

# **PIMCO EUROPE LTD**

## **SECTION 172(1) STATEMENT AND STAKEHOLDER ENGAGEMENT REPORT FOR THE YEAR ENDED 31 DECEMBER 2024**

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### **Section 172(1) statement**

Section 172 of the Companies Act 2006 requires a director of a company to act in the way they consider, 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 2024 the Board reviewed updates to the company's TCFD Report, Stewardship code submission and considered the feedback letter from the FCA's SREP process. Additionally, from a strategic perspective, the Board oversaw the implementation of investment of surplus liquidity, held for regulatory purposes, into UK government bonds; the project to transfer, and second back, all staff to PGA from 1 April 2024 and the assignment of its agreement for lease on a new building at 25 Baker Street to PGA later in the year. Other 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 seconded staff, 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 Investment Firm Prudential Regime ("IFPR") disclosure which can be found on the company's website.

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### 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, putting our clients first is integral to our company's culture and aligns with the central goal of the FCA's Consumer Duty programme. 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.

#### Staff

At PIMCO, our mission of delivering superior investment returns, solutions and service to our clients is only possible by fostering a high performance culture in which all employees live our values of collaboration, responsibility, openness and excellence. Bringing together people from around the world, PIMCO draws on the experience and resources of 3,400+ employees across 24 offices to promote fresh ideas and differing points of view.

- **Learning and Development:** We strive to foster a continuous learning culture and talent strategy in which all 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:** At PIMCO, we seek to create an environment which fosters openness and encourages diverse perspectives. By prioritising initiatives that provide equal opportunities for all employees, we can enhance collaboration, communication, engagement, knowledge sharing and ultimately improve organisational performance and employee satisfaction. We are committed to encouraging diversity of thought, creating a pipeline of diverse talent, investing in connectivity with both our employees and across the industry, and driving impact in our communities through our Purpose@PIMCO corporate giving initiatives.
- **Communication:** We ask for feedback through regular surveys on events / speaker series, and our ongoing employee engagement surveys where employees have the opportunity to provide in depth feedback on their experience as a PIMCO employee. Quarterly town hall events sharing the progress of PIMCO against its goals and senior management thinking with staff are held across business groups and regions.
- **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. Employees are also encouraged to work together and give back to through the donation of resources, time and talents to combat challenges facing the communities where we live and work.

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### Stakeholder Engagement Report (continued)

#### Staff (continued)

In April 2024 we utilized an existing employing entity in the UK ("PGA") and transferred all employees in the UK into that entity. That change enabled us to have a single employing entity for all employees in the UK, and it enabled us to consolidate payroll and benefit plans and help us achieve consistency and operational efficiency within the region.

The change in employer had no impact on the employment or the day-to-day activities employees performed and neither the company nor PGA made any contractual changes in connection with this change in employer.

#### 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 2024, the Foundation donated over £1,100,000 to charitable causes (down from over £1,400,000 in the prior year due to a one-off three year commitment being made in 2023);
- By employees volunteering their time with our partners we help to drive meaningful change in our local communities. In 2024, 402 PIMCO employees across EMEA volunteered at charitable projects providing support of over 2,337 hours in total. This included 250 UK employees contributing 1,535 hours.
- By aiming to take leadership within our industry as thought leaders and strategic partners to create solutions and advocate for change. In 2024, PIMCO focused on increasing shared learning, a broader pipeline for recruiting and better connectivity to our clients with partnerships such as Girls Who Invest, 10,000 Black Interns, 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 2024, 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>

From the second half of 2024, PGA paid the company's invoices or assumed the cost and recharged amounts back to the company by means of a service charge. Whilst payment statistics are not externally published for PGA, on average, PGA paid its UK suppliers in less than 30 days from the date of receipt of the invoice.

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.

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### Stakeholder Engagement Report (continued)

#### 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. Sustainable investing includes issuers' impact on the environment and society, as well as how environmental, social and governance factors may impact the issuer more broadly. We analyse the extent to which environmental, social and governance factors could impact valuations. This approach can be achieved through a process of integrating these factors into investment research and decision making where relevant and material, to ultimately help manage portfolio risks and identify opportunities. Additionally, sustainable investing can also be achieved through offering specific sustainable investment solutions that explicitly include and seek to optimise these factors. Sustainable investment solutions may 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 alignment with the Paris Agreement, the Sustainable Development Goals (SDGs) or overall contribution to society, aligned with fiduciary duty and investment objectives.

We have developed a suite of sustainable investment solutions for clients seeking risk-adjusted returns and the explicit inclusion of sustainable factors in the investment selection process which may include managing the portfolio's carbon footprint, green, social, sustainable or sustainability linked (GSSS) bond allocations and/or a tilt toward issuers with higher quality or improving ESG characteristics. These solutions build on PIMCO's over 50-year core investment processes, while actively incorporating our clients' sustainability investment objectives. Clients around the world define their sustainability investment objectives differently and that customization is supported. At PIMCO, we are eager to partner with clients to identify and deliver sustainability investment objectives customized to their risk and return profile.

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 both improving investment outcomes and influencing sustainability outcomes. We believe that sustainable investing is not only about partnering with issuers which already demonstrate a deeply unified approach to sustainability, but also about engaging with those issuers that are evolving their sustainability practices.

PIMCO has a published Sustainable Investment Policy Statement that details PIMCO's commitments to: the integration of ESG factors broadly into our research process, sustainable investment solutions offered to our clients, our engagement with issuers on sustainability factors, and the evaluation of climate change and related risks in our investment analysis. PIMCO formalised our Sustainable Investment Policy Statement originally in 2012 with continuous enhancements and evolutions over the years. The policy statement is publicly available on PIMCO's website at the following address:

<https://www.pimco.com/en-us/investments/esg-investing>

For further information on our sustainability team and investment process, please refer to the latest PIMCO Sustainable Investing Report available on PIMCO's website at the same web address.

#### Environment

PIMCO's credit research analysts engage periodically with the issuers that they cover in the corporate space by, for example, 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. PIMCO recognises that climate change will potentially 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 in our investment research processes.

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### Stakeholder Engagement Report (continued)

#### Environment (continued)

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; and
- We explore climate change in the context of broader sustainability risk and are supportive of the SDGs as the reference framework to assess these wide-ranging risks (e.g. biodiversity, water scarcity, human and labour rights).

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. 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, the wider PIMCO group (excluding the company) 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.