusive culture in which we work together to put our clients first and hold our people and practices to the highest standards. It is this commitment that has led us to prioritise inclusion and diversity (I&D) as integral components of our organisation.

INCLUSION AND DIVERSITY

As highlighted in last year's report, encouraging different points of view is critical to our success and that of our employees. This is why diversity, inclusion, and personal and professional development continue to be priorities at PIMCO. With this in mind, we strive to create a workplace where all employees have an equal opportunity for development and advancement, and we continue to develop strategies to enable this. This year, we continued to invest in new tools, skills, and partnerships to enhance our outreach and maintain bias mitigation in our recruitment programs.

- We partner with more than 10 recruiting organisations to attract top talent and raise awareness about career opportunities in the finance industry.
- We designed "Interviewing Best Practices," providing training to help over 115 interviewers develop the skills to conduct effective, structured, and compliant interviews.
- We continued investing in and refining technology-enabled tools for our employees. In 2023, we launched Perry, a chatbot that uses AI and a deep knowledge of PIMCO's performance expectations to support employees through performance and career conversations. By providing all employees with access to Perry, we aim to ensure that everyone has the support they need to effectively navigate their careers at PIMCO.

Inclusive leadership underpins our commitment to sustainable growth and a high-performance culture:

- In 2023, we delivered Inclusive Leadership Teach-Ins with over 120 senior leaders from across the globe, focused on advancing I&D for our clients and colleagues.
- We designed a new manager toolkit to provide the resources and guidance needed for effective leadership. The toolkit covers essential topics and equips new managers with the skills to lead diverse teams, foster an inclusive work environment, drive impactful leadership through inclusive goal setting and open-mindedness, and provide development opportunities.
- In 2023, we launched the third PIMCO Elevate program in APAC; this is a six-month development program designed to enable and empower the next generation of women leaders in the APAC region advance their careers.

Additional information can be found in PIMCO's Inclusion and Diversity Annual Report.

CORPORATE SUSTAINABILITY

Corporate Sustainability is a key pillar to ensure our firm's culture is reflective of our mission and values. Today's global companies navigate a complex business environment shaped by internal dynamics and external economic shocks. Sustainable, long-term management requires a holistic approach from leaders, focusing on resilient internal processes, excellent client service, and addressing the diverse needs of the workforce. Efficient resource management is also essential for maximising environmental sustainability.

PIMCO is dedicated to building a sustainable business, driven by our stewardship and fiduciary duties to clients. Our commitment to operational sustainability starts with our Code of Conduct, which emphasises compliance, ethical conduct, and our fiduciary responsibilities. We align with the UN Global Compact and its Ten Principles, which address human rights, working conditions, environmental protection, and anti-corruption.

CODE OF BUSINESS CONDUCT

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

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

ANTI-CORRUPTION

PIMCO is committed to complying with all applicable statutory and regulatory requirements relating to bribery and corruption – consistent with the UN Global Compact's tenth principle on anti-corruption. We prohibit bribery and corruption in all business activities and in business activities of third parties acting on PIMCO's behalf, and have instituted a robust program designed to detect and prevent the use of our services or personnel in such activities. PIMCO's Legal and Compliance Department has a dedicated Anti-Financial Crimes Team responsible for implementing and maintaining the firm's Global Anti-Corruption Program. This program is reasonably designed to comply with applicable laws, regulations, and rules relating to bribery and corruption and includes, but is not limited to: policies and procedures; risk assessments; risk-based due diligence on our clients, prospects, and other third parties; ongoing monitoring; and anti-corruption and anti-bribery training for all employees on an annual basis.

VENDOR MANAGEMENT

PIMCO operates a Vendor Management Oversight Program which sets out the requirements for the appointment and ongoing oversight of the firm's material service providers. As part of the onboarding and retention processes, PIMCO requests material service providers to complete extensive due diligence questionnaires. Practices related to inclusion and diversity, labour, cybersecurity, and environmental management are key elements within the questionnaires and form part of the qualitative assessment of our service providers. For additional details on our Vendor Management Policy please refer to Principle 7.

ENVIRONMENTAL SUSTAINABILITY

PIMCO's commitment to environmental sustainability is grounded in our endorsement of the UN Global Compact and its core environmental principles, which are drawn from international conventions and agreements. Building on the momentum of our sustainability initiatives in 2022, PIMCO is pleased to present the positive outcomes of our environmental and energy conservation efforts. PIMCO's commitment to environmental sustainability is grounded in our endorsement of the UN Global Compact and its core environmental principles, which are drawn from international conventions and agreements. Building on the momentum of our sustainability initiatives in 2022, PIMCO is pleased to present the positive outcomes of our environmental and energy conservation efforts.

In 2023, PIMCO notably undertook its first comprehensive inventory of firmwide greenhouse gas emissions, establishing a 2019 baseline. This inventory included all offices and data centres – and covered Scope 1, Scope 2, and select Scope 3 categories. This inventory and the related science-based data will inform our environmental practices in the coming years. In terms of specific projects, the implementation of LED lighting and the Load Based Optimization System (LOBOS) at PIMCO's global headquarters in Newport Beach has not only significantly reduced our energy consumption but also underscored our commitment to environmental stewardship. We achieved a reduction of 917,693 kWH in electricity consumption compared to 2022, marking a 15% decrease.

We set a new benchmark in 2023 for energy efficiency within our global headquarters, with electricity usage falling to the lowest levels since the building's inception. We observed a 24% reduction in electricity consumption compared to the average kWH over the past nine years. This achievement highlights the success of our energy-saving measures. The January 2024 levels were 488,736 kWH, representing the lowest level for the month of January since moving into the building in 2014. In response to the growing adoption of electric vehicles (EVs) by our employees, PIMCO took a step forward in 2023 by installing 16 additional EV charging stations in the headquarters parking structure. This expansion supports our employees in making sustainable transportation choices and also aligns with our broader environmental objectives. By enhancing the EV charging infrastructure, we are facilitating a shift towards cleaner, more sustainable modes of transportation, thereby contributing to the reduction of greenhouse gas emissions. As we reflect on the success of our environmental initiatives, we are encouraged by the tangible impact of these efforts in reducing energy consumption and promoting sustainability.

PRINCIPLE 2:

Signatories’ governance, resources and incentives support stewardship.

PIMCO'S ORGANISATIONAL AND MANAGEMENT STRUCTURE

PIMCO's[1] focused and flat management structure helps enable quick responses to an ever-changing external environment. Key areas of the organisation include portfolio management, client management, product strategy group and business management.

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

These functions work together to benefit PIMCO's clients, but each also works independently, reporting to senior management. This structure provides a significant overlap of responsibility and accountability surrounding key functions and investment decisions.

Business management provides leadership and oversight of the various functional groups, monitoring ongoing business line performance and risk, and allocates resources as deemed appropriate.

PIMCO Europe Ltd ("PEL") operates within the global PIMCO business model. The benefit of such a model is that it enables the standard operation of functions and processes and the common use of technology, systems and vendor services. A number of core groups are represented globally and at PEL. Within this global framework, portfolio management and analysis operates at a global level, ultimately reporting to PIMCO's Investment Committee. PEL relies on PIMCO's global business model to formulate and oversee strategy relating to many key elements of stewardship, subject to oversight by the PEL board.

The PIMCO Compensation Committee governs the compensation framework, approves compensation spending, and reviews compensation decisions including pay equity across the organisation.

Employees with direct sustainability responsibility have performance appraisal and objectives, among other factors, aligned with topical objectives. Sustainability considerations are integrated indirectly for all other investment staff as ESG assessments are the responsibility of individual portfolio managers/analysts. Key Performance Indicators for dedicated ESG trade floor employees can include: development of ESG frameworks; integration of ESG scoring across desks; engagement activity with issuers; market engagement to drive new issuance; internal teach-ins; trade ideas; and performance of mandates that follow sustainability strategies and guidelines, etc.

1 In this principle, PIMCO refers to the PIMCO group of companies, including Pacific Investment Management Company LLC, unless otherwise stated.

PIMCO'S GLOBAL RESOURCES

PIMCO's deep relationships and consistent value delivery to clients are founded on a global investment platform that has been refined over decades of experience with debt markets. This platform is supported by an integrated global team, all of whom are guided by our fiduciary duty and our mission to deliver superior investment returns, solutions, and service to our clients.

Over its 50+ year history, PIMCO has built a highly experienced team of professionals with expertise across a wide range of asset classes. As of 31 December 2023, the firm had more than 3,300 employees, including over 960 investment professionals and a broad bench of specialised global teams with support of over 280 portfolio managers, all seeking to uncover value in every pocket of the market. PIMCO's scale extends beyond traditional public markets, offering comprehensive access to deal flow and sourcing capabilities across both public and private markets. The firm believes that this extensive reach, combined with deep market relationships, enables PIMCO to provide unique investment opportunities aimed at delivering consistent value to its clients.

PIMCO's investment staff is the organisation's most valuable resource. The creation and implementation of innovative ideas and concepts are vital to the firm's ongoing success, whether through the expansion of PIMCO's investment platform or the development of new methods to effectively service clients. The following exhibit provides an overview of PIMCO's global investment resources.

MARKET-TESTED INVESTORS	ROBUST DATA SCIENCE AND TECHNOLOGY ENGINE	COMMITMENT TO INVITING DIVERSE PERSPECTIVES
80+ Analysts on our industry-renowned credit research team	**80+** Portfolio Analytics team	**3** Behavioural Scientists
280+ Portfolio managers with 17 years average investment experience	**20+** Portfolio Implementation team	**14** Sector specialty desks covering the global fixed income spectrum
130+ Dedicated Alternatives Portfolio Managers	**435+** Technologists and 100+ financial engineers	**5** Global Advisory Board External Experts
	15 Dedicated Risk Managers	

As of 31 December 2023. Source: PIMCO.

PIMCO'S SUSTAINABILITY LEADERSHIP

While some aspects of stewardship responsibilities are well engrained into our Code of Ethics and supervised through well-established supervisory and alignment processes, our mission to create long-term value for our clients and sustainable benefits for the economy go beyond. PIMCO's global governance framework includes defined roles and groups that are responsible for the facets of sustainable investing, including keeping our Risk Committee and Executive Committee apprised of our efforts.

Our Sustainability Leadership Team sets the strategic priorities for the platform and oversees our firmwide integration and stewardship efforts, including our research frameworks, systems and tools. Key members of PIMCO's Sustainability Leadership team with clearly defined oversight function include:

- Executive Committee member who is responsible for oversight of the firm's Sustainability initiatives including ESG, as well as product development, marketing, and messaging for our Sustainable Investment Solutions and our firmwide integration of ESG
- Head of Corporate Sustainability who oversees all aspects of corporate sustainability including the firm's strategy, initiatives, and external partnerships
- Portfolio Management Lead for ESG Investing who is responsible for: coordination with the broader credit research team; overseeing the ESG analyst team responsible for evaluating and engaging with issuers globally; ESG integration across the trade floor; and consistent implementation of our research frameworks

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.

CASE STUDY: ESG DATA GOVERNANCE GROUP

At PIMCO, we seek to incorporate financially material considerations in our investment process in order to achieve our clients' stated investment objectives, which vary across portfolios and may include sustainability objectives. ESG data has been a focal point for some of the key innovations and solutions provided to PIMCO's clients in the past couple of years. Therefore, the procurement and production of reliable ESG data is pivotal and requires a solid governance structure to provide oversight and guidance. Aiming to replicate the previous success of working groups to ensure effective stewardship across other products, PIMCO formed an ESG Data Governance Group in 2023. The group 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.

In 2023, the group helped finalise the carbon footprint attribution methodology created to measure and report the contribution of different factors to the overall emissions attributed to a bond portfolio and relative to its benchmark over time.

INCENTIVES

PIMCO's structure helps to support our sustainability efforts and stewardship activities across key areas of the organisation, including portfolio management, client management, product strategy group and business management, supported by our legal and compliance team. Further, PEL has established policies and procedures to prevent and counter any potential conflicts of interest and ensure that all employees act in accordance with PIMCO's Code of Ethics. An example is the remuneration policies that have been designed to ensure that compensation plans are consistent and promote sound and effective risk management, do not encourage excessive risk-taking, include measures to avoid conflicts of interests, and are in line with PEL's business strategy, objectives, values and long-term interests, including our stewardship and fiduciary duties.

PIMCO's Total Compensation Plan for professional level employees, including portfolio managers, is designed to pay competitive compensation and reward behaviours aligned with our CORE values of collaboration, openness, responsibility, and excellence as consistent with PIMCO's mission statement. The Total Compensation Plan includes an incentive component that rewards high performance standards, work ethic, and consistent individual and team contributions. The compensation of portfolio managers consists of a base salary and discretionary performance bonuses, potentially including a long-term incentive component.

The PEL's Compensation Committee governs the compensation framework, approves compensation spending, and reviews compensation decisions including pay equity across the organisation.

Variable compensation awarded by PEL is subject to provisions which in certain circumstances allow for the reduction of amounts payable ("malus") to the employee, and/or allow for the employee to repay to PEL all or part of any variable compensation received by the employee ("clawback"). The conditions under which PEL may invoke such malus and/or clawback provisions include (but are not limited to):

- material failure of risk management and internal controls;
- misconduct or fraud;
- conduct leading to financial loss;
- conduct leading to reputational damage;
- unreasonable failure to protect the interest of employees and customers.

Any application of the malus and/or clawback provisions will be approved by PEL's Compensation Committee.

PRINCIPLE 3:

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

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

IDENTIFYING AND MANAGING CONFLICTS IN PRACTICE

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

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

Conflicts Related to Proxy Voting

PIMCO has adopted written proxy voting policies and procedures ("Proxy Policy"). PIMCO evaluates all proxies in accordance with this policy unless we do not have client authorisation to do so. It should be noted that it is unusual for the Firm to engage in proxy voting for fixed income strategies.

Where PIMCO does engage in proxy voting, our policy seeks to confirm that voting and consent rights are exercised in clients' best interests and take into consideration potential conflicts of interest that may arise. To the extent PIMCO has authority, each proxy is evaluated, and each consent is evaluated, on a case-by-case basis, taking into account relevant facts and circumstances.

Actual or potential conflicts of interest could arise in many ways when PIMCO votes client proxies, including but not limited to: (i) if PIMCO has a material business relationship with the issuer to which the proxy relates; (ii) if a Portfolio Manager (PM)/ Analyst responsible for voting a proxy has a disclosed personal or business relationship with the issuer; and (iii) if PIMCO clients have divergent interests in the proxy vote.

Furthermore, an independent industry service provider ("ISP") that PIMCO retains may have its own conflicts of interest in connection with the proxy research and voting recommendations it provides. Before voting a client proxy, each PM/Analyst will evaluate any conflicts of interest identified by the ISP and escalated to PIMCO. In each case, the determination will be made in the client's best interest and consistent with PIMCO's fiduciary duties.

Each PM/Analyst has a duty to disclose to the Legal and Compliance department any known potential or actual conflicts of interest relevant to a proxy vote prior to voting (whether the proxy will be voted by the ISP or PIMCO). If no potential or actual conflict of interest is identified by, or disclosed to, the Legal and Compliance department, the proxy may be voted by the responsible PM/Analyst in good faith and in the best interests of the client.

PIMCO seeks to prevent conflicts of interest from interfering with its voting of client proxies by identifying such conflicts and resolving them as described in the Policy.

Role of Employees

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

Conflicts Committee

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

CASE STUDY: MITIGATING CONFLICTS IN BIDS FOR MULTIPLE CLASSES OF NOTES

One example that illustrates how our policies can be applied to mitigating conflicts occurred in 2023, when a UK bank was issuing a large mortgage-backed securities deal that involved multiple classes of mezzanine and junior notes. The issuing bank retained the most senior class. PIMCO proposed to make two bids: one for the Class B, C and D notes (together, the "Mezzanine Tranche") and one for the Class E, F and Z Notes and the Residual Certificates (together, the "Junior Tranche"). PIMCO-registered open-end funds would bid on the Mezzanine Tranche and PIMCO private funds and/or closed-end funds would bid on the Junior Tranche.

