PGIM LIMITED

MIFIDPRU 8 DISCLOSURE

Published: September 2023

Data as at: 31 December 2022 (unless stated otherwise)

Contents

1 MIFIDPRU Disclosure

The Investment Firm Prudential Regime ("**IFPR**") is the Financial Conduct Authority's ("**FCA**") prudential regime for MiFID investment firms. As an FCA regulated Firm, PGIM Limited ("**PGIML**" or the "**Firm**") is subject to IFPR and the corresponding prudential standards set out under the FCA's Prudential Sourcebook for MiFID Investment Firms ("**MIFIDPRU**"). PGIML is classified as a "large Non-SNI MIFIDPRU investment firm" and this disclosure is made in accordance with the requirements under MIFIDPRU 8.

The MIFIDPRU 8 disclosure aims to install market discipline on investment firms that come under IFPR by requiring disclosure of information to key stakeholders and counterparties. The disclosure seeks to describe the Firms' own funds (financial strength), behaviour (investment policy) and culture (risk management, governance and remuneration).

This disclosure is required to be made by PGIML at least annually, and all information contained is as of December 31st, 2022 (unless stated otherwise), which represents the date of PGIML's most recent financial accounting year-end. This disclosure will be published more frequently than annually should any significant change to the relevant characteristics of the business require more frequent disclosure.

This disclosure is published on PGIM's website (https://www.pgim.com/terms-use/uk-regulatory-disclosures), in the section titled 'UK Regulatory Disclosures'.

The information set out in this disclosure is not subject to audit and should not be relied upon in making financial decisions.

The minimum capital requirements for PGIML as at 31 December 2022 have been prepared in accordance with the MIFIDPRU rules within the FCA's Handbook. PGIML has sufficient capital and liquidity resources in relation to its regulatory capital and liquidity requirements.

2 PGIM

PGIM ("**PGIM**") is the global asset management business of Prudential Financial, Inc.*, ("**PFI**"), a publicly-listed company (NYSE Ticker: PRU) headquartered in the State of New Jersey, U.S.A. PGIM is headquartered in Newark, New Jersey, U.S.A. and operates in the United States through PGIM, Inc. ("**PGIM, Inc.**"), a registered investment adviser with the United States' Securities and Exchange Commission ("**SEC**"). PGIM provides investment management and advisory services to institutional investors across public and private markets through its various global affiliates and businesses.

PGIML is a UK based company and forms part of PGIM's UK and EU operations. PGIML is a 100% wholly owned direct subsidiary of PGIM Financial Limited ("**PFL**"), a UK based holding company which owns a range of regulated and unregulated subsidiaries located in the UK and the EU (together the "**PGIM UK/EU Group**).

PGIML is authorised and regulated by the FCA and is also registered with the SEC as an investment adviser. PGIML has a branch in Milan, Italy and a representative office in Zurich, Switzerland.

The PGIM UK/EU Group comprises the holding company, PFL, its four 100% wholly owned FCA authorised and regulated entities PGIML, PGIM Real Estate (UK) Limited ("**PGIMREL**"), PGIM Private Capital Limited ("**PPC**") and, PGIM Wadhwani LLP ("**PGIMW**")) (together the "**PGIM UK Group**") and a number of other 100% wholly owned EU regulated and unregulated subsidiaries.

** Prudential Financial, Inc. of the United States is not affiliated in any manner with Prudential plc, incorporated in the United Kingdom or with Prudential Assurance Company, a subsidiary of M&G plc, incorporated in the United Kingdom.*

2.1 PGIML’s Business Activities

PGIML has two primary business divisions: (i) PGIM Fixed Income; and (ii) PGIM Investments.

PGIM Fixed Income’s principal business is the provision of fixed income portfolio investment management services for professional and institutional clients including pension funds, insurance companies, sovereign wealth funds and other large professional accounts. PGIM Fixed Income also acts as sponsor and manager for a number of CLO (collateralized loan obligation) vehicles. PGIM Fixed Income is a global fixed income manager offering a range of active fixed income strategies and products, including broad market, sector specific and alternative fixed income strategies..

PGIM Investments’ primary service is the offering to intermediaries of the affiliated PGIM investment management capabilities and the distribution of PGIM funds including PGIM Funds plc, an Irish-domiciled UCITS fund.

3 Risk Management – Objectives and Policies

3.1 MIFIDPRU 8.2.1 Disclosure Requirements

In accordance with MIFIDPRU 8.2.1, PGIML is required to disclose its risk management objectives and policies for the categories of risk addressed by:

(1) MIFIDPRU 4 (Own funds requirements);

(2) MIFIDPRU 5 (Concentration risk); and

(3) MIFIDPRU 6 (Liquidity)

3.2 Statement of the PGIML Board of Directors – The Approach to Risk Management

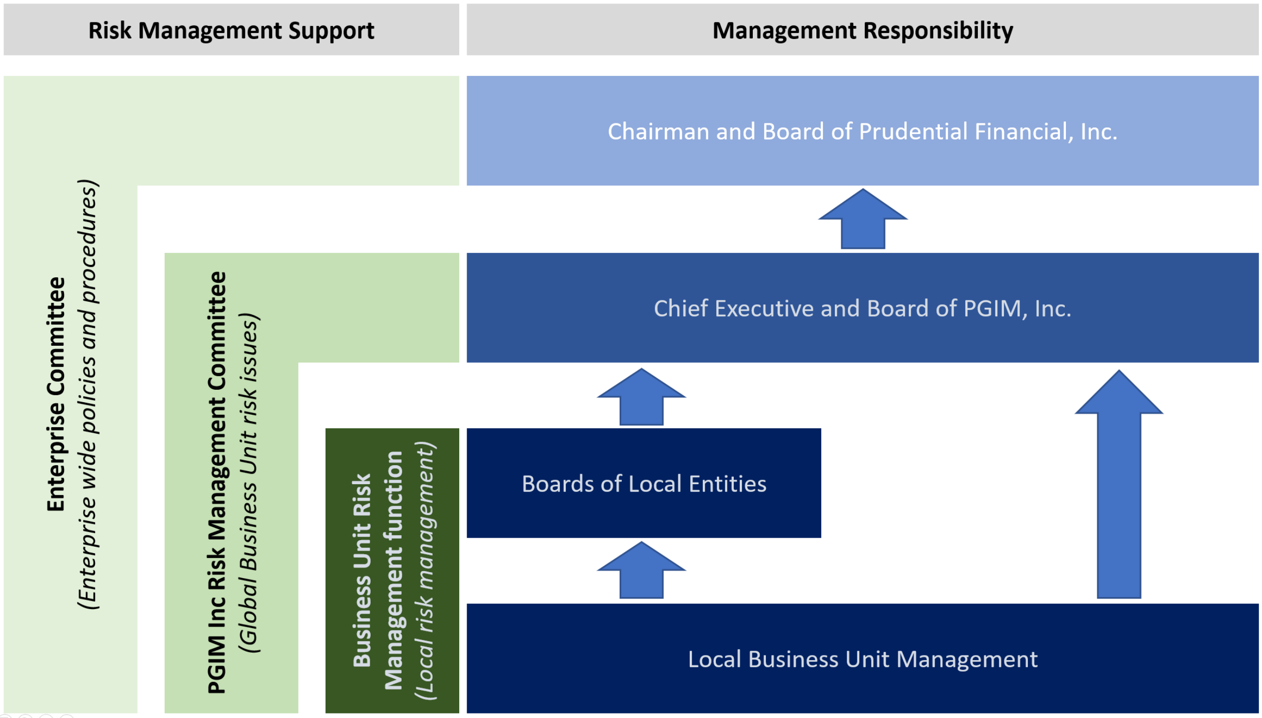
In accordance with MIFIDPRU 8.2.2 (1), the following statement has been approved by PGIML's board of directors (the "**Board**").

