



INVESTMENT FIRM PRUDENTIAL REGIME (IFPR) DISCLOSURE

FOR THE YEAR END 31 DECEMBER 2022

PIMCO EUROPE LTD.

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1. OVERVIEW (MIFIDPRU 8.1)

1.1 Basis of Disclosure

The Financial Conduct Authority (FCA) Investment Firm Prudential Regime (IFPR) is the prudential regime for MiFID (Markets in Financial Instruments Directive) investment firms in the UK. A key objective of the IFPR is to ensure that investment firms maintain adequate levels of capital, liquidity, and risk management processes to protect their clients, the wider financial system, and the economy as a whole.

The IFPR requires PIMCO Europe Ltd. (PEL, “the company” or “the firm”) to produce an “IFPR Disclosure”, the aim of which is to increase transparency and confidence in the market and provide investors and stakeholders with an insight into how the firm operates.

PEL is a non-small and non-interconnected (non-SNI) MIFIDPRU investment firm and makes its disclosure on an individual entity basis. The disclosure is produced annually, or more frequently should there be a material change with the company’s business model. The reference date of this disclosure is 31 December 2022, the company’s financial year-end.

1.2 Validation and Signoff

This disclosure has been created in line with the requirements of MIFIDPRU 8. The sections in this disclosure align with the chapters of MIFIDPRU8 and have been referenced accordingly. Note that PEL is not subject to the Investment Policy disclosure requirements of MIFIDPRU as it falls below the size threshold outlined in MIFIDPRU 7.1.4.

This disclosure has been subject to the company’s governance framework for appropriate challenge and oversight, including review and approval by the company’s management body, the PEL Board.

1.3 Location of Publication

This disclosure has been published on the PIMCO website <https://www.pimco.co.uk/en-gb/> at the same time the Statutory Accounts have been made available.

1.4 Summary of Changes Compared to the Previous Disclosure

This is PEL’s first IFPR Disclosure based on the IFPR rules which took effect from 1 January 2022, replacing the previous annual disclosure, known as the Pillar III Statement.

There are many commonalities between this IFPR Disclosure and the previous Pillar III Statement, but also some notable additions, which include information about PEL’s directorships, diversity at the Board, and the new Own Funds and Own Funds Requirements process.

For the 2022 financial year, PEL has included disclosures on remuneration policy and practices in accordance with the old BIPRU11 rules in line with the transitional provisions in SYSC TP 11. PEL is not required to make the disclosures on remuneration policy and practices specified under MIFIDPRU until the end of the first performance period that began on or after 1 January 2022, which for PEL will be the performance period ending 30 September 2023.

2. BUSINESS & GOVERNANCE (MIFIDPRU 8.3)

2.1 Business Overview

PIMCO Europe Ltd (PEL) is a company incorporated under the laws of England and Wales on 24 April 1991, and authorized and regulated by the FCA (the regulator of the financial services industry in the United Kingdom) in the conduct of its investment business. PEL is not consolidated into any group for FCA prudential supervision purposes.

PEL is owned by Pacific Investment Management Company (PIMCO) Global Advisors LLC, a Delaware based company. PIMCO is ultimately wholly owned by Allianz SE, a German multinational financial services company headquartered in Munich.

2.1.1 Investment Management

PIMCO is a global investment management that specialises in the following investment strategies:

- **Fixed Income:** Credit (investment grade, bank loans, high yield), rates, government debt, our fixed income offering is truly global with specialists in developed and emerging markets debt and credit.
- **Alternatives:** Hedge funds (global macro, long/short credit) and opportunistic / distressed strategies.
- **Other Strategies:** Asset allocation, real return, and enhanced equity strategies.
- **ESG:** Focused ESG strategies based around the above-mentioned core strategies.

PEL acts as discretionary portfolio manager or as advisor to a wide range of separate accounts and as delegated investment manager for PIMCO funds for professional investors pursuant to written investment management agreements. Fixed Income investment strategies are those that PEL predominantly manages.

Investment guidelines may authorise our investment funds and separately managed accounts to make investments as agent on a client's behalf to purchase and sell securities and to enter into over-the-counter derivatives transactions, swap transactions, foreign exchange (FX) transactions, repurchase transactions, futures transactions, bank loan transactions and otherwise trade in securities and derivatives transactions, including entering into forward transactions with respect to any of the foregoing for the client accounts.

The company does not undertake investment/trading activity on its own behalf and does not hold client monies or client assets. The firm's clients independently appoint their own custodians.

