

ANNEX

Product name: PIMCO Climate Bond Fund

Legal entity identifier: 549300KBV832SKE8DW37

**Sustainable investment** means an investment in an economic activity that contributes to an environmental or social objective, provided that the investment does not significantly harm any environmental or social objective and that the investee companies follow good governance practices.

The **EU Taxonomy** is a classification system laid down in Regulation (EU) 2020/852, establishing a list of **environmentally sustainable economic activities**. That Regulation does not include a list of socially sustainable economic activities. Sustainable investments with an environmental objective might be aligned with the Taxonomy or not.

## Sustainable investment objective

Does this financial product have a sustainable investment objective?	
<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <b>Yes</b>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <b>No</b>
<input checked="" type="checkbox"/> It will make a minimum of <b>sustainable investments with an environmental objective: 66 %</b>	<input type="checkbox"/> It <b>promotes Environmental/Social (E/S) characteristics</b> and while it does not have as its objective a sustainable investment, it will have a minimum proportion of ___% of sustainable investments
<input type="checkbox"/> in economic activities that qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that qualify as environmentally sustainable under the EU Taxonomy
<input checked="" type="checkbox"/> in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy	<input type="checkbox"/> with an environmental objective in economic activities that do not qualify as environmentally sustainable under the EU Taxonomy
<input type="checkbox"/> It will make a minimum of <b>sustainable investments with a social objective: ___%</b>	<input type="checkbox"/> with a social objective
	<input type="checkbox"/> It promotes E/S characteristics, but <b>will not make any sustainable investments</b>



**Sustainability indicators** measure how the sustainable objectives of this financial product are attained.

### What is the sustainable investment objective of this financial product?

The sustainable investment objective of the Fund is to seek optimal risk adjusted returns, consistent with prudent investment management, while giving consideration to long term climate related risks and opportunities.

As set out in the Fund's Supplement, the Fund may invest in any types of ESG Fixed Income Securities (as further described in the section of the Prospectus entitled "ESG Fixed Income Securities"). The Fund will ordinarily be comprised of labeled and unlabeled green Fixed Income Securities as well as the debt of issuers demonstrating leadership in addressing risk and opportunities around climate related change. Labeled green Fixed Income Securities are those issues with proceeds specifically earmarked to be used for climate and environmental projects. Green labeled bonds are often verified by a third party (such as an audit firm), which certifies that the bond will fund projects that include environmental benefits. Unlabeled green Fixed Income Securities are securities with proceeds used for climate-aligned projects and initiatives (such as renewable energy and municipal owned water systems) issued without formal certifications.

A reference benchmark has not been designated for the purpose of attaining the sustainable investment objective.

● ***What sustainability indicators are used to measure the attainment of the sustainable investment objective of this financial product?***

The Fund's sustainability-related impact shall be measured through the Investment Advisor's implementation of its issuer engagement policy, exclusion strategy and investment in certain ESG Fixed Income Securities.

For example, the Fund's screening process results in the exclusion of certain sectors including issuers involved in the fossil fuel related sectors. In this regard, the Investment Advisor refers to globally accepted norms, such as, the UN Global Compact Principles and the UN Guiding Principles on Business and Human Rights.

● ***How do sustainable investments not cause significant harm to any environmental or social sustainable investment objective?***

The Fund's sustainable investments are assessed to ensure that they do not cause significant harm to any environmental or social sustainable investment objective.

This assessment is carried out by the Investment Advisor's application of various adverse sustainability indicators, including but not limited to, exposure to the fossil fuel related sectors and greenhouse gas emissions.

— ***How have the indicators for adverse impacts on sustainability factors been taken into account?***

Securities will be selected according to the Investment Advisor's internal sustainability screening process. This screening process includes consideration of adverse impacts on sustainability factors including exposure to the fossil fuel related sectors. The Investment Advisor seeks to mitigate principal adverse impacts including, for example, through issuer engagement and exclusion screening.

— — — *How are the sustainable investments aligned with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights?*

Sustainable investments align with the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights through the use of UNGC (UN Global Compact) controversies screening along with other tools including ESG scores and research as part of the investment due diligence process.

