PineBridge Investments Europe Limited

MIFIDPRU 8 Disclosure

Reporting Period: 1 January 2022 to 31 December 2022

Introduction

The Financial Conduct Authority ("FCA" or "regulator") in the Prudential sourcebook for MiFID Investment Firms in the FCA Handbook ("MIFIDPRU") sets out the detailed prudential requirements that apply to PineBridge Investments Europe Limited ("PBIEL" or the "Firm"). Chapter 8 of MIFIDPRU ("MIFIDPRU 8") sets out public disclosure rules and guidance with which the Firm must comply, further to those prudential requirements.

PBIEL is classified under MIFIDPRU as a non-small and non-interconnected MIFIDPRU investment firm ("Non-SNI MIFIDPRU Investment Firm"). As such, the Firm is required by MIFIDPRU 8 to disclose information on the following areas:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration policy and practices.

The purpose of these disclosures is to give stakeholders and market participants an insight into the Firm's culture and data on the Firm's own funds and own funds requirements allows potential investors to assess the Firm's financial strength.

This document has been prepared by PBIEL in accordance with the requirements of MIFIDPRU 8 and is verified by the Board of Directors. Unless otherwise stated, all figures are as at the Firm's 31 December financial year-end.

Risk Management Objectives and Policies

This section describes PBIEL's risk management objectives and policies for the categories of risk addressed by the requirements of the Firm in the following areas:

- Own funds.
- Concentration risk.
- Liquidity.

Business Strategy

PBIEL manages portfolios for a number of institutional clients (both funds and segregated accounts) and operates a number of European Collateralised Loan Obligations ("CLOs"), which are managed by PBIEL's Leveraged Loans team.

The Firm is a wholly owned subsidiary of PineBridge Investments US Holdings LLC. PineBridge is a group of companies owned by Pacific Century Group.

PBIEL primarily seeks to grow its revenues by growing the underlying asset base on which it charges a management fee. This is achieved by the prudent growth of the Firm's client's assets and by seeking additional asset inflows from prospective clients.

Costs are controlled carefully to ensure long-term profitability. The business seeks to make investments to expand its business and product lines and to continuously improve its control environment.

Given the Firm's business model, controls, and controls assessment, it is the conclusion of the Firm that its overall potential for harm is low.

Own Funds Requirement

PBIEL is required to maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the higher of the Firm's:

- **Permanent minimum capital requirement ("PMR")**: The level of own funds required to operate at all times. Based on the MiFID investment services and activities that the Firm currently has permission to undertake this is is set at £75,000;
- **Fixed overhead requirement ("FOR")**: The minimum amount of capital that PBIEL would need to have to absorb losses if the Firm has cause to wind down exit the market. This is equal to one quarter of the Firm's relevant expenditure; and
- **K-factor requirement ("KFR")**: The KFR is intended to calculate a minimum amount of capital that PBIEL would need for the ongoing operation of its business. The K-factors that apply to the Firm's business are K-AUM (calculated on the basis of the Firm's assets under management ("AUM")) and K-COH (calculated on the basis of the client orders handled by the Firm).

PBIEL's own funds requirement is currently set by its FOR, as this is the highest of the three metrics. The potential for harm associated with PBIEL's business strategy, based on the Firm's own funds requirement, is low. This is due to the Firm's relatively consistent revenues and asset base.

A method adopted by the Firm to manage the risk of breach of the Firm's own funds requirement is the maintenance of a healthy own funds surplus above the own funds requirement. In the event that the Firm's own funds drop to an amount equal to 110% of the Firm's own funds threshold requirement, the Firm will immediately notify its Board of directors, as well as the regulator. The Board of directors will consider the necessary steps required in order to increase the own funds buffer; this may include injecting more own funds into the Firm.

Concentration Risk

Whilst the firm does not have a trading book and the K-factor is not applicable to the Firm, the Firm performs an assessment of concentration risk as it relates to the firm, its clients and the markets it operates within. Areas that have been assessed include:

- assets (for example, trade debts) not recorded in a trading book
- off-balance sheet items
- the location of client assets and client money
- the location of its own cash deposits
- the sources of its earnings

The Firm has no off-balance sheet items. Senior Management and the RCC do not consider the risk to be material enough to allocate capital or liquidity against it.

The potential for harm associated with PBIEL's business strategy, based on the Firm's concentration risk, is low.

Liquidity

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due and to ensure that it has appropriate (liquid) resources in the event of a stress scenario.