2.1.2 Fund Investment Vehicles

PEL is a distributor of fund ("pooled") investment vehicles operated by group companies. These companies have a range of investment vehicles with several sub-funds and have delegated the investment management and distribution for some of these funds to PEL under investment advisory and distribution agreements.

2.1.3 Clients and Channels

PEL is a global distributor of investment services to investors in the UK, Europe, and the Middle East. PEL's investment services are available only to professional clients as defined in the FCA's Handbook and are not available to individual (retail) investors. PEL is a lead distributor of PIMCO funds through the GWM channel, initiating the relationships with sub-distributors. PEL's main relationships can be classified as:

- **Institutional** – Professional investors such as public and private occupational pension schemes, companies, insurance companies, central banks, educational institutions, foundations, and endowments.
- **Global Wealth Management** – Financial intermediaries, independent financial advisors, family offices and sub-advised that distribute our products (funds) to investors.

2.1.4 Business Model

PEL operates within the global PIMCO business model. The benefit of such a model enables the standard operation of functions and processes and the common use of technology, systems and vendor services. The management structure at PEL comprises the following functional areas:

- Portfolio Management
- Account Management
- Product Management
- Business Management

2.2 Corporate Governance

PEL has established a corporate governance structure that seeks to ensure that it has effective systems and controls to identify, monitor and manage risks that can arise through ongoing business operations that have the potential to cause harms to clients, markets and the firm itself. In addition to being a core part of the firm's ongoing operations, risk management is formalised through committees and cross-departmental business groups.

2.2.1 Board of Directors

The company's Board of Directors (the Board) is ultimately responsible for risk management at the firm. The Board meets as necessary, but at least on a quarterly cycle and receives formal reports on a range of capital, liquidity and risk related matters. The Board includes Independent Non-Executive Directors that provide independent oversight and challenge to the company's senior management.

The Board manages the company's risks through a framework of policies and procedures having regard to relevant laws, standards, principles and rules (including FCA principles and rules). These policies and procedures are updated as required.

The roles and responsibilities of the Board are as follows:

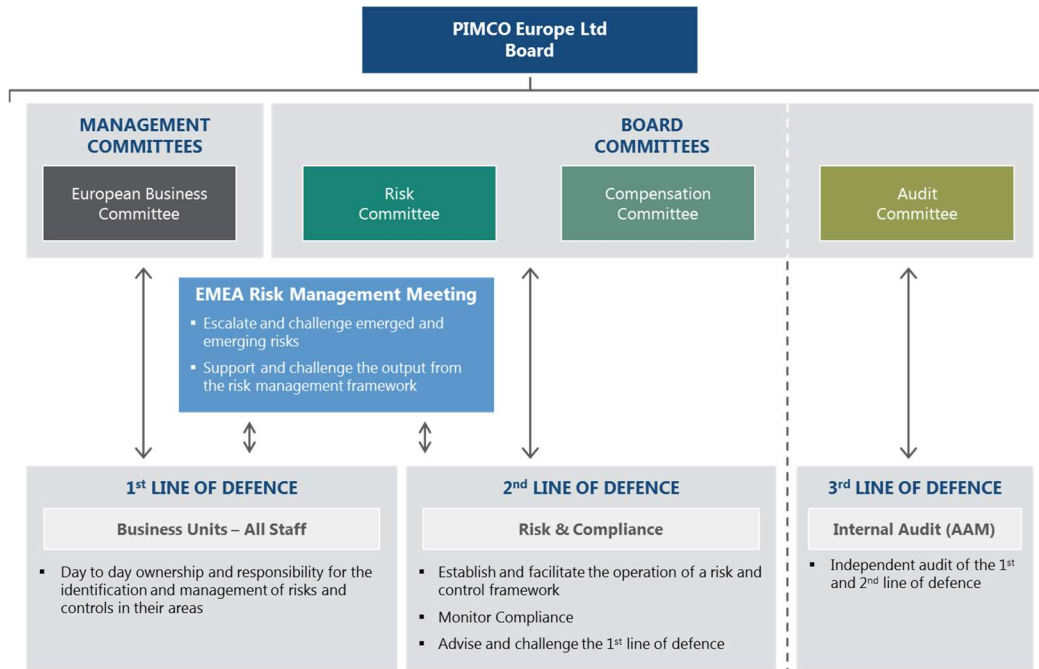
- Setting risk appetite in conjunction with the company's business strategy.
- Setting appropriate policies to manage risks to the company's operations and the achievement of business objectives.
- Seeking regular assurance that the system of internal control is effective in managing risks in the manner it has approved.
- Maintaining a sound system of financial control.
- Reviewing and approval of the Company's Internal Capital Adequacy and Risk Assessment (at least once per annum). Significant changes to economic conditions, the Company's business strategy, its risk profile, or a combination of changes may also result in a review of the ICARA.

