

PGIM LIMITED

MIFIDPRU 8 DISCLOSURE

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MIFIDPRU 8 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 promote 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 Firm’s 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 31 December 2025 (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 based on data as at 31 December 2025 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.

1. PGIM Limited and Scope of Application

1.1. PGIM and Ownership Structure

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 wholly owned subsidiary of **PGIM, Inc.**, a wholly owned indirect subsidiary of Prudential Financial, Inc.* PGIM, Inc. owns a range of regulated and unregulated subsidiaries located in the UK and the EU.

PGIML is authorised and regulated by the Financial Conduct Authority (“**FCA**”) and is also registered with the SEC as an investment adviser. PGIML has a representative office in Zurich, Switzerland.

** 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.*

1.2. PGIML’s Business Activities

PGIML provides investment management, advisory and distribution-related services to professional and institutional clients.

PGIML has two primary business groups: (i) PGIM Credit; and (ii) PGIM Global Wealth (formerly PGIM Investments).

PGIM Credit is the public and private fixed income investment group within PGIM. PGIM Credit consists of two investment sub-groups, PGIM Fixed Income (a manager of public and private fixed income investments) and PGIM Private Credit (a manager of private fixed income investments), PGIML’s regulated activity is limited to the PGIM Fixed Income sub-group of PGIM Credit.

PGIM Global Wealth Group’s primary service is the offering to intermediaries of the affiliated PGIM investment management capabilities and the distribution of PGIM funds.

PGIML through its PGIM Credit business also acts as sponsor and/or manager for several CLO (collateralized loan obligation) vehicles. PGIML does not provide custody services to clients and does not trade for its own account using its own balance sheet in the ordinary course of its agency trading activities.

2. Changes in Legal Entity and Prudential Structure

PGIM Financial Limited (“PFL”) previously acted as the intermediate UK holding company for PGIML and certain other UK regulated entities. On 1 January 2026 direct ownership of PGIML transferred to PGIM, Inc. This change removed the former PFL-led UK prudential consolidation structure and required the Firm’s prudential disclosures and governance narrative to be recast on a standalone legal entity basis.

Area	Previous position	Current disclosure position
Immediate parent	PGIM Financial Limited	PGIM, Inc.
Ultimate parent	Prudential Financial, Inc.	Prudential Financial, Inc.
Prudential group presentation	Former PFL-led UK consolidation framing	Individual PGIML basis; no UK prudential consolidation group
ICARA approval	PFL and each UK regulated entity Board including PGIML	Each UK regulated entity Board including PGIML
Supporting forum	ICARA Committee	ICARA Working Group

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. Board Statement on 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 Board regularly assesses 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 considered.

The Board oversees the effective management of risk within the Firm and approves the Firm's risk strategy, risk appetite, risk management framework and key risk management policies. The Board is supported by the Risk Committee, which reviews and monitors these arrangements and makes recommendations to the Board as appropriate. The Board is also supported by the ICARA Working Group ("IWG"), which assists in the assessment of the adequacy of the Firm's capital and liquidity resources and supports the annual ICARA review process.

The Firm has governance and internal control arrangements in place that are designed to identify, assess, manage, monitor and report risks arising from its business activities. The risk management framework is a key component of the Firm's Internal Capital and Risk Assessment ("ICARA") process. The ICARA sets out the Firm's assessment of material harms and risks arising from its business activities and the measures implemented to mitigate those risks. It also assesses the level of capital and liquid assets required to support the ongoing viability of the Firm and to enable an orderly wind-down, taking into account the nature, scale and complexity of the Firm's activities.

The Board is responsible for approving and overseeing the Firm's risk strategy, risk appetite, governance arrangements, systems and controls. The Board considers the potential for harm arising from the Firm's business model, including harm to clients, markets and the Firm itself, and seeks to ensure that adequate financial and non-financial resources are maintained to support ongoing operations and an orderly wind-down.

The Board considers the Firm's risk management arrangements to be appropriate to the nature, scale and complexity of its activities, subject to the ongoing operation, review and enhancement of the control framework. This assessment is supported by the ICARA process, risk appetite monitoring, risk and control assessments, scenario analysis, stress testing, incident management and independent assurance activities.