The Firm's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Firm's reputation. The Firm has a liquid balance sheet and has sufficient headroom to meet its operational cash flow requirements. Liquidity risk is managed through 12 months forward cash flow forecasting to ensure the Firm is able to meet its obligations.

The potential for harm associated with PBIEL's business strategy, based on the Firm's basic liquid assets requirement, is low. As with regard to its own funds requirement, this is due to the relatively stable level of the Firm's revenues and asset base and maintenance of a healthy core liquid assets surplus above the basic liquid assets requirement.

Risk Management Structure

To comply with the regulations (MIFIDPRU 7.2A), the Firm has established and shall maintain a permanent Risk Management Function. The Risk Management Function is hierarchically and functionally independent from operating units of PineBridge Investments which allows for the independent performance of the risk management activities outlined below, having taken into account the nature, scale and complexity of its business and the mandates it manages. The independence of the Risk Management Function is evidenced by the fact that:

1. Persons engaged in the performance of the risk management function are not supervised by those responsible for the performance of the operating units, including the portfolio management function, of the Firm;

2. Persons engaged in the performance of the risk management function are not engaged in the performance of activities within the operating units, including the portfolio management function;

3. Persons engaged in the performance of the risk management function are compensated in accordance with the achievement of the objectives linked to that function, independently of the performance of the operating units, including the portfolio management function; and

4. The remuneration of senior officers in the risk management function is directly overseen by the remuneration committee.

The functional and hierarchical separation of the risk management function is ensured throughout the whole hierarchical structure of the Firm, up to its Board of Directors. It is reviewed by the Board of Directors and the supervisory function of PineBridge. The Firm's risk management function has the requisite authority and access to all relevant information necessary to fulfil its role.

Governance Arrangements

Overview

PBIEL believes that effective governance arrangements help the Firm to achieve its strategic objectives while also ensuring that the risks to the Firm, its stakeholders, and the wider market are identified, managed, and mitigated.

The Firm is governed by its Board of Directors, which is ultimately responsible for ensuring that risks are properly managed by the Firm and that appropriate resources are allocated by the Firm to the management of risks.

The Board meets at least quarterly (and generally once per calendar quarter) to oversee the general management and conduct of all aspects of the Firm's business. In addition to scheduled quarterly board meetings, ad hoc meetings may be held from time to time.

The Board is currently comprised of five professionals, which directors include senior members of HR, Executive, Operations and Finance teams. Key responsibilities include review and approval of the strategic business plan and the annual budget. In order to maintain their independence, there are no representatives from Legal, Risk and Compliance on the Board, although all three functions report to the Board.

The Firm's governance structure includes supporting committees that report to the Board. The supporting committees meet at various frequencies and at such other times at the discretion of the Chair. In conjunction with the supporting committees, senior managers lead the key Investment, Business Development and support teams. The majority of these senior managers are Managing Directors of PineBridge Investments Europe. Day-to-day decisions affecting the Firm's business are taken by the London-based senior management team.

The Management Body

PBIEL's management body is the Board of directors. The below table provides the number of external directorships (for profit entities) held by each member of the management body. It excludes directorships held in organisations which do not pursue predominantly commercial objectives (e.g. charitable organisations) and directorships of entities within the PineBridge Group.

		Number of Directorships Held	
Board Member	Position at PBIEL	Executive	Non-Executive
Michael Sweeney	Director	0	2
Michael Karpik	Director	0	0
Tracie Ahern	Director	0	3
Pam Reilly	Director	0	0
Kristen Smith	Director	0	0

Diversity of the Management Body

We believe that cultivating a diverse and inclusive corporate culture is central to delivering superior service to clients and maintaining our competitiveness in the industry. This is reflected in the composition of the Firm's board membership. In our view, a diverse workforce drives innovation, allows us to better serve our diverse client base, and helps foster cognitive diversity while avoiding "groupthink." Our overarching aim is to identify exceptional individuals who will add value to our strategy, client service, and culture, and who will bring new perspectives to our teams.

To this end, we continually seek to attract and retain a diverse pool of talent across the globe, with employees who can bring to the table a variety of perspectives and ideas. We aim to achieve diversity across race, gender, sexual orientation, age, disability, nationality, geographic origin, religion, culture, and any other dimension of diversity.

PineBridge is dedicated to promoting diversity, equity, and inclusion for employees at all stages, beginning with recruitment. With the aid of an augmented writing software, our job descriptions are written in gender-neutral and inclusive language to attract a diverse pool of candidates.

