

PIMCO EUROPE LTD

SECTION 172(1) STATEMENT AND STAKEHOLDER ENGAGEMENT REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 there was significant new regulation requiring new or enhanced policies and preparation such as the Sustainable Finance Directive Regulation ("SFDR"), Investment Firm Prudential Regime ("IFPR") and Operational Resilience as well 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 below, 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 Assessment Process (ICAAP) (going forward, its successor under IFPR, the Internal Capital Adequacy and Risk Assessment ("ICARA")), through which the firm determines whether it requires additional levels of capital 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 ICAAP is subject to review on a periodic basis by the FCA. Further information on capital and the company's ICAAP can be found in its Pillar 3 disclosures, details of which are contained in note 25 to the financial statements.

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. The company is focused on TCF related matters and uses an internal TCF measurable indicators dashboard, which is discussed at quarterly Board meetings. It 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.

Like most businesses, PIMCO was forced to adapt amidst the Covid-19 pandemic of 2020 - 2021. To ensure we remained a trusted advisor to our clients, we significantly increased our digital engagement with clients as a new channel for sharing our thought leadership and investment views.

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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 progressing IDC initiatives within the group. 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. In addition we recently conducted an Inclusion and Diversity survey. The group holds quarterly town hall events sharing the progress of PIMCO against its goals and senior management thinking with staff. These have continued throughout the pandemic via video conference.
- 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 2021 the Foundation donated over £870,000 to charitable causes (up from over £800,000 in the prior year);
- By employees volunteering their time with our partners we help to drive meaningful change in our local communities. In 2021, 175 company employees in the UK volunteered at charitable projects providing support of over 540 hours in total. Unfortunately, in 2021 the continuing pandemic restricted activity; and
- By aiming to take leadership within our industry as thought leaders and strategic partners to create solutions and advocate for change. In 2021 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.

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Stakeholder Engagement Report (continued)

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 2021, 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>

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 12 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 seeks to enrich and preserve client assets by providing high quality investment management services to its clients. Its engagement with issuers on behalf of its clients facilitates the responsible allocation and management of capital consistent with its clients' investment objectives. Engagement activities may include, amongst other things, monitoring companies, assets and service providers, engaging companies and holding them to account on material issues and co-operating with other stakeholders. As an investment advisor of predominantly fixed income-based products, the PIMCO group typically engages with companies on behalf of clients that are bondholders.

PIMCO believes that investing in corporations that have demonstrated a sustainable framework for dealing with environmental, social and governance ("ESG") matters is beneficial. The PIMCO group recognises that ESG-related issues are an increasingly critical factor in understanding global economies and 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. Through our engagement with issuers on the topic of climate change, we seek to encourage several developments, such as:

- improved disclosure by issuers, for example: Scope 3 disclosure, Task Force on Climate-related Financial Disclosure (“TCFD”) reporting;
- collaborative investor initiatives to address this critical global sustainability issue; and
- management of exposure to water risk, including setting reduction and recycling targets, and action to address any conflicts with local stakeholders concerning freshwater resources.

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 obviously significant engagement by the company with the members of staff of its parent on a daily basis. In addition, PIMCO provides two 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 13 to the financial statements) and monitors its financial performance.