The directors of PGIML (the "**Directors**") regularly assess the Firm's risk strategy from both a commercial and risk of harm perspective to provide reasonable assurance that the long term consequences of any strategic decision are understood and taken into account. PGIML's Risk Committee oversees the effective risk management of the Firm and reviews and monitors risk strategy, risk appetite, the risk management framework and risk policies each of which is ultimately recommended by the Risk Committee for approval by the Board of PGIML. This process is further enhanced by the ICARA Committee (the **"IC"**) who ensure that adequate capital and liquid assets are maintained to mitigate ongoing business risk or perform an orderly wind down of the Firm.

PGIM UK/EU Group has governance and internal control arrangements in place to manage risks across the business. The risk management framework is central to the Firm's internal capital and risk assessment ("**ICARA**") process. The ICARA, which has been adopted by PGIML, sets out the ongoing risk and harm assessments of PFL and the PGIM UK/EU Group and how it intends to mitigate those risks and harms, such as 'Fraud' and 'Regulatory Compliance', and how much capital and liquid assets are necessary, having considered those risks and the mitigating factors (see section 3.7 for more detail on the ICARA process).

3.3 Risk Management Structure and Operations

The Firm follows PGIM's risk management structure and approaches the oversight of risk management ("**Risk Management**") based on a three-tier hierarchy. At the highest level, the PGIM UK/EU Group is subject to the principles and policies of PFI. These govern the detailed operational controls for support functions (such as operations, finance and human resources) as well as the general framework within which specific business unit (each a "**Business Unit**") risks are managed.



It is PFI's policy that the Business Unit managers of the relevant entities are ultimately responsible for control and risk management in their respective Business Units and must take ownership of the control framework they have in place. In this context, the Business Unit CEO's and/or management committees within PGIM are each responsible for the risk management of their global operations.

The second level is PGIM's functional heads who have PGIM-wide and Business Unit oversight of their respective platforms. In the context of Risk Management policies and procedures, the PGIM Business Units are subject to the PFI's policies and procedures as well as any additional oversight put in place by the PGIM Risk Management functional head, the PGIM Chief Risk Officer (the "**PGIM CRO**").

The third level is the PGIM Business Unit. Business Risk Officers (the "**BROs**") have oversight of operational risk for their respective Business Unit and risk team. In the context of Risk Management policies and procedures, the BROs can implement additional oversight that is aligned with the first and second level of oversight, as well as work with the PGIM CRO to consider deviations from that oversight to fit their business needs.

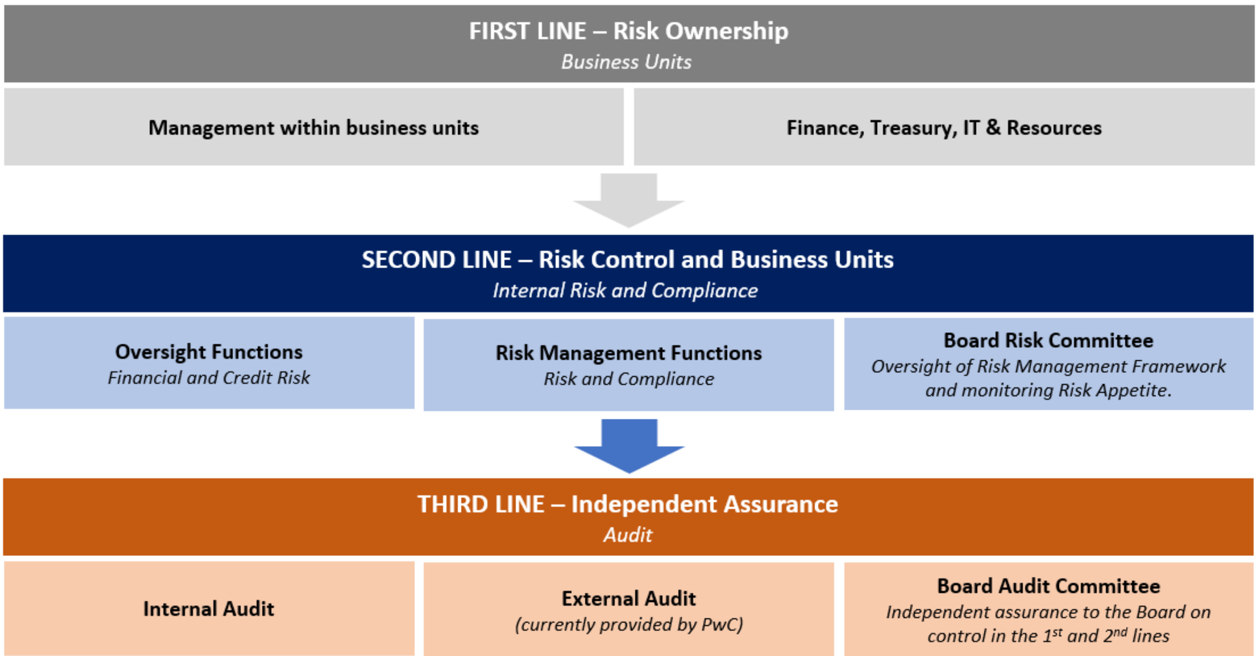
3.4 Risk Management Framework and Policies

The Risk Management framework focuses on:

1. The governance structure;
2. The policies and control documents providing the control framework that is relied upon to escalate and mitigate risks; and
3. The risk processes that flow from the control documents that are themselves the checks and balances to monitor a compliant and risk aware business.

PGIM Risk Management facilitates a holistic view of risks across the organisation, seeking to ensure that significant risks and issues for PGIM are bought to the attention of senior management and that appropriate governance forums operate effectively.

The risk management framework for PGIML is based on a "Three Lines of Defence" model and is summarised below:



The **first line of defence** is management within the Business Units, which through the implementation of the risk framework is responsible for the identification, assessment and management of risk.