3.3. Risk management framework

PGIML applies a three-lines model with clear ownership, oversight and assurance responsibilities:

- First line: business and functional management own risks and are responsible for the design and operation of controls.
- Second line: Risk and Compliance provide independent oversight, advice, challenge, monitoring and reporting.
- Third line: Internal Audit provides independent assurance over governance, risk management and control. External Audit provides assurance over the financial statements and related matters within its remit.

3.4. Risk appetite and ICARA

The risk appetite framework translates the Firm's strategy into defined tolerances and supports regular monitoring through qualitative statements, key risk indicators and escalation thresholds. The ICARA identifies material risks and harms, assesses the adequacy of controls, evaluates severe but plausible scenarios and determines the financial resources required to satisfy the Overall Financial Adequacy Rule (OFAR).

The ICARA is refreshed at least annually and when a material change in the business model, risk profile, legal structure or external environment could affect the Firm's financial adequacy.

3.5. Material Risks

PGIML is principally exposed to credit, operational, business and market risk. To adequately analyse its overall risk profile, risk of harm assessments are made for all principal 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.

Summary of key risks assessed through PGIM's ICARA process	
Credit Risk	Credit risk refers to the potential financial losses the firm may face due to the potential default of banks holding our cash deposits and/or clients defaulting on their payments.
	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 notes in the CLO (a so-called "vertical slice"). These rules require PGIML to hold the loan notes to maturity.
Operational Risk	Operational risk arises from the failure of people, processes, technology, or external causes. The risk framework and risk processes embedded within the business enable 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 Groups and their supplementing risk registers.
Business / Strategic Risk	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. These business stresses will have a negative impact / reduction of Assets Under Management ("AUM") that will impact revenue (e.g., loss of key client / client concentration risk, or a market downturn). We consider PGIML to be resilient, diversified and insulated from many short-term market risks. The business is predicated on providing investment services with differentiated returns to a broad range of clients. Revenues are driven by the valuation of AUM and sustained positive investment outperformance. Business risks 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 PGIML; - Contagion Risk: This would be a significant unforeseen event originating from PFI or PGIM entities that results in contagion effects to the reputation and operations of the PGIML; Contagion Risk / Group Risk is considered a potential wind-down scenario. Stress test results inform the internal monitoring thresholds for levels of own funds and liquid assets.
Market Risk	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 for market risk on its balance sheet. PGIML does not undertake trading on its own account and, as a result, for PGIML, market risk is 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 additional internal own funds and liquid assets thresholds to mitigate these risks.

Proprietary Concentration Risk	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's 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 always held 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	Liquidity risk for PGIML relates to the risk 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 ongoing 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. Board Accountability

Ultimate responsibility for the preparation, review and approval of PGIML's ICARA and this MIFIDPRU 8 disclosure rests with the PGIML Board. The Board reviews and challenges the Firm's business model, material risks, risk appetite, own funds, liquid assets, threshold requirements, stress testing, recovery options and wind-down analysis.

4.2. Corporate Governance

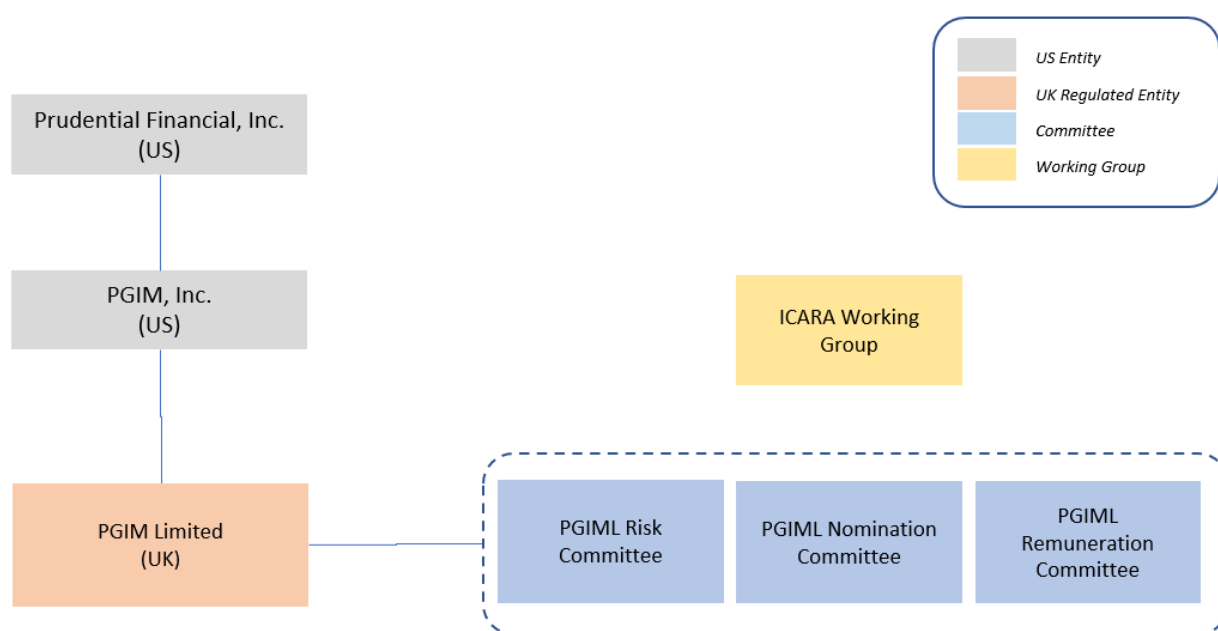
PGIML is managed by its Board. The Board defines, oversees and is accountable for the implementation of governance arrangements to ensure the effective and prudent management of the Firm. The Board's terms of reference provide, amongst other things, that the Board:

1. has overall and collective responsibility for the Firm;
2. sets, approves, monitors and oversees implementation of the Firm's strategic objectives, risk strategy and internal governance;
3. ensures the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory system;
4. oversees the process of disclosure and communications;
5. has responsibility for providing effective oversight of senior management;
6. monitors and periodically assesses:
 - 6.1. the adequacy and the implementation of the Firm's strategic objectives in the provision of investment services and/or activities and ancillary services;
 - 6.2. the effectiveness of the Firm's governance arrangements;
 - 6.3. the adequacy of the policies relating to the provision of services to clients;
7. takes appropriate steps to address any deficiencies; and
8. 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 Nominations 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 reports 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.



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 IWG 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 Nominations 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 composition 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 post-employment compensation matters. Additionally, the committee has oversight of the remuneration decisions with respect to senior officers in the risk management and compliance functions.

ICARA Working Group (“IWG”) - The ICARA Working Group coordinates the annual ICARA cycle across PGIM’s UK regulated entities. It supports consistent methodology, assumptions, scenario design, regulatory interpretation and timetable management, and considers whether changes in risk profile require an out-of-cycle update. The Working Group is a coordinating and challenge forum and does not approve PGIML’s ICARA or this disclosure.

PGIML leverages and benefits from the resources of its affiliated companies including PGIM, Inc. 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 several governance forums which are established within PGIM.

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. 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 several extreme but plausible 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).

4.3. 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 <i>(exec and non-exec)</i>
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	0
Jo Brown	European Finance Director	0
Daniel Malooly	Vice President, Chief Business Officer, PGIM Fixed Income	9
Brad Blalock	Co-Head of Institutional Client Group, PGIM	0
Darren Nicholls	Senior Director, Head of Risk Management, EMEA	0
Haishi Ning	Managing Director, Head of Quantitative Analysis and Investment Risk, PGIM Fixed Income	0
Lee Pollard	Head of Human Resources, PGIM Europe and Asia	0
Elizabeth Samson	Vice President, UCITS Product and Governance	2
Matthew Shafer	International Head of Distribution, Europe and Asia. PGIM-PGIM Investments	0

4.4. 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 Nominations 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 made 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.

4.5. 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.

4.5.1. *Segregation of Duties*

As described at Section 4.3, 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 firm's 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 anti-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 Legal 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.

4.5.2. 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; management of the conflict through the adoption of appropriate policies, procedures and other mitigants; or disclosure of the conflict.

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 common equity tier 1 ("CET1") items and tier 2 items.

5.2. Common equity tier 1

The Firm's CET1 comprises share capital, retained earnings and other reserves.

The Firm's called-up share capital comprises 80,000,000 allotted, called-up and fully paid ordinary shares of £1.00 each, all of which were owned by its immediate parent, PFL, as at 31 December 2025. As part of PGIM's legal entity simplification programme, PFL entered liquidation on 31 March 2026. In preparation for this, the Firm's ownership was transferred to PGIM, Inc. on 1 January 2026.

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 CET1 deductions for the Firm which relate to share-based payments, foreign currency translation and deferred tax assets.

