PineBridge® INVESTMENTS

PineBridge Investments Europe Limited ("PBIEL") Pillar 3 Disclosures

Background - The Capital Requirements Directive and Pillar 3

The Capital Requirements Directive ("the Directive") is a revised regulatory capital framework across Europe governing the amount and nature of capital that credit institutions and investment firms must maintain. In the United Kingdom ("UK"), the Directive has been implemented by the Financial Conduct Authority ("FCA").

The framework consists of three pillars:

1. Pillar 1 is the minimum capital requirements (own funds requirement) and calculated as the greater of;
   The sum of the credit and market risk requirements; and
   The fixed overhead requirement (FOR).

2. Pillar 2, requires firms and their supervisors to consider whether additional capital should be held to cover risks not covered by the Pillar 1 requirements. In the UK, this is implemented through the Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by the firm and through the subsequent Supervisory Review and Evaluation Process ("SREP") undertaken by the FCA.

3. Pillar 3 seeks to improve market discipline by requiring firms to publicly disclose certain information on their risks, capital and risk management arrangements. The Pillar 3 disclosure requirements are contained in Articles 431 – 455 of the Capital Requirements Regulation ("CRR").

The Pillar 3 requirements were originally implemented in the UK by the Financial Services Authority ('FSA') by replicating the Directive's articles and annexes in the FSA Handbook of Rules and Guidance, creating Chapter 11 Disclosure (Pillar 3) of the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU").

In January 2014 the fourth iteration of the Directive came into effect in the form of the recast Capital Requirements Directive ("CRD IV") and a new Capital Requirements Regulation ("CRR"). Pillar 3 was further implemented via a new Prudential Sourcebook for Investment Firms ("IFPRU") designed to sit alongside the existing BIPRU Sourcebook. Additionally, CRR Part Eight (Disclosure by Institutions) – Articles 431-455 continues to apply to firms governed by CRD IV/CRR.

Disclosure is not expected to be made if the information is deemed immaterial such that its omission or misstatement would be unlikely to change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. Furthermore, disclosure is not expected to be made if the information is regarded as proprietary or confidential. From PBIEL's perspective, proprietary information is that which, if it were shared, would undermine PBIEL's competitive position, where such proprietary information may include information on products or systems which, if shared with competitors, would render a firm's investments therein less valuable. Information is considered to be confidential where there are obligations binding PBIEL to confidentiality with its clients, service providers and counterparties.

Disclosures are required to be made on at least an annual basis and, if appropriate, more frequently (such as material updates to PBIEL's internal capital adequacy assessments). Given its size and complexity, PBIEL assesses that this annual publication should meet its disclosure requirements.

This document is designed to meet the Pillar 3 obligations of PineBridge Investments Europe Limited ("PBIEL") laid down in IFPRU.

1. Firm Profile | PineBridge Investments Europe Limited

PBIEL (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 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. PBIEL is categorised by the FCA as an IFPRU 50K Limited License Firm for capital purposes. PBIEL is not a member of a group for prudential purposes and is therefore not required to prepare consolidated reporting or to make disclosures in relation to any other entities. PBIEL is not a "significant IFPRU firm" pursuant to the definition provided at IFPRU 1.2.3 [R].

The disclosures included herein describe PBIEL's overall risk management arrangements and its approach to assessing its capital and liquidity adequacy.

2. Risk Management Framework

PBIEL accepts that the taking of risk is an inherent part of managing its business activity. PBIEL's risk management objectives and policies are supported by a robust governance structure/arrangements and considers that its risk management framework is appropriate to the size, nature and complexity of its business.

The Board

The Board is responsible for PBIEL's system of internal control and for reviewing its effectiveness. Such a system can provide only reasonable and not absolute assurance against material financial misstatement or loss and is designed to mitigate, not eliminate risk.

The Board sets PBIEL's overall risk appetite and tolerance limits and is responsible for establishing and maintaining PBIEL's governance arrangements within which the risk management framework is managed. However, it is the business areas which determine what this means and how to manage their risks within that framework.

Risk and Capital Committee

The Board has established the Risk and Capital Committee (RCC) with the remit to identify, assess and manage risk. The RCC meets at least 4 times a year and its Terms of Reference include its responsibility to "provide assurance to the Board and the wider senior management that an effective risk management and internal control structure is implemented / maintained and fully embedded in the business and that capital is being held in line with the risk profile of the firm and is in compliance with regulatory requirements".

