

PIMCO EUROPE LTD

SECTION 172(1) STATEMENT AND STAKEHOLDER ENGAGEMENT REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Section 172(1) statement

Section 172 of the Companies Act 2006 requires a director of a company to act in the way he or she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole. The directors give careful consideration to the stakeholders and matters set out in section 172(1) (a-f) in discharging their duties under Section 172. The Board reviews and sets the policies to manage risks to the company's operations and seeks regular assurance that the system of internal control is effective in managing risks in the manner it has approved. In particular, in 2022 there was significant new regulation requiring new or enhanced policies and preparation such as the Investment Firm Prudential Regime ("IFPR"), Operational Resilience and Consumer Duty as well as monitoring of progress on projects such as LIBOR transition. Examples of how the Board and the company act with regard to, and engages with, its key stakeholder groups are set out in the Stakeholder Engagement Report, including its employees, suppliers, clients, the local community, the environment and its single shareholder.

The company is a regulated financial services firm and as such it has established a risk management framework that seeks to ensure that it has effective systems and controls to identify, monitor and manage risks faced by the firm. This framework, along with its Internal Capital Adequacy and Risk Assessment ("ICARA") process, through which the firm determines whether it requires additional levels of capital or liquidity to mitigate the specific risks it faces, ensures that the Board gives due regard to the likely consequences of both short term and long-term decisions with reputational risk being a key consideration. The company's ICARA is subject to review on a periodic basis by the FCA. Further information on capital and the company's ICARA can be found in its Pillar 3 disclosures which can be found on the Company's website.

Stakeholder Engagement Report

We set out below the company's key stakeholder groups and how it engages with them. As part of the wider PIMCO group with significantly shared policies and processes, references to PIMCO in this section refer to the wider PIMCO group which includes the company.

Clients

PIMCO exists to serve our clients. As such, we strive to be trusted advisors and aim to help clients achieve their financial goals. We strive to understand our clients' investment objectives, risk tolerances, and work with them to deliver the full resources of the PIMCO group in response.

In delivering high quality service to our clients, PIMCO offers ongoing thought leadership, educational content, conference calls, and in-person meetings.

In addition to client meetings and regular reports to discuss investment performance and portfolio positioning, we recognise the importance of training and education to our clients. We therefore offer training at the PIMCO Institute, a multi-day training programme; training sessions at the client's location; as well as investor days, conference calls, and other reporting on specific issues.

As a regulated financial services firm, treating customers fairly ("TCF") is integral to our company's culture. PIMCO listens to its clients to help formulate new product ideas in response to their needs and requirements. The company provides investment management services to a wide range of global institutional investors but where third party distributors help to distribute offshore PIMCO funds we continue to engage with distributors to ensure they understand PIMCO products and are advising clients suitably.

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Stakeholder Engagement Report (continued)

Employees

The talent, dedication and spirit of PIMCO's people are the most important factors in its success as a global investment provider. It is essential that we build productive relationships based upon trust, develop our employees and keep them inspired and motivated to meet and surpass the high standards we set. We do this in the following ways:

- Training: We strive to foster a continuous learning culture and talent strategy in which PIMCO employees have access to targeted development that builds capability, increases capacity and improves overall effectiveness and performance. This investment also includes leadership and management development to enable our senior employees to set clear examples of best practice and be role models for the group;
- Inclusion, Diversity and Culture ("IDC") is a key focus at PIMCO and we have dedicated resources to progress IDC initiatives within the group. We have recently conducted an Inclusion and Diversity Survey to aid the IDC team. Through the IDC team we seek to heighten employees' appreciation of diverse perspectives and skills, which in turn will facilitate increased collaboration and enhance our ability to attract, retain, develop, and engage top talent – all of which will lead to better outcomes for our clients and PIMCO;
- Communication: We ask for feedback through regular surveys on events / speaker series, and our bi-annual Organisational Health Index survey where employees have the opportunity to provide in depth feedback on their experiences as an employee of the group. The group holds quarterly town hall events sharing the progress of PIMCO against its goals and senior management thinking with staff.
- Collaboration: A variety of internal employee networks are in place to encourage collaboration amongst employees and engagement from employees on a number of key topics. These networks include PIMCO Families, PIMCO Social, PIMCO Multicultural, PIMCO Pride and PIMCO Wellbeing. These groups are responsible for a number of employee led events such as social gatherings, cultural awareness events, and external speaker events.

Local communities

At PIMCO, we understand both the opportunity and obligation to effect meaningful social change. We are innovative, collaborative and determined in our efforts to confront some of society's most urgent challenges. By matching the resources, time and talents of our employees with our charitable partners in the UK we strive to become part of the solution. Our focus on hunger and gender equality reflects our belief that these are fundamental issues critical to human development and sustainable worldwide economic growth. We engage:

- By giving through the company's charitable foundation, PIMCO Foundation Europe (the "Foundation"), we support high performing non-profit partners to support critical on-the-ground services and innovative projects in the UK and in other parts of the world. In 2022, the Foundation donated £978,000 to charitable causes (up from over £870,000 in the prior year);
- By employees volunteering their time with our partners we help to drive meaningful change in our local communities. In 2022, 320 company employees across EMEA volunteered at charitable projects providing support of over 1,380 hours in total, this included 195 UK employees contributing 681 hours. In 2021, 175 company employees in the UK volunteered at charitable projects providing support of over 540 hours in total; and
- By aiming to take leadership within our industry as thought leaders and strategic partners to create solutions and advocate for change. In 2022, PIMCO focused on increasing shared learning, a broader pipeline for recruiting and better connectivity to our clients with partnerships such as Girls Who Invest, SEO London, Business in the Community and others.