The **second line of defence** is comprised of risk and compliance functions embedded within each Business Unit. These functions are accountable for challenging and guiding the units in managing risk exposures. These functions are represented by the various risk teams which then feed to the appropriate Business Unit committees. PGIM Risk Management (also referred to as Centre Risk Management within PGIM) also provides additional independent risk advisory and oversight within the second line.

The **third line of defence** provides independent assurance to the PGIML Board via the external audit and internal audit functions regarding the adequacy and effectiveness of systems and controls in the first and second lines in identifying and managing risk.

3.5 Strategy and Risk Appetite

PGIM's business strategy is adopted by PGIML and the PGIM UK/EU Group. The ICARA process sets a risk appetite on the amount of risk the PGIM UK/EU Group is willing to tolerate in the achievement of its business and strategic objectives. PGIML's risk appetite is based on PGIM UK/EU Group's approach to risk. There are certain risks that PGIML is willing to run and be opportunistic to achieve strategic objectives and growth. In that respect, PGIML has adopted the "Risk Appetite Framework" set out in the ICARA, which comprises tangible risk appetite statements – focusing on capital, liquidity and profitability – and sets associated limits that define the level of risk each of the PGIM UK/EU entities including PGIML are willing to accept in pursuit of the achievement of business and strategic objectives. As such, PGIML's risk appetite refers to PGIML's attitude towards risk taking and whether PGIML is willing and able to tolerate either more or less exposure to specific risks.

PGIML's Board assisted by its Risk Committee seeks to ensure that the Firm's strategy and its ambitions are aligned with its capacity and appetite for risk. Risk appetite statements and key risk indicators are in place for areas of potential risk. All risk areas and risk appetite statements are linked to each of the associated strategies and regularly reviewed to ensure alignment. Assessments of potential harm to client, harm to markets and harm to the business are made for each risk that are considered when determining tolerance levels for each risk.

The risk appetite framework fosters a strong risk culture by creating an environment where risks can be openly discussed at all levels of the organisation. They provide guidance regarding the appetite for risk and instil a risk culture throughout the organisation by aligning risk appetite and capacity with business planning and execution, performance measurement and remuneration and reward decisions.

Overall, the Firm's risk appetite commits to reducing the potential for harm by maintaining a balance sheet that remains strong in terms of capital and liquidity throughout market cycles and meets or exceeds the expectations of our major stakeholders, including our clients, shareholders, employees, and regulators.

3.6 Effectiveness of Risk Management Processes

PGIML's assessment of the effectiveness of its risk management processes is based principally on: (i) the governance arrangements in place to identify and set the Firm's risk appetite and overall risk appetite framework as described in section 3.5 and (ii) the control environment in place for the continued oversight and monitoring of the risks faced by the business.

Integral to the effectiveness assessment is the actual ICARA process itself (summarised in section 3.7 below) which actively identifies and assesses the risks and potential harms associated with its key business strategy, ongoing operations, business changes or external threats, as well as identifies and assesses the quality of controls in place to mitigate the associated risks and reduce the potential material harms. PGIM's (i) risk processes implemented to identify, assess, report, monitor and mitigate risks, (ii) Risk Control Self-Assessment process, and (iii) key risk indicator reports (which are reported to the Board at least quarterly to demonstrate whether the business is operating within its risk appetite), are all component parts of the overall assessment of risk.

PGIML's Risk Committee also provides another layer of oversight on the governance structure (see section below) . The governance and control frameworks are designed to ensure appropriate systems and controls are in place to identify, monitor and, where appropriate, reduce potential material harms that may result from the ongoing operations of the business or from winding down the business and to hold adequate financial resources for the business it undertakes

3.7 ICARA Summary

ICARA Governance

- *The Boards* - Ultimate responsibility for the supervision and preparation of the ICARA rests with the Board of Directors of PFL as the PGIM UK Group has chosen a consolidated basis for its ICARA. Specific aspects of the ICARA are delegated by the PFL Board to the ICARA Committee, a committee of the Board of PFL. Separate board meetings by each regulated company and PFL are held to discuss and challenge the ICARA.

- *The ICARA Committee ("IC")* - At each quarterly board meeting, an overview of the adequacy of own funds and liquid assets to meet threshold requirements is provided. The ICARA is prepared within the Risk and Finance departments. The Risk department coordinates the process and ensures that all aspects of the ICARA are covered and expertise is brought in to assist with the ICARA or regulatory matters.

  The ICARA is an ongoing and embedded process. Efficient escalation from Business Units and top down horizon scanning for material risks and themes enable the identification of potential key risk scenarios that warrant a review and update to the ICARA. It is the responsibility of the IC to recommend whether a revised assessment should be prepared. The IC meets regularly to discuss the ICARA process, any amendments and anticipated changes or requirements.

ICARA Process (the "**ICARA Process**")

The Firm's ICARA Process includes the following:

- a detailed review of the Firm's history and current and projected financial position, including the construction of a financial forecast model for the next 5 years in respect of the Firm's business;

- a review of the risks that face the business and the identification of measures which are being or could be put in place to mitigate these risks. Particular attention is paid to assessing whether increasing the levels of capital or liquid assets held by the Firm would provide substantive additional protection against these risks;

- a review of the medium-term plans and strategy of the business and the impact this may have (if any) on the risk profile and financial projections of the business;

- analysis of a number of possible scenarios that the business could face and their financial impact modelled to consider how the Firm's business (including its own funds and liquid assets) would be affected; and

- documentation of the above (via the ICARA document) and its review by the Risk Committee, the IC and the Board of PGIML.

The ICARA Process operates over the PGIM UK/EU Group of companies and a single ICARA document represents all UK regulated entities and the PGIM UK/EU Group. Risk assessments and analysis are performed at group level and appropriately apportioned to represent each regulated entity, or where risk is specific to legal entities, this is assessed at the legal entity level and aggregated up for the PGIM UK/EU Group view.

Own funds and liquid asset thresholds are determined and monitored at regulated entity levels. Separate wind down plans exist for PGIML, each regulated entity and the PGIM UK Group.

3.8 Material Risks

The UK/EU PGIM Group is principally exposed to credit, operational, business and market risk. The risks associated with the UK/EU PGIM Group's regulated activities are more closely aligned with the various products and services offered, strategies and operations of the Business Units than with specific legal entities. In order to adequately analyse its overall risk profile, risk of harm assessments are made for all principle risks. Harm to client, harm to market and harm to the business are assessed for each risk. Control effectiveness is assessed and residual assessments are derived representing the residual risk of harm to client, market and the business.