We follow a methodical and structured evaluation framework that targets inclusivity and avoidance of potential biases. Moreover, we implement best practices including diverse interview panels trained to conduct competency-based interviews and assess candidates utilizing objective criteria.

Human Resources conducts annual diversity reviews to objectively assess how we are tracking against our diversity metrics, including diversity at each job level and the pace of promotions.

Gender diversity has been a significant focus for PineBridge from its start, and we have achieved a higher percentage of women among our senior leaders and investment professionals versus the broader industry.

Risk Committee

The role of Risk and Capital Committee ("RCC") is to focus on all risks pertaining to PineBridge Investments Europe and to provide assurance to the Board and the wider PineBridge senior management that an effective risk management and internal control structure has been implemented, maintained and fully embedded in the business, and that capital is being held in line with the risk profile of the Firm and within applicable regulatory requirements. This is chaired by Anna Long, Operational Risk

Own Funds

As at 31 December 2022, PBIEL maintained own funds as follows:

Composition of Regulatory Own Funds		
Item	Amount (£ '000s)	Source based on reference numbers of the balance sheet in audited financial statements
OWN FUNDS	**45,769**	**Sum of other items**
TIER 1 CAPITAL	**45,769**	**Sum of other items**
COMMON EQUITY TIER 1 CAPITAL	**45,769**	**Sum of other items**
Fully paid up capital instruments	200	Note 13
Share premium	50,671	page 14
Retained earnings	(7,330)	page 14
Accumulated other comprehensive income		
Other reserves	2,228	page 14
Adjustments to CET1 due to prudential filters		
Other funds		
(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
CET1: Other capital elements, deducitons and adjustments		
ADDITIONAL TIER 1 CAPITAL	N/A	
TIER 2 CAPITAL	N/A	

Reconciliation of regulatory own funds to balance sheet in the audited financial statements			
	a	b	C
	Balance sheet as in audited & published financial statements (£ '000s)	Under regulatory scope of consolidation	Page reference in Audited Financial Statements
Assets - Breakdown by asset classes according to the balance sheet in audited financial statements			
Tangible assets	1,348		Page 14 for all figures in this table as labelled herein
Financial assets measured at fair value through profit and loss	61,335		
Debtors	43,662		
Short term deposits	44,062		
Cash at bank	10,278		
Total Assets	**160,685**		
Liabilities - Breakdown by liability classes according to the balance sheet in audited financial statements			
Creditors: amounts falling due within one year	69,901		
Creditors: amounts falling due after one year	45,015		
Total Liabilities	**114,916**		
Shareholders' equity			
Called up share capital	200		
Share premium account	50,671		
Capital redemption reserve	228		
Other reserves	2,000		
Retained Earnings	(7,330)		
Total Shareholders' equity	**45,769**		

Own Funds: Main features of own instruments issued by the firm

The Firm's own funds consists of common equity tier 1 capital. The main features of the own funds issued by the Firm are:

i. Called up share capital
ii. Share premium
iii. Capital redemption and other reserves

Own Funds Requirements

PBIEL is required to at all times maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the minimum requirement of capital the Firm is required to hold, taken as the higher of the PMR and FOR.

The below illustrates the core components of PBIEL's own funds requirements:

Requirement	£'000
(A) Permanent Minimum Capital Requirement ("PMR")	75
(B) Fixed Overhead Requirement ("FOR")	6,872
(C) K-Factor Requirements ("KFR")	2,310
- K-AUM – *Risk arising from managing and advising on investments*	2,252
- K-COH – *Risk arising from order execution and reception and transmission of orders*	58
(D) Own Funds Requirement (Max. A, B, C)	**6,872**

PBIEL is also required to comply with overall financial adequacy rule ("OFAR"). This is an obligation on PBIEL to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that:

- The Firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- The Firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Where PBIEL determines that the FOR is insufficient to mitigate the risk of a disorderly wind-down, the Firm must maintain 'additional own funds required for winding down', above the FOR, that are deemed necessary to mitigate the risks of a disorderly wind-down. Similarly, where the Firm determines that the KFR is insufficient to mitigate the risk of harm from ongoing operations, the Firm must maintain an amount of 'own funds required for ongoing operations', above the KFR, that is deemed sufficient to ensure the viability of the Firm throughout economic cycles.

The Firm's own funds threshold requirement is the higher of:

- The Firm's PMR;
- The sum of the Firm's FOR and its additional own funds required for winding down; and
- The sum of the Firm's KFR and its additional own funds required for ongoing operations.