In order to mitigate any conflicts, two distinct senior portfolio management teams reviewed the key terms of the deal, making the decision to submit a bid and, if relevant, the determination of the bid price relating to the tranche for which their respective accounts are bidding. One team represented the interests of the registered funds and the other represented the interests of the private funds.

PRINCIPLE 4:

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

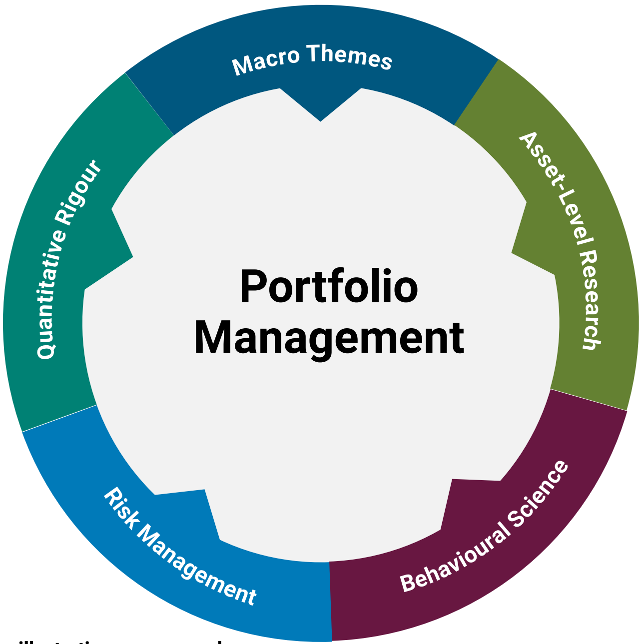
OUR INVESTMENT PROCESS

PIMCO's process combines a long-term, macroeconomic perspective with diversified portfolio strategies across a broad universe. It maintains a rigorous focus on risk management while integrating behavioural science principles as outlined more in-depth in Principle 1.

This investment process enables PIMCO to uncover relative value opportunities across global markets, combat cognitive biases, manage portfolio and firmwide risks, and leverage data-driven insights. Ultimately, PIMCO's investment philosophy strives to operate at the intersection of investment capability and market opportunity, aiming to add value in all market environments and adapt to market-wide and systemic risks. Tested by markets for over 50 years, these key elements contribute to PIMCO's commitment to delivering consistent, long-term returns for clients.

INTEGRATED PROCESS DESIGNED TO BUILD RESILIENT PORTFOLIOS

Tested by markets and time over 50+ years



For illustrative purposes only

Source: PIMCO

Key Drivers Of PIMCO's Process

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

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

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

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

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

PIMCO'S FORUMS, GLOBAL ADVISORY BOARD AND SPECIALISED COMMITTEES

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

Four times a year, our investment professionals from around the world gather to discuss and debate the state of the global markets and economy and identify the trends and risks that we believe will have important investment implications. In these wide-reaching discussions, we apply behavioural science practices in an effort to maximise the interchange of ideas, challenge our assumptions, counter cognitive biases, and generate inclusive insights.

At the Secular Forum, held annually, we focus on the outlook for the next five years, allowing us to position portfolios to benefit from structural changes and trends in the global economy. Because we believe diverse ideas produce better investment results, we invite distinguished guest speakers – Nobel laureate economists, policymakers, investors, and historians – who bring valuable, multidimensional perspectives to our discussions. We also welcome the active participation of the PIMCO Global Advisory Board, a team of world-renowned experts on economic and political issues, who typically provide insights on global economic, political and strategic developments and their relevance for financial markets.

At the Cyclical Forum, held three times a year, we focus on the outlook for the next six to 12 months, analysing business cycle dynamics across major developed and emerging market economies with an eye toward identifying potential changes in monetary and fiscal policies, market risk premiums, and relative valuations that drive portfolio positioning.

CASE STUDY: 2023 SECULAR FORUM – THE AFTERSHOCK ECONOMY

PIMCO's 2023 Secular Forum, titled "The Aftershock Economy" addressed themes we anticipate will continue reverberating in the next five years, following a number of acute economic, financial, and geopolitical disruptions that shocked the early 2020s. As we expect the economy to begin exiting a period of massive fiscal and monetary support, we discussed our outlook for heightened volatility and the array of potential aftershocks that may follow the disruptions.

Our 2022 thesis, "Reaching for Resilience", broadly continued to hold, suggesting that in a more fractured world, governments and businesses would increasingly prioritise safety over short-term economic efficiency. Our outlook for the next five years incorporates and assesses a number of major developments since then, including:

- Hawkish monetary policy pivots in response to the largest sustained surge in global inflation in 40 years
- A debate over the destination for neutral monetary policy rates once (or if) central banks return inflation to target levels
- Three of the largest bank failures in U.S. history and the collapse of Credit Suisse in Europe
- The passage of an ambitious U.S. fiscal trifecta – the Infrastructure Investment and Jobs Act, the Inflation Reduction Act, and the CHIPS and Science Act – in support of a newly assertive American industrial policy push, which will serve as a cyclical and secular tailwind as funds are released into the economy
- Conflicting signals on the economic and geopolitical direction of China amid President Xi Jinping's "third act"

In this environment of ongoing and multiple disruptions, short-term cyclical dynamics are having more long-lasting secular consequences, ushering in what we are calling "the aftershock economy." Here we share some key economic and investment implications we took away from our 2023 Secular Forum:

Global growth will likely disappoint	Heightened volatility – less intervention	Potential supply constraints	It pays to be resilient
• Lower growth compared to pre-pandemic levels • Continued aftershocks may further reduce growth	• Quantitative easing (QE) fatigue and growing government debt may hinder policy support in downturns • An array of potential disruptions exists, e.g., Artificial Intelligence (AI), 2024 elections, geopolitical tensions, inflation surprises	• Continued fallout from global shifts in labour markets • De-risking supply chains may negatively impact overall supply	• High-quality fixed income offers the highest starting yields in 15 years • Opportunity to build resilient portfolios without sacrificing upside potential

To foster a diverse array of ideas to address these themes, in addition to the participation of PIMCO investment professionals and PIMCO's Global Advisory Board, the following distinguished guest speakers provide insights and views in their areas of expertise:

Tim Adams
President and CEO,
Institute of International Finance

Alejandro Díaz de León
Former Governor, Bank of Mexico

Elizabeth Economy
Senior Fellow, Hoover Institution, Stanford University; on leave to serve as Senior Advisor for China, U.S. Department of Commerce

Niall Ferguson
Author; Milbank Family Senior Fellow, Hoover Institution, Stanford University; Senior Faculty Fellow, Belfer Center for Science and International Affairs, Harvard University

Kathryn Judge
Harvey J. Goldschmid Professor of Law, Columbia Law School

Adi Kumar
Senior Partner leading global work in Reinvesting in Economies, McKinsey & Company

Nancy Lazar
Chief Global Economist, Piper Sandler

Michael Pettis
Professor of Finance, Guanghua School of Management, Peking University; Senior Fellow, Carnegie Endowment for International Peace

Hélène Rey
Lord Bagri Professor of Economics, London Business School

CASE STUDY: IDENTIFYING LONG-TERM CLIMATE-RELATED RISKS

During our annual Secular Forums, the firm also considers climate-related issues, as relevant for such discussions. For example, in PIMCO's 2021 Secular Forum, the transition from brown to green energy was highlighted as one of the major disruptive trends to likely drive a major transformation of the global economy and markets. In 2022, the Secular Forum addressed physical risks and climate resilience, including a focus on the agriculture sector.

In 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 analysing a potential green capex super-cycle driven by fiscal incentives. As outlined above, PIMCO's Global Advisory Board, participates in these Forums and the impact of climate risks was notably highlighted over recent years by Mark Carney, UN Special Envoy on Climate Action and Finance. These topics are also analysed in the context of PIMCO's quarterly Cyclical Forums to the extent that they affect our bottom-up perspective, as well as growth and inflation forecasts over the business cycle horizon of the next six to twelve 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 quarterly Forums held in 2023.

PIMCO's Secular and Cyclical forums build on PIMCO's research and economic data from presentations by the firm's three regional portfolio committees and the ESG research team, among others. Our regional committees are supplemented by additional committees focused on certain sectors (e.g., PIMCO's European Credit Committee) meeting weekly 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 U.S. Inflation Reduction Act, or the EU taxonomy for sustainable activities), and the consequences of international climate policy ambition (takeaways of the United Nations Climate Change conferences). These presentations were led by PIMCO's ESG research team in collaboration with credit research analysts and portfolio managers. The metrics included a review of portfolio greenhouse gas emissions, and net zero 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 we have conducted a number of climate-focused educational sessions for PIMCO's investment professionals, with internal and external experts focusing on specific topics, including meeting client targets for decarbonising their portfolios, green bonds, and carbon pricing risks.

CASE STUDY: THEMATIC ENGAGEMENT ON METHANE EMISSIONS ABATEMENT IN OIL AND GAS PRODUCTION – ENCOURAGING DISCLOSURE AND TRANSPARENCY FOR THE BENEFIT OF PIMCO'S CLIENTS AND THE BROADER MARKET

Methane emissions pose significant risks to both invested capital and the climate. These emissions could become increasingly costly for U.S. producers due to new regulations both domestically and internationally. Additionally, methane emissions undermine the status of natural gas as a cleaner energy source compared to coal, potentially limiting access to global gas export markets. According to the International Energy Agency (IEA), approximately 40% of methane emissions from fossil fuel operations could have been avoided at no net cost in 2023. Furthermore, the IEA states that a 75% reduction in methane emissions from fossil fuel operations by 2030 could help limit global warming to 1.5°C. Achieving this target would mitigate the effects of climate-related physical risks, such as severe weather impacts on infrastructure and changing weather patterns affecting agriculture.

One of the key strategies that PIMCO employs to encourage sensible risk management on this topic is engaging with CFOs, Treasurers, ESG staff, subject matter experts, the U.S. Environmental Protection Agency (EPA), and other regulators. Through these interactions and our platform, we encourage:

- Setting methane reduction targets
- Improving measurement and reporting
- Commitment to the Oil and Gas Methane Partnership (OGMP)

A notable example of these engagements is PIMCO's participation at COP28 in Dubai. Both on stage and in meeting rooms, PIMCO's delegation discussed methane emission reductions for the oil and gas sector. We engaged with scientists, asset allocators, national and international oil companies, structuring agents, and the general audience to explore how debt capital markets can help scale funding for methane abatement projects while adhering to a 1.5°C pathway. More information on our participation can be found in our Economic and Market Commentary: "COP28: Climate Issues Share Center Stage With Oil and Gas"

Outcomes achieved: 27 portfolio companies have committed to the highest ambition for measurement (OGMP). Further, our comment letter to the EPA helped to shape measurement and reporting requirements in a way which benefits investors, issuers and the environment.

PORTFOLIO RISK MANAGEMENT

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

PIMCO has a dedicated Portfolio Risk Management team located in offices around the globe, which enables 24-hour portfolio coverage and continuity of information flow across regions. The head of the Portfolio Risk Management team reports to the Group CIO and the CEO. This dual reporting framework provides a mechanism designed to provide an additional level of independence.

The Portfolio Risk Management team provides analysis and reporting to facilitate oversight and management of our clients' assets. The Portfolio Risk Management team's dual reporting structure empowers the Portfolio Risk Management team to monitor internal limits related to portfolio construction and positioning. The Portfolio Risk Management team is responsible for implementing and enhancing portfolio risk reporting and investment risk oversight processes for PIMCO's offices around the world. The team works to identify and monitor the main drivers of risk, and subsequently to construct model portfolios based on the firm's current outlook and macro investment themes after each economic forum.

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

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

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

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

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

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

PORTFOLIO RISKS

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

'SLEEP AT NIGHT' RISKS

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

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

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

PRINCIPLE 5:

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

INTERNAL MONITORING AND REVIEW OF POLICIES

PIMCO's legal and compliance department have maintained a comprehensive global compliance program which includes the administration of compliance policies and procedures that govern the firm's fiduciary activities. The administration of compliance policies has been led and coordinated by the legal and compliance department with input from relevant business functions as appropriate. The process seeks to:

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

Development of new policies and revisions to existing policies has been based on various factors including but not limited to: regulatory and operational changes; industry developments; the evolution of the firm's business; potential conflicts of interest; and regulatory priorities. Changes to PIMCO's global compliance policies and procedures have been reported on a quarterly basis. In the U.K., the Board of PEL continues to be responsible for the review and approval of all compliance policies on at least an annual basis, with material updates presented by the compliance team for approval at quarterly Board meetings. During 2023, reviews of relevant policies were undertaken in relation to changes in national sustainability-related regulations including, among others, the UK Modern Slavery Act and UK Gender Pay Gap disclosure requirements.

GLOBAL COMPLIANCE ORGANISATION AND PROGRAM

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

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

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

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

In conducting testing, Compliance has also considered the compliance matters that arose in the course of business during the Review Period.

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

ASSURANCE PROCESSES

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

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

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

COMPLIANCE MONITORING AND TESTING

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

INTERNAL AUDIT

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

In the UK, the Audit Committee of PEL oversees the program of internal audit testing relating to the business of PEL. PEL’s board reviews and approves the annual audit plan prepared by the Internal Audit team. In addition to focusing on matters specific to PEL, this program will seek to leverage reviews by the internal audit team of global processes within PIMCO.

MANDATORY GLOBAL COMPLIANCE TRAINING

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

Looking at recent years, colleagues from PIMCO’s account management, legal, compliance and product strategy groups identified a need to formally train firmwide staff on ESG matters. Following on from previous work done, a firmwide annual compulsory training was continued in 2023.

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

Sustainable Policies in Focus

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

SUSTAINABLE INVESTMENT POLICY REVIEW

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

In 2023, PIMCO implemented several enhancements to the firm's Sustainability business. Select highlights include: 1) developing and refining climate tools to analyse the climate impacts of portfolios, transition risks and decarbonisation targets; 2) continued development of proprietary frameworks and expanded coverage of structured products including asset-backed securities (ABS), collateralised loan obligations (CLO), covered bonds, and supranational and agencies; 3) Deepening our physical risk and biodiversity analysis in our scoring framework across several asset classes.

EXCLUSIONS ADVISORY GROUP

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

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

In 2023, the Group enhanced exclusions in PIMCO ESG-sponsored funds regarding unconventional oil and gas issuers, among others.

CASE STUDY: REVIEW OF FOSSIL FUEL EXCLUSION SCREENS

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

Outcome: The proposed solution to minimise any exposure to thermal coal was to implement a formal compliance rule to "flag" any public power utility before it was bought to be held in a fund with sustainability strategies and guidelines. PIMCO municipal analysts would utilise available data to determine eligibility, which typically consists of generation capacity data or prior year's energy sales. The idea is that only public power utilities below a certain threshold of generation capability or energy sales from coal would be eligible for funds with sustainability strategies and guidelines. This approach was implemented through 2023. The Exclusions Advisory Group meets as needed and at least quarterly to review and update our Core and Dynamic Exclusions lists.

SUSTAINABILITY REPORTING – CONFIRMATION OF FAIR, ACCURATE AND UNDERSTANDABLE CONTENT

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

- **Policy Summary:** PIMCO seeks to produce marketing and advertising materials that: (1) are fair, balanced, clear and not misleading or deceptive; (2) meet applicable regulatory requirements; and (3) promote PIMCO's products and services to clients, shareholders, prospects, and financial intermediaries in accordance with applicable suitability obligations, standards of conduct, and/or PIMCO's fiduciary duty.
- **Application to Sustainability:** Marketing and advertising materials relating to PIMCO's Sustainability Platform must comport with the standard and requirements of the marketing and advertising policies and procedures. The Compliance Marketing Review team is expected to be familiar with the funds and strategies to which the marketing material that they are reviewing relates. Claims relating to Sustainability in marketing materials are reviewed by Compliance and are generally substantiated by an ESG product specialist to align to actual practices. In particular, when preparing marketing or advertising material related to PIMCO's Sustainability Platform, PIMCO requires confirmation from the content submitter(s) that:

1. Sustainability-related statements are consistent with PIMCO's actual practices.
2. ESG-related data/information (e.g., issuer engagement activity, carbon intensity statistics, ESG ratings, etc.) is correct and current as of the date(s) stated in the content; has a prominent "as of" date; includes sources for data in any charts, tables, and graphs; is presented clearly; and, where appropriate, describes the methodology used to calculate data and any key assumptions or limitations on such methodologies.
3. Third-party ESG data referenced in marketing material be obtained from reliable sources and properly attributed.
4. Sufficient information is provided to Compliance regarding sustainability-related risks.