<table>
<tr><th colspan="2">Summary of key risks assessed through PGIM's ICARA process</th></tr>
<tr><td rowspan="2">Credit Risk
(MIFIDPRU 4)</td><td>Credit risk refers to the potential financial losses the firm may face due the potential default of banks holding our cash deposits and / or clients defaulting on their payments.</td></tr>
<tr><td>Credit risk acting as collateral manager to a range of collateralised loan obligations ("CLOs"). PGIML is required to invest in certain CLOs alongside the third-party investors. Under the risk retention rules, PGIML takes a 5% holding in each tranche of loan note in the CLO (a so called "vertical slice"). These rules require PGIML to hold the loan notes to maturity.</td></tr>
<tr><td>Operational Risk
(MIFIDPRU 4)</td><td>Operational risk arises from the failure of people, processes, technology or external causes. The risk framework and risk processes embedded within the business enables the identification, assessment, monitoring and reporting of potential or actual risk exposures. Operational risks are identified through processes and controls established within the business. The approach can be described as "Top-down" with the identification of "Key Risk Scenarios" and validated "Bottom-up" with the Business Units and their supplementing risk registers.</td></tr>
<tr><td>Business / Strategic Risk
(MIFIDPRU 4)</td><td>The risk of adverse change in the performance of the business against strategy resulting from external factors (e.g., changes to the competitive landscape or a failure to implement strategy).

Business / Strategic risks are subject to stress testing whereby factors and variables are applied that will stress the financial revenue, costs and profitability of the business. Generally, these business stresses will be a negative impact / reduction of Assets Under Management ("AUM") that will have direct impact to revenue (e.g., Loss of key client / client concentration risk, or a market downturn).

We consider the UK/EU PGIM Group to be resilient, diversified and insulated from many short-term market risks. PGIM Business Units are highly integrated with their parent businesses and can benefit from the increased support and oversight that scale brings. However, business strategy or strains to business fundamentals can drive business risks. The business is predicated on providing investment services with differentiated returns to a large range of clients. Revenues are driven by the valuation of AUM and sustained positive investment outperformance. Business risks of note include:

▪ Group Risk: Revenue streams for most entities operate through a cost plus mechanism. A material reduction or removal of these revenue streams from the US parent would have a significant impact on the UK PGIM Group;
▪ Contagion Risk: This would be a significant unforeseen event originating from subsidiaries or group entities that results in a contagion effect to the reputation and operations of the UK PGIM Group;

Contagion Risk / Group Risk is considered a potential winddown scenario. Stress test results inform the internal monitoring thresholds for levels of own funds and liquid assets.</td></tr>
</table>

Market Risk (MIFIDPRU 4)	Market risk represents the risk that a significant market downturn will impact PGIML's revenue or the value of its balance sheet holdings. PGIML has a low appetite to take market risk on its balance sheet. PGIML does not undertake trading on its own account and, as a result, for PGIML, market risk is mainly the risk associated with the loss resulting from fluctuations in the market value of net FX positions attributable to changes in FX rates. PGIML is exposed to FX risk on all income, expenditure and transfer pricing (both income and expenditure) that arises in currencies other than the Pound Sterling ('GBP'). FX hedging processes are in place to reduce FX risk exposure. Market downturn and FX stress scenarios and stress tests are performed to inform the determination of OFTR and LATR and also additional internal own funds and liquid assets thresholds to mitigate these risks.
Proprietary Concentration Risk (MIFIDPRU 5)	Concentration risk is the risk arising from the strength or extent of a firm's relationships with, or direct exposure to, a single client or group of connected clients. Stress tests are performed on the loss of AUM that demonstrate the resilience of PGIML to large AUM losses. PGIML largest client is PGIM, Inc. The withdrawal of support by the parent company is modelled as the trigger scenario for the firm's orderly wind down scenario. Adequate capital and liquid assets are held at all times to wind down the firm. Surpluses of capital and liquid assets are determined by the Board. Should the level of own funds or liquid assets go below the internal monitoring thresholds, recovery plans are in place to restore a viable position. Should these plans be ineffective, the Board would consider triggering an orderly wind down of the Firm.
Proprietary Liquidity Risk (MIFIDPRU 6)	Liquidity risk for PGIM relates to the potential of not having sufficient liquid assets to meet its financial obligations and day to day operating expenses or to wind down the firm in an orderly manner. As part of the ICARA process, the Board of PGIML determines the liquidity risk appetite for the business. The type of assets that can be held by the business are set out and used to calculate available liquid assets. The levels of suitable liquid assets are monitored against regulatory requirements, the 'Basic Liquid Asset Requirement' ("BLAR") and the 'Liquid Asset Threshold Requirement' ("LATR"). In addition to regulatory requirements, the board sets additional internal levels of liquid assets that should be held in excess of the regulatory requirement. The additional monitoring thresholds are informed by stress tests that are performed as part of the annual ICARA process. As set out in the Liquidity Policy, liquid resources are monitored against the LATR on an on-going basis as follows: • Weekly bank reconciliations • Bi-weekly cash flow meetings where cash is forecast forward over a 12 month period and explicitly measured against the internal liquidity threshold • Monthly monitoring of liquid assets against the liquid asset threshold requirement • Quarterly monitoring and reporting of liquid assets against the liquid asset threshold requirement to the Regulator • Quarterly Key Risk Indicator monitoring with reporting to the board • Annual review of the Liquid Asset Threshold Requirement as part of the ICARA process • Ad hoc monitoring as part of the approval process for significant transactions

4 Governance Arrangements

4.1 Corporate Governance

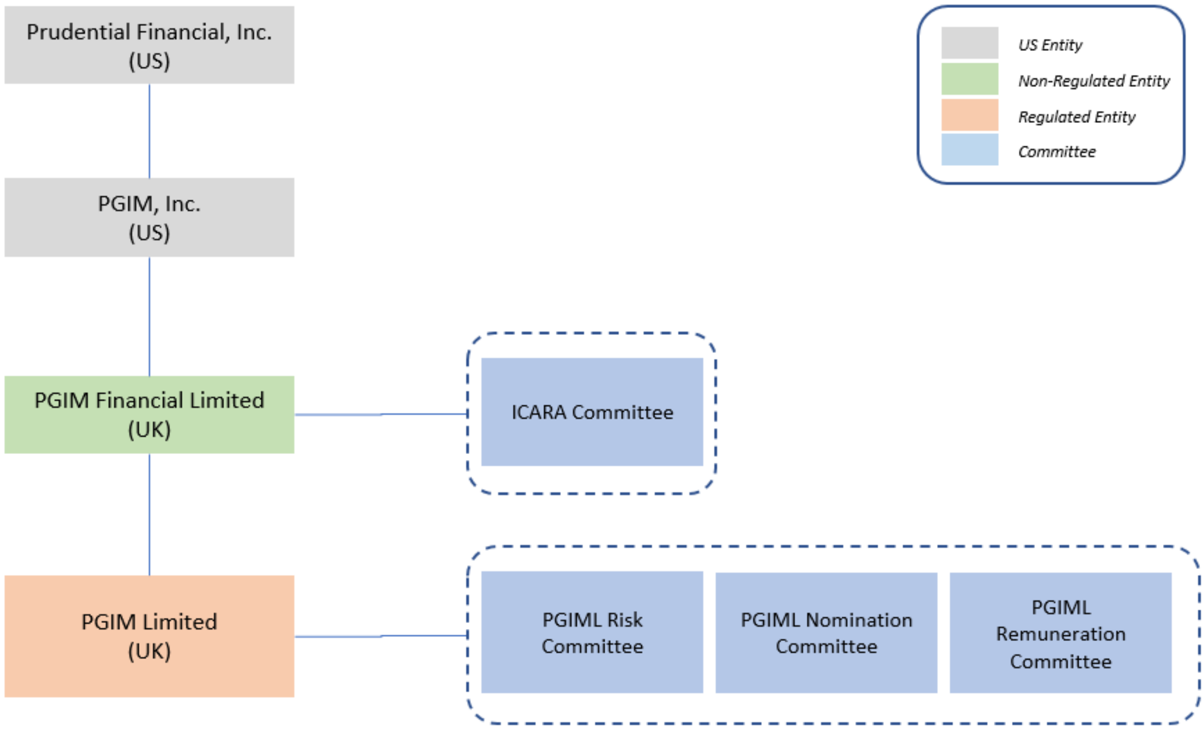
PGIML is managed by its Board. The board defines, oversees and is accountable for the implementation of governance arrangements to ensure the effective and prudent management of the Firm. PGIML's Board's terms of reference provides that the Board:

i. has overall and collective responsibility for the Firm;
ii. sets, approves and oversees implementation of the Firm's strategic objectives, risk strategy and internal governance;
iii. ensures the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory system;
iv. oversees the process of disclosure and communications;
v. has responsibility for providing effective oversight of senior management;
vi. monitors and periodically assesses:
    a. the adequacy and the implementation of the Firm's strategic objectives in the provision of investment services and/or activities and ancillary services;
    b. the effectiveness of the Firm's governance arrangements;
    c. the adequacy of the policies relating to the provision of services to clients;
vii. takes appropriate steps to address any deficiencies; and
viii. has adequate access to information and documents which are needed to oversee and monitor management decision-making.

The members of the Board are required to have appropriate knowledge, experience and leadership qualities to operate the business effectively and sufficient resources to oversee the activities conducted by the Firm. The directors are required to act in accordance with the best interests of the Firm and the business connected with it. The Nomination Committee (see below) is tasked with, amongst other things, assessing the Board's composition and the balance of skills, knowledge, experience and diversity on the Board and report on these at least annually to the Board. Quarterly Board meetings are in place for PGIML to oversee significant matters and provide a regular forum for discussion and challenge on the decision-making process.

In accordance with the requirements under IFPR, PGIML has set up the following three committees which assist the Board in discharging its obligations: the Risk Committee, the Nominations Committee and the Remuneration Committee (each a "**Committee**" or together the "**Committees**" as applicable – see summary description below). At least 50% of the members of each Committee including its respective chairperson are non-executive directors who do not perform any executive functions at PGIML. The Board and each of the Committees have their own terms of reference setting out their duties and responsibilities. Each Committee's chairperson reports to the Board and the Committees meet at prescribed frequencies or at such times as are necessary. The members of the Committees are all approved and appointed by the Board.

The below sets out a simplified version of the holding companies of PGIML, the Board and the relevant committees.



The below summarises the terms of each of the Committees:

Risk Committee – The Risk Committee oversees the effective risk management of the Firm. It reviews and monitors risk strategy, risk appetite, the risk management framework and risk policies. It works with the IC to ensure that adequate capital and liquid assets are maintained at all times to mitigate ongoing business risk or wind down the business in an orderly manner.

Nominations Committee - The Nomination Committee assists the Board's own composition and succession plans by recommending board and committee appointments (including the chairperson(s)) and changes (including discontinuation and suspension), periodically reassessing the board make up to ensure board efficiency through assessments of membership adequacy, competencies, knowledge, experience, diversity and commitment bandwidth while being cognisant of actual, potential or perceived conflicts of interest.

Remuneration Committee - The purpose of this committee is to make recommendations to the Board on remuneration policies and practices and the incentives they create for managing risk, capital and liquidity while carefully considering the public interest and the long-term interests of shareholders, investors and other stakeholders. The committee oversees any regulatory and non-regulatory disclosures with respect to compensation and makes recommendations regarding any postemployment compensation matters. Additionally, the committee has oversight of the remuneration decisions with respect to of senior officers in the risk management and compliance functions.

PGIML is able to leverage and benefit from the resources of its affiliated companies including PFL and PGIM. PGIML operates in accordance with the same core values as its ultimate parent company, PFI which are: being worthy of trust; being customer focused; having respect for each other and becoming the unrivalled industry leader by achieving superior results for customers, shareholders and communities and adhering to PFI's code of conduct entitled "Making the Right Choices". The Board is responsible for the implementation and control of both the enterprise wide principles and policies, as laid out by PFI.

The Firm is also assisted by a number of committees which are established at PFL or PGIM.

4.2 Governing Body Membership

Membership of the Board of PGIML is detailed in the following table, and in accordance with MIFIDPRU 8.3.1(2), sets out the number of directorships (executive and non-executive) held by each Director outside of PGIML other than those directorships (executive and non-executive) in organisations which do not pursue predominantly commercial objectives and/or those held within the same group or within an undertaking (including a non-financial sector entity) in which PGIML holds a qualifying holding (as defined by the FCA):

Name	Title	Number of Directorships *(exec and non-exec)*
Jonathan Butler	Managing Director, Head of European Leveraged Finance, PGIM Fixed Income	0
Edward Farley	Managing Director, Head of European Investment Grade Corporates, PGIM Fixed Income	0
Jennifer Finnerty	Vice President, Risk Management, PGIM Fixed Income	0
Mark Fresson	European Finance Director	1
Daniel Malooly	Vice President, Chief Business Officer, PGIM Fixed Income	9
Sarah McMullen	Managing Director, Head of EMEA, PGIM Fixed Income	1
Darren Nicholls	Vice President, Head of Risk Management - Europe	0
Lee Pollard	Head of Human Resources, PGIM Europe and Asia	0
Adam Rosenthal	Vice President, Head of PGIM Risk Management	0
Elizabeth Samson	Vice President, UCITS Product and Governance	2
Stephen Warren	Managing Director, Head of Quantitative Analysis and Risk Management, PGIM Fixed Income	0

4.3 Board Diversity

PGIM appreciates the importance of diversity at Board level and recognises the benefits of a balanced Board which makes good use of differences in social and ethnic backgrounds as well as race, gender and skills. PGIML's Board Diversity Policy aims to ensure that the Board is engaged and committed to having a broad set of qualities and competencies with a variety of views and experiences which facilitates independent opinions/perspectives and sound decision-making within the Board. PGIML's Nomination Committee is tasked with ensuring that it considers, amongst other things, diversity when making recommendations of new members to the Board. The Board's Diversity Policy seeks to increase the Board's number of members from underrepresented groups (whether ethnic, gender or otherwise) over time although no specific targets have been set.

