

Statement on principal adverse impacts of investment decisions on sustainability factors

Financial market participant PIMCO Europe GmbH, LEI: 549300KW6332H0XL8X85

SUMMARY

PIMCO Europe GmbH, LEI: 549300KW6332H0XL8X85 ("PIMCO") considers the principal adverse impacts of its investment decisions on sustainability factors. The present statement is the consolidated statement on principal adverse impacts on sustainability factors of PIMCO.

This statement on principal adverse impacts on sustainability factors covers the reference period from 1 January 2022 to 31 December 2022.

The principal adverse impacts considered during this period were as follows:

- 1 GHG Emissions (scope 1, 2 and 3)
- 2 Carbon Footprint
- 3 GHG Intensity
- 4 Fossil Fuel Exposure
- 5 Non-Renewable Energy Consumption/Production
- 6 Energy Consumption Intensity per Impact High Climate Sector
- 7 Negative Impact on Biodiversity
- 8 Emission to Water

- 9 Hazardous Waste
- 10 UNGC and OECD Violations
- 11 Processes to Monitor Compliance w.r.t the UNGC and OECD Guidelines
- 12 Gender Pay Gap
- 13 Board Gender Diversity
- 14 Controversial Weapons Exposure
- 15 GHG Intensity(Sovereign)
- 16 Investee countries subject to social violations
- 17 Carbon Emissions Reduction Initiatives
- 18 Lack of Anti-Corruption and Anti-Bribery Policies

Description of the principal adverse impacts on sustainability factors

Indicators applicable to investments in investee companies

Adverse sustainability indicator	Metric	Impact 2022 ¹	Impact 2021	Explanation	Actions taken, and actions planned and targets set for the next reference period
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Climate and other environment-related indicators

Greenhouse gas emissions	1. GHG emissions	Scope 1 GHG emissions	3,803,070.2 (tons CO2e)	NA	Entity level impact is driven by allocation to certain sectors which are generally carbon intensive, such as utility companies, which also form an important part of the investment universe.	<ul style="list-style-type: none"> As stewards of our client's capital, we are obliged to manage portfolios in line with the guidelines that were agreed upon with our clients. Some of our clients have provided us with guidance if and how we should be incorporating PAIs within their portfolio, but that is currently not the case for the majority of our clients contracted with PIMCO Europe GmbH. Additionally, we are working closely with clients that are seeking advice on how to implement PAIs in their portfolios. We have on boarded PAI-specific data from selected data providers and built the tools and capabilities to track PAI exposure in our internal systems. We have established a governance process that allows for a regular review of the exposure to the PAIs for PIMCO Europe GmbH. As one of the world's largest bond holders, we aim to have a market-leading engagement platform. The objective of engagement at PIMCO is to influence change, with a view to improving risk-adjusted returns for our clients. <ul style="list-style-type: none"> Environmental topics play an important part in
		Scope 2 GHG emissions	847,226.6 (tons CO2e)	NA	Entity level impact is driven by allocation to certain sectors which are generally carbon intensive, such as utility companies, which also form an important part of the investment universe.	
		Scope 3 GHG emissions	27,774,481.4 (tons CO2e)	NA	Entity level impact is driven by allocation to certain sectors which are generally carbon intensive, such as energy companies, which also form an important part of the investment universe.	
		Total GHG emissions	32,552,723.8 (tons CO2e)	NA	Entity level impact is driven by allocation to certain sectors which are generally carbon intensive, such as energy companies, which also form an important part of the investment universe.	
	2. Carbon footprint	Carbon footprint	395.8 (tons CO2e/\$1m Investment)	NA	Entity level impact is driven by allocation to certain sectors which are generally carbon intensive,	

					such as energy companies, which also form an important part of the investment universe.	<p>our engagement discussions with issuer companies, including topics such as GHG emissions, fossil fuel exposure, water, waste, pollution, and biodiversity.</p> <p>○ Depending on data availability and materiality, certain themes may play a more prominent role in our engagement interactions than others.</p>
	3. GHG intensity of investee companies	GHG intensity of investee companies	1,095.6 (tons CO2e/\$1m Revenue)	NA	Entity level impact is driven by allocation to certain sectors which form an important part of the investment universe, such as banking.	
	4. Exposure to companies active in the fossil fuel sector	Share of investments in companies active in the fossil fuel sector	6.8 (%MV)	NA	Entity level impact is driven by allocation to certain sectors which are generally carbon intensive, such as energy companies, which also form an important part of the investment universe.	
	5. Share of non-renewable energy consumption and production	Share of non-renewable energy consumption and non-renewable energy production of investee companies from non-renewable energy sources compared to renewable energy sources, expressed as a percentage of total energy sources	68.6 (%) ²	NA	Entity level impact is driven by allocation to certain sectors which form an important part of the investment universe, such as financials.	
	6. Energy consumption intensity per high impact climate sector	Energy consumption in GWh per million EUR of revenue of investee companies, per high impact climate sector	2.0 (GWh / EUR million sales)	NA	Entity level impact is driven by issuers across a range of sectors including agencies, utilities and food, which form an important part of the investment universe.	
Biodiversity	7. Activities negatively affecting biodiversity-sensitive areas	Share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas	0.01 (%MV)	NA	Entity level impact is driven by allocation to certain sectors which form an important part of the investment universe, such as raw materials.	