- **Monitoring:** All advertising and marketing materials and certain other external materials are required to be preapproved by Compliance prior to use, including but not limited to:
  - PIMCO's Sustainable Investment Policy Statement;
  - PIMCO's Sustainable Investing Report; and
  - Sustainability thought leadership and other publications posted to the website.

EXTERNAL BENCHMARKING

In 2023 PIMCO scored strongly amongst signatory peers in relevant Principles for Responsible Investment (PRI) Modules, as shown in the graphic below. Specific to 2023 PRI reports, we would note that the PRI's assessment methodology was revised to reflect changes in the responsible investment industry, though module-level assessment methodology was consistent. As such, results from 2021 and beyond cannot be compared to previous years. Please also refer below for further information on PRI Scorecard methodology changes.

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

2023			
PRI Module	**PIMCO Star Score**	**PIMCO versus Signatory Peer Group**	**No. of Peers in Group**
Policy, Governance and Strategy	★★★★	0 · ● 58 · ◆ 78 · 100	3123
Direct - Fixed Income - SSA	★★★★★	0 · ● 59 · ◆ 95 · 100	689
Direct - Fixed Income - Corporate	★★★★★	0 · ● 68 · ◆ 93 · 100	845
Direct - Fixed Income - Securitized	★★★★	0 · ● 64 · ◆ 90 · 100	352
Direct - Fixed Income - Private Debt	★★★★	0 · ● 69 · ◆ 84 · 100	417
Direct - Hedge Funds - Multi-Strategy	★★★★	0 · ● 21 · ◆ 71 · 100	80
Direct - Hedge Funds - Structured Credit	★★★★	0 · ● 18 · ◆ 71 · 100	29
Direct - Hedge Funds - Global Macro	★★★★	0 · ● 12 · ◆ 71 · 100	48
Direct - Hedge Funds - Commodity Trading Advisor	★★★★	0 · ● 0 · ◆ 71 · 100	31
Direct - Hedge Funds - Other Strategies	★★★★	0 · ● 8 · ◆ 71 · 100	45
Confidence Building Measures	★★★★	0 · ●◆ 80 · 100	3123

Results from PRI's 2023 reporting cycle. Reported as of October 2023. Source: PIMCO, PRI.

PRI Assessment Reports are limited to signatories' of the Principles for Responsible Investment (PRI), and consider a signatory's responsible investment implementation across its overall investment process, among other factors. PRI Assessment scores are provided per module or asset class, with no overall organisation score given. PIMCO's scores reflect information and data reported by PIMCO to PRI in the 2023 reporting cycle (as of December 31, 2023). PRI Assessments awarded are based on a scale of 1-5 Stars. 1 Star being the lowest score, 5 Stars being the highest. **For 2023 Methodology** and an overview of the PRI Reporting Framework, please refer to https://dwtyzx6upklss.cloudfront.net/Uploads/w/a/b/pri_assessment_methodology_december_2023_583425.pdf .

For additional information regarding how PRI assesses signatory reporting, please refer to https://www.unpri.org/reporting-and-assessment/how-investors-are-assessed-on-their-reporting/3066.article Median scores for modules are calculated as the 50th percentile module percentage score.

PIMCO's 2023 PRI Transparency Report is available on PRI's website at https://ctp.unpri.org/dataportalv2/transparency and includes PIMCO's responses to all mandatory indicators, as well as responses to voluntary indicators that PIMCO has agreed to make public. The PRI is an investor initiative in partnership with UNEP Finance Initiative and UN Global Compact.

PRINCIPLE 6:

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

PIMCO's Client Base

PIMCO continues to help millions of investors pursue their investment objectives through a broad range of strategies across fixed income, alternatives, equities, and real assets. Our scale and specialised resources have helped us build a diverse platform of product offerings. We manage £1.47 trillion (as of 31 December 2023) across over 50 countries and on behalf of a range of clients including: central banks; sovereign wealth funds; pension funds; corporations; foundations and endowments; and individual investors around the world.

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

GLOBALLY, PIMCO IS RESPONSIBLE FOR MANAGING £1.47 TRILLION ENTRUSTED TO US BY:

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

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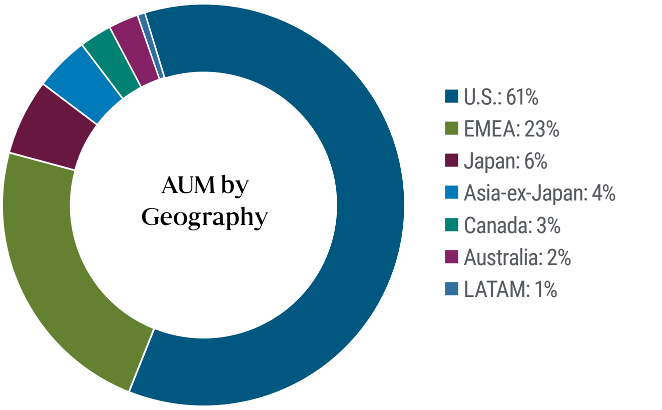
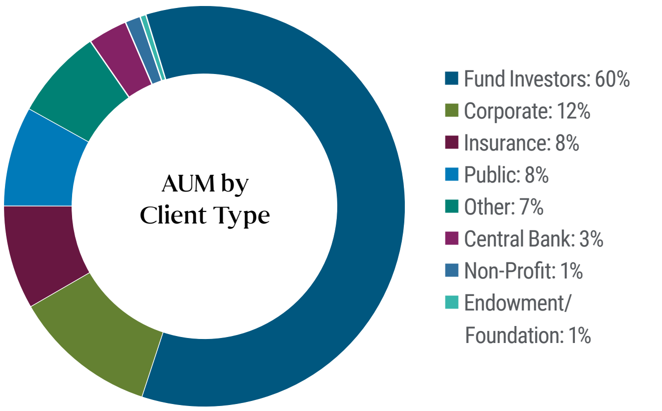
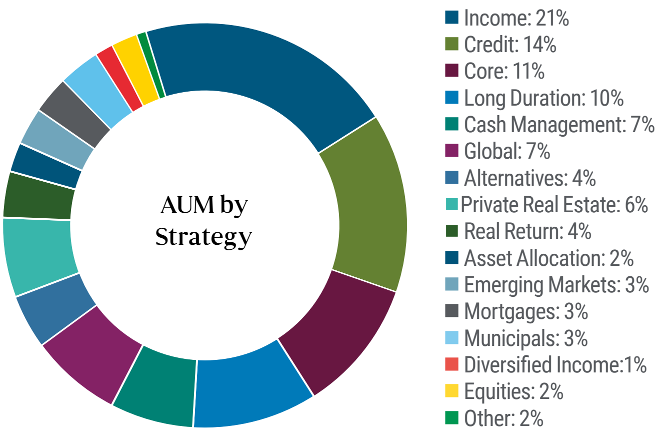
Exhibit: PIMCO platform assets under management and client types







PIMCO manages $1.86 trillion in assets, including $1.48 trillion in third-party client assets as of 31 December 2023. Assets include $82.2 billion (as of 30 September 2023) in assets managed by PIMCO Prime Real Estate (formerly Allianz Real Estate), an affiliate and wholly owned subsidiary of PIMCO and PIMCO Europe GmbH that includes PIMCO Prime Real Estate GmbH, PIMCO Prime Real Estate LLC and their subsidiaries and affiliates. PIMCO Prime Real Estate LLC investment professionals provide investment management and other services as dual personnel through Pacific Investment Management Company LLC. PIMCO Prime Real Estate GmbH operates separately from PIMCO. The number of countries where clients are located is based on client account tax domicile.

CLIENT SERVICING AND UNDERSTANDING CLIENT NEEDS

PIMCO's goal is to provide superior client service and investment management to each client, with a strong emphasis on fostering long-term partnerships. To achieve this, we have strategically separated our client service and portfolio management functions. This separation allows each group to concentrate on their core responsibilities, ultimately enhancing the level of service and performance we provide to our clients.

PIMCO's account management group is responsible for providing exceptional client service, with a particular focus on the issues clients face in their specific industries or channels. Clients are generally assigned a dedicated member of PIMCO's account management team, which consists of highly trained investment professionals focused on meeting client needs, monitoring portfolios, and communicating with clients to seek a superior service. The account management team interacts with clients on a regular basis to review client portfolios, provide insights on exposures and PIMCO's latest views. Through these interactions, the team assesses evolving client needs and, suggests solutions, analyses portfolio performance, and works with clients to adjust their investment guidelines if necessary. In recent years, stewardship has increasingly taken centre stage in client conversations. We have realised the growing importance it has to our clients, and hence we take a top-down and bottom-up approach to fully understand and evaluate our clients' views, as well as to gather feedback on how have fared from an investment and client servicing perspective.

From the top-down, PIMCO partakes in various research surveys taken by UK consultants, pension scheme managers and trustees to understand client needs and gather client feedback. These avenues provide us with official feedback on various topics, such as how UK clients see PIMCO's investing capabilities and product offering, our sustainability approach and the usefulness of our ESG reporting and thought leadership, and highlight potential areas of improvement. From the bottom-up, our account managers regularly engage with clients to understand their evolving requirements and to learn their views on recent market trends, as well as the part we can play in meeting their objectives. We actively and directly seek feedback from our clients, either by connecting informally or through dedicated Key Performance Indicator (KPI) review sessions and scoring. This helps us to identify gaps in our offering and ensure we are adding as much value as possible for our clients.

Given increased prevalence of ESG-related conversations, we ensure account managers are fully educated on stewardship and sustainability trends, topics and initiatives as well as PIMCO's evolving capabilities. In 2023, we continued mandatory ESG training for all new joiners. We also ran a number of teach-ins for client-facing teams, with titles including: Climate Transition and Decarbonisation Training.

CASE STUDY: CLIENT COMMUNICATIONS THROUGH BANKING TURMOIL

At PIMCO, we take great pride in serving as a trusted long-term partner for our clients, and this role becomes even more crucial during times of market stress and uncertainty. In our 2022 Stewardship Code Report, we outlined the efforts we made to support clients during the LDI crisis.

Similarly, in 2023 the banking sector faced significant turmoil due to liquidity crises in several US regional banks and the collapse of Credit Suisse, a major global financial institution, which heightened fears of systemic risk in the banking sector.

During this time, PIMCO prioritised providing timely, proactive communication to clients. The firm mobilised its research teams to analyse the rapidly changing market conditions and provided timely updates through detailed portfolio reporting and one-to-one interactions as well as regular webinars and publications. These communications were designed to help clients understand market dynamics, individual portfolio exposures, and PIMCO's views, ensuring they were well-informed during a period of uncertainty. Additionally, our portfolio management and credit research teams were on hand to speak directly with clients, often at short notice.

An example of the rapid market commentary that PIMCO published during this time can be found here: Bank Failures and the Fed.

CASE STUDY: CLIENT TRAINING & TEACH-INS

While PIMCO is committed to enhancing return on our clients' assets, we also aim to provide superior client service to each client. PIMCO recognises the importance of training and education, and is proud to pass along the expertise and experience that we have gained over the past 50 years. PIMCO routinely offers client seminars in London, in other cities around the world and online.

PIMCO investment professionals also conduct customised training sessions for many of our clients and their consultants, addressing client-specific topics of interest. PIMCO investment professionals are widely recognised leaders in capital markets, and the topics covered may extend beyond PIMCO strategies to include various aspects of portfolio management, asset allocation, benchmark selection, risk management, economic forecasting, investment process/philosophy design, investment guideline construction, or discussions on specific fixed income instruments or sectors. Examples of recent one-on-one trainings conducted for clients include Bonds 101, liability driven investing (LDI), cashflow driven investing (CDI), private market asset classes, the use of derivatives for efficient portfolio management and macro-economic topics such as inflation and Eurozone interest rate outlook.

In 2023, PIMCO conducted a series of teach-ins with investment consultants in regions across the UK, including Leeds, Edinburgh, Birmingham, London and Bristol. In these sessions, members of PIMCO's product strategy team provided updates on current dynamics across public and private credit markets, as well as PIMCO's latest investment views for the asset classes. The teach-ins were structured as small-group sessions and tailored to each audience to encourage engagement and discussion.

BUILDING A COMPREHENSIVE INVESTMENT PLATFORM

The firm remains dedicated to partnering with clients to deliver investment solutions which are relevant to their needs and adaptable to the ever-evolving investment landscape. PIMCO is focused on several strategic initiatives to fulfil our fiduciary duty, drive growth, and support client investment goals:

- Developing industry-leading capabilities in the defined benefit, liability-driven investing, and defined contribution markets, establishing PIMCO as a premier retirement solutions provider
- Launching private credit strategies that leverage PIMCO's core competencies and proven investment process
- Expanding our quantitative, systematic, and alternative risk premia offerings to provide clients with diverse and uncorrelated sources of return
- Enhancing our ESG platform through dedicated product offerings and the continued integration of ESG principles within the broader investment process
- Creating value by advancing our trading and data science platforms, enhancing technology infrastructure, and improving collaboration tools to increase efficiencies across Portfolio Management, Compliance, Analytics, Risk Management, Client Reporting, and other functions
- Partnering with clients to design separately managed portfolios that respond to their specific needs and objectives where appropriate
- Increasing our commitment and resources for our Inclusion and Diversity initiative

We have developed a broad range of strategies in areas where we see opportunities that align with our resources and where we can be well-positioned to optimise investor returns. By leveraging our unique global access, insights, analytics, and risk management, we aim to prudently expand our footprint where we think we can add most value. The table below showcases PIMCO's diverse investment strategies outside of traditional public fixed income, highlighting our success in building a comprehensive investment platform. This platform leverages our decades-long expertise in public fixed income markets and extends it into complementary investment areas that meet our clients' needs.

Examples of PIMCO's Diversified Platform

Alternative	Asset-Based Lending Strategy	Quant	Equities
£114 billion in alternatives (including £48 billion in launched Alternative Credit AUM, and £66 billion in Real Estate AUM) places PIMCO as one of the largest alternatives managers globally.	Specialty finance is a £16 trillion market in the US with limited pools of dedicated, flexible capital targeting the opportunity set.	PIMCO has been managing dedicated quantitative strategies for 20+ years and our quantitative investing platform continues to grow in size and offerings. The Quant platform was founded in 2003, and to date totals £45 billion in AUM.	Approximately £31 billion in equity AUM. StocksPLUS is a capital-efficient, portable alpha equity strategy PIMCO has managed since 1986.

As of 31 December 2023. Source: PIMCO

INCORPORATING STEWARDSHIP AND SUSTAINABILITY OBJECTIVES IN SEPARATELY MANAGED PORTFOLIOS

In addition to launching relevant investment strategies in response to our client's needs and requests, we also ensure that the existing strategies adapt with changing markets and secular trends. PIMCO's scale and experience across various market environments positions us to play a crucial role in strategic industry efforts related to stewardship and sustainable investing. We leverage our expertise to stay at the forefront of industry developments, ensuring we deliver the highest level of service to our clients. In addition to integrating ESG risks into our broad investment process, we offer dedicated investment solutions for clients that request so. These incorporate our proprietary ESG optimisation criteria for clients seeking explicit sustainability outcomes or guidelines. Recognising that sustainability solutions are not one-size-fits-all, we are well-equipped to partner with clients to identify and customise sustainability objectives alongside risk-adjusted returns that meet their specific needs and evolving trends.

Being a trusted adviser involves more than just understanding a client's investment objectives, risks, regulatory needs, and portfolio constraints. At PIMCO this means engaging in a two-way collaboration with our clients, whether by discussing relevant public strategies or by designing tailored investment solutions through our separately managed accounts. For the latter, we evaluate clients' Statements of Investment Principles (SIP) or Responsible Investment Policies and implement modifications to ensure alignment with their investment guidelines. In other instances, we proactively engage at various levels to help assess material risks and optimise separately managed portfolios based on specific parameters, including stewardship expectations. Throughout this process, we engage in two-way consultative dialogue, sharing our views and expertise to inform and shape the client's approach.