The Nominations Committee uses a skills matrix to analyse the diversity of skills and perspectives on the board and has also created a succession plan with diversity in mind. New Board appointments effected this year considered diversity, amongst other things, in the selection process. The Board will continue its objectives of increasing the number of the underrepresented groups (whether ethnic, gender or otherwise) over time.

4.4 Segregation of Duties and Management of Conflicts of Interest

The segregation of duties and management of conflicts of interest described below are all designed to ensure, amongst other things, that PGIML meets its regulatory obligations and the wider objectives of conducting its business with integrity, due skill, care and diligence. These governance arrangements and other measures implemented by the Firm ensure the promotion of the integrity of the market and the interests of clients.

<u>Segregation of Duties</u>

As described at Section 3.4, PGIML's risk management framework is based on a "Three Lines of Defence" model. Business leadership (the "first line of Defence") is responsible for the day-to-day management, operation and execution of risks and controls within their respective area of management. Risk management and compliance teams perform separate but complementary roles within the second line of defence to identify, measure, track and escalate areas of risk.

The Compliance Department operates to independently provide guidance and assess, monitor and test the design and operational effectiveness of the PGIML first line controls required to appropriately support risk-based oversight of business growth that meets the firms values and regulatory requirements.

The scope of the Compliance Program includes the following risks:

- Market conduct requirements in the design and sale of products and services;
- Privacy requirements in managing consumer and employee data;
- Financial crime requirements regarding money laundering, economic sanctions, and ant-bribery and corruption;
- Institutional and personal conflicts of interest;
- Investment guideline and management regulations;
- Material non-public information and information barriers; and

- Ethical conduct consistent with our values

The Compliance Department primarily reports along functional lines globally through to the PFI Chief Ethics and Compliance Officer (who oversees the Compliance Program and the adequacy of resources devoted to it across Business Units and firm-wide). Notwithstanding, and consistent with regulatory guidance that a firm's governing body should be knowledgeable about the content and operation of the Compliance Program, regular Compliance reports are provided to the PGIML Board and the PGIML Remuneration Committee has oversight of the Compliance Officer remuneration.

Management of Conflicts of Interest

PGIML strives to identify potential risks, including conflicts of interest, that are inherent in its business and conducts annual conflict of interest reviews. PGIML seeks to address conflicts through one or more of the following: elimination of the conflict; disclosure of the conflict; or management of the conflict through the adoption of appropriate policies, procedures or other mitigants.

PGIML has adopted a Conflicts of Interest Policy which sets out the framework and organisational controls applied by PGIML for the identification, recording, monitoring and effective management/prevention of conflicts of interests. The Conflicts of Interest Policy applies to the directors and senior management of PGIML and to all other individuals who are employed by, or seconded to PGIML (whether on a full or part-time basis) or who are otherwise authorised to act on behalf of PGIML in the conduct of its business. In accordance with its obligations as an SEC registered investment adviser, PGIML has also identified and made further disclosures regarding conflicts of interest as set out in PGIML's "Form ADV Part 2A brochure" which can be found at www.adviserinfo.sec.gov.

PGIML's Compliance Department provides quarterly reports to the Board which sets out identified conflicts of interests and the proposed controls and management thereof. PGIML maintains a conflicts register setting out the actual and potential conflicts and the Board reviews and approves the Conflicts of Interest Policy (including the register) on an annual basis to ensure the Board has appropriate governance and oversight of (a) the actual and potential conflicts; and (b) the effectiveness of the mitigating controls and processes to manage the said conflicts.

5 Own Funds

5.1 MIFIDPRU 8.4.1 R Disclosure Requirements

The Firm is required to disclose the following under MIFIDPRU 8.4.1 R:

a) a reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filters and deductions applied in order to calculate the own funds of the Firm;

b) a reconciliation of (a) with the capital in the balance sheet in the audited financial statements of the Firm; and

c) a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by the Firm.

The reconciliations and description are shown in the tables below.

The Firm's own funds are calculated in accordance with MIFIDPRU 3 and comprise of common equity tier 1 ("**CET1**") items and tier 2 items.

5.2 Common equity tier 1

The Firm's CET1 is comprised of share capital and retained earnings.

The Firm's called up share capital is comprised of 80,000,000 allotted, called up and fully paid ordinary shares of £1.00 each and are wholly owned by its immediate parent, PFL.

Profits included in retained earnings are included in CET1 once verified by an independent auditor. Losses are included as and when incurred.

5.3 Deductions from CET1

There were no CET1 deductions for the Firm.

5.4 Tier 2

The Firm's tier 2 capital relates to subordinated debt that it has borrowed to fund its investments in CLOs.

PFL has issued £78,076,479 of the subordinated loan and £26,616,982 has been issued by its affiliate, PGIM Foreign Investments, Inc.

5.5 Composition of Regulatory Own Funds

Item		Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	**OWN FUNDS**	**188,247**	
2	**TIER 1 CAPITAL**	**114,817**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**114,817**	
4	Fully paid up capital instruments	80,000	19
5	Share premium	-	
6	Retained earnings	34,417	
7	Accumulated other comprehensive income	-	
8	Other reserves	400	20
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	
19	CET1: Other capital elements, deductions and adjustments	-	
20	**ADDITIONAL TIER 1 CAPTIAL**	-	
21	Fully paid up, directly issued capital instruments	-	
22	Share premium	-	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
24	Additional Tier1: Other capital elements, deductions and adjustments	-	
25	**TIER 2 CAPITAL**	73,429	
26	Fully paid up, directly issued capital instruments	73,429	17
27	Share premium	-	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

The Firm is a subsidiary of PFL, the UK parent entity, and together with other regulated subsidiaries forms an investment firm group and is subject to prudential consolidation under MIFIDPRU 2.5.

5.6 Reconciliation of regulatory own funds to balance sheet in the audited financial statements

Item		Balance sheet *as in published/audited financial statements* (£'000)	Cross-reference to template OF1
Assets - *Breakdown by asset classes according to the balance sheet in the audited financial statements*			
1	Property, plant and equipment	6	
2	Trade and other receivables	35,000	
3	Financial assets at FVTPL	9,503	
4	Financial assets at amortised cost	193,343	
5	Trade and other receivables	28,299	
6	Income tax receivable	3	
7	Cash and cash equivalent	75,313	
8	**Total Assets**	**341,466**	
Liabilities - *Breakdown by liability classes according to the balance sheet in the audited financial statements*			
1	Trade and other payables	31,197	
2	Loans and borrowings	195,466	17
Total Liabilities		**226,662**	
Shareholders' Equity			
1	Called up share capital	80,000	4
2	Capital contribution reserve	400	8
3	Foreign currency translation reserve	(13)	
4	Profit and loss account	34,417	6
Total Shareholders' equity		**114,804**	

5.7 Main features of own instruments issued by the Firm

Instrument type:	Ordinary shares	Sub-ordinated debt	Sub-ordinated debt	Sub-ordinated debt
Placement type:	Private	Private	Private	Private
Amount recognised in regulatory capital (GBP thousands):	80,000	15,810	19,176	38,443
Nominal amount of instrument:	£1 each	Not applicable	Not applicable	Not applicable
Issue price:	£1 each	Not applicable	Not applicable	Not applicable
Accounting classification:	Called up share capital	Loans and borrowings	Loans and borrowings	Loans and borrowings
Original date of issuance	19/11/1999	21/12/2018	23/12/2019	23/12/2019
Maturity date	Not applicable	19/12/2025	31/01/2026	31/01/2027
Perpetual or dated	Perpetual	Dated	Dated	Dated
Coupon rate	Not applicable	1.35%	0.46%	0.57%
Interest payment dates	Not applicable	Semi-annual	Annual	Annual

5.8 Overall financial adequacy rule ("OFAR") compliance

As a minimum to comply with the OFAR, PGIM Ltd must meet its own funds requirement ("**OFR**") and its basic liquid assets requirement ("**BLAR**").