**Does this financial product consider principal adverse impacts on sustainability factors?**

Yes

No

The Fund considers the principal adverse impacts of investment decisions on sustainability factors (including but not limited to, exposure to the fossil fuel related sectors and greenhouse gas emissions).

Principal adverse impacts are described as those impacts of investment decisions that “*result in negative effects on sustainability factors*” while sustainability factors are defined as “*environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters*”.

The Investment Advisor seeks to consider principal adverse impacts as part of the investment process and uses a combination of methods to help mitigate principal adverse impacts including issuer engagement and exclusions.

The Fund’s financial statements disclose how principal adverse impacts on sustainability factors have been considered during the relevant reporting period.

**What investment strategy does this financial product follow?**

As outlined in the Fund’s Supplement, the Fund will invest opportunistically in a broad spectrum of climate focused Fixed Income Instruments and debt. In making investment decisions the Investment Advisor considers various quantitative and qualitative data relating to (i) global economies, (ii) projected growth of various industrial sectors and asset classes and (iii) issuers demonstrating leadership with respect to addressing climate related factors as further outlined below. Given the long-term nature of the risks and opportunities presented by climate change and resource depletion, the Investment Advisor may emphasize a more strategic, or long-term in nature investment strategy, with less emphasis on a short-term, tactical trading strategy.

The Investment Advisor uses a three-factor approach to evaluating asset classes and their risks in seeking to achieve the Fund’s investment objective which consists of 1) fundamental analysis relating to global economics, projected growth of various industrial sectors and climate related factors, 2) valuation analysis, and 3) assessment of market demand of and supply for asset classes.

The Investment Advisor evaluates these factors on an ongoing basis and uses a combination of direct investment and derivative exposure to implement a resulting mix of assets within the Fund that reflects the Fund’s investment objective.

When considering an investment, the Investment Advisor may utilize the following resources to evaluate climate related factors; the Investment Advisor’s internal research and scoring process

**Principal adverse impacts**

are the most significant negative impacts of investment decisions on sustainability factors relating to environmental, social and employee matters, respect for human rights, anti-corruption and anti-bribery matters.



**The investment strategy**

guides investment decisions based on factors such as investment objectives and risk tolerance.



relating to climate factors, third party research and data providers, an issuer's alignment with international commitments deemed relevant by the Investment Advisor (such as the 2016 Paris Agreement on climate change), and/or information made available by the issuer, such as carbon emissions and intensity. In determining the efficacy of an issuer's environmental practices, the Investment Advisor will use its own proprietary assessments of material environmental and climate-oriented issues and may also reference standards as set forth by recognized global organizations, such as entities sponsored by the United Nations.

● ***What are the binding elements of the investment strategy used to select the investments to attain the sustainable investment objective?***

The binding elements of the Fund's investment strategy are the investments in sustainable investments and the exclusion screening process.

As set out in the Fund's Supplement, the Fund may invest in any of the types of ESG Fixed Income Securities (as further described in the section of the Prospectus entitled "**ESG Fixed Income Securities**"). The Fund will ordinarily be comprised of labeled and unlabeled green Fixed Income Securities as well as the debt of issuers demonstrating leadership in addressing risk and opportunities around climate related change. Labeled green Fixed Income Securities are those issues with proceeds specifically earmarked to be used for climate and environmental projects. Green labeled bonds are often verified by a third party (such as an audit firm), which certifies that the bond will fund projects that include environmental benefits. Unlabeled green Fixed Income Securities are securities with proceeds used for climate-aligned projects and initiatives (such as renewable energy and municipal owned water systems) but are issued without formal certifications. When considering whether an issuer has demonstrated leadership in addressing risk and opportunities around climate related change, the Investment Advisor will consider numerous factors, such as whether an issuer provides low carbon solutions, has implemented or prepared a transition plan to a low carbon economy or such other factors that the Investment Advisor may determine are relevant.