In 2023, the global assets under management for clients implementing sustainability strategies within their investment mandates reached £439 billion. Institutional clients with separately managed accounts in the UK particularly focused on integrating ESG risk management, exclusions, carbon reduction, and ESG-labelled bond targets. We work closely with these clients to understand their requirements, establish guidelines that align with their goals, assess portfolio impact, and implement necessary changes. Throughout the year, we have increasingly incorporated client's sustainability objectives when structuring new separately managed mandates and realigning existing investments to meet their evolving ESG needs. In all cases, we advocate for close collaboration between clients, consultants, account managers, our ESG teams, and portfolio management resources. This ensures a holistic understanding of each client's individual requirements and that clients are fully aware of the comprehensive toolkit available to them.

CASE STUDY: IMPLEMENTING NET ZERO GOALS INTO INVESTMENT OBJECTIVES

Client demand for investment solutions that support their stewardship and sustainable investment goals has consistently increased over the past couple of years. UK investors have strived to embed their net zero commitments into their portfolios. PIMCO has engaged with clients, investment consultants and ESG consultants to implement bespoke solutions. These solutions are designed to embed the most relevant priorities into the investment guidelines to achieve their commitments. Our reporting capabilities, particularly the Northstar tool outlined further below, have been pivotal to quantify and measure metrics such as weighted average carbon intensity (WACI) or number of issuers with Paris aligned reduction targets (e.g. based on SBTi - Science Based Targets initiative - criteria) in portfolios.

One example is a UK pension scheme that has existing net zero commitments and was looking for a solution to align its investments to match its commitments. PIMCO worked with the client to restructure its existing portfolio in light of those climate commitments while taking into account their investment targets. After collaborating with the client and its investment and ESG consultants, PIMCO's client solutions & analytics, ESG strategy, portfolio management and client-facing teams developed a model portfolio to address these objectives. The portfolio was then implemented in early 2024.

CLIENT REPORTING CAPABILITIES

Building and delivering bespoke reporting for clients is a key function of PIMCO's account management team. We are committed to transparency with our clients and our technology team has developed a comprehensive suite of analytical tools to support reporting on a wide range of traditional and ESG-focused metrics.

In recent years, the quality and quantity of ESG data has improved rapidly as stakeholders push companies globally to disclose more ESG information. PIMCO has been investing in the team and the technology to incorporate ESG data into our investment process for many years driven by increasing client demand. Our dedicated ESG technology team has developed tools that enable portfolio managers across the firm to integrate third-party and proprietary ESG data into the investment process where relevant. We centralise and incorporate ESG data into our research and investment processes where applicable. These tools also support enhanced ESG reporting for our clients, particularly Northstar, our proprietary platform to support ESG reporting.

For accounts that follow sustainability strategies and guidelines, we regularly publish reports in an effort to provide portfolio information, including sustainability metrics such as Green, Social, Sustainability and Sustainability-Linked (GSSS) bond allocations, carbon metrics, and portfolio aggregate ESG scores.

We can also develop robust custom reporting packages for separate account clients, tailored to their requirements, as long as the data is reasonably available. These may include monitoring of carbon footprint and metrics to help illustrate the outcomes from relevant investment decisions, measurement of the carbon footprint in corporate credit and sovereign portfolios, or measurement of carbon emissions and carbon intensity at the portfolio or select sector level.

As PIMCO's sustainability efforts continue to grow and the quality and quantity of industry available ESG data improves, we will continue to invest in our infrastructure, monitoring, and reporting to seek increased value for our clients. In 2023, we incorporated reporting functionalities linked to various use cases, including climate risk, portfolio decarbonisation, impact reporting, and exposure to climate solutions.

ESG DATA, TECHNOLOGY AND REPORTING INFRASTRUCTURE

In 2023, we continued to enhance Northstar, our comprehensive ESG analysis tool. Northstar serves as a central source for ESG data, integrating a wide array of metrics and analytics to provide a holistic view of client accounts and supporting the portfolio management team through carbon analytics and ESG simulations. Developed by our ESG Technology team in close collaboration with various teams, including ESG product strategy, ESG and UK account management teams, Northstar's flexibility enables us to produce tailored client reports that include critical TCFD metrics and engagement statistics, ensuring that our clients receive the insights they need to make informed investment decisions.

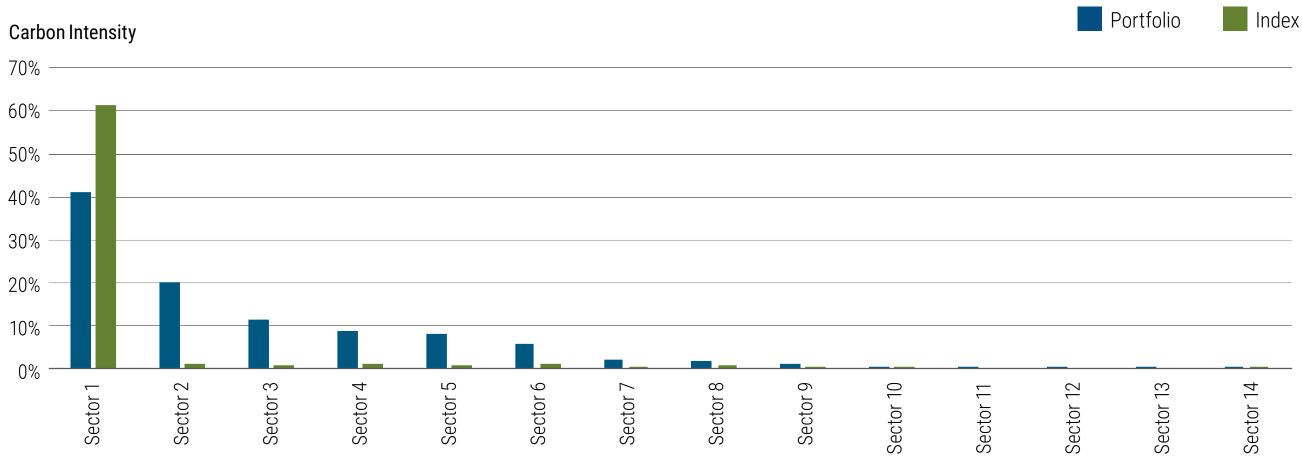
The introduction of new ESG analytics features has further strengthened our ESG capabilities, such as comprehensive attribution analysis and trade simulations related to ESG metrics. Our attribution analysis delves into the factors – both passive and active – that drive changes in ESG metrics, examining elements such as positioning, financial metrics, disclosure practices, and changes in greenhouse gas emissions. The trade simulation feature enables us to assess the pro-forma impact of trades on portfolio carbon metrics, whether through single line item trades or more complex portfolio events, such as new account openings or significant capital flows. This robust analytical framework ensures that our clients and their portfolios are equipped with the insights necessary to navigate the complexities of sustainable investing effectively.

CASE STUDY: CUSTOM CLIMATE REPORTING AND ANALYTICS

Over 2023, we have continued to expand the breadth and granularity of reporting on climate topics available for separate account. Available reporting now includes:

- In-depth reporting on climate action and mitigation, including TCFD and PCAF-aligned metrics such as:
  - Carbon footprint and intensity
  - Issuer's committed and set emissions reduction targets
- Climate scenario analysis and stress testing: illustrative results after shocking the portfolio based on numerous climate risks

Weighted Carbon Intensity by Sector



Carbon intensity is defined as the weighted average Carbon emissions (Scope 1 + Scope 2 emissions in tCO2e)/Revenues in USD m.
Scope 1 emissions are direct emissions from a company while Scope 2 are indirect emissions from the generation of purchased energy.

An Introduction to TCFD

- The Financial Stability Board created the Task Force on Climate-related Financial Disclosures (TCFD) to improve and increase reporting of climate-related financial information. PIMCO is a TCFD supporter and signed in 2019.
- The recommendations provide a valuable framework to help entities report on climate-related risks and opportunities. This report provides several useful metrics to assist clients align with TCFD recommendations.
- This report includes the aggregated value for PIMCO's ESG portfolio for selected climate-related metrics based on the recommendations of the TCFD and other initiatives providing guidance on carbon measurement and reporting from financial institutions (e.g., Partnership for Carbon Accounting Financials or PCAF, Science-Based Target initiative or SBTi).

Carbon Profile

Green Bond Adjustment
Y

Carbon Profile	Portfolio	Index	Difference Over Index
Total Carbon Emissions (tCO2e); Corporates Only)	6,142.82	46,538.27	-86.80 %
Total Carbon Emissions (Scope 3) ((tCO2e); Corporates Only)			0.00 %
Carbon Footprint (tCO2e per USDmm invested; Corporates Only)	10.18	73.37	-60.26 %
Carbon Footprint Coverage (%, Corporates Only)	88.02 %	92.49 %	
Carbon Footprint (Scope 3) (tCO2e per USDmm invested; Corporates only)			0.00 %
% Coverage of Carbon Footprint (Scope3) (Corp)	88.62 %	92.71 %	

Source: PIMCO. **For illustrative purposes only.**
For more details on PIMCO's climate reporting capabilities please refer to PIMCO's entity level TCFD reports (Global and UK)

CASE STUDY: CARBON ATTRIBUTION

In order to reply to clients' requests to further enhance our capabilities to monitor and report carbon metrics such as carbon footprint and carbon intensity, PIMCO has developed an attribution methodology which allows users to measure and report the contribution of different factors to a change in portfolio carbon metrics over time and identify potential real-world emissions decarbonisation. These factors include:

- The universe of issuers in scope (e.g., new issuers, divestment)
- Data coverage (e.g., changes in an issuer's disclosure)
- Financial variables used in carbon metrics calculations, at the issuer level (e.g., sales, enterprise value) or the portfolio level (e.g., market values, sector weights)
- Carbon emissions reported by issuers or estimated by third parties

The attribution tool helps investors and portfolio managers look through the noise in portfolio decarbonisation. Specifically, the tool seeks to identify the changes in a portfolio's carbon emissions driven by issuers effectively reducing absolute emissions. Further, it allows us to understand to what extent the changes in the portfolio's carbon emissions have been driven by active portfolio management decisions, including divesting climate laggards and investing in climate leaders.

ENGAGEMENT REPORTING

We communicate with clients on engagement activities within portfolios, and we publish our firmwide engagements in our annual Sustainable Investing Report. PIMCO also responds to client data requests on their own stewardship efforts and on engagements to meet reporting requirements.

Please refer to Principle 9 for details on Engagement Statistics and how these are reported.

PRINCIPLE 7:

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

At PIMCO, we define ESG integration as the inclusion of material ESG factors into investment research. ESG integration is a key part of our approach to stewardship as we continue to believe this is part of a robust investment process. We recognise that ESG factors are increasingly material inputs into our understanding of global economies, markets, industries and business models. Whether climate change, income inequality, shifting consumer preferences, regulatory risks, human capital management or unethical conduct, ESG factors are important considerations to evaluate long-term investment opportunities. These factors are evaluated across markets and asset classes where applicable. Our commitment to ESG integration was one of the main drivers that led PIMCO to become a signatory to the Principles of Responsible Investment (PRI) in September 2011.

The integration of ESG factors into PIMCO's investment process seeks to account for material ESG risks in both top-down macro positioning and bottom-up security evaluation. To the extent that ESG risks are material for particular sectors, issuers, etc., our fundamental credit views will reflect this. While ESG scores play a role in security selection for portfolios that follow sustainability strategies and guidelines, they are not a criterion for portfolios that do not follow these approaches. Additionally, integrating material ESG factors into the evaluation process does not mean that ESG information is the sole consideration for an investment instead. Instead, PIMCO's portfolio managers and analyst teams evaluate a variety of factors, which can include ESG considerations, to make investment decisions. By integrating material ESG factors into the evaluation process, PIMCO is increasing the total amount of information assessed to generate a more holistic investment view, in efforts to deliver the best performance outcomes for our clients.

Consistent with PIMCO's Sustainable Investment Policy Statement and the firm's approach to ESG integration, PIMCO's alternative credit and private strategies assess ESG factors that may be relevant to potential investment opportunities. ESG-related risk factors present both risks and opportunities. Where applicable, the consideration of ESG factors is intended to optimise risk-adjusted returns. In this context, we may consider ESG-related factors as key inputs to the extent that PIMCO believes such factors to be relevant to the investment process and the evaluation of an investment's risk-adjusted returns over the long term. This includes but is not limited to: investment sourcing, due diligence, asset management & monitoring, and disposition decisions.

ESG INTEGRATION: FIRMWIDE ASSETS

At the firm level, PIMCO integrates material ESG factors into the investment research process where applicable to better assess issuer risks. Our process emphasises rigorous analysis of broad secular trends, which are at the core of both global ESG trends and long-term asset returns. PIMCO has developed a robust platform specialised in supporting ESG-focused investment solutions based on our belief that ESG integration is essential to optimising outcomes over the long-term. For this reason, our investment process evaluates ESG risk factors from both the top-down (i.e. macro) and bottom-up (i.e. security specific) where applicable.

From the top-down, the first and most important step in PIMCO's process is to correctly identify the major long-term themes that will impact the global economy and financial markets. PIMCO believes that such analysis is fundamental to making sound investment decisions. The firm's annual Secular Forums are devoted to identifying and analysing these longer-term trends and the analysis of ESG-related issues fits directly into that process.

As illustrated below, PIMCO blends its macro analysis with detailed bottom-up work.

TOP-DOWN

Approach considers the macro context in which issuers may be impacted by material cyclical and secular ESG trends

Themes identified through annual Secular Forum process (e.g. Climate Change, Inequality)	Speakers include Nobel prize winners, heads of state, renowned academics, global central bankers

Analysis assesses the resilience of issuers in the context of both macro and idiosyncratic ESG risks and opportunities

Specialty desks & credit analysts in partnership with ESG Research Analysts	Asset class- and sector-specific frameworks (e.g. Climate Risks)

BOTTOM-UP

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

The firm's global research teams aim to evaluate ESG-related issues as part of their bottom-up analysis.

PIMCO aims to consider relevant risks and opportunities that could affect particular issuers or industries, including those that are ESG-related. To facilitate the integration of ESG risk factors in our analysis and help to monitor ESG related risks, we are continually enhancing our proprietary research with specific ESG-related attributes and dedicated scoring. In addition, we have hosted training sessions for our analysts on available scoring methodologies, ESG systems, data and tools.

ESG data and analysis, both internal and external, are readily available to all portfolio managers, traders and research analysts across the firm, which enables portfolio managers to make trading decisions that incorporate the material ESG risks of a given issuer.

ESG INTEGRATION: CLIMATE CHANGE – PHYSICAL RISKS AND RESILIENCE

As underscored by the Intergovernmental Panel on Climate Change (IPCC), risks from extreme weather events are considered likely to increase in frequency and severity in the coming decades as global average surface temperatures continue to rise. However, effects are already visible[2] and 2023 has been identified as the hottest year on record globally, with an average temperature of almost 1.5 degrees Celsius above pre-industrial levels.[3] This has been linked by scientists to various climate anomalies and events, such as severe heatwaves and wildfires in places with very different climates.[4]

Extreme weather events appear more frequently, occurring simultaneously in different locations, and may pose market risk since they reduce the possibility to diversify sourcing, which could trigger supply chain shortages and disruptions. These factors affect critical assets and natural resources within the production value chain of global debt issuers. These effects are expected to increasingly impact company financials[5] (e.g., via growing costs of raw materials or insurance premiums, increased investment needs to cope with these risks, or the heightened volatility of revenues linked to business disruptions or shifts in customer demand) and in turn, valuations. Consequently, adaptation and resilience are becoming pivotal topics for capital markets, as a lack of climate action likely means greater risk to return potential and higher volatility.

For the assessment and integration of these risks, PIMCO has developed a proprietary framework over the last few years to assess the physical risk exposure of corporate bonds, sovereigns, municipal bonds, and securitised asset classes; each of these leverage third-party data specifically suited to the particular instrument, which is then adjusted and converted into proprietary physical risk scores and related metrics. In all cases, low scores may lead to lower fundamental valuations versus market pricing. This framework was continually enhanced in 2023 and examples of its application from 2023 are outlined in the graphic below.