Under MIFIDPRU 4.3, PGIML is required to maintain at all times own funds that are at least equal to its OFR, which is calculated as the highest of:

- The permanent minimum capital requirement ("**PMR**") (set out in MIFIDPRU 4.4);
- The fixed overheads requirement ("**FOR**") (set out in MIFIDPRU 4.5);
- The k-factor requirement ("**KFR**") (set out in MIFIDPRU 4.5).

Own Funds Requirement	Amount £'000
1. PMR	150
2. FOR	20,127
3. KFR (sum of (a), (b) and (c)	15,605
(a) Sum K-AUM, K-CMH and K-ASA	8,803
(b) Sum K-DTF and K-COH	6,802
(c) Sum K-NPR, KCMG and K-CON	-
Own funds requirement (Higher of 1, 2 and 3)	**20,127**

The PMR for PGIML of £150k is a fixed requirement determined by their regulatory permission profile and the activities undertaken.

The Firm's FOR is calculated as one quarter of the previous year fixed expenses based on the most recent audited financial statements.

If, as was the case with the Firm, there is a material change to projected relevant expenditure during the year this revised FOR is applied.

Under the IFPR regime investment firms are to use quantitative indicators ("**K-factors**") to reflect the potential harm that it can cause to its clients, the markets in which it operates and to itself. All K-factors may not necessarily apply to any one firm as they are specific to the business activity.

The KFRs relevant to the Firm are K-AUM and K-DTF. The remaining K-Factors are not applicable.
Under MIFIDPRU 6.2, PGIML is required to hold an amount, as their BLAR, of core liquid assets equal to the sum of: 1) one third of FOR; and 2) 1.6% of the total amount of any guarantees provided to clients.

In addition, PGIML is required to perform an internal assessment through the ICARA to establish if additional own funds and liquid assets are required to support their ongoing operations and/or an orderly wind-down, as prescribed by MIFIDPRU 7. This assessment determines PGIML's own funds threshold requirement ("**OFTR**") and liquid assets threshold requirement ("**LATR**"). The assessment of own funds and liquid assets against OFTR and LATR, respectively, ensures the full compliance with the OFAR.

PGIML maintains own funds and liquid assets which it considers adequate, both in amount and quality, to ensure it remains financially viable.

The Firm also states and monitors additional 'internal' thresholds over and above the OFTR and the LATR. These additional internal thresholds are determined using a number of stress tests performed on a range of key business and market risks. Any triggers or breaches would be immediately escalated in line with the internal escalation framework.

6 Remuneration Policy and Practices

PGIML is subject the FCA's MIFIDPRU Remuneration Code set out in SYSC 19G as a non-SNI MIFIDPRU investments firm subject to the extended remuneration requirements.

6.1 Remuneration Policy

PGIML has adopted a group-wide Remuneration Policy in conjunction with its immediate parent company, PFL. The Remuneration Policy applies to all staff providing services to PGIML and has been designed to account for the following guiding principles:

Principle	Commentary
Service	The firm rewards staff for the value they provide and the impact they have on its clients and its businesses, whilst reflecting the accountability the firm has to its clients.
Expertise	The firm's success is dependent on the expertise and skillsets within its Business Units. While the Business Units are connected, they are also unique, and the design of compensation programmes are flexible and segmented to respond to the unique talent profiles and expertise of each of the Business Units.
Integrity	The Remuneration Policy is designed to drive behaviours that focus on both realising the firm's business strategy and the way in which it is achieved.
Aligned with business strategy	The design and delivery of the Remuneration Policy aligns with the short- and long-term business strategy, objectives, values and interests of the firm, the accounts/funds it manages and the services it provides.
Performance oriented and client centric	The firm's compensation programmes provide distinct recognition and differentiated rewards to its highest performers who consistently achieve superior results. The compensation programmes are results-focused, differentiated, and driven by individual, team and firm wide performance. To support a pay-for-performance orientation, a portion of total compensation for most staff is variable and performance-based. The firm will generally reduce/contract its total variable remuneration where the financial performance of the firm or PGIM Group is subdued or negative.
Market competitive	The firm's compensation programmes are designed to be market competitive, enabling it to attract and retain talent needed to deliver on the firm's strategy.
Risk balanced	Risk mitigation is an essential part of the firm's culture, and compensation programmes. Processes and governance are designed to discourage imprudent risk-taking and appropriately consider risk factors in reward decisions. The input of the firm's Risk Management, Legal, Compliance and Finance functions were sought in developing the Remuneration Policy. Policies and procedures have been adopted to mitigate any potential conflicts that may arise between staff members and the firm, staff members and the funds or other accounts the firms manages and between one fund/account and another.
Aligned with regulatory expectation	The Remuneration Policy is designed to comply with applicable regulations governing remuneration and does not facilitate the avoidance of the requirements contained within those regulations.

6.2 Assessing performance

PGIML's performance management and annual appraisal process provides a direct link between performance assessment and remuneration outcomes. In assessing performance of the individual, several factors based on both quantitative and qualitative criteria are considered which are specific to the individual's role, including:

- complying with standards of good conduct,
- acting with integrity and in the best interests of clients,
- annual agreed performance objectives set during an appraisal.

In addition, and where relevant, the following factors may also be included: growth of assets under management, Business Unit and fund investment performance, development of business opportunities, meeting of certain environmental, social and governance targets and competency-based factors that are identified in the individual's annual appraisal. Some of these factors will consider adjustments for current and potential risks as well as the cost and quantity of the capital and liquidity required. Serious compliance concerns are also considered when assessing performance.

6.3 Providing reward

PGIML pays both fixed and variable remuneration to staff. The fixed remuneration paid principally consists of salary which reflect the individual's relevant professional experience and organisational responsibility, and benefits which are aligned to the local market.

PGIML aligns employee interests to those of its clients and shareholders via its variable remuneration structures, principally the annual bonus. PGIML ensures that the factors to be used in setting bonuses are risk adjusted and take into consideration the business and fund strategy, objectives, values and long-term interests of the firm and, more particularly, of the individual businesses within the firm.