As further outlined in the Fund's Supplement, the Fund will not invest in the securities of any issuer determined by the Investment Advisor to be engaged principally in the fossil fuel related sectors, including distribution / retail, equipment and services, extraction and production, petrochemicals, pipelines and transportation and refining, and the production, distribution of coal and coal fired generation, but excluding biofuel production, natural gas generation and sales and trading activities. Moreover, the Fund will not invest in the securities of any issuer determined by the Investment Advisor to be engaged principally in the manufacture of alcoholic beverages, tobacco products or military equipment, the operation of gambling casinos, or in the production or trade of pornographic materials. However, ESG Fixed Income Securities (as further described in the section of the Prospectus entitled "**ESG Fixed Income Securities**") from issuers involved in fossil fuel related sectors as described above, may be permitted.

● ***What is the policy to assess good governance practices of the investee companies?***

The companies in which investments are made follow good governance practices as determined by the Investment Advisor. The Investment Advisor assesses the governance practices of the Fund's investee companies by means of a proprietary and/ or third party

**Good governance** practices include sound management structures, employee relations, remuneration of staff and tax compliance.

scoring system which considers how an investee company’s governance compares to its peers in the industry. Factors considered by the Investment Advisor, include but are not limited to:

1. Board diversity;
2. Legal or regulatory matters relating to the investee company (such as tax compliance); and
3. Conduct and culture of the investee company.

As set out above, the Fund’s exclusion screening processes result in the exclusion of certain sectors, noting that the Investment Advisor refers to globally accepted norms such as, the UN Global Compact Principles and the UN Guiding Principles on Business and Human Rights in relation to sound management practices, employee relations, and remuneration of staff.

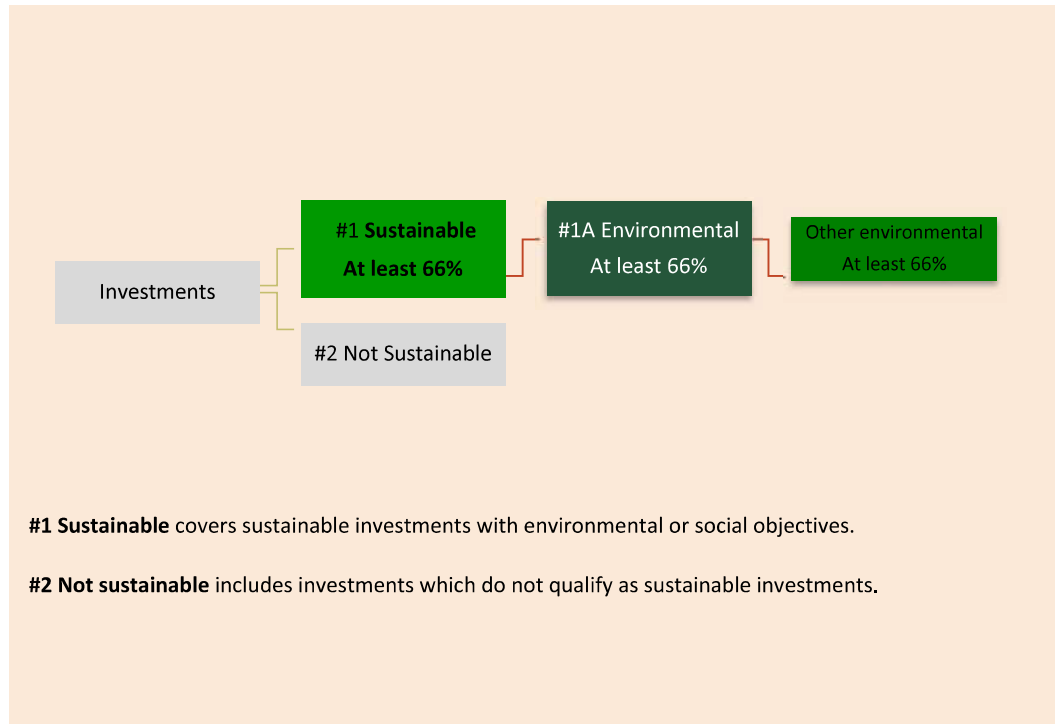
When the Investment Advisor is applying its policy to assess good governance practices, the Fund has the ability to retain securities from investee companies that the Investment Advisor deems to be in the best interests of the Fund and its Shareholders.

The Investment Advisor may also actively engage with issuers in order to seek to improve their governance practices.