Application		Methodology and sources
Corporates	Sub-pillar of the Environmental pillar score for corporates, using different weights depending on the sector. See case study on page 48.	Exposure scores across several hazards building on climate models using the Representative Concentration Pathway 8.5 (RCP 8.5) for the period 2030-40 coupled with geolocation of the assets owned by the companies covered. Includes impacts to broader parts of the value chain.
Sovereigns	Sub-pillar of the Environmental pillar score of PIMCO's proprietary sovereign quantitative model.	Current exposure to climate hazards as well as projected climate change under the RCP8.5, consideration of human population's sensitivity to extreme climate events, including on health, poverty, knowledge, infrastructure, conflict, agriculture, and population pressure to assess the current capacity of a country to adapt to or leverage existing or anticipated stresses resulting from climate change.
Municipals	Sub-pillar of the Environmental pillar score of PIMCO's proprietary framework.	Third party climate data that includes a relative assessment of physical climate hazards based on climate models and geospatial data, as well as assessments of projected property value at risk and economic output at risk over various time periods.
Mortgage-and asset-backed securities (MBS and ABS)	Identification of RMBS exposed to physical risk across 17 natural hazards, as part of environmental evaluation of the asset class. See case study on page 49.	Public source Federal Emergency Management Agency's National Risk Index for Natural Hazards provides U.S. census tract-level data to produce different metrics such as an annual building loss rate.

2 Assessment Report 5 – Topic 2: Future Climate Changes, Risks and Impacts.
In 2023, losses from natural catastrophes could total US$ 270bn according to Munich Re (a slight reduction over 2022 but a material increase over previous years).

3 Copernicus: 2023 is the hottest year on record, with global temperatures close to the 1.5 degrees limit.

4 Sources: https://www.ipcc.ch/assessment-report/ar6/ and https://www.worldweatherattribution.org/

5 As estimated by various external sources, including academics, central banks, businesses, think tanks, data providers, or credit rating agencies, such as S&P (https://www.spglobal.com/marketintelligence/en/news-insights/blog/using-scenarios-to-evaluate-the-medium-to-long-term-impact-of-transition-and-physical-climate-risks-on-credit-quality), Fitch (https://www.fitchratings.com/research/corporate-finance/climate-risk-related-downgrade-may-affect-20-of-global-corporates-by-2035-08-03-2023) and Moody's (https://w2ww.moodys.com/sites/products/ProductAttachments/Infographics/Environmental-Risks-Global-Heatmap-Overview.pdf)

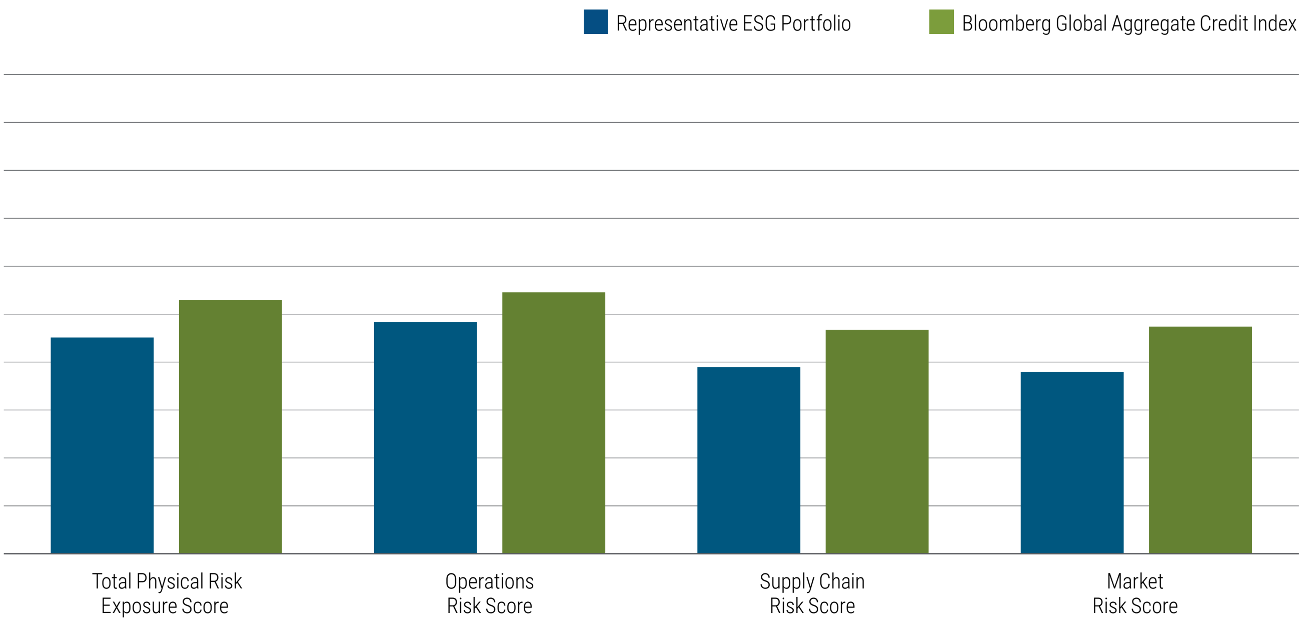
CASE STUDY: INTEGRATION OF CLIMATE CONSIDERATIONS AND PHYSICAL RISKS IN CORPORATE CREDIT

PIMCO's proprietary framework allows us to develop a suite of metrics and charts to help understand the exposure of our portfolios.

Over 2023, we put together the following analysis, where the chart below includes the total physical risk exposure score of an illustrative portfolio, including its breakdown per the different pillars of the corporate score, and suggests lower potential exposure than the benchmark.

Direct impacts include Assets and Operations Risk, while indirect impacts include Supply Chain Risk (upstream) and Market Risk (downstream). As mentioned earlier, these factors affect critical assets and natural resources within the production value chain of global debt issuers. These effects are expected to increasingly impact company financials and in turn, valuations.

Physical risk exposure percentile scores (corporates)



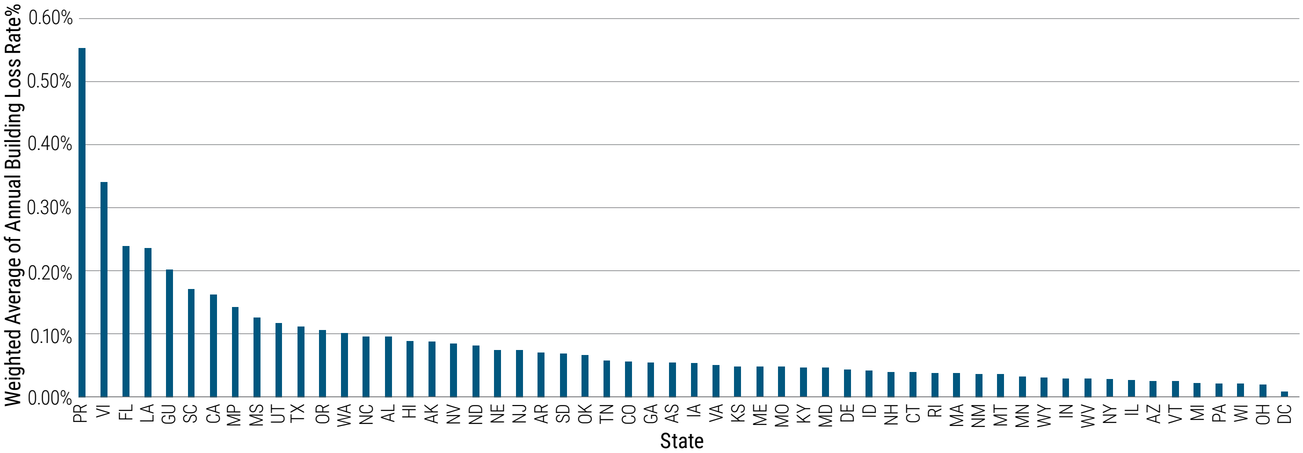
As of 31 December 2023. Source: Moody's ESG Solutions. **Sample for illustrative purposes only.** Moody's ESG Solutions. Weighted average percentile scores per sector based on corporate issuers. This percentile score means that each company score has been rescaled by percentile with respect to the universe of companies covered by Moody's ESG Solutions to put them on a 0-100 scale: 0 (low risk) and 100 (high risk). The percentile score is useful to directly benchmark the hazard score of a company relative to the others. Moody's ESG Solutions' physical climate risk scoring methodology for corporations assesses three types of risk: Operations Risk, Supply Chain Risk, and Market Risk. Operations Risk measures the overall climate hazard exposure associated with the facilities a company owns or operates. Supply Chain Risk and Market Risk capture respectively upstream (supply chain) and downstream (distribution, customers) climate risks for companies. Operations Risk constitutes 70% of the total company score, while Supply Chain and Market Risk each account for 15%. The total risk is below the average which would be equivalent to the 50th percentile. This Figure is provided for information purposes and should not be construed as a solicitation or offer to buy or sell any PIMCO or other securities or related financial instruments in any jurisdiction.

CASE STUDY: INTEGRATION OF CLIMATE CONSIDERATIONS AND PHYSICAL RISKS IN STRUCTURED PRODUCTS

Within structured products, the physical risk for individual subsectors is different. Residential mortgage-backed securities (RMBS) or commercial mortgage-backed securities (CMBS), where collateral is mostly concentrated in real assets, are exposed to higher physical risk. One example of analysis we conducted over 2023 is included below.

Our assessment combines climate risk data from the Federal Emergency Management Agency (FEMA) and PIMCO's existing geo-spatial mortgage analytics that help locate the real estate assets. By doing so, we can estimate the physical risk exposure of MBS from a host of natural hazards in aggregate in the U.S. The exposure is expressed through metrics at the security and portfolio level, which serve as proxies to help clients understand the gross exposure of MBS investments to physical risk. Our work continues as we explore ways to incorporate more climate scenarios into the analysis.

Annual building loss rate by state



Source: FEMA, PIMCO. As of March 2023. **For illustrative purposes only**
Weighted Average Annual Building Loss Rate. The building loss rate is derived from the National Risk Index which is developed by the Federal Emergency Management Agency to provide a relative measurement of community-level natural hazard risk in the US region including US territories. Building exposure is defined as the dollar value of the buildings determined to be exposed to a hazard according to a hazard-specific methodology. Annual Building Loss Rate is calculated as a ratio of total expected loss of buildings within a specific location relative to the total value of buildings in the same location (e.g. buildings within the same state).

Investment analysis and engagement in this space has allowed us to uncover insights from a bottom-up perspective. In addition, we believe that policy advocacy will provide some guidance for the market from a top-down perspective.

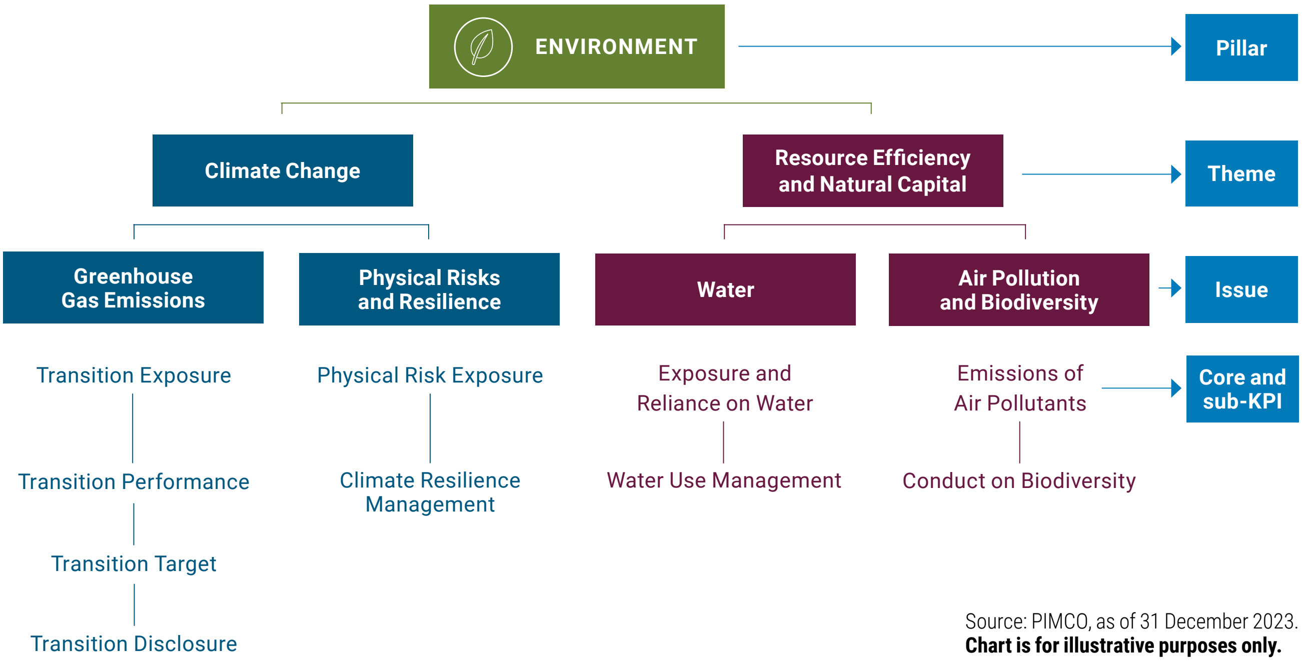
For securitised and asset backed products with underlying loans related to mortgages, PIMCO leverages its expertise in real estate to assess the sustainability characteristics underlying these investments. For example, on European RMBS, covered bonds and Danish mortgages, we assess ambition related to energy efficiency, the energy performance certificate (EPC) composition of the portfolio, related European Union (EU) taxonomy disclosures related to the loan book, and physical climate change risk, among others. We tend to engage with issuers, both pre-and post-issuance, to inform our investment decisions.

CASE STUDY: PIMCO'S FRAMEWORK FOR EVALUATING THE UTILITIES SECTOR

With a continued focus on the wide-ranging impacts of climate risks, in this example we outline the enhancements made to the environmental pillar of our utilities sector framework.

Utilities play a key role in energy transition. The utility sector accounts for 44%[6] of the global energy-related CO2 emissions and plays a critical role in broader economy-wide decarbonisation efforts. The energy transition and grid reliability are highly material as the sector faces financial impacts from the increase in severity and volume of climate-related weather events. This translates accordingly into PIMCO's sector-specific framework with respective weight assigned to these topics. In addition, ESG and credit analysts collaboratively engage with issuers of existing – and potential – portfolio companies on the importance of climate transition and resilience.

Utilities sector framework and key performance indicators (KPIs) - Enviromental pillar



Source: PIMCO, as of 31 December 2023.
Chart is for illustrative purposes only.

ESG INTEGRATION: STRUCTURED PRODUCTS

Continuing from what we published in our 2022 UK Stewardship Code Report, we have been focusing on building capabilities to evaluate and integrate ESG factors on securitised assets and structured products into our investment process.

Structured products account for almost 25% of all outstanding fixed income securities.[7] We view the asset class as an essential investment component when it comes to supporting PIMCO clients in their sustainability journeys.

Compared to corporates, securitised products offer their own unique advantages as well as challenges. The variety within the asset class has allowed our clients to explore investment opportunities that offer either environmental or social benefits.

As outlined in 'Case Study: Integration of climate considerations and physical risks in structured products', for securitised and asset-backed products with underlying loans related to mortgages, PIMCO leverages its expertise in real estate to assess the sustainability characteristics underlying these investments.

Lastly, PIMCO applies its ESG corporate sustainability assessment frameworks – similar to a corporate portfolio – to analyse our Collateralised Loan Obligation (CLO) investments (CLOs are securitisations backed by multiple loans to corporations). As a result, we produce CLO level scoring across several important sustainability metrics, which may include carbon emissions, sensitive sector exposure, or corporate alignment with the Paris Agreement. This can allow us to evaluate and differentiate investments that are considered leaders or laggards from a sustainability perspective.