2.2.2 Delegation of Authority

The Board has established certain standing committees to which it has delegated specific powers, duties and decision-making responsibilities.

- **PEL Risk Committee** - The PEL Risk Committee assists the PEL Board with the oversight of PEL's risks and risk management activity. It is responsible for the identification of material risks, the regular monitoring of the risk profile in relation to the Board defined risk appetite, the monitoring of the adequacy of the firm's regulatory capital position, and for reviewing the effectiveness of the firm's risk management function and framework.
- **PEL Compensation Committee** - The PEL Compensation Committee meets at least quarterly to establish the firm's remuneration principles and oversee the governance of the remuneration programs, policies, and procedures.

- **PEL Audit Committee** - The PEL Audit Committee meets at least quarterly to assist the PEL Board with reviewing the performance and effectiveness of the external auditors, internal auditors, and the Finance reporting function.



In addition, the Board has delegated responsibility and authority for the day-to-day running of the business of PEL, in line with the business strategy and Risk Appetite set by the PEL Board, to the Chief Executive Officer. To support the Chief Executive Officer in discharging this responsibility, the PEL Board has established the **European Business Committee** as the executive advisory committee for PEL. Senior management from across the PEL business participate at the quarterly **Enterprise Risk Meeting** that is led and facilitated by the Enterprise Risk Management function to discuss the identification and assessment of material risks.

Finally, there are a range of committees and control groups that operate across the wider PIMCO Group that provide support to the PEL Board, as required, in discharging its responsibilities. In addition, PIMCO has several oversight groups specifically involved in managing investment risks and risks arising through the investment products.

2.3 Directorships

Director	FCA Senior Managers Regime	Number of Directorships
Emmanuel Roman	SMF 9 Chair of the Governing Body SMF 12 Chair of the Remuneration Committee	1
Craig Dawson	SMF 1 Chief Executive SMF 3 Executive Director	6
Ryan Blute	SMF 3 Executive Director	6
Mangala Ananthanarayanan	SMF 3 Executive Director SMF 24 Chief Operations	6
Lorenzo Pagani	SMF 3 Executive Director	1
David Flattum	SMF 10 Chair of the Risk Committee	1
John Maney		1
Robert Kyprianou	SMF 14 Senior Independent Director	4
Lisa Arnold	SMF 11 Chair of the Audit Committee	3

Notes:

1. The following directorships are not within the scope of IFPR disclosures:
 - (a) executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives; and
 - (b) executive and non-executive directorships held within the same group or within an undertaking (including a non-financial sector entity) in which the firm holds a qualifying holding.
2. The FCA has granted a waiver which allows the firm to treat the directorships within collective investment undertakings to which the firm or its affiliates provide fund management or portfolio management services in the same way as directorships held within the same group as the firm. The number of directorships shown for Craig Dawson, Ryan Blute and Mangala Ananthanarayanan include directorships of a number of such collective investment undertakings.

2.4 Diversity

PIMCO has long leveraged the power of diverse perspectives in our investment process, and PEL shares that philosophy. We recognise that an inclusive culture that embraces diverse views drives our success as an organization. By giving our employees a space where they feel their contributions are included and valued, we are able to retain a diverse pool of top talent, leading to the best thinking and therefore best outcomes for our clients and business.

We continue to invest in recruiting, developing and retaining talent. We champion inclusion and diversity not only within our firm, but throughout the investment management industry. PIMCO has adapted a multi-faceted approach to promoting inclusion and diversity; including the launch of the PIMCO Women's Summit with over 1400 participants globally. We are advocates of advancing Inclusion and Diversity through research and have published thought leadership on incorporating I&D and behavioural science into the investment processes.

Within PIMCO, we believe leading with accountability is a key driver in promoting a more inclusive work environment. In 2022, a Managing Director Inclusion and Diversity Council was formed which is responsible for monitoring and reporting I&D progress to PIMCO's Executive Committee. The Council is supported by an I&D Ambassadors Board of sixteen employees; both of these bodies have representation from PIMCO Europe Ltd.

Creating a culture of connectivity and belonging, where all colleagues feel valued, respected and heard, is core to our mission and critical to our journey. In 2022 PIMCO launched the Inclusion Assessment, a detailed internal survey that provides an analytical baseline on the drivers of inclusion. Our Employee Resource Groups (ERGs) play a crucial role in facilitating employee engagement and connecting colleagues around the organisation; currently PEL has a number of ERGs including PIMCO Women, the Multi-Cultural Network, and PRIDE.

