Capital Requirements Directive

2021 Pillar 3 Disclosure

1. Overview

The Capital Requirements Directive ("the Directive") of the European Union created a revised regulatory capital framework across Europe designed to ensure the financial soundness of credit institutions and reflect the capital rules of Basel II. All disclosures and figures in this document are based upon the rules in existence at 31 December 2020.

The framework consists of three "pillars":

- Pillar 1 – Minimum Capital Requirement (this includes Credit, Market and Operational Risk). A BIPRU firm must maintain capital resources which are at least equal to the base capital resources requirement. A firm must also meet the variable capital requirement which is the higher of
  - The capital required to cover a firm's credit risk and market risk and
  - The firm's fixed overhead requirements (the base capital can be used to meet the variable capital requirement)
- Pillar 2 – The Adequacy of a firm's capital involves the following:
  - An Internal Capital Adequacy Assessment Process (ICAAP), which a firm is obliged to carry out in accordance with the Pillar II requirements
  - Supervisory Review and Evaluation Process (SREP), which is performed by the FCA acts as a tool to structure the ICAAP
- Pillar 3 – Disclosure requirements designed to promote market discipline by providing market participants with key information on a firm's risk exposure and risk management processes.