6 Source: IEA Greenhouse Gas Emissions from Energy, as of 2021. https://www.iea.org/data-and-statistics/data-product/co2-emissions-from-fuel-combustion
7 SIFMA, as of 2022

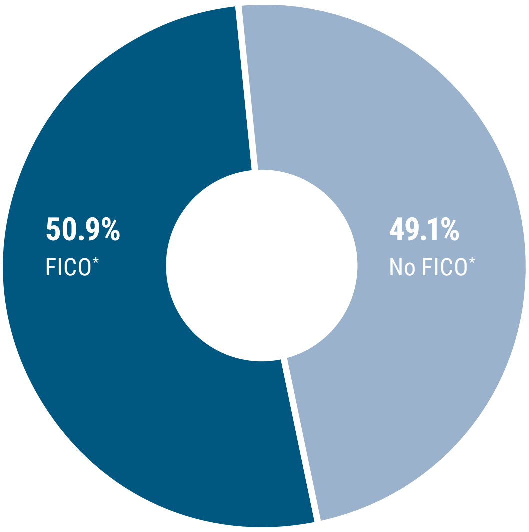
CASE STUDY: INTEGRATION AND ENGAGEMENT – AUTO ABS COMPANY

This company's underwriting is focused on "ability to pay" at reasonable rates in order to provide access to work/family transportation for a "credit invisible" cohort. By financing only work/family vehicles, this company helps lower income borrowers participate in the U.S. economy. It also provides native language and financial literacy support for borrowers to help increase transparency and drive successful outcomes for borrowers.

Prudent ESG and traditional underwriting practices may help mitigate credit risk, and the auto loans originated by this company have performed well. We expect the senior bonds to also have sufficient credit support to potentially withstand severe recession scenarios.

By engaging early on both ESG and portfolio management, PIMCO was able to negotiate what we believe to be favourable deal economics.

Number of active accounts



Underwrites work/family vehicles

The example above is presented for illustrative purposes only, as a general example of PIMCO's ESG research and engagement 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. Source: PIMCO. All data is as of 31 December 2023, unless otherwise stated.

*Fair Isaac Corporation (FICO) score: utilised for credit scoring services/purposes. Source: PIMCO, Bloomberg, company filings.

CASE STUDY: SOLAR ASSET-BACKED SECURITIES (ABS) COMPANY

This company supported customers across 45 U.S. states with the large upfront costs of residential solar services, removing the entry barrier to renewable energy. They are also a signatory of Solar Energy Industries Association (SEIA) Forced Labor Prevention Pledge – a commitment to help ensure that the solar supply chain is free of forced labour.

Cost of residential solar has dropped by more than 50% over the last 10 years,[8] making it competitive with utility-scale prices; the recent passage of the U.S. Inflation Reduction Act should continue to provide tailwind on pricing.

Unlike unsecured exposure to the solar industry, solar asset-backed securities (ABS) are backed by prime quality collateral (solar loans) and this solar ABS deal has performance triggers that may further insulate investors from credit losses.

8 https://www.seia.org/us-solar-market-insight

ESG INTEGRATION: THE CONTINUING PROMINENCE OF BIODIVERSITY AND NATURE

One year after the adoption of the Kunming-Montreal Global Biodiversity Framework (GBF) by 196 governments, nature-related topics gained unprecedented attention during the 2023 UN Climate Conference (COP28). The first global stocktake under the Paris Agreement included explicit references and efforts surrounding biodiversity, deforestation and forest degradation, nature-based solutions, ecosystems, oceans, and more. Other developments this year included the Taskforce on Nature-related Financial Disclosures (TNFD) launch of the final set of recommendations in the form of a risk management and disclosure framework, as well as the Network for Greening the Financial System (NGFS) publication of conceptual and technical guidance for the development of nature-related risk scenarios.

Natural capital – such as air, water resources, soils, raw materials, wildlife, biodiversity, and the oceans – is entrenched across almost all aspects of the economy. Companies, consumers, and governments alike all make use of and interact with nature. Similar to negative trends for climate change, natural capital is at risk of depletion over the long term. As close links exist between nature and economic stability, investors and the international agenda have increased efforts to assess, mitigate, and/or adapt to nature-related risks. For the past several years, PIMCO has deepened its research and engagement with corporate issuers on natural capital related topics as part of our ESG Assessment and Environmental Risk Framework.

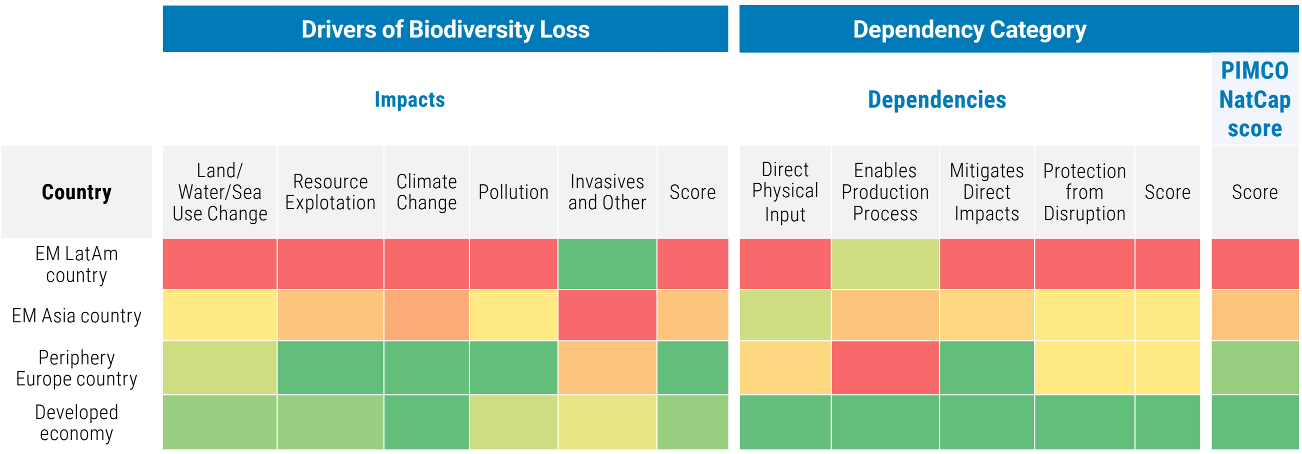
In our 2022 UK Stewardship Code Report, we outlined PIMCO's analytical framework for natural capital, which builds on proprietary tools and resources to help further integrate these considerations into our investment process. This framework is supported by nature-related assessments to identify risks and opportunities from impact (such as externalities or damages to natural capital) and dependencies (such as heavy reliance on natural capital).

Over 2023, PIMCO expanded capabilities at the (sub) sovereign level on nature-related risks and opportunities. The framework aims to inform potential exposure of the underlying economy and industrial structure. For example, an economy with high concentration in industries significantly reliant on water availability could be more impacted in the event of water stress and drought. This approach further complements the environmental pillar score of PIMCO's proprietary sovereign quantitative model.

We dissect countries according to their economy and GDP sector composition and overlay this with the corporate heat map of impacts and dependencies, to obtain signals in terms of potential exposures of sovereign countries to these themes. Our preliminary findings point to more material nature-related impacts and dependencies for emerging markets than for developed markets.

CASE STUDY: SOVEREIGN ASSESSMENT OF NATURE-RELATED RISKS

The example of the sovereign assessment indicates how preliminary findings point to more material nature-related impacts and dependencies for emerging markets than for developed markets.



Source: PIMCO. As of 31 December 2023. ENCORE, Science Based Targets Network, PIMCO. Green indicates minimal impact and dependency, while red implies a high potential impact and dependency. The underlying data builds on a SBTN materiality tool, which relies on the ENCORE database for direct impact of operations, and on EXIOBASE to derive upstream impact ratings. For dependencies, we incorporate the ENCORE dependency ratings. The sectorial scores do not include downstream ratings. The overall impacts and dependencies scores at sector level are based on the average of their respective thematic pillars scores. The natural capital score is then based on both impacts and dependencies scores. The portfolio level score is a weighted average of the company scores.

ESG Integration: Private Markets

Consistent with PIMCO's Sustainable Investment Policy Statement and the firm's approach to ESG integration, PIMCO's Alternative Credit and Private Strategies funds and accounts may consider ESG factors with varying degrees of relevance when evaluating potential investment opportunities within private markets; however, in certain instances, ESG factors may not be considered either relevant and/or feasible for potential investments. ESG-related risk factors present both risks and opportunities. Where applicable, the consideration of ESG factors is intended to optimise risk-adjusted returns. In this context, we may consider ESG-related factors as key inputs to the extent that PIMCO believes such factors to be relevant to the investment process and the evaluation of an investment's risk-adjusted returns over the long term. This includes but is not limited to: investment sourcing, due diligence, asset management & monitoring, and disposition decisions. Notwithstanding the above, and with the exception of specific Alternative Credit and Private Investment Strategies which actively promote certain ESG characteristics, PIMCO does not in general actively promote ESG characteristics with respect to its Alternative Credit and Private Investment Strategies and does not seek to maximise the portfolio's alignment with ESG characteristics. Below, we provide an overview of how we carry out ESG integration in the private market space.

1. ESG DUE DILIGENCE

ESG factors are considered within the investment research and decision-making process where relevant.

DUE DILIGENCE › **INVESTMENT DECISION** › **ASSET MANAGEMENT**

For illustrative purposes only.

Determination of ESG factors and materiality: PIMCO prioritises ESG factors that are material to investment risk and return considerations, and/or are designated as relevant by specific clients or mandates. PIMCO defines "material" ESG factors as those determined to potentially impact the financial or operating performance of the investment. Furthermore, the degree of materiality may vary for each ESG factor based upon dynamics specific to a particular investment including timeframe, likelihood of occurrence and the scale of impact on financial performance during the investment period.

ESG research process: Guided by sector-specific ESG factors, sector specialists integrate material ESG considerations into the investment due diligence process across relevant transactions, identifying appropriate financial risks/opportunities and associated risk-mitigation measures and/or value-creation opportunities.

PIMCO's ESG analysts support sector specialists as needed, providing guidance in areas identified during the due diligence process. For relevant transactions, material ESG considerations, along with relevant KPIs, are presented in the deal memorandum to the respective Alternatives Investment Committee to facilitate effective and informed decision making.

2. REAL ESTATE

PIMCO invests in a variety of real assets including commercial, residential, and infrastructure investments. In addition to the overarching materiality framework which underpins our alternatives approach, we have developed specific and proprietary tools for assessing material risks generally which arise from investing in real assets. This framework includes specific research and analysis related to physical and transition climate risks, energy usage and efficiency, as well as affordability and access.

PRINCIPLE 8:

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

As an asset manager, we recognise the critical importance of maintaining the highest standards of integrity and compliance of the third-party providers we rely for part of our operations. To this end, we have established strong guardrails to monitor our vendors and data providers to continuously monitor suitability and evaluate quality of services. We have provided a select number of policies in this principle to showcase our commitment to holding our service providers to account and maintaining trust in our asset management practices.

VENDOR MANAGEMENT POLICY

PIMCO has a global Vendor Management Policy in place which sets out the requirements for the appointment, ongoing oversight and termination of its material vendors. PIMCO evaluates the services of its vendors on an ongoing basis. In certain instances, PIMCO will review detailed metrics and/or management reports to evaluate quality of services. Ongoing dialogue occurs between functional business units and service providers with periodic onsite due diligence visits, as appropriate. The quality of service, processes, and systems of key vendors may be evaluated against industry standards to ensure continuous enhancements as well as adequate resources to support the needs of PIMCO. Follow-up items, if any, are addressed with the service provider's management teams.

PIMCO follows a risk-based approach to vendor oversight, with the type and frequency of reviews determined by the inherent risks of the services being outsourced. One or more of the following may be required based on the specific risks identified:

- Periodic onsite review
- Financial health assessment
- Business continuity and disaster recovery review
- Information and cyber security review
- Data privacy review
- Insurance verification
- Independent audit reports
- Exit strategy

Additional oversight and/or artifacts may be required based on the characteristics of the third party and/or the services being performed.

Ongoing monitoring is performed throughout the relationship. Business Owners oversee the performance of the vendor by setting, monitoring, and reporting on service delivery and metrics. For certain material vendors, quarterly score cards are used by Business Owners to report to Enterprise Risk Management (ERM) on the current status of their vendor relationships. For low performing vendors, remediation plans may be developed by the Business Owner in conjunction with their management in order to raise service levels.

MONITORING OF DATA PROVIDERS

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

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

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

Bloomberg	MSCI	RepRisk
TruCost	CDP (Carbon Disclosure Project)	SBTi
TPI	Freedom House	MapleCroft
Haver	Moody's	RisQ
		CBI (Climate Bonds Initiative)

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

Focus point

ASSESSMENT OF THRID-PARTY PROVIDERS FOR CLIMATE DATA

With regards to our strategy to select third parties, including climate data providers that support our assessment, most procurement at PIMCO is done centrally by an affiliate of PEL. PEL benefits from the affiliate's procurement processes under which ESG criteria and environmental practices of potential service providers are evaluated as part of a qualitative assessment during the due diligence review. Service providers are requested to confirm if their organisation has an environmental policy or is aligned to any environmental certification standards.

Moreover, the increased scrutiny on the quality of ESG data requires asset managers like PIMCO to assess the comprehensiveness and robustness of the data we obtain from third parties. At PIMCO, we do not rely on one source and continue to draw from multiple data providers which we believe have a strong reputation and boast strong data coverage in their respective fields. Importantly, we take external data as one of many inputs to our own research and decision-making processes.

CASE STUDY: SUSTAINABILITY-LINKED BOND DATA

Sustainability-linked bonds (SLBs) are performance-based instruments that allow issuers to raise bonds for general corporate purposes while committing to meet predefined sustainability performance targets by agreed observation dates. As the observation dates for these bonds approach, portfolio managers require the latest data in order to monitor the post-issuance performance of SLB issuers against their sustainability targets. In 2023, PIMCO conducted a comprehensive review of various data vendors to identify a product robust enough to provide the necessary data fields for our assessment of issuers. We considered several factors including, the ease of integration and onboarding, cost, data quality, and coverage.

Following the review, we onboarded the vendor with the highest scores and have since utilised their data for our internal SLB tracker.

The table below gives a high-level illustration of the outcome of the vendor assessment against the selection criteria.

Criteria	Vendor A	Vendor B	Vendor C
Coverage	4	2	4
Field availibility	4	4	5
Integration	3	2	5
Data Quality	3	3	4
Pricing	3	3	5
Final Score	3.4	2.8	4.6

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

PRINCIPLE 9:

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

Debt capital markets and bond investors have the ability to shape economies and business models by providing capital directly to issuers. As one of the largest bondholders in the world, PIMCO has a large and important platform with which to engage issuers. PIMCO employs a comprehensive toolkit across its research, engagement and investment activities, designed to facilitate the interaction between issuers and investors. Analysts and portfolio managers at PIMCO have spent a significant amount of time meeting with senior management at the companies we invest in. Every year, our credit analysts conduct more than 5,000 meetings and calls with company management teams, including annual visits to each company whose bonds we own on behalf of our clients. In addition to discussing financial matters with management, we also focus on longer-term strategic decisions and valuation as well as ESG topics. As primarily fixed income investors, PIMCO has limited discretionary voting authority and instead looks to exercise stewardship responsibilities through a variety of other methods, including through engagement with issuers.

The objective of engagement at PIMCO is to gain investment insights, influence change, improve outcomes and reduce risks for our clients. We recognise that engagement is an essential tool in sustainable investing to benefit investment outcomes, and it remains a critical component of PIMCO's credit research and investment process.

As one of the world's leading bondholders, we use our platform to engage with issuers on factors we believe are material to risk and return considerations. Our scale gives us the ability to undertake direct issuer engagement, where our industry leadership efforts aim to support investment decisions by identifying current and emerging risks, improving market transparency, and informing proprietary credit assessments and sector frameworks. These efforts feed into our overall investment process in pursuing beneficial investment outcomes for our clients.

PIMCO's bilateral engagements are conducted by our credit research analysts, portfolio managers and ESG analysts. We remain guided by three key principles:

- **Think like a treasurer:** We seek to identify issuers which can benefit from engagement, then develop a set of core engagement objectives tailored to each issuer.
- **Engage like a partner:** We believe that successful bondholder engagement is based on collaboration, productive dialogue and mutual agreement on objectives.
- **Hold to account as a lender:** Our engagement process measures progress against an issuer's stated target or industry benchmarks. At the outset of the process, we determine appropriate remedies if underperformance is material and are willing to divest if necessary.