While PEL does not have numeric goals, we have been a signatory of the Women in Finance Charter since inception and support the efforts of the UK Government to promote gender balance at all levels within the financial services industry. Currently, nearly 40% of our employees in PIMCO Europe Ltd are women.

3. RISK MANAGEMENT (MIFIDPRU 8.2)

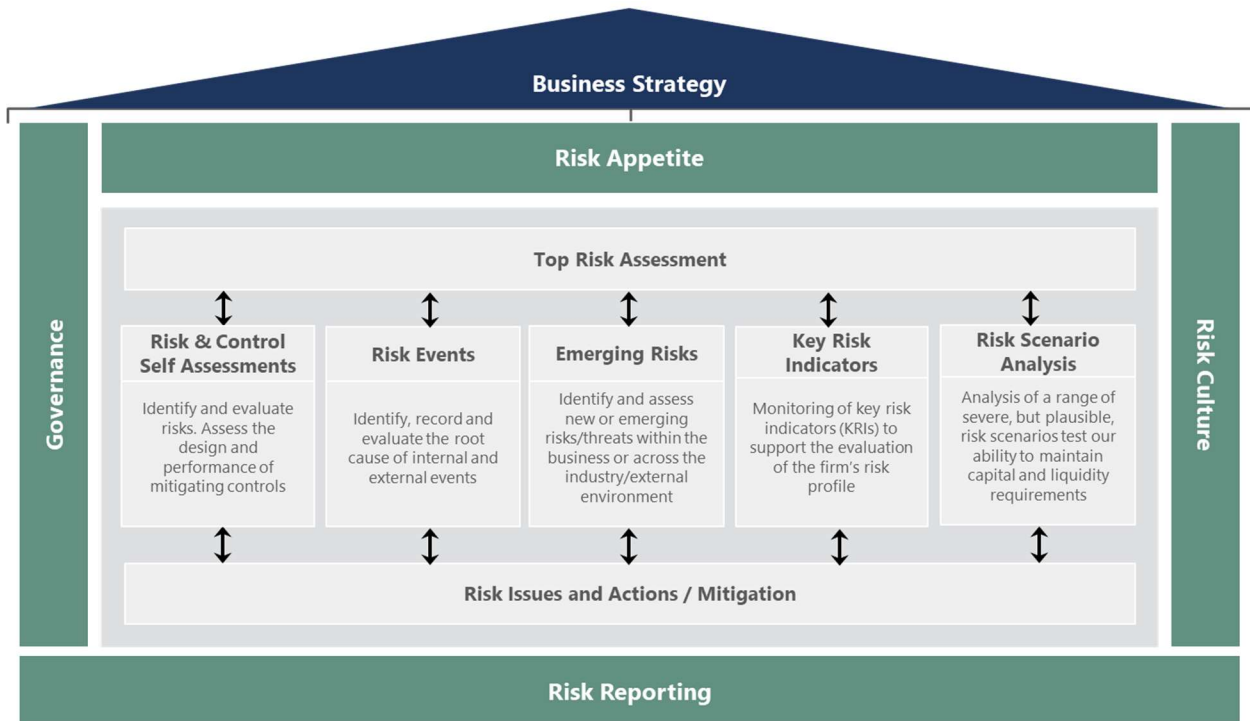
3.1 Three Lines of Defence Model

In order to provide independent assurance of risks and controls and to avoid a conflict of interest within individual roles the company has adopted the ‘three lines of defence’ risk management operating model.

- **1st Line of defence** – The business has day-to-day ownership and responsibility for the identification and management of risks and controls across the processes that they operate.
- **2nd line of defence** – Risk, Legal and Compliance functions are responsible for establishing and facilitating the operation of a risk and control framework across the company. These control functions advise and challenge the business around the management of their risks and monitor their compliance with key policies and regulatory requirements.
- **3rd line of defence** – Internal Audit is responsible for the independent verification of the design and operation of the controls established by the 1st and 2nd lines of defence.

3.2 Risk Management Framework

The company’s Enterprise Risk Management Framework is designed to enable the firm to protect the interests of its clients by managing all elements of risk on a forward-looking basis. The Framework outlines the firm's risk strategy and provides the best practice requirements for the day-to-day identification, monitoring and reporting of the risks specific to the business.