Suppliers

The company values the partnerships it has with suppliers having outsourced several key functions. It engages with its suppliers through regular meetings to discuss performance of both the supplier and the company for key contracts. The company has standard payment terms of paying suppliers within 30 days of receipt of an invoice. In 2022, on average the company paid its UK suppliers in less than 30 days from the date of receipt of the invoice. The company's latest semi-annual UK supplier payment statistics can be found at:

<https://check-payment-practices.service.gov.uk/company/02604517/reports>

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Stakeholder Engagement Report (continued)

Suppliers (continued)

As part of our commitment to the aims of the Modern Slavery Act, the company seeks to ensure that it knows who is providing it with goods and services at all times. The company communicates its policy of zero tolerance in writing to its existing and new suppliers. For further information on how the company engages with its suppliers to ensure its compliance, please go to the company's website to see its Modern Slavery statement.

Government and Regulators

As a financial services firm, the company is authorised and regulated by the FCA and distributes PIMCO's products in several countries outside the UK. As a result, it seeks to maintain compliance with all relevant regulatory rules in each jurisdiction along with good relations with regulators. It does this by responding to requests for information, participation in meetings both directly with the regulator and within industry groups about new regulation and key industry issues. In addition, the company has a low tolerance for tax risk and the Allianz UK tax group (of which the company is part) seeks to maintain a moderate risk tax rating from HMRC. The company's effective rate of taxation is close to the UK standard rate of corporate tax (please see note 11 to the financial statements). The Board takes these factors into consideration in its decision making, reviewing the regulatory and tax impacts of projects and financial decisions.

Investee companies

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

For PIMCO, sustainable investing represents an approach that seeks to appropriately consider material issues in investment decision making and portfolio construction, including issuers' impact on the environment and society more broadly, which can often be longer term in nature and include externalities that are eventually internalised, impacting valuations. This approach can be achieved through a process of integrating these factors into investment research and decision making when relevant and material, to ultimately help manage portfolio risks. Additionally, this can also be achieved through offering specific investment solutions that more explicitly include and seek to optimise these factors. The latter can encompass negative screening, the proactive selection of assets based on more favourable environmental, social or governance ("ESG") factors relative to their investment universe (e.g. positive screening), and, in certain circumstances, the selection of investments based partly on their contribution to broader objectives such as Paris Alignment, the Sustainable Development Goals or overall contribution to society, properly aligned with fiduciary duty and associated investment objectives. We view sustainable investing as a broader approach than ESG investing.

As one of the largest bondholders in the world, PIMCO has a large and important platform with which to engage issuers on sustainability matters. Engagement is an essential tool for influencing outcomes in sustainable investing. We believe that sustainable investing is not only about partnering with issuers that already demonstrate a deeply unified approach to sustainability, but also about engaging with those issuers who are continuing to evolve their sustainability practices. This can be a direct way for PIMCO to influence changes intended to benefit investors, and that may also benefit additional stakeholders, including employees, society and the environment.

PIMCO believes that investing in corporations that have demonstrated a sustainable framework for dealing with ESG matters is beneficial. The PIMCO group recognises that ESG-related issues are an increasingly critical factor in understanding global economies, has an ESG Investment Policy statement available on its website and publishes an annual report on the PIMCO group's ESG activities. The most recent copy of the PIMCO group's ESG Investing Report is available at <https://pim.co/acln8>.

Please see further information on ESG investing under the Environment section below.

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Stakeholder Engagement Report (continued)

Environment

We seek to achieve this through a principled approach to investment, engaging issuers on matters related to ESG issues, and reporting publicly on our activities. We believe these activities are essential to our commitment to uphold the principles of the UN Global Compact (“UNGC”).

PIMCO engages with issuers on several environmental topics, including climate change, water, resource efficiency, community engagement and land use. PIMCO recognises that climate change will likely have a profound impact on the global economy, financial markets and issuers over a long-term investment horizon. We have developed tools and methods that seek to incorporate material climate risk evaluations in our investment research processes.

Details on PIMCO’s broad climate research approach include:

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

Beyond PIMCO’s climate focus, we look for evidence of best practices in relation to issuers improving performance in areas such as pollution control, recycling and managing toxic substances, developing eco-friendly products and raising customer awareness.

In addition to our investment process, PIMCO also considers its own environmental impact. The company is required to disclose information on its own carbon footprint and this disclosure can be found in the Directors’ Report.

Shareholder

The company is a wholly owned subsidiary of the PIMCO group and is classified as a large private company. As a private company with a single direct shareholder, there is significant engagement by the company with the members of staff of its parent on a daily basis. In addition, PIMCO provides three board directors to provide representation. The shareholder therefore plays an important role in the strategy and business model of the company with many shared policies and mutual leverage of each other’s respective specialisms in different areas of portfolio management and distribution. The shareholder receives dividends from the company (see note 12 to the financial statements) and monitors its financial performance.