Water	8. Emissions to water	Tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average	40.2 (metric tons/ EUR 1m Investment)	NA	Entity level impact is driven by issuers across a range of sectors including utilities, healthcare and technology, which form an important part of the investment universe.
Waste	9. Hazardous waste and radioactive waste ratio	Tonnes of hazardous waste and radioactive waste generated by investee companies per million EUR invested, expressed as a weighted average	112.3 (metric tons/ EUR 1m Investment)	NA	Entity level impact is driven by issuers across a range of sectors including banking, telecom and utilities, which form an important part of the investment universe.

Indicators for social and employee, respect for human rights, anti-corruption and anti-bribery matters

Social and employee matters	10. Violations of UN Global Compact principles and Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises	Share of investments in investee companies that have been involved in violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	0.9 (%MV)	NA	Entity level impact is driven by certain issuers from the energy, automotive and raw materials sectors, which form an important part of the investment universe.	<ul style="list-style-type: none"> As stewards of our client's capital, we are obliged to manage portfolios in line with the guidelines that were agreed upon with our clients. Some of our clients have provided us with guidance if and how we should be incorporating PAIs within their portfolio but that is currently not the case for the majority of our clients contracted with PIMCO Europe GmbH. Additionally, we are working closely with clients that are seeking advice on how to implement PAIs in their portfolios. We have on boarded PAI-specific data from selected data providers and built the tools and capabilities to track PAI exposure in our internal systems. We have established a governance process that allows for a regular review of the exposure to the PAIs for PIMCO Europe GmbH. As one of the world's largest bond holders, we aim to have a market-leading engagement platform. The objective of engagement at PIMCO is to influence
	11. Lack of processes and compliance mechanisms to monitor compliance with UN Global Compact principles and OECD Guidelines for Multinational Enterprises	Share of investments in investee companies without policies to monitor compliance with the UNGC principles or OECD Guidelines for Multinational Enterprises or grievance /complaints handling mechanisms to address violations of the UNGC principles or OECD Guidelines for Multinational Enterprises	33.6 (%MV)	NA	Entity level impact is driven by a variety of sectors important to the investment opportunity set including banking.	
	12. Unadjusted gender pay gap	Average unadjusted gender pay gap of investee companies	19.4 (Ratio)	NA	Entity level impact is driven by allocation to certain sectors which form an important part of the	

					investment universe, such as banking.	<p>change with a view to improving risk-adjusted returns for our clients.</p> <ul style="list-style-type: none"> ○ Social and governance-related topics play an important part in our engagement discussions with issuer companies, including topics such as the alignment with the UN Global Compact principles, gender pay gap, gender board diversity. ○ Depending on data availability and materiality, certain themes may play a more prominent role in our engagement interactions than others.
	13. Board gender diversity	Average ratio of female to male board members in investee companies, expressed as a percentage of all board members	34.9 (%)	NA	Entity level impact is driven by allocation to certain sectors which form an important part of the investment universe, such as banking.	
	14. Exposure to controversial weapons (anti-personnel mines, cluster munitions, chemical weapons and biological weapons)	Share of investments in investee companies involved in the manufacture or selling of controversial weapons	0.02 (%MV) ³	NA	Entity level impact is driven by select issuers and is based on data that acts as a proxy for any exposure related to controversial weapons. This does not necessarily only encompass manufacture or production, but also extends to areas including dual-use delivery platforms or services for previously manufactured controversial weapons.	