The Framework depicted above is comprised of the following key elements:

Risk Governance – Oversight of the firm’s risks and risk management activity through:

- Defining the firm’s risk taxonomy, risk appetite and monitoring the firm’s risk profile.
- Approval of the firm’s regulatory capital requirement and monitoring its capital and liquidity position.

- Establishing and monitoring compliance with capital and liquidity risk tolerance levels.
- Evaluation of the key risks to the firm’s strategy and the way it conducts its operations.
- Establishing risk related policies and procedures.

Risk Identification & Assessment – Forward looking evaluation of risks through:

- The periodic update of the company’s Top Risk Assessment and foundational risk and control self-assessments (RCSA).
- The identification and assessment of emerging risks within the business and across the industry.
- Analysis of a range of risk scenarios that test our resilience to severe events.
- A targeted program of risk assurance assessments.

Risk Measuring & Monitoring – Monitoring of risk trends and the quantification of potential risk exposures through:

- Recording risk events and the evaluation of trends.
- Identification of and quantification of risk scenarios.
- Use of Key Risk Indicators to support the monitoring of the firm’s risk profile.
- Monitoring the status and completion of agreed key risk mitigating actions.

Risk Culture – Emphasising a culture which:

- Recognises the importance of setting the right tone from the top.
- Stresses that risk management is the responsibility of each and every employee.
- Is supported by training and awareness programmes to ensure that all employees are aware of risk issues and understand the importance of good risk management practices.

3.2 Internal Capital Adequacy and Risk Assessment (ICARA)

The ICARA is the centrepiece of PEL’s risk management process. It considers how PEL identifies and manages the key risks and potential “harms” (risk outcomes) for PEL’s clients, the markets in which PEL operates and the firm itself, that may manifest through the course of ongoing business operations or from winding-down the business, and details PEL’s regulatory capital and liquidity resources and requirements in respect of the risks identified. The ICARA is produced annually, or more frequently following material changes to the business model or risk profile, and is subject to review and challenge through the governance framework including approval at the PEL Board.

PEL has a robust Risk Management Framework supporting management to identify and manage risks promptly and in accordance with the Board’s appetite for risk. The ICARA process provides assurance to management that the most material risks are understood and have been acted upon. The most material risks inherent from the business model that have the potential to cause harms to clients, markets or the firm itself, as well as those risks that are emerging / on the horizon, are identified and analysed via risk scenario analysis and stress-testing.

In the ICARA process, capital adequacy is assessed by reference to the highest of the following capital requirement calculations. The highest requirement becomes PEL’s Own Funds Threshold Requirement (OFTR). PEL’s own funds must remain above its OFTR at all times and PEL will submit a notification to the FCA if it falls below this level:

1. **Own Funds Requirement** – Further details of this capital requirement are in section 5. It is based on the higher of:
 - K-Factor Requirement
 - Fixed Overhead Requirement (FOR)
 - Permanent Minimum Capital Requirement (£75k)

2. **Ongoing Operations Requirement** – this is PEL’s own assessment of a range of severe risk scenarios that have the potential to cause harms to clients, the markets and the firm itself. In our analysis of the business model and risk outlook we group these harms under credit risk, market risk and operational risk.
3. **Wind-Down Based Requirement** – PEL carries out its own assessment of the wind-down capital required. This figure is compared against the FOR and the highest is used for the Own Funds Requirement.
4. **Any amount set by the FCA** – the FCA may provide firms with Individual Capital Guidance (ICG) following a Supervisory Review and Evaluation Process (SREP). For firms that had ICGs set prior to the implementation of IFPR, a transitional provision (TP10) was set until the FCA could perform a SREP or provide further guidance.

Additionally, the ICARA process requires an analysis of liquidity and to hold adequate own funds and liquid assets to maintain this at an adequate level at all times. Liquidity is calculated in the ICARA via:

1. **Liquid Assets Threshold Requirement (LATR)** – to ensure the firm can remain viable throughout the economic cycle, with the ability to address any potential harm from its ongoing activities; and
2. **Wind-Down** – to allow its business to wind-down in an orderly way.

3.4 Material Risks and Harms

The ICARA leverages the Risk Management Framework to inform senior management of the material risks and potential harms that drive the development of the capital adequacy assessment.