In addition, eligible staff may be rewarded through short-term retention instruments, long-term incentive plans which align compensation with the performance realised and interests of investors in the funds or accounts they manage, or via share awards to align compensation with that of the broader PFI group and its shareholders.

As a firm subject to the extended remuneration requirements under the MIFIDPRU Remuneration Code, PGIML ensures that variable remuneration awarded to the Firm's "Material Risk Takers" (see section 6.7 below) is paid in accordance with the regulatory requirements. As a result, at least 40% of the variable remuneration is subject to a deferral period of at least 3 years. For those whose variable remuneration award is particularly high, 60% of such award will be deferred. To further ensure ongoing alignment to the Firm and its clients, 50% of the deferred and non-deferred variable remuneration is subject to a retention period lasting several months following the vesting of the awards. Where variable remuneration is deferred or subject to retention periods, awards are made under the above described short and long-term incentive plans and shares in the PFI group.

6.4 Performance and risk adjustment

PGIML ensures that any measurement of performance used as a basis to calculate pools of variable remuneration considers all relevant types of current and future risks, as well as the cost of capital and liquidity that is required in accordance with the ICARA process. The allocation of variable remuneration components within the group considers all types of current and future risks.

In certain circumstances, PGIML has the right to apply in-year adjustments, malus or clawback from a current (or ex-) employee. Malus or clawback will be applied in at least the following circumstances:

- If an employee failed to act in accordance with appropriate standards of fitness and propriety; or
- If an employee participated in or was responsible for conduct which resulted in significant losses to PGIML.

In addition, malus will be applied when, as a minimum:

- There is reasonable evidence of employee misbehaviour or material error;
- PGIML or the relevant Business Unit within PGIML suffers a material downturn in its financial performance; or
- PGIML or the relevant Business Unit within PGIML suffers a material failure of risk management.

Clawback will be applied in cases of fraud or other conduct with intent or severe negligence which led to significant losses.

6.5 Guaranteed reward, severance and retention payments

PGIML can provide a guaranteed variable remuneration award in order to attract someone it considers to be important to the business and to be able to compete for talent. This will only be granted in the first full year of service and if PGIML has sound regulatory capital.

Severance pay is at PGIML's absolute discretion. Any payments related to early termination of contracts will reflect performance achieved over time and will be designed in a way which does not reward failure.

Retention awards may be considered in exceptional circumstances, and where it is consistent with the Firm's remuneration policy to promote sound and effective risk management and does not encourage behaviour that may be detrimental to the interests of clients.

6.6 Remuneration Governance

PGIML has established a Remuneration Committee to make recommendations to the Board on remuneration policies and practices and the incentives they create for managing risk, capital and liquidity while carefully considering the public interest and the long-term interests of shareholders, investors and other stakeholders. The Committee oversees regulatory and non-regulatory disclosures with respect to compensation and makes recommendations regarding any postemployment compensation matters.

In addition, to ensure a strong alignment between risk with reward, PGIML has established a Conduct Panel with a mandate to review any conduct, ethics, risk or compliance breaches of staff providing services to PGIML. Where the Conduct Panel considers an issue to be of sufficient importance, the Remuneration Committee would consider the impact such issue would have on an individual's reward. This Conduct Panel consist of directors of the PGIML Board, together with senior members of the HR, Risk, Compliance and Legal departments.

The Remuneration Committee meets on a regular basis to consider remuneration matters across the company, and in doing so, considers the remuneration structures for individuals who have a material impact on its risk profile. In considering the Remuneration Policy, the Remuneration Committee seeks to ensure remuneration is designed to motivate employees to deliver the highest quality service to clients and achieve the greatest collective business results whilst promoting the Firm's business strategy, objectives, firm-wide values and long-term interests, all within the appropriate risk and compliance standards.

During the 2022 calendar year, PGIML obtained external advice in relation to the development of the remuneration policy.

6.7 Material Risk Takers ("MRTs")

Under the MIFIDPRU Remuneration Code, PGIML must report annually on the remuneration policy and practice for employees identified as MRTs.

MRTs comprise of senior management, those with responsibility for control functions (such as risk and compliance) and risk takers whose professional activities could have a material impact on PGIML's risk profile. MRTs are defined with reference to managerial responsibility to influence the Firm's overall risk profile and follow the identification principles set out in the FCA's SYSC 19G handbook.

An annual review of PGIML's risk profile is conducted to allow the Firm to determine the MRT population and a record is kept by HR and the Board. PGIML identified 19 individuals as MRTs for 2022.

6.8 Quantitative Disclosure

PGIML is required to publish quantitative remuneration information for its MRTs and other staff providing services to the company for the performance year ending 31 December 2022.

All amounts are in millions pounds sterling.

PGIM Limited £M	Senior Management		Other MRTs		Other Staff	Total
Total amount of remuneration	**7.88**		**4.38**		**46.46**	**58.72**
Total Fixed	3.07		1.48		24.71	29.27
Total Variable	4.80		2.90		21.75	29.46
	Not Deferred	*Deferred*	*Not Deferred*	*Deferred*		
Paid in cash	1.13	-	0.82	-		
Paid in shares	-	1.15	-	1.30		
Paid in share linked and other forms	0.89	1.64	0.60	0.17		

Total amount of deferred remuneration awarded to MRTs in previous performance periods £M	
Due to vest in 2023	**2.92**
Has not been subject to performance adjustment	2.92
Has been subject to performance adjustment	0.00
Due to vest in subsequent years	**3.97**

PGIML considers that it is proportionate that MRTs whose annual variable remuneration does not exceed £167,000 and does not represent more than one-third of the employee's total annual remuneration shall not be subject to the shares, instruments and alternative arrangement requirements, the retention policy requirements, the deferral requirements and the discretionary pension benefits requirements in accordance with SYSC 19G.5.9R.

Number of MRTs falling into the proportionality provision for 2022	4
	£M
Total amount of remuneration	**0.31**
Total Fixed	0.09
Total Variable	0.22

Notes:

Whilst MRTs and other staff may provide services to multiple regulated and non-regulated entities, PGIML has not apportioned the remuneration paid to UK staff between these different entities.

In preparing the quantitative disclosure, PGIML has relied upon the exemptions set out in MIFIDPRU 8.6.8R(7) in relation to guaranteed variable remuneration and severance payments to prevent individual identification of a material risk taker.

All severance payments are made in accordance with the MIFIPRU Remuneration Code and PGIML's Remuneration Policy which includes complying with PGIML's fixed to variable compensation ratios. Severance payments made to material risk takers in the 2022 performance year did not exceed 67% of an individual's prior-year total compensation.

7 Investment Policy

PGIML does not own any voting rights attached to shares admitted to trading on a regulated market where the proportion of voting rights that the Firm directly or indirectly holds in that company is greater than 5% of all voting rights attached to the shares issued by the company to which voting rights are attached.