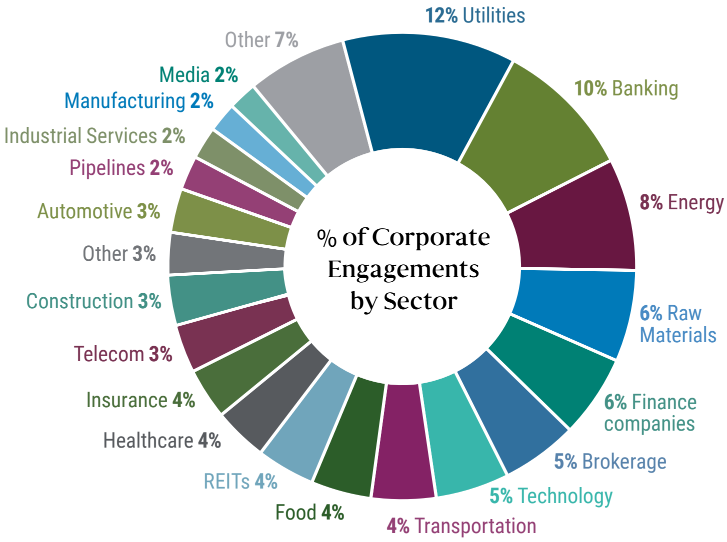
In practice, we engage with issuers on a variety of financial and ESG topics, including improving risk management and operational efficiency, bond issuance, and improving data quality and disclosure. We believe that our engagement and our sizable active holdings may influence the scope or timing of issuers' objectives, as well as the disclosures that they report to investors.

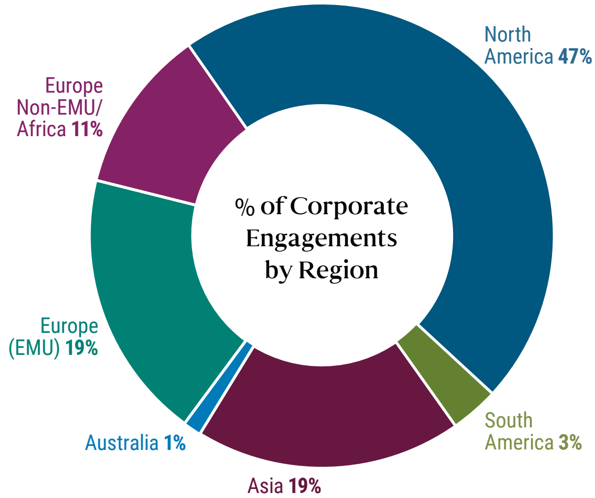
ESG ENGAGEMENT

PIMCO's ESG analyst team leads our engagement efforts on ESG topics, in coordination with the broader credit research team. Our goal is to holistically integrate engagement activity into the ongoing discussions led by our credit research and portfolio management teams while broadening the scope of questions beyond credit-specific considerations to include sustainability concerns as well.

In this fashion, engagement at PIMCO is designed to leverage the full scale of our global team of credit analysts and build upon our firm's decades of experience working collaboratively with issuers to encourage business practices which are favourable to our investment objectives.

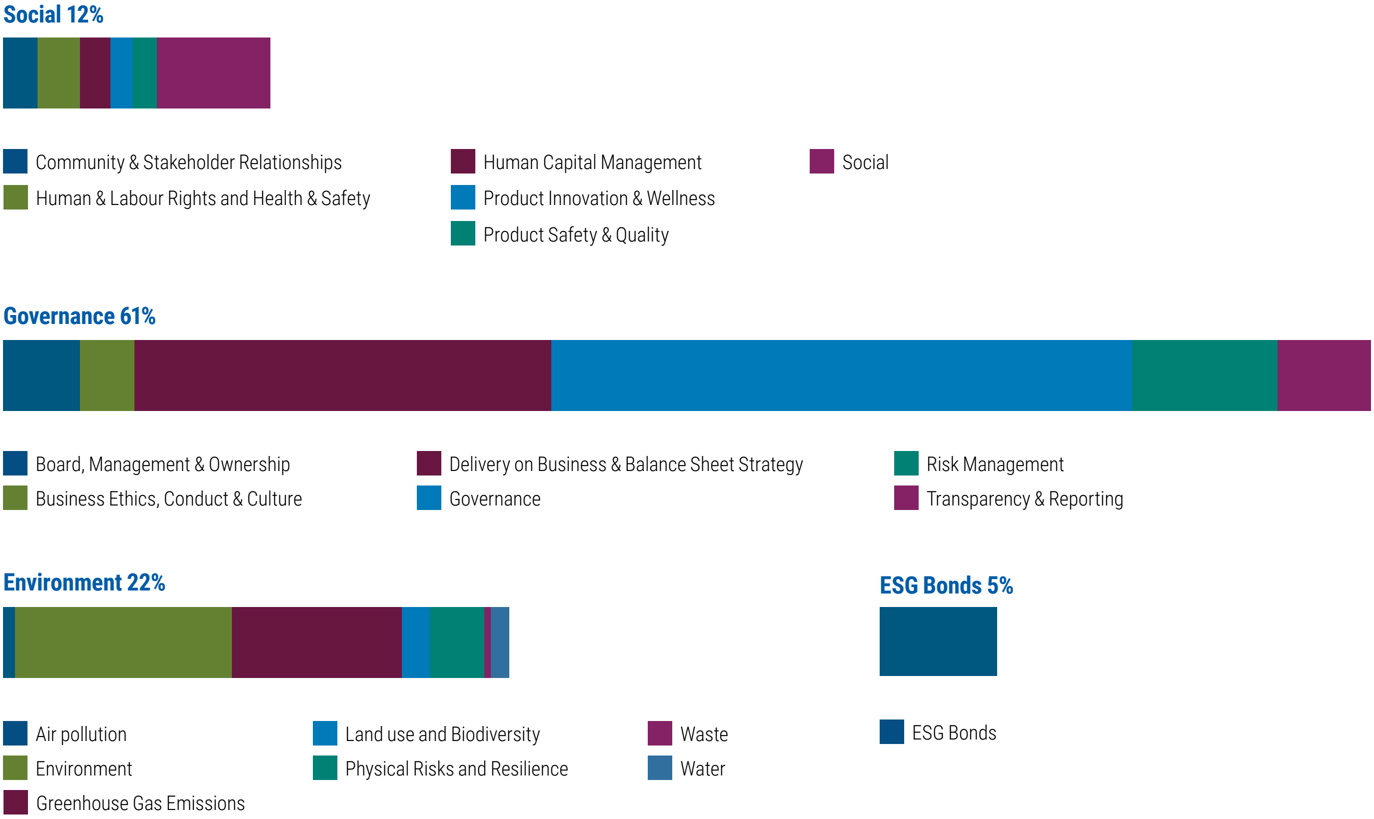
Below, we have outlined our ESG engagement activities in 2023:





Source: ESG engagement activities by PIMCO analysts, Jan 1-Dec 31, 2023. Other includes retail, entertainment, consumer services, consumer products, EM sovereigns, local governments, developed sovereigns, municipals, mortgages, and other sectors.

% of Corporate Engagements by Topic



Source: ESG engagement activities by PIMCO analysts, Jan 1-Dec 31, 2023

Engagement Themes and Priorities

ENGAGEMENT ON MATERIAL THEMES: APPLYING PHYSICAL RISK RESEARCH TO OUR ISSUER ENGAGEMENT PROCESS

PIMCO has incorporated specific physical risk elements as part of its engagement framework. This helps us determine the extent to which corporate issuers are assessing and monitoring those risks internally and, most importantly, the extent to which they are developing adaptation solutions, since there is typically less data available on such actions.

Questions covered relate to the assessment, disclosure, findings and actions – which may include how impacts are calculated across the value chain, business segments or geographies, alignment with the TCFD recommendations – and the significance of results on the business and future risk mitigation strategies.

Further select examples of our engagements across a range of topics and themes over 2023 are outlined below.

CASE STUDY: AFRICAN MULTILATERAL DEVELOPMENT BANK

Background

PIMCO engaged with the issuer on its sustainability bond issuance in 2021, its company-wide sustainability strategy, and exposure to fossil fuels and climate policy. The issuer has also been working on several projects in African countries, including a solar power plant, a biomass power plant, an electricity supply hybridisation project, a low emission transport system, and a hydro-agricultural development.

Engagement

PIMCO discussed building an operational roadmap to identify and report on its green energy assets and the assets linked to the transition. Additionally, we encouraged the issuer to align with the Paris Agreement.

Progress to date

In 2023, the company has updated its environmental policy to reflect its 25% allocation of total bank financing to low-carbon and climate-resilient projects.

CASE STUDY: EUROPEAN COUNTRY

Background

For the past two years, PIMCO has actively engaged the issuer, suggesting improvements as part of its green bond framework and seeking clarity on its broader climate strategy. The issuer also proactively engaged PIMCO on potentially issuing social, sustainability, or sustainability-linked bonds.

Engagement

PIMCO suggested improvements to the country's green bond framework, including stricter selection criteria aligned with EU policies, stronger fossil fuel exclusions, and enhanced impact reporting. For social bonds, PIMCO emphasised that any issuance should align with government policies, be relevant, inclusive, and clearly define and address the needs of vulnerable populations. PIMCO also supported a potential sustainability-linked bond issuance tied to ambitious targets backed by comprehensive policies and sufficient historical data, including interim sustainability performance targets, and recommended step-up in coupons rather than step-down. Finally, we shared PIMCO's Best Practice Guidance for Sovereign Sustainable Bond Issuance.

Progress to date

In 2023, the country updated its green bond framework, making changes that were consistent with PIMCO's suggestions.

CASE STUDY: US AUTOMOBILE MANUFACTURER

Background

PIMCO engaged with the company's financial and ESG team (including CFO) to discuss the company's goals and its appetite for sustainable bonds.

Engagement

PIMCO also met with the issuer's Treasurer alongside the company's pension team. The discussion focused on opportunities to further the company's sustainability strategy in terms of perception, evaluation, and ratings by asset managers and external parties. PIMCO discussed climate leader/laggard inputs and considerations, the importance of science-based targets, materiality for sustainability changes to business plans, and reporting.

Progress to date

Subsequently, this company issued its inaugural green bond, proceeds of which are mainly used to support its electric vehicles (EVs) strategy. In January 2023, PIMCO engaged with the company on GHG emissions. In April, PIMCO was happy to see the company's strong support for the EPA's proposed GHG LDV and MDV standard. The company published targets endorsed by SBTi in line with a "Well-below 2°C" scenario (WB2DS) and began developing its vehicle pathway for 1.5°C. PIMCO continues to track progress against its 2035 interim target in the report.

CASE STUDY: U.S. TELECOMMUNICATIONS PROVIDER

Background

A major player in the communications industry, this company has a large workforce and is committed to diversity and inclusion for its employee base.

Engagement

PIMCO has held multi-year engagements with the issuer on a variety of sustainability topics, including the company's climate strategy, balance sheet strategy, human capital commitments and best practices for ESG-labelled bond issuance. Most recently, discussions have centred on social and governance issues that are material to the sector related to labour and workforce management, such as diversity, inclusion, and labour relations, as well as data privacy and security. PIMCO recommended greater transparency related to workforce breakdown and linking ESG metrics with executive compensation, as well as incorporating the company's workforce management approach in its upcoming sustainability report.

Progress to date

The company enhanced disclosure related to its diversity and inclusion policy, including the addition of workforce breakdown by position, gender and ethnicity. The improved disclosures are in line with PIMCO recommendations for best practices.

CASE STUDY: EUROPEAN FOOD AND BEVERAGE COMPANY

2021

PIMCO discussed the company's current GHG emissions reduction targets

- This covered Scopes 1, 2, and 3, and the ongoing process to get approval for more comprehensive, science-based targets by the end of 2021.
- PIMCO also highlighted the company's intent to link loan margins to KPIs, the inclusion of ESG KPIs in its debt structure, and their plans to establish a bond curve and secure SBTi targets (external validation) before considering sustainability-linked bonds (SLBs).

2022

The company obtained the validation from SBTi of the following target: reduce absolute Scope 1 and 2 GHG emissions 25% by 2030 from a 2020 base year

- The company also committed to reduce absolute Scope 3 GHG emissions by 12.5% within the same timeframe.
- The target boundary includes biogenic emissions and removals from bioenergy feedstock.
- PIMCO shared various best practice recommendations on transition plan, Scope 3, physical risks, human rights, deforestation, and biodiversity.

2023

The company committed to a 1.5°C aligned SBTi target, with a forthcoming deforestation policy and advanced AI for supply chain mapping to tackle deforestation risks

- Importantly, the company materially increased its transparency on its exposure and actions taken to reduce deforestation risks in its supply chain, such as engagement with suppliers to trace the coffee sourcing regions.
- In addition to their FLAG target on green coffee pending SBTi validation, engagement with suppliers has led to 60% of the cost footprint for other critical inputs being certified as SBTi-aligned.
- The company has expanded the scope of its scope 3 disclosure to provide a more complete picture of its carbon footprint and measures to reduce their footprint.
- Despite a dip in responsibly sourced tea due to a recent acquisition, a program with Rainforest Alliance is on track to meet the 100% goal by 2025.

PRINCIPLE 10:

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

As a leading global asset manager, PIMCO is involved in a number of different industry working groups and coalitions that seek to advance sustainability initiatives, help define global sustainability standards, and encourage greater disclosure from issuers.

Through our work with these affiliations, we strive to promote a more globally coordinated sustainability effort that seeks to enhance investment processes, outcomes, and disclosure frameworks, which can assist in meeting certain client objectives, including clients who wish to align their portfolios with certain sustainability or environmental standards. One practical example of our commitment to these principles can be seen in our engagement with a U.S. food company as detailed in the following case study.

CASE STUDY: U.S. FOOD COMPANY

Background

Investors in this multinational food company collaborated on engagement focused on human and labour rights in the company's supply chain, with an emphasis on child labour prevention, transparency, and access to a grievance mechanism and workers' representation.

Engagement

The collaborative engagement group, including PIMCO, recommended that the company strengthen its commitment to human rights and improve its disclosure practices regarding communications with unions, where applicable. This approach is aimed at fostering a fair and equitable workplace. The company has also been encouraged to improve transparency around its grievance mechanisms and to provide detailed reports on the resolution of grievances. This can demonstrate its proactive stance in addressing workforce concerns, thereby mitigating workforce stoppages and reducing the risk of negative headlines. Additionally, investors recommended that the company evaluate how broader industry trends like climate change and automation affect its workforce. This forward-thinking approach not only benefits the workforce but also aligns with investors' interests by safeguarding the company's reputation and ensuring its resilience in the face of industry shifts.

Progress to date

In response to child labour risks identified in 2022, this company took decisive steps, assembling a cross-functional team, revising contracts with sanitation providers to include audit rights, terminating contracts where child labour was found, and launching an "18+ campaign" to combat child labour. It also established a child labour task force and are considering support measures for affected children. Further, the company is considering the broader implications of its business practices, looking to understand and mitigate the social impacts of industry-wide changes on its workforce, including the potential effects of technological advancements and environmental challenges.

As mentioned throughout previous Principles, the sustainability landscape is quickly evolving and PIMCO, as a trusted advisor, strives to continuously evaluate the effective implementation of our sustainability objectives and range of solutions to meet the investment goals of our clients and fulfil our stewardship commitments. This includes ensuring that PIMCO's sustainability affiliations remain aligned with our sustainability philosophy and approach, as well as priorities related to the overall investment process.

When evaluating affiliations, decision factors may include redundancy with PIMCO's own sustainability capabilities and efforts, alignment with our broad market exposure, and the existence of sufficient internal resources to ensure meaningful engagement.

Below we outline cases of collaborative engagement continued in 2023 from the initiatives outlined in our 2022 UK Stewardship Code Report, which focused on various environmental and social topics.