Risk	Risk Management Strategy, Process & Mitigation	Assessment of Risk through ICARA
<p>Operational risk - defined as the risk of reduction in earnings and/or value, through financial or reputational loss, from inadequate or failed internal processes and systems, or from people related or external events.</p>	<ul style="list-style-type: none"> • Operational risk, for the purpose of the ICARA capital adequacy assessment, includes the most material risks from the company’s Top Risk Assessment, and includes risk-types such as Execution & Delivery risk, Distribution risk, Product risk, People risk, Regulatory & Compliance risk, Business Disruption risk, Cyber & Information Security risk and Group risk. • The Company seeks to manage this risk through fostering a strong risk culture across the firm, supported by a clear risk governance structure and an Enterprise Risk Management Framework based on industry best practice. • Policies, procedures, standards and frameworks support the management of these risks. 	<ul style="list-style-type: none"> • The Ongoing Operations Requirement assesses a range of operational risk scenarios to quantify the impact of individual risks materializing at a point in time.
<p>Credit / counterparty risk - defined as the risk that unexpected losses may arise as a result of the firm’s counterparties failing to meet their obligations to pay.</p>	<ul style="list-style-type: none"> • Exposure to this risk where a client fails to pay investment management fees due, in respect of unsecured cash balances placed in bank deposits and from its exposure to intercompany receivable balances. • The firm’s clients are predominantly large, sophisticated institutional entities where the risk of default is generally low. • The impact of a client defaulting on investment management fees is mitigated by the high level of diversification across PIMCO’s client base. • Monitoring of cash levels and banks is carried out by the Finance Department. • Cash is placed with institutions that satisfy counterparty credit requirements and the creditworthiness of these institutions are monitored on a regular basis. • A portion of the company’s revenues are generated via an intercompany transfer pricing process with fees payable by PIMCO LLC to the firm being accrued on a monthly basis. If PIMCO LLC were unable to pay any or all of its intercompany balance then the loss incurred by the firm would directly impact its ability to distribute profits back to PIMCO LLC. As a result, the company’s undistributed profit mitigates the credit risk associated with the intercompany receivable balance. 	<ul style="list-style-type: none"> • Credit / counterparty risk is assessed through the Own Funds Requirement and the Ongoing Operations Requirement

<p>Market risk - defined as the current or prospective risk to earnings or value arising from adverse movements in equity and commodity prices, interest and/or foreign exchange rates.</p>	<ul style="list-style-type: none"> • The company's only source of market risk is foreign exchange (FX) risk. • The firm seeks to minimize FX exposure by minimizing the net balance of the currency of its payment obligations and the currency of its income receivables as far as possible to achieve a natural hedge. • The firm does not conduct any proprietary trading activities. 	<ul style="list-style-type: none"> • Market risk is assessed through the Own Funds Requirement and the Ongoing Operations Requirement.
<p>Liquidity risk - defined as the risk that the company is unable to meet its financial obligations as they fall due without adversely impacting its financial position, the normal course of its business or its reputation.</p>	<ul style="list-style-type: none"> • The policy is to always maintain sufficient liquid funds to meet the higher of our obligations, including any contingent liabilities and off-balance sheet liabilities, as they are forecast to fall due over the next three months, or as needed in the event of an orderly wind down, whichever is the greater. • Liquidity is monitored through the monthly financial preparation and reporting process which includes a forward-looking assessment of the liquidity position of the firm. • Cash balances and compliance with the Liquidity Policy is reported quarterly to the Audit Committee and the Board. 	<ul style="list-style-type: none"> • Liquidity risk is assessed in the ICARA via stress testing analysis to analyze the LATR, and also in the Wind-Down analysis.
<p>Strategic & Business risk - multi-year or permanent impairment of PEL's ability to provide returns on its capital or generate profits. Business risk is influenced by numerous internal and external factors, including investment performance, sales, fees, competition, reputation, and the overall economic and political climate.</p>	<ul style="list-style-type: none"> • This risk covers several sub-risk types and includes risks in pursuit of growth objectives and risks inherent in Investment Portfolio Management and ESG principles. • The Company seeks to manage this risk through fostering a strong risk culture across the firm, supported by a clear risk governance structure and an Enterprise Risk Management Framework based on industry best practice. • Policies, procedures, standards and frameworks support the management of these risks. 	<ul style="list-style-type: none"> • Strategic & Business risks are primarily assessed through scenario stress-testing and reverse stress-testing.

4. OWN FUNDS (MIFIDPRU 8.4)

The tables below show the own funds for PEL based on the audited financial statements for the year-end 31 December 2022. Tier 1 capital consists of share capital, share premium and retained earnings. Share capital comprises 495,035 ordinary shares of £1 each. PEL has no additional Tier 1, 2 or 3 items. The tables below relate to MIFIDPRU8_Annex1R and exclude row numbers not relevant to PEL.