This is the amount of own funds that PBIEL is required to maintain at any given time to comply with the OFAR.

To determine the Firm's own funds threshold requirement, PBIEL identifies and measures the risk of harm faced by the Firm and considers these risks in light of its ongoing operations and also from a wind-down planning perspective. The Firm then determines the degree to which systems and controls alone mitigate the risk of harm and the risk of a disorderly wind-down, and thereby deduces the appropriate amount of additional own funds required to cover the residual risk.

This process is documented and presented to, and ratified by, the Board on at least an annual basis.

Remuneration Policy and Practices

Overview

As a Non-SNI MIFIDPRU Investment Firm, PBIEL is subject to the basic and standard requirements of the MIFIDPRU Remuneration Code (as laid down in Chapter 19G of the Senior management arrangements, Systems and Controls sourcebook in the FCA Handbook ("SYSC")). The purpose of the remuneration requirements is to:

- Promote effective risk management in the long-term interests of the Firm and its clients;
- Ensure alignment between risk and individual reward;
- Support positive behaviours and healthy firm cultures; and
- Discourage behaviours that can lead to misconduct and poor customer outcomes.

The objective of PBIEL's remuneration policies and practices is to establish, implement and maintain a culture that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the Firm and the services that it provides to its clients.

In addition, PBIEL recognises that remuneration is a key component in how the Firm attracts, motivates, and retains quality staff and sustains consistently high levels of performance, productivity, and results. As such, the Firm's remuneration philosophy is also grounded in the belief that its people are the most important asset and provide its greatest competitive advantage.

PBIEL is committed to excellence, teamwork, ethical behaviour, and the pursuit of exceptional outcomes for its clients. From a remuneration perspective, this means that performance is determined through the assessment of various factors that relate to these values, and by making considered and informed decisions that reward effort, attitude, and results.

Characteristics of the Firm's Remuneration Policy and Practices

Remuneration at PBIEL is made up of fixed and variable components. The fixed component is set in line with market competitiveness at a level to attract and retain skilled staff. Variable remuneration is paid on a discretionary basis and takes into consideration the Firm's financial performance as well as the financial performance of each business unit, and the financial and non-financial performance of the individual in contributing to the Firm's success. All staff members are eligible to receive variable remuneration.

The decision making process is governed by the overall principle of providing a competitive remuneration package based on a combination of market rate, internal equity and other considerations that may apply. Employees are rewarded for their efforts and are encouraged to meet and improve individual and departmental goals and to remain with the organisation.

The compensation review processes are transparent. Decisions are logical, consistent and managers have the capacity to articulate a clear rationale for all compensation decisions, whilst being prepared to exercise sensible judgement. Salary review, bonus and other pay processes ensure that all pay and incentive awards are aligned to individual and Firm performance, in particular those which

- support the Firm's business strategy;
- do not encourage excessive risk taking;
- take account of any possible conflicts of interest; and
- are in line with the Firm's business strategy, objectives, value and long-term interests.

Remuneration plans in place are created by the New York Head Office with local adjustments made to ensure compliance with UK policies and regulations. These plans are reviewed annually and recommendations are assessed by the UK Remuneration Committee for compliance with the Code.

The Firm has a Bonus Incentive Plan which rewards individuals in relation to their efforts in meeting and exceeding individual, team and Firm goals relative to the Firm performance. All employees (including Certified Staff), with the exception of those employees who are participants of the Sales Production Incentive Plan or other incentive plans, are eligible to participate in the Bonus Incentive Plan. Discretionary annual bonus payments take into account individual and organizational performance in addition to behavioral aspects (such as compliance with PineBridge's rules and governance procedures). Individual performance is assessed in light of the long term goals of the business.

The remuneration of certain employees and offices is linked to the performance of the portfolio assets for which they are responsible. Remuneration is assessed on an individual basis against the longer term performance of the fund (e.g. 1-3 years' performance) that each team manages.

The Firm has in place a deferral mechanism for bonus payments which exceed certain thresholds. The sum deferred is based on the size of the award. The deferral calculation is progressive in nature with increasingly higher deferral percentages applied to bonus amounts above set thresholds. Deferral payments vest over a three year period.

A selective number of high performing employees are eligible to participate in the Long-Term Incentive Plan. Participants are awarded Performance Units with a monetary value vesting after 3 years. The Plan has been designed to motivate and encourage employees to remain with the firm long term. Protections are in place to ensure that payments are not made in the event of failure in either individual or Firm performance. Participation in the Plan is determined by the Executive Committee.