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

- **Since 2021, PIMCO joined the collaborative engagement initiative organised by IIGCC.**
- **Background:** Building onto Transition Pathway Initiative's Net Zero Banking Assessment Framework, PIMCO participated in joint discussions with other investors and banks to discuss their disclosure and implementation strategy towards net zero targets these banks have set in the recent years.
- **Engagement:** PIMCO has been leading or supporting the engagement groups with more than 20 global banks on implementing their carbon emission strategies and alignment with the Paris Agreement. We shared our view and recommendations on setting time-bound expectations in lending policy in line with the Paris Agreement, clarifying timeline and scope of interim targets, transparent approach to assess and engage clients on credible transition, linking climate targets to compensation, and so on.
- **Progress to Date:** We see incremental progress by banks on additional sectoral targets announced, updated energy policy further in line with net zero pathways, and some convergence towards assessing client's transition progress. However, there remains room for improvement in the criteria for their credible transition assessment, target setting and disclosure for facilitated emissions, consistent client engagement strategy and outcome disclosure. The group has continued to engage with these banks based on the Net Zero Banking Assessment Framework published in June 2023.

https://transitionpathwayinitiative.org/publications/116.pdf?type=Publication

PRI ADVANCE HUMAN RIGHTS ENGAGEMENT

- **In 2022, PIMCO joined the Advisory Committee and engagement groups to support collaborative engagement on human rights and first engagements started in 2023**
- **Background:** Active participation in this initiative helps us highlight the relevance of human rights risks to issuers. It may also enable us to amplify our human rights risk-management where our influence over issuers may be less than ideal. Our goal is to deepen our engagement efforts under the social pillar, and to some extent governance, and balance those efforts alongside climate and environment.
- **Engagement:** As part of the Advisory Committee, PIMCO provided input to shape the development and governance of the initiative. Key engagement priorities for the initiative include implementation of the United Nations Guiding Principles on Business and Human Rights (UNGPs) (a universal framework of corporate conduct on human rights); alignment of corporate political engagement with their responsibility to respect human rights, and increased progress on the most severe human rights issues within their operations and externally across their value chains.
- **Progress to Date:** Engagement started in the first half of 2023 with shortlisted companies in the renewable and mining sector. PIMCO has supported the engagement with six issuers (i.e. Southern Co, NextEra Energy, Duke Energy, Rio Tinto, Vale SA, and AngloGold Shanti) and recommendations have been shared with issuers in areas we identified room for improvement. We will keep tracking their performance to assess progress based on these recommendations.

https://www.unpri.org/investment-tools/stewardship/advance/the-investors

PRINCIPLE 11:

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

PIMCO continues to view stewardship and engagement as a long-term and dynamic process that evolves over several years.

We have not made significant changes to our escalation process and framework over the last year. However, we believe that we have the key pillars in place to make sure that our escalation process is effective.

While changes may take time (years) to materialise, PIMCO analysts reinforce and follow up on engagement objectives as part of their regular interactions with issuers. We have found incorporating sustainability issues into this regular dialogue across multiple touchpoints to be a highly effective method of steering for long-term improvement. Our escalation approach continues to apply consistently across assets, geographies and funds, in line with our obligation of fiduciary duty and treating clients fairly.

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

Engagements may be escalated in the following scenarios:

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

CASE STUDY: RAW MATERIALS MANUFACTURER

Engagement objectives

Natural resources stewardship, Community engagement

Context and Engagement Objectives

- Multi-year engagement with the issuer, with recent focus on net zero, labour rights and environmental concerns.
- The goal was to clarify their governance and strategy to oversee and manage environmental and social risks that may arise in relation to their ESG bond issuance, working conditions, biodiversity and deforestation.

Recent Engagement

- In 2023 PIMCO escalated our engagement efforts with the issuer specifically around their risks assessment as well as mitigation and remediation plans on their environmental and social controversies.
- PIMCO communicated its concerns regarding the adequacy of the issuer's disclosure. We requested a clarification regarding their due diligence process and its application to a specific project that has been subjected to allegations of adverse social and environmental impacts.

Progress to date on milestones and looking forward

- The issuer subsequently responded to our engagement efforts, providing documentation covering their collective agreement on labour terms and no evidence of violating labour rights.
- PIMCO will monitor the extent to which our recommendations on best practices around human rights, including Indigenous community involvement, got implemented (e.g., adoption of best Free, Prior, and Informed Consent practices).

PRINCIPLE 12:

Signatories actively exercise their rights and responsibilities.

As we outlined in 2022, PIMCO has limited discretionary voting authority. As primarily fixed income investors, we focus on exercising stewardship responsibilities through a variety of other methods. We take our rights and responsibilities as a bondholder seriously and look to work with issuers through a variety of credit events, including new issuances and reverse enquiries, changes to their capital structures through restructurings and defaults as well as through collaborative engagement.

A FOCUS ON STRUCTURED PRODUCTS

In the structured product space, data quality and disclosure continue to pose challenges for investors. Consistent with our overall engagement approach, PIMCO views active engagement with originators/sponsors, and with the broader investor community, as playing a key role in bridging the gap and contributing to a positive change in data transparency and framework standardisation. We have developed tools to track our engagements with sponsors/originators around the world.

In 2023, PIMCO engaged with nearly 30% of our firmwide securitised product holdings. PIMCO has supported the efforts Structured Finance Association (SFA) ESG working group. Along with other issuers and investors, SFA has published inaugural ESG Best Practices for Auto ABS and Residential Mortgage-Backed Securities (RMBS) disclosures.

CASE STUDY: U.S. FEDERAL HOUSING FINANCING AGENCY (FHFA)

In Q1 2023, FHFA issued a Request for Input (RFI) on the Enterprise Single-Family Social Bond Program. To date, Fannie Mae and Freddie Mac have issued labelled multifamily social bonds, but neither has issued labelled single-family social bonds.

PIMCO ESG research on MBS has a materiality approach to social topics, focusing on housing affordability and access to credit. We believe this approach can help address underserved areas of demand and promote additional sources of supply. These efforts can also benefit the housing market and economy more broadly.

We have conducted one-to-one engagements with Government-Sponsored Enterprises (GSEs) and have provided our suggestions on sustainable finance practices and sustainability disclosure. We have also provided responses to the FHFA Request for Information (RFI) and shared our views of the implication on both the housing finance market and the borrowers.

CASE STUDY: SUSTAINABILITY-LINKED BOND ISSUANCE

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

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

On the topic, sustainability-linked bonds (SLB) are an exciting portion of the ESG labelled bond universe. They fund the operations of issuers that explicitly link sustainability objectives across their business with financing conditions, which in turn can have investment implications based on the potential additional compensation in the form of coupon step-ups.

As part of the last year's stewardship efforts, PIMCO developed a proprietary SLB tracker to evaluate, on a weekly basis, those outstanding bonds that have an upcoming Key Performance Indicator (KPI) testing date on the potential of coupon step-ups and relative value across the investment universe. This tool is critical to portfolio managers, as a growing portion of outstanding SLBs approach deadlines for their sustainability KPIs, potentially triggering coupon step-ups.

Sustainability-Linked Bonds (SLBs) with a 2023/Q1 2024 Target Date

Issue	No. of SLBs	Sustainability Performance Targets and Target Year
Utility A	10	GHG Emissions Intensity (Scope 1): g/KWheq by Dec. 2023
Investment firm B	1	SBTi validation: 100% validation for portfolio companies by Dec. 2023 Workplace Gender Diversity: 28% by Dec. 2026 Female Representation on Board of Portfolio Companies: 36% by Dec. 2026
Automotive C	2	GHG Emissions (Scope 1, 2): 80% absolute emissions reduction by Dec. 2025 GHG Emissions Intensity (Scope 1, 2): 20% reduction by Dec. 2023
Utility D	1	Water Usage Intensity: 168 m3/yr./subscriber by Dec. 2023 GHG Emissions Intensity (Scope 1, 2): 24 tCO2eq./M€ by Dec. 2023
Basic Materials E	1	Sulphuric Oxide Emissions: 44% reduction by Dec. 2023
Utility F	1	GHG Emissions (Scope 1): 57% reduction by Dec. 2023
Capital goods G	2	GHG Emissions (Scope 1, 2): 23.7% reduction by Dec. 2023 GHG Emissions Intensity (Scope 3: Use of Sold Products): 23% reduction by 2023
Beverage H	2	Recycled Plastic Input Proportion: increase to 20% by December 2023
Real Estate I	1	GHG Emissions (Scope 1, 2): 20% reduction by Mar. 2024 Average SAP score for Energy Efficiency: at least 72 by Mar. 2024 Affordable Housing Construction: 4,000 by Mar. 2024

* Progress is calculated as: (baseline value – recent performance data)/ (baseline value – expected value in target year). **For illustrative purposes only.**

However, we would note that ESG bonds are only one part of the ESG-investible universe, as many issuers with favourable ESG profiles continue to issue traditional debt. For PIMCO, this means we will continue to maintain a balanced focus on communication and research for conventional bond investment.

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

APPENDIX I AND II

APPENDIX I

Conflicts of Interest Policy – PIMCO UK and EU Entities

INTRODUCTION

As a global asset manager, PIMCO Europe represents multiple clients and investors across many strategies, products and markets.

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

PIMCO EUROPE'S POLICY STATEMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX II

PIMCO Sustainability Industry Leadership

Industry Leadership	Overview
PIMCO is a Signatory	• The UN-supported Principles for Responsible Investment (PRI) is the world's largest investor initiative focusing on integrating ESG factors into the investment processes.
	• PIMCO is an active signatory of the PRI and engages in several work streams, including: ◦ Chairing the **PRI Sustainable Development Goals Advisory Committee (SDG)** ◦ Member of the **Advance Initiative's Advisory Committee**, engaging companies to strengthen commitment, due diligence and remediation of human rights issues ◦ Member of the **Sovereign Debt Advisory Committee**, focusing on the incorporation of ESG factors in the assessment of sovereign debt, and chairing the **Sub-Sovereign Debt Advisory Committee**
Carbon Disclosure Project (CDP) PIMCO is a Signatory	• An organisation that runs the disclosure system for stakeholders across the globe to manage the environmental impact of greenhouse gas emissions. CDP is backed by approximately 700 investors totalling over $140 trillion in assets.
PIMCO is a Member	• This is a principles-based framework for businesses aimed at advancing sustainable and responsible policies and practices.
	• PIMCO supports the Ten Principles of the UN Global Compact with respect to human rights, labour, environment, and anti-corruption – and is committed to incorporating them into our strategy, culture, and day-to-day operations.
	• PIMCO co-chairs the UN Global Compact's **CFO Coalition**, which is an effort to create a movement of chief financial officers to address SDG investment and financing.
ISSB Investor Advisory Group (IIAG) PIMCO is a Founding Member	• Under the umbrella of the Value Reporting Framework, this comprises asset owners and managers who recognise the need for consistent, comparable, and reliable disclosure of ESG information. The group participates in the ongoing standards development process and encourages companies to participate in the development process.
PIMCO is a Member	• This is a leading investor coalition on climate change with more than 400 members across 27 countries, with over $65 trillion in assets.
	• The IIGCC drives investor collaboration on climate change and takes action for a prosperous, low carbon future.
Global Investors for Sustainable Development Alliance (GISD) PIMCO is a Member	• PIMCO is one of only roughly 30 members of the UN Secretary-General's GISD Alliance, which focuses on accelerating investment into sustainable development. In partnership with investors, governments, and multilateral institutions, the GISD will drive investment towards achieving the UN's Sustainable Development Goals.

Industry Leadership	Overview
ICMA International Capital Market Association PIMCO is a Member of the Executive Committee	• The association promotes building internationally accepted standards of best practice in markets through the development of appropriate, broadly accepted guidelines, rule, recommendations, and standard documentation. In order to maintain and enhance the framework of cross-border issuing, trade, and investing in debt securities. • The Executive Committee is responsible for the executive management and administration of the Association, including addressing all matters relating to the ICMA's Principles: the Green Bond Principles (GBP), Social Bond Principles (SBP), and Sustainability Bond Guidelines (SBG). PIMCO is on the Executive Committee and one of the coordinators of the Sustainability-Linked Bonds Working Group.
Transition Pathway Initiative PIMCO is a Supporter	• A global asset owner-led initiative (including clients and investment consultants) that assesses companies' preparedness for the transition to a low-carbon economy. • TPI data and tools help inform our assessment of climate risks and engagement with bond issuers.
Climate Bonds Initiative PIMCO is a Partner	• A leading organisation focused on fixed income and climate change solutions. • CBI has been instrumental in supporting more robust data and standards to propel the green bond market, and remains heavily involved in shaping new green bond-related regulations.
FAIRR A COLLER INITIATIVE PIMCO is a Member	• A global network of investors addressing ESG issuer in protein supply chains, with over $70 trillion in member AUM. • The aim of the initiative is to build a network of investors who are aware of the issues linked to intensive animal production and seek to minimise the risks within the broader food system.
One Planet Summit Sovereign Wealth Funds **One Planet Asset Management Initiative** PIMCO is a Member	• Initiative created following the 2015 Paris Agreement in order to mitigate the effects of climate change. • Aims to help Sovereign Wealth Funds foster a shared understanding of key principles, methodologies, and indicators related to climate change; identify climate-related risks and opportunities in their investments; and enhance their decision-making frameworks to better inform their priorities as investors and financial market participants.
Investor Group on Climate Change PIMCO is a Member	• Collaboration of Australian and New Zealand institutional investors focused on the impact of climate change on investments. • Consists of over 100 members across Australia and New Zealand and represents $35 trillion of AUM around the world. IGCC members cover over 14.5 million people in Australia and New Zealand.
CFRF Climate Financial Risk Forum PIMCO is a Member	• Aims to build capacity and share best practice across industry and financial regulators to advance our sector's responses to the financial risks from climate change. • Brings together senior representatives from across the financial sector, including banks, insurers, and asset managers and also includes observers from trade bodies to represent a broader range of firms and ensure the outputs of the CFRF are communicated to their members.

Industry Leadership	Overview
ACCESS TO NUTRITION INITIATIVE PIMCO is a Signatory	• ATNI establishes partnerships with organisations committed to solving the world's nutrition challenge, specifically working with food and beverage companies to improve their business practices. ATNI collaborates with investors, academics, non-profits, and foundations across the globe.
Nasdaq **Sustainable Network** PIMCO is an Advisory board member	• Connects issuers of sustainable bonds with investors looking to source detailed sustainable bond information for investment due diligence, selection, reporting and monitoring.
	• Provides all the documents, data and qualitative information investors need, and holds data on allocation, impact, frameworks, certifications, targeted sustainable development goals and bonds.
MILKEN INSTITUTE **Milken Public Finance Advisory Council** PIMCO is a Member	• Aims to solidify the fragmented municipal securities market, lift public sector capacity for financial innovation, and develop policies, partnerships, and financial products to support essential and equitable public services that will accelerate post-COVID-19 economic recovery and job creation.
PCAF Partnership for Carbon Accounting Financials PIMCO is a Member of the Core Team	• PCAF is a global partnership of financial institutions that work together to develop and implement a harmonised approach to assess and disclose the greenhouse gas (GHG) emissions associated with their loans and investments.
	• The Core Team of PCAF governs the Global GHG Accounting and Reporting Standard for the Financial Industry and all its updates and expansions, with the ultimate goal of harmonising GHG accounting and reporting across the financial industry.
ESG INTEGRATED DISCLOSURE PROJECT PIMCO is a Member of the Executive Committee	• The ESG Integrated Disclosure Project (ESG IDP) Template provides borrowers with a harmonised and standardised means to report ESG information to their lenders.
	• The Executive Committee oversees the use and development of the ESG IDP template, to support the consistent collection of data from sponsored and non-sponsored borrowers across the private and broadly syndicated credit markets.
THE WORLD BANK **World Bank Private Sector Investment Lab** PIMCO is Member	• PIMCO is one of just 15 financial institutions comprising the World Bank Private Sector Investment Lab, launched in 2023 and led by WB President Ajay Banga and UN Climate Envoy Mark Carney.
	• The Lab is developing recommendations from members with respect to how the WB can more effectively crowd in private-sector finance in areas such as project guarantees and securitisation.
	• While much of the work focuses on climate change and the energy transition, the Lab's scope includes the broad set of Sustainable Development Goals.

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