Composition of regulatory own funds (as of December 31, 2022)			
		£ '000	Source based on reference of balance sheet
1	Own Funds	111,823	
2	Tier 1 Capital	111,823	
3	Common Equity Tier 1 Capital	169,250	Net assets / Total equity
4	Fully paid up capital instruments	495	Share capital
5	Share premium	43,021	Share premium
6	Retained earnings	125,734	Profit and loss account
11	Total Deductions from Common equity Tier 1	(57,427)	
19	Other capital elements, deductions and adjustments	(57,427)	Intangible assets, deferred tax assets included in Debtors: Amounts falling due after more than one year and any unverified profits as at 31 December 2022

Own funds ; reconciliation of regulatory own funds to balance sheet in the audited financial statements		Balance sheet as in audited financial statements	Cross-reference to template OFI
Assets		£ '000	
1	Intangible Assets	343	19
2	Tangible Assets	4,567	
3	Debtors: Amounts falling due after more than one year	35,549	19
4	Debtors: Amounts falling due within one year	144,541	
5	Cash at bank and in hand	77,132	
Total Assets		262,132	
Liabilities			
6	Creditors: amounts falling due within one year	41,626	
7	Creditors: amounts falling due after more than one year	49,000	
8	Provisions for liabilities	2,256	
Total Liabilities		92,882	
Net Assets		169,250	
Shareholders equity		£ '000	
9	Share capital	495	4
10	Share premium account	43,021	5
11	Profit and loss account	125,734	6
Total Equity		169,250	1,2,3

Own funds: main features of own instruments issued by the firm:

495,035 ordinary shares of £1.00 each, fully paid

5. OWN FUNDS REQUIREMENT (MIFIDPRU 8.5)

5.1 Calculation of Own Funds Requirement

In accordance with Chapter 4 of MIFIDPRU, PEL is at all times required to hold own funds in excess of the highest of:

- Permanent minimum capital requirement (PMR)
- K-factor Requirement (KFR)
- Fixed Overhead Requirement (FOR)

PEL complies with its applicable amount of PMR that equals to £75,000 as the firm does not have permission to hold client money or trade on own account. The PMR is a fixed, prescribed amount applicable to an investment firm based on its regulatory permissions to undertake specified regulated activities.

PEL's FOR as at 31 December 2022 was £70.9m. The FOR is calculated in accordance with MIFIDPRU 4.5 and is based on an amount equal to one quarter of the firm's relevant expenditure from its audited financial statements for the preceding year or its forecast relevant expenditure if it is projected to increase by 30% or more; or if there would be an increase of £2m or more in the firm's FOR based on projected relevant expenditure. The relevant expenditure is based on fixed costs, with variable costs being deducted from the total expenditure. The FOR as at 31 December 2022 was based upon 2021 audited expenditure.

MIFIDPRU 4.6 sets out the calculation methodology for determining the KFR. The KFR equals an aggregated sum that comprises the amounts of individually applicable K-factors. A firm's regulatory permissions to undertake regulated activities drive the application of individual K-factors. The two relevant K-factors applicable to PEL are K-AUM and K-COH, based on PEL's permission to manage client assets and act as delegated portfolio manager for other PIMCO entities.

5.2 Own Funds Requirement

The Own Funds Requirement (OFR) represents the higher of the PMR, KFR or FOR. The amounts are presented below:

31-Dec-2022	£'000
A) Permanent Minimum Capital Requirement	75
B) Fixed Overhead Requirement	70,884
C) K-Factors	28,384
Sum of K-AUM, K-CMH and K-ASA	25,383
Sum of K-COH and K-DTF	3,001
Sum of K-NPR, K-CMG, K-TCD and K-CON	0
Higher of A, B and C	70,884

5.3 Approach to Assessing the Adequacy of Own Funds

Please refer to section 3.3 to see the firm's approach to assessing the adequacy of its own funds.

6. REMUNERATION (MIFIDPRU 8.6)

6.1 Requirement

During 2022 the company continued to be subject to the FCA's BIPRU Remuneration Code at SYSC19C of the FCA's Handbook (the "RemCode"). The company's Remuneration Policy is designed to ensure that it complies with the RemCode and that compensation plans are consistent with and promote sound and effective risk management; do not encourage excessive risk taking; include measures to avoid conflicts of interest; and are in line with the firm's business strategy, objectives, values and long-term interests.

Proportionality – The company applies the RemCode on a proportionate basis in accordance with the FCA's General Guidance on Proportionality dated 1 July 2015 (the "Guidance"). In accordance with the Guidance, the company does not consider it appropriate to apply the rules relating to (i) retained shares and other instruments (SYSC 19C.3.4.47R); (ii) deferral (SYSC 19C.3.49R); (iii) performance adjustment (SYSC 19C.3.51R); or (iv) ratios (SYSC 19C.3.44R).