Employees who are employed within a Sales role are eligible to participate in the Sales Production Incentive Plan. The Plan is discretionary and subject to new revenue generated and other business development initiatives provided by the salesperson. Payments are calculated and paid quarterly.

Carried Interest Plans are in place for selected employees within the Alternative Investment teams. These plans align employee interests with the funds' client interest. Vesting schedules, hurdle return rates, claw backs and escrows are in place to ensure employees are not advantaged over fund clients, and for employee retention.

Certain eligible employees have also participated in the PineBridge Equity Plan, which is no longer active. However relevant employees continue to hold equity.

Specific remuneration guidelines are in place for those members of senior management and other personnel who are considered to be Code Staff. PineBridge has assessed its Code Staff as Board Directors and Senior Managers with significant portfolio discretion, which includes Fund Managers and Traders. This also includes those responsible for managing a Significant Function (Legal, Compliance, HR and Finance).

Guaranteed payments are made on an exception only basis and are limited to the extent Human Resources has confirmed that it is reasonably satisfied that the payment is not more generous in amount or terms than the variable remuneration offered or awarded by the previous employer, and the payment is subject to appropriate performance adjustments. This restriction does not apply to individuals who have total annual remuneration of no more than £500,000 and variable compensation of no more than 33% of total remuneration.

Of the 40 identified Certified Staff under the Senior Manager's Regime for PBIEL, 13 are defined as Material Risk Takers under the Remuneration Code. This includes employees who have been Code staff for any part of the year.

Aggregate quantitative information on remuneration, broken down by business area, is provided in the Annual Audited Accounts.

Governance and Oversight

The firm has a Remuneration Committee which operates in accordance with relevant FCA Rules and Guidance.

The Board and its delegate, the Remuneration Committee, have responsibility for assessing whether all proposed compensation payments are in line with the FCA Remuneration guidelines and in ensuring the Firm's remuneration principles do not: (i) have an undue impact on the risk profile of the Firm; (ii) give rise to unmanaged conflicts of interest. The Remuneration Committee has been tasked with ensuring compliance with all relevant aspects of the Remuneration Code.

Where any changes to compensation levels are proposed, PineBridge's Human Resources team will provide the Remuneration Committee with data and analysis confirming that a review of the proposals has been conducted and to ensure consistency is applied. The Human Resources team will also ensure that any compensation awards made adhere to the FCA principles. The review will take account of the views of the Firm's control functions (Compliance, Risk etc).

Material Risk Takers

PBIEL is required to identify its material risk takers - those members of staff whose professional activities have a material impact on the risk profile of the Firm (and of the assets that the Firm manages). The types of staff that have been identified as material risk takers at PBIEL are:

- Members of the management body in its management function;
- Members of the senior management team;
- Those with managerial responsibility for a client-facing or client-dealing business unit of the Firm;
- Those with managerial responsibilities for the activities of a control function[1];
- Those with managerial responsibilities for the prevention of money laundering and terrorist financing;
- Those that are responsible for managing a material risk within the Firm;
- Those that are responsible for managing information technology, information security, and/or outsourcing arrangements of critical or important functions; and
- Those with authority to take decisions approving or vetoing the introduction of new products.

Quantitative Remuneration Disclosure

The below table quantifies the remuneration paid to staff in the financial year 1 January 2022 to 31 December 2022. For these purposes, 'staff' is defined broadly, and includes, for example, employees of the Firm itself, employees of other entities in the group, employees of joint service companies, and secondees:

Period: 2022				
		Senior Management	Other Material Risk Takers	Other Staff
Total Number of Material Risk Takers		5	10	[redacted]

1 A control function is defined as a function (including, but not limited to, a risk management function, compliance function and internal audit function) that is independent from the business units it controls and that is responsible for providing an objective assessment of the Firm's risks, and for reviewing and reporting on those risks.

Remuneration Awarded	Fixed (£)	909,999	1,677,400	
	Variable (£)	1,862,816	4,078,238	
	Total (£)	2,772,816	5,755,638	
Guaranteed Variable Remuneration	Amount (£)	0	0	
	# Staff Awarded	0	0	
Severance Payments	Amount (£)	251,715	130,324	
	# Staff Awarded	1	2	
Highest Severance Payment Awarded to an Individual (£)		251,715		