The Firm has an ongoing process to identify the risks it is exposed to. For each material risk identified, the risk control self assessment catalogues and quantifies the probable impact on the Firm's capital. Residual risk to capital (expressed as Low, Medium or High) has then been estimated. In addition, attention has been given to ensuring that such risks are controlled.

The Firm does not currently use an economic capital model and therefore relies on detailed stress testing scenarios to assess the adequacy of its available capital. Such stress testing has been performed in conjunction with this analysis of our risk profile.

The Firm has assessed the adequacy of capital and liquidity resources based on all identified risks to which it is exposed to in the course of its Internal Capital Adequacy Assessment Process (ICAAP). The risk review includes an assessment of risks and the controls in place to mitigate such risks and takes account of the operating environment from the ongoing pandemic.

Group Risk Committee

PineBridge has established a Global Risk Committee ("GRC"), which reports into the Group Board of Directors. The GRC and the group risk function work alongside the RCC.

3. Risk management systems and techniques

Risk Assessment and Identification

Change within the business and the external environment is a key driver of risk. Change may impact the potential occurrence or magnitude of events relating to existing risks or may result in new or emerging risks. Different approaches may be used for the assessment of risk depending on the type of risk faced and the evidence available to assess it. These approaches include qualitative and quantitative assessments.

Risk Mitigation

Like any Asset Management business, the Firm is exposed to a range of risks. These risks, if not managed properly, increase the possibility of the Firm not being able to meet its objectives.

There are a variety of techniques that are used to manage and mitigate risks, which may be used in isolation or in combination depending on the nature of the risk. These techniques include use of controls, outsourcing, contingency planning, insurance and capital allocation.

Risk Monitoring and Reporting

Monitoring and communication are key to an effective risk management framework. The group risk function undertakes independent review and oversight work. Significant risk matters are reported through the management chain and ultimately to the Global Risk Committee and the Group Board of Directors.

4. Material Risks Identified

4.1 Operational Risk

The Firm defines Operational Risk as the risk of losses resulting from inadequate or failed internal processes and IT systems, employee errors, or from external events. Some of the key operational risks identified are explored below in more detail. The Firm seeks to minimize operational risk via internal controls.

All new business processes are subject to review in order to identify a suitable suite of operational controls to mitigate identifiable risks.

Outsourcing Risk

The Firm has a number of outsourcing arrangements which form an important part of its operational set up. The Firm undertakes appropriate due diligence both before committing to outsourcing arrangements and before their commencement. The Firm monitors ongoing arrangements via a series of Key Performance Indicators.

Business Continuity

This is the responsibility of the Senior Management with the assistance IT Infrastructure team Key aspects of the policy include:

- Provision of a guide to all members of staff;
- Regular testing of a high-speed, outbound notification system to all members of staff; and
- Desk top testing of disaster scenarios.

The Business Continuity Plan ("BCP") covers probable disaster scenarios, policies for addressing these, continuity management call tree, recovery actions and key contacts and responsibilities.

Technology and System Risk

Systems risk is considered in the overall business continuity plans and is actively managed by the Firm's Information Technology team. All systems data is backed-up daily. Contingency plans have been developed to ensure back-up network availability and in the event of software supplier liquidation, there are software maintenance contracts for all key applications as well as applicable Service Level Agreements for the core systems. Downtime for systems has historically been low but the Firm would accept non-availability of software as potential grounds for invoking the BCP.

Human Resources Risk - People and Culture

Retaining the investment professionals who are responsible for the management of client portfolios on a day-to-day basis and staff who support high impact functions of the Firm is a priority of the Board.

To mitigate the Human Resources risks, the Firm has competitive remuneration plans, with appropriate deferred benefits, targeted at key employees. Clear objectives are set for employees and the Firm measures success in the annual review process. This allows the Firm to identify employee development initiatives which can be motivational and increase the likelihood of retention of key staff and minimize staff turnover.

Regulatory, Legal and Compliance Risks

The Board is focused on ensuring that a robust regulatory control framework continues to be developed and deployed in order to reduce the risk of regulatory breaches.

4.2 Credit Risk

The exposure to the possibility of financial loss due to a counterparty failing to meet contractual payments.

The Firms' credit risk exposure mainly arises from its holdings in financial instruments including investments in CLO tranches, cash and cash equivalents and other receivables. Exposures to credit risk and concentrations of credit risk are managed by setting exposure limits for different types of financial instruments and counterparties.

The Firm manages credit risk with regards to uncollectible receivables by recording an allowance for doubtful accounts which reflects management's best estimate of probable losses. The Firm has no history of bad debts.

