



PIMCO Becomes a UN PRI Signatory

Q. Why did PIMCO decide to become a UN PRI signatory?

PIMCO's clients, shareholders and colleagues are increasingly concerned about the implications of environmental, social and governance (ESG) dynamics for the wellbeing and smooth functioning of the global economy and markets. Moreover, PIMCO's secular process and our long-standing emphasis on medium- to long-term sustainability as opposed to unsustainable short-term performance, underpin our focus on the longer-term dynamics that are at the core of ESG issues.

In terms of credit research, PIMCO already has strong governance analysis capabilities and considers ESG factors as part of its research process. As a firm, PIMCO is active on "social" issues, such as workplace diversity and community involvement.

In light of these factors, becoming a signatory of the UN PRI, the main industry body representing asset owners and managers focusing on ESG issues, was a natural and important step for PIMCO.

Q. What is UN PRI?

The United Nations-backed Principles for Responsible Investment (UN PRI) initiative is a network of international investors working together to put the six Principles for Responsible Investment into practice. These Principles were devised by the investment community. They reflect the view that environmental, social and corporate governance (ESG) issues can affect the performance of investment portfolios and therefore must be given appropriate consideration by investors as they fulfil their fiduciary (or equivalent) duties and obligations.

The six Principles for Responsible Investment are:

1. We (signatories of the UN PRI) will incorporate ESG issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

Source: www.unpri.org

Q. What is ESG?

ESG stands for Environmental, Social and (Corporate) Governance and is associated with an investment process that considers ESG factors when assessing the long-term sustainability of a company – namely its impact on the environment, its impact on society (both within the company as well as in the wider society) and how the company is managed.

Q. How, if at all, will becoming a UN PRI signatory impact PIMCO's investment and credit research process?

While ESG factors are not new to our investment process, becoming a UN PRI signatory will provide a more comprehensive framework for PIMCO professionals to engage with asset owners and other investment managers on the challenges related to ESG evaluation.

PIMCO's credit research team and portfolio managers already evaluate ESG-related issues in their decision-making process. We consider all potential risks that could affect particular issuers or industries, and incorporate pertinent ESG-related risks into our top-down and bottom-up investment analysis. While this analysis is not explicitly codified as a separate ESG investment process, knowing all risks is critical to understanding the appropriate and commensurate level of risk premia.

Q. What are the benefits of integrating ESG criteria in PIMCO's investment process?

We believe that anticipating and understanding ESG dynamics is an important part of a robust investment process, since understanding all risks with respect to an issuer or industry is critical to making sound capital allocation decisions. In this context, the value of considering ESG factors should ultimately enhance our efforts in achieving attractive risk-adjusted and sustainable investment performance over the long term.

Q. Will ESG have an impact on PIMCO’s ability to deliver performance/alpha?

As a firm, we believe that ESG integration goes hand in hand with our objective to achieve solid financial returns while at the same time managing risk and taking into account companies’ ESG “performance”. The investment management industry – and in particular managers of pension schemes – heavily rely on predictability and a long-term perspective. Corruption and climate change are examples of global challenges which may make it more difficult to achieve attractive and sustainable returns over the long term. Thus, investing in companies working actively to reduce environmental, social and governance risks or engaging companies we invest in to do more with respect to ESG, may help to reduce the risk of negative surprises and increase the long-term quality of managed portfolios.

Q. Will all PIMCO strategies be labelled ESG?

No, we are focusing our efforts on considering ESG-related issues in our investment process and throughout our organisation. Although we have strategies today that are explicitly labelled “Sustainable and Responsible Investing” (SRI), it is not our aim to develop or label strategies as ESG specifically.

Q. Who is leading the ESG initiative at PIMCO?

The importance of ESG for PIMCO as well as for the broader community and the decision to become a UN PRI signatory has had support from the very top at PIMCO, including Mohamed El-Erian, PIMCO’s CEO and co-CIO. PIMCO has formed an ESG Working Group under the leadership of Tammie Arnold, Managing Director and member of PIMCO’s Global Executive Committee. The ESG Working Group, which consists of senior investment professionals from across our global offices and different parts of the business, is responsible for the communication, strategy, implementation and thought leadership around ESG issues.