6.2 Application of the Requirements

The company is required to disclose certain information on at least an annual basis regarding:

- a. Decision making processes relating to the company's Remuneration Policy;
- b. The link between pay and performance; and
- c. Aggregate quantitative information on business area remuneration and Code Staff (see "Remuneration Disclosure" below).

6.2.1 Decision Making on Remuneration Policy

The PIMCO Group Compensation Committee governs PIMCO group wide remuneration strategy and ensures that the approaches adopted incentivize and reward strong performance, outstanding client service, effective risk management, contribution towards the firm's longer-term goals and conduct that places the needs and interests of clients first.

The Board has the responsibility for implementing remuneration strategy at local level. This task is delegated to the company's Compensation Committee, a formal sub-committee of the Board. The Chair of the company's Compensation Committee provides a formal report to the Board on a quarterly basis.

The remuneration policy of the company is proposed by the company's Compensation Committee and approved by the Board. The remuneration policy takes into account the overall PIMCO Group compensation strategy along with the requirements of the BIPRU RemCode. This ensures that the company's approach to compensation rewards strong performance and promotes a culture of compliance and effective risk management.

The company's Compensation Committee is advised by regulatory and legal advisers in the UK on compensation regulation matters.

6.2.2 Link Between Pay and Performance

Variable compensation is regarded as an important tool to create the right type of performance and risk culture at the company. In addition to a fixed salary, all employees participate in the company's variable compensation program with more senior employees and investment professionals receiving a higher proportion of their total compensation through a discretionary, performance-based variable payment. This payment is made annually, normally in December, and relates to the performance year from 1 October the previous year to 30 September of the current year. More senior employees

may also participate in the company's long-term incentive program (LTIP). Additionally, a carried interest plan has been approved for those employees that work in the alternatives group. Further details are outlined below.

PIMCO's variable compensation pool is agreed annually based on group-wide business performance. This pool is allocated among PIMCO's business units including PIMCO's EMEA region (which incorporates the company) through a collaborative process between firm management and local management which takes account of the company's business performance. Local management is then responsible for implementing a process to evaluate the variable compensation level for each individual employee. This is based on an individual assessment of the performance of each employee by their manager and takes into consideration the following factors:

- Local team performance;
- External market comparisons for similar roles at other firms;
- Individual performance relative to objectives; and
- Conduct or risk related issues that contravene the firm's policies, expectations and values.

Individual compensation recommendations are reviewed by the company's senior management, adjusted as necessary to reflect risk, compliance or conflict of interest related issues and submitted to the company's Compensation Committee for their review. Following this, the PIMCO Group Compensation Committee reviews the compensation recommendations of the company along with all other firm wide business units. Following this review, the recommendations are returned to the company's Compensation Committee for final review and approval.

More senior employees, whose total compensation is above a specific threshold, also participate in a mandatory LTIP. Through this program, a proportion of total compensation will be deferred for three years. The amount paid at the end of the three years is adjusted depending on the performance of the firm during that period (subject to a cap). It is only payable as long as the individual remains an employee.

PIMCO may offer the ability to award employees who provide services to Alternative Funds with a percentage ("points") of carried interest otherwise payable to PIMCO in the event that the applicable performance measurements are achieved. Carried interest is a share of any profits that the general partners of private equity funds receive as compensation. These awards are a form of deferred compensation as they are granted well before any actual cash is received and are contingent on long-term performance. They replace what would otherwise have been fully vested cash compensation and defer payment subject to forfeiture. The Carried Interest Compensation Plan is established and operated in accordance with the plan rules.

Overall, the company's approach to remuneration (and that of the wider PIMCO group) creates a merit-based culture of high performance that promotes effective risk management, provides a constant focus on client outcomes and discourages excessive risk taking and short-termism.

6.2.3 Remuneration Disclosure

The below tables disclose the aggregate quantitative information on remuneration, for staff whose actions have a material impact on the risk profile of the company.

Breakdown of remuneration of staff in respect of whom disclosure is required by business area (BIPRU 11.5.18(6))	
Business Area	Total Remuneration
Portfolio Management Staff	£36,054,854
Non Portfolio Management Staff	£33,569,265

Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the firm (BIPRU 11.5.18(7))		
Senior Management	Other members of staff	Total Remuneration
£63,438,173	£6,185,946	£69,624,119