Finance team performs monitoring of exposures against limits and are responsible for the escalation of any limit breaches to the RCC, GRC and senior management.

4.3 Market Risk

Market risk is the risk that changes or fluctuations in asset markets (including debt, equity, commodity, foreign exchange, real estate) and market factors such as interest rates may cause assets under management ("AUM"), revenue, and value of balance-sheet investments to decline. Since the Firm holds no trading book positions on its balance sheet, the main market risk it potentially faces relates to fluctuations in the value of its revenues, cash balances and vendor payments due to movements in currency rates, since it conducts certain transactions that are denominated in a currency other than its functional currency.

The Firm does hold on its balance sheet interests in some of the CLO securities managed by the Group's Leveraged Loans team. This gives the Firm direct market risk exposure.

When considering market risk, the Firm has adopted Standardized approach and set aside 8% of all foreign currency denominated balances as a capital. With regards to investments in the CLO tranches, the Firm follows the Securitzation rules as prescribed by the EBA and calculates value at risk before deducting that directly from the tier 1 capital.

4.4 Strategic Risk

Strategic Risks are failures to make right strategic decisions to achieve the business objectives due to not being able to understand and respond to critical factors (such as marketplace and macroeconomic conditions) and changing investor needs or preferences.

The key risks include the loss of clients due to poor investment performance or lack of products that meet clients' need, and a significant fall in revenue due to increasing competitive pressures.

Various scenarios are discussed to assess the impact of adverse economic conditions on the Firm's financial position.

4.5 Liquidity Risk

Liquidity Risk is the risk that the Firm may be unable to meet its financial obligations as they fall due. The Firm maintains robust processes designed to ensure sufficient surplus cash to meet its working capital requirements and other regular obligations.

The Firm is subject to the Wind-down Analysis and is not required to calculate a capital charge in respect of operational risk.

5. Regulatory Capital

Capital resources as at 31 December 2020 total £46.3m comprised as follows:

Tier 1 Capital comprising Ordinary Share Capital of £0.2m, Share Premium of £50.7m, Capital Redemption reserve of £0.23m, Other distributable reserve of £2m, Retained Profit & Loss Reserves of £-6.7m.

In accordance with IFPRU 2.2.1 (R), the Firm's capital requirement is the higher of its Pillar 1 or Pillar 2 requirements. The higher amount is the Pillar 2 for 2020 and has been calculated as being £8.8m.

6. Compliance with IFPRU & Pillar 2

As part of the Firm's ICAAP, the firm outlines its approach to assessing the adequacy of its capital in an accompanying document. The Firm's ICAAP involves separate consideration of risks to its capital combined with stress testing using extreme but plausible scenarios. .. The level of capital required to cover risks is a function of impact and probability. We assess impact by modeling the changes in our income and expenses caused by various potential risks over a 4-year time horizon.

In addition, we have reviewed the output of our detailed risk register which includes a quantification of the risks from the heads of the Firm's business functions. This has identified business risks which we have classified against the risk categories contained in IFPRU 2.2 (Internal Capital Adequacy assessment process) of the FCA Handbook.

7. Remuneration

Inherent within the FCA's Remuneration Code (the "Code") is the concept of proportionality, which allows some of the requirements of the Code to apply to different categories of firm in different ways or be disapplied. The Firm is authorised and regulated by the FCA and is subject to the FCA Remuneration Code in its capacity as a limited licence IFPRU 50K firm.

The firm does not hold client money or assets and does not deal as principal in transactions. As such, the firm falls within the FCA's third (and lowest) proportionality tier. This allows PineBridge to disapply Code requirements relating to:

- Establishment of a Remuneration Committee in the full form envisaged by the Code;
- Setting appropriate ratios between the fixed and variable components of remuneration;
- Payment of a proportion of variable remuneration in retained shares or other instruments;
- Deferral; and
- Performance adjustment of variable remuneration.

The Firm is also permitted to take into account the specific features of its business when applying requirements to:

- Ensure performance assessment is set in a multi-year framework; and
- Incorporate ex-ante risk adjustment into the calculation of variable remuneration (or pools of variable remuneration).

Remuneration Committee

The firm has a Remuneration Committee which operates in accordance with the FCA Rules and Guidance for Tier 3 firms.

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).

Decision Making Process

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.

Link between Pay and Performance

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 Code 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.

Remuneration of Code Staff

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 Control 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.

11 Remuneration Code Staff have been identified in total for this performance year. 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.