This material contains the current opinions of the manager and such opinions are subject to change without notice. There is no guarantee that these investment strategies will work under all market conditions or are suitable for all investors and each investor should evaluate their ability to invest long-term, especially during periods of downturn in the market. This material is distributed for informational purposes only. Forecasts, estimates, and certain information contained herein are based upon proprietary research and should not be considered as investment advice or a recommendation of any particular security, strategy or investment product. Information contained herein has been obtained from sources believed to be reliable, but not guaranteed.

PIMCO provides services only to qualified institutions and investors. This is not an offer to any person in any jurisdiction where unlawful or unauthorized. | **Pacific Investment Management Company LLC**, 840 Newport Center Drive, Newport Beach, CA 92660 is regulated by the United States Securities and Exchange Commission. | **PIMCO Europe Ltd** (Company No. 2604517), PIMCO Europe, Ltd. Munich Branch (Company No. 157591) and PIMCO Europe, Ltd. Amsterdam Branch (Company No. 24319743) are authorised and regulated by the Financial Services Authority (25 The North Colonnade, Canary Wharf, London E14 5HS) in the UK. The Munich Branch is additionally regulated by the BaFin in accordance with Section 53b of the German Banking Act. The Amsterdam Branch is additionally regulated by the AFM. PIMCO Europe Ltd services and products are available only to professional clients as defined in the Financial Services Authority's Handbook and are not available to individual investors, who should not rely on this communication. | **PIMCO Asia Pte Ltd** (501 Orchard Road #08-03, Wheelock Place, Singapore 238880, Registration No. 199804652K) is regulated by the Monetary Authority of Singapore as a holder of a capital markets services licence and an exempt financial adviser. PIMCO Asia Pte Ltd services and products are available only to accredited investors, expert investors and institutional investors as defined in the Securities and Futures Act. | **PIMCO Asia Limited** (24th Floor, Units 2402, 2403 & 2405 Nine Queen's Road Central, Hong Kong) is licensed by the Securities and Futures Commission for Types 1, 4 and 9 regulated activities under the Securities and Futures Ordinance ("SFO"). PIMCO Asia Limited services and products are available only to professional investors as defined in the SFO. | **PIMCO Australia Pty Ltd** (Level 19, 363 George Street, Sydney, NSW 2000, Australia), AFSL 246862 and ABN 54084280508, offers services to wholesale clients as defined in the Corporations Act 2001. | **PIMCO Japan Ltd's** (Toranomon Towers Office 18F, 4-1-28, Toranomon, Minato-ku, Tokyo, Japan 105-0001) Financial Instruments Business Registration Number is Director of Kanto Local Finance Bureau (Financial Instruments Firm) No.382. PIMCO Japan Ltd is a member of Japan Securities Investment Advisers Association and Investment Trusts Association. Investment management products and services offered by PIMCO Japan Ltd are offered only to persons within its respective jurisdiction, and are not available to persons where provision of such products or services is unauthorized. The value of assets fluctuate based upon prices of securities in the portfolio, market conditions, interest rates, and credit risk, among others. Investments in foreign currency denominated assets will be affected by foreign exchange rates. All profits and losses incur to the investor. There is no guarantee that the principal amount of the investment will be preserved, or that a certain return will be realized; the investment could suffer a loss. The fee charged will vary depending on the investment trust acquired or the investment advisory agreement entered into; these materials do not set forth specific fee amounts or their calculation methodologies. | **PIMCO Canada Corp.** (120 Adelaide Street West, Suite 1901, Toronto, Ontario, Canada M5H 1T1) services and products may only be available in certain provinces or territories of Canada and only through dealers authorized for that purpose. | No part of this publication may be reproduced in any form, or referred to in any other publication, without express written permission. ©2011, PIMCO.

Newport Beach Headquarters
840 Newport Center Drive
Newport Beach, CA 92660
+1 949.720.6000

Amsterdam

Hong Kong

London

Munich

New York

Singapore

Sydney

Tokyo

Toronto

Zurich

pimco.com

P I M C O