5.4. Tier 2

The Firm's tier 2 capital relates to subordinated debt.

PGIM Financial Ltd has issued **£46,278,105** of the subordinated loan, **£30,561,013** has been issued by PGIM Inc. and £26,195,154 by PGIM Foreign Investments, Inc.. If the loans are less than 5 years to maturity the amortised value of the loans are applied for Tier 2 capital.

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	152,823	
2	TIER1 CAPITAL	136,751	
3	COMMON EQUITY TIER 1 CAPITAL	136,751	
4	Fully paid-up capital instruments	80,000	19
5	Share premium	-	
6	Retained earnings	57,898	
7	Accumulated other comprehensive income	-	
8	Other reserves	645	20
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(1,792)	
19	CET1: Other capital elements, deductions and adjustments	-	
20	ADDITIONAL TIER 1 CAPITAL	-	
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	16,073	
26	Fully paid up, directly issued capital instruments	16,073	17
27	Share premium	-	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	
29	Tier 2: Other capital elements, deductions and adjustments	-	

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

Item		Balance sheet as in published / audited financial statements (GBP thousands)	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	618	
2	Right of use assets	3,038	
3	Financial assets at FVTPL	289	
4	Financial assets at amortised cost	26,925	
5	Trade and other receivables	54,341	
6	Deferred tax	491	
7	Income tax receivable	7,201	
8	Cash and cash equivalent	223,259	
9	Total Assets	316,162	
	Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements		
1	Lease liabilities	3,552	
2	Trade and other payables	71,033	
3	Loans and borrowings	103,034	26
4	Total Liabilities	177,619	
	Shareholders' Equity		
1	Called up share capital	80,000	4
2	Capital contribution reserve	597	8
3	Foreign currency translation reserve	48	
4	Profit and loss account	57,898	6
5	Total Shareholders' equity	138,543	

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	5,512	519	10,042
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	19/01/2027	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, PGIML must meet its own funds requirement (“OFR”) and its basic liquid assets requirement (“BLAR”).

Under MIFIDPRU 4.3, PGIML is required to always maintain 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 (GBP thousands)
1	PMR	150
2	FOR	20,245
3	KFR (sum of (a), (b) and (c))	16,611
	a) sum K-AUM, K-CMH and K-ASA	9,539
	b) sum K-DTF and K-COH	7,072
	c) sum K-NPR, K-CMG, K-TCO and K-CON	-
	Own funds requirement (higher of 1, 2 and 3)	20,245

The PMR for PGIML of £150k is a fixed requirement determined by its 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 there is a material change to projected relevant expenditure during the year this revised FOR is applied.

Under the IFPR regime investment firms are required 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 as its BLAR an amount of core liquid assets equal to the sum of one third of FOR and 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 Firm's 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 to the FCA's MIFIDPRU Remuneration Code set out in SYSC 19G as a non-SNI MIFIDPRU investment firm subject to the extended remuneration requirements.

6.1. Remuneration Policy

The PGIM UK 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 Firm 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 reflects 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 7.7 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 post-employment compensation matters.

In addition, to ensure a strong alignment between risk and 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 consists 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.

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 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 2025.

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 2025.

PGIM Limited £M	Senior Management		Other MRTs		Other Staff	Total
Total amount of remuneration	9.59		2.32		59.28	71.20
Total Fixed	3.40		1.50		31.29	36.19
Total Variable	6.19		0.83		28.01	35.01
	Not Deferred	Deferred	Not Deferred	Deferred		
Paid in cash	2.15	-	0.25	-		
Paid in shares	-	1.56	-	0.21		
Paid in share linked and other forms	1.01	1.45	0.25	0.12		

Total amount of deferred remuneration awarded to MRTs in previous performance periods £M ¹	
Due to vest in 2025	4.15
Has not been subject to performance adjustment	4.15
Has been subject to performance adjustment	0.00
Due to vest in subsequent years	5.28

¹ 2025 deferred MRT remuneration includes additional components (e.g. performance share awards) not reflected in prior periods.

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 2025	4
	£M
Total amount of remuneration	0.29
Total Fixed	0.08
Total Variable	0.21

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 severance payments to prevent individual identification of a material risk taker.

All severance payments are made in accordance with the MIFIDPRU 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 2025 performance year did not exceed 69% 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.