Indicators applicable to investments in sovereigns and supnationals

Environmental	15. GHG intensity	GHG intensity of investee countries	347.4 (tons CO2e/\$1m GDP)	NA	Entity level impact is driven by allocation to certain sovereigns from both the emerging markets and developed markets space, which make up an important part of the investment universe.	<ul style="list-style-type: none"> • As stewards of our client's capital, we are obliged to manage portfolios in line with the guidelines that were agreed upon with our clients. Some of our clients have provided us with guidance if and how we should be incorporating PAIs within their portfolio, but that is currently not the case for the majority of our clients contracted with PIMCO Europe GmbH. Additionally, we are working closely with clients that are seeking advice on how to implement PAIs in their portfolios. • We have onboarded PAI-specific data from selected data providers and built the tools and capabilities to track PAI exposure in our internal systems.
Social	16. Investee countries subject to social violations	Number of investee countries subject to social violations (absolute number and relative number divided by all investee countries), as referred to in international treaties and conventions, United Nations principles and, where applicable, national law	8 (Count), 7.6 (%)	NA	Entity level impact is driven by allocation to certain sovereigns primarily from the emerging markets space, which make up an important part of the investment universe.	

						<ul style="list-style-type: none"> • We have established a governance process that allows for a regular review of the exposure to the PAIs for PIMCO Europe GmbH. • As one of the world's largest bond holders, we aim to have a market-leading engagement platform. The objective of engagement at PIMCO is to influence change with a view to improving risk-adjusted returns for our clients. <ul style="list-style-type: none"> ○ Where possible and relevant, we look to engage with sovereign issuers on topics linked to climate targets, social violations, and countries' green bond or sustainability-linked bond frameworks. ○ Depending on data availability and materiality, certain themes may play a more prominent role in our engagement interactions with sovereigns than others.
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Other indicators for principal adverse impacts on sustainability factors

Environmental	Investments in companies without carbon emission reduction initiatives	Share of investments in investee companies without carbon emission reduction initiatives aimed at aligning with the Paris Agreement	31.5 (%MV)	NA	Entity level impact is driven by allocation to certain sectors which form an important part of the investment universe - primarily banking.	<ul style="list-style-type: none"> • As stewards of our client's capital, we are obliged to manage portfolios in line with the guidelines that were agreed upon with our clients. Some of our clients have provided us with guidance if and how we should be
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						<p>incorporating PAIs for their portfolio, but that is currently not the case for the majority of our clients contracted with PIMCO Europe GmbH. Additionally, we are working closely with clients that are seeking advice on how to implement PAIs in their portfolios.</p> <ul style="list-style-type: none"> • We have on boarded PAI-specific data from selected data providers and built the tools and capabilities to track PAI exposure in our internal systems. • We have established a governance process that allows for a regular review of the exposure to the PAIs for PIMCO Europe GmbH. • As one of the world's largest bond holders, we aim to have a market-leading engagement platform. The objective of engagement at PIMCO is to influence change with a view to improving risk-adjusted returns for our clients. <ul style="list-style-type: none"> ○ Environmental topics play an important part in our engagement discussions with issuer companies, including topics such as GHG emissions, fossil fuel exposure, water, waste, pollution, and biodiversity. ○ Depending on data availability and materiality, certain themes may play a more prominent role in our engagement interactions than others.
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<p>Social</p>	<p>Lack of Anti-Corruption and Anti-Bribery Policies</p>	<p>Share of investments in entities without policies on anti-corruption and anti-bribery consistent with the United Nations Convention against Corruption</p>	<p>2.5 (%MV)</p>	<p>NA</p>	<p>Entity level impact is driven by issuers across a range of sectors including banking, agencies and telecom, which form an important part of the investment universe.</p>	<ul style="list-style-type: none"> • As stewards of our client's capital, we are obliged to manage portfolios in line with the guidelines that were agreed upon with our clients. Some of our clients have provided us with guidance if and how we should be incorporating PAIs for their portfolio, but that is currently not the case for the majority of our clients contracted with PIMCO Europe GmbH. Additionally, we are working closely with clients that are seeking advice on how to implement PAIs in their portfolios. • We have onboarded PAI-specific data from selected data providers and built the tools and capabilities to track PAI exposure in our internal systems. • We have established a governance process that allows for a regular review of the exposure to the PAIs for PIMCO Europe GmbH. • As one of the world's largest bond holders, we aim to have a market-leading engagement platform. The objective of engagement at PIMCO is to influence change with a view to improving risk-adjusted returns for our clients. <ul style="list-style-type: none"> ○ Social and governance-related topics play an important part in our engagement discussions with issuer companies including topics such as the alignment with the UN Global Compact principles, gender pay gap, and gender board diversity.
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						<ul style="list-style-type: none"> ○ Depending on data availability and materiality, certain themes may play a more prominent role in our engagement interactions than others.
<p>¹Based on the share of the AUM stemming from issuers with data for this indicator.</p> <p>²Note that the formula set out by ESMA does not require a share of renewable energy consumption to be stated. Please further note that ESMA's Joint Consultation Paper on the review of SFDR Delegated Regulation regarding PAI and financial product disclosures from April 2023 clarifies that the calculation puts the non-renewable portion in relation to the total energy portion (consumed or produced) which is in-line with the Principal Adverse Impact indicator we aggregate and source from MSCI.</p> <p>³The data used for this PAI covers issuers involved in the ownership, manufacturing, and investment of controversial weapons. It does not explicitly capture the selling of controversial weapons. However the manufacturers of these weapons are typically also the sellers so we consider that the relevant issuers have been captured in the data.</p>						