**What is the asset allocation and the minimum share of sustainable investments?**

**Asset allocation** describes the share of investments in specific assets.



The Fund has sustainable investment as its objective and seeks to invest a minimum of 66% of its net assets in sustainable investments with an environmental objective. The proportion of investments, which are not sustainable investments, are to be used for other purposes such as liquidity or hedging.

Taxonomy-aligned activities are expressed as a share of:

- **turnover** reflecting the share of revenue from green activities of investee companies
- **capital expenditure** (CapEx) showing the green investments made by investee companies, e.g. for a transition to a green economy.
- **operational expenditure** (OpEx) reflecting green operational activities of investee companies.

● **How does the use of derivatives attain the sustainable investment objective?**

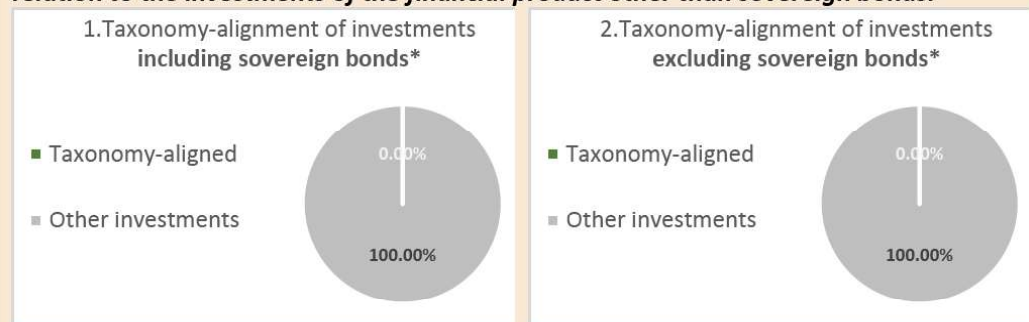
As set out in the Fund’s Supplement, where derivatives are used, they will be based only on underlying assets or indices which are permitted under the investment policy of the Fund. The Fund may use derivative instruments, as outlined in the Fund Supplement, including for example, for investment purposes and/or for hedging purposes.



**To what minimum extent are sustainable investments with an environmental objective aligned with the EU Taxonomy?**

As shown in the graph below, the minimum share of investments in environmentally sustainable economic activities aligned with the EU Taxonomy is 0% of net assets.

**The two graphs below show in green the minimum percentage of investments that are aligned with the EU Taxonomy. As there is no appropriate methodology to determine the Taxonomy-alignment of sovereign bonds\*, the first graph shows the Taxonomy-alignment in relation to all the investments of the financial product including sovereign bonds, while the second graph shows the Taxonomy-alignment only in relation to the investments of the financial product other than sovereign bonds.**



\* For the purpose of these graphs, ‘sovereign bonds’ consist of all sovereign exposures

### Enabling activities

directly enable other activities to make a substantial contribution to an environmental objective.

### Transitional activities are

activities for which low-carbon alternatives are not yet available and among others have greenhouse gas emission levels corresponding to the best performance.

### ● **What is the minimum share of investments in transitional and enabling activities?**

The minimum share of investments in transitional and enabling activities is 0% of net assets.



### **What is the minimum share of sustainable investments with an environmental objective that are not aligned with the EU Taxonomy?**

The Fund does not commit to invest in investments aligned with the EU Taxonomy. However, as noted in the asset allocation graph above, the Fund does commit to invest in sustainable investments which contribute to an environmental objective. As such, the minimum share of sustainable investments with an environmental objective which are not aligned with the EU Taxonomy is 66% of net assets.



### **What investments are included under “#2 Not sustainable”, what is their purpose and are there any minimum environmental or social safeguards?**

The proportion of the investments of the Fund which do not constitute “sustainable investments” shall be used for overall risk management such as liquidity or hedging. Issuers and derivatives used for the attainment of such purposes are subject to ESG-related exclusions that seek to ensure the meeting of minimum relevant environmental and/or social safeguards (more details on the Investment Advisor’s exclusions are included above).



are environmentally sustainable investments that **do not take into account the criteria** for environmentally sustainable economic activities under the EU Taxonomy.

### **Where can I find more product specific information online?**

**More product-specific information can be found on the website:**

[SFDR Article 10 Disclosure – PIMCO Climate Bond Fund](#)