DESCRIPTION OF POLICIES TO IDENTIFY AND PRIORITISE PRINCIPAL ADVERSE IMPACTS ON SUSTAINABILITY FACTORS

This document summarises our investment research policy in respect of principal adverse impacts, and may be updated from time to time.

PIMCO has implemented a principal adverse impact policy (“PAI Policy”) as from 30 June 2021, to set out how we identify and take into consideration adverse sustainability impacts and indicators, in our investment research processes, and apply these to our sustainable investment offerings. This section of the document summarises certain key provisions of the PAI Policy.

The PAI Policy approaches sustainability from the perspective of the harm that investment positions might do externally to “sustainability factors”, defined in the SFDR as meaning environmental, social and employee matters, respect of human rights, and corruption and anti-bribery matters, and the steps that PIMCO may take to mitigate any such harm.

At the firm level, as part of our ESG Integration, we incorporate consistent consideration of material ESG factors into our investment research process to enhance our clients’ risk-adjusted returns. Material ESG factors may include but are not limited to: climate change risks, social inequality, shifting consumer preferences, regulatory risks, talent management or misconduct at an issuer, among others.

Our portfolio managers and analysts have responsibility for deploying this across the in-scope strategies.

The indicators set out in the section entitled “Other indicators for principal adverse impact” above were selected by us because we consider them material to our evaluation of issuers and our engagement approach. Additionally, data coverage for these indicators is relatively good and they are sector neutral and mature.

Data coverage can vary significantly across indicators, and is a function of our data source (MSCI) who, in turn, is generally reliant on the quality of an issuer’s disclosure on a particular indicator. This data may not align perfectly with data required for this disclosure. In such circumstances, PIMCO will apply good faith assumptions or interpretations of the data received from its data providers. The materiality of these indicators is linked to our internal and external materiality assessment and our experience of dealing with issuers’ ESG evaluation and engagement.

ENGAGEMENT POLICIES

PIMCO has implemented a shareholder engagement policy for the purposes of SRD II. Our engagement policy sets out how we integrate shareholder engagement in our investment strategy.

Where we manage accounts which include shares with a listing on an EEA market or on a comparable market outside the EEA, the level of shareholder engagement will depend on a number of factors. While we may, in certain limited circumstances, actively engage with management on strategy, financial and non-financial performance and risk, capital structure, corporate governance or other issues, typically the level of our shareholder engagement is limited to the responsible exercise of voting rights in accordance with PIMCO's Global Proxy Voting Policy.

As one of the world's largest bond holders, we aim to have a market-leading engagement platform. The objective of engagement at PIMCO is to influence change with a view to improving returns and reducing risks for our clients. Environmental topics play an important part in our engagement discussions with issuer companies including topics such as GHG emissions, fossil fuel exposure, water, waste, pollution and biodiversity. Depending on data availability and materiality, certain themes may play a more prominent role in our engagement interactions than others.

REFERENCES TO INTERNATIONAL STANDARDS

Our commitment to sustainability has led PIMCO to endorse numerous codes of conduct and best practices, including through various memberships and affiliations, including:

- Becoming a signatory to the UN Principles of Responsible Investment (PRI)
- Being a participant of the United Nations Global Compact
- Using the standards of the Sustainability Account Standards Board (SASB)
- Becoming a signatory to the Task Force on Climate-related Financial Disclosures (TCFD)
- Being a member of the Institutional Investors Group on Climate Change (IIGCC)
- Being an investor member of the Climate Action 100+

These industry groups do not impose quantitative limits or thresholds in order to demonstrate adherence or alignment with their standards. However, PAIs are relevant to them as follows:

TCFD, IIGCC and CA100+ concern the measurement, optimization, reporting, and engagement relating to carbon emissions and fossil fuels usage. As such PAIs 1-6 and 15 are relevant to these standards.

As a participant in the UNGC, PIMCO will evaluate, engage with and (where appropriate) exclude issuers based on their compliance with UNGC. PAIs 10 and 11 will be relevant to this.

All PAIs are potentially relevant to our participation of PRI and SASB since they form part of our research and investment processes.

HISTORICAL COMPARISON

Not applicable because 2022 is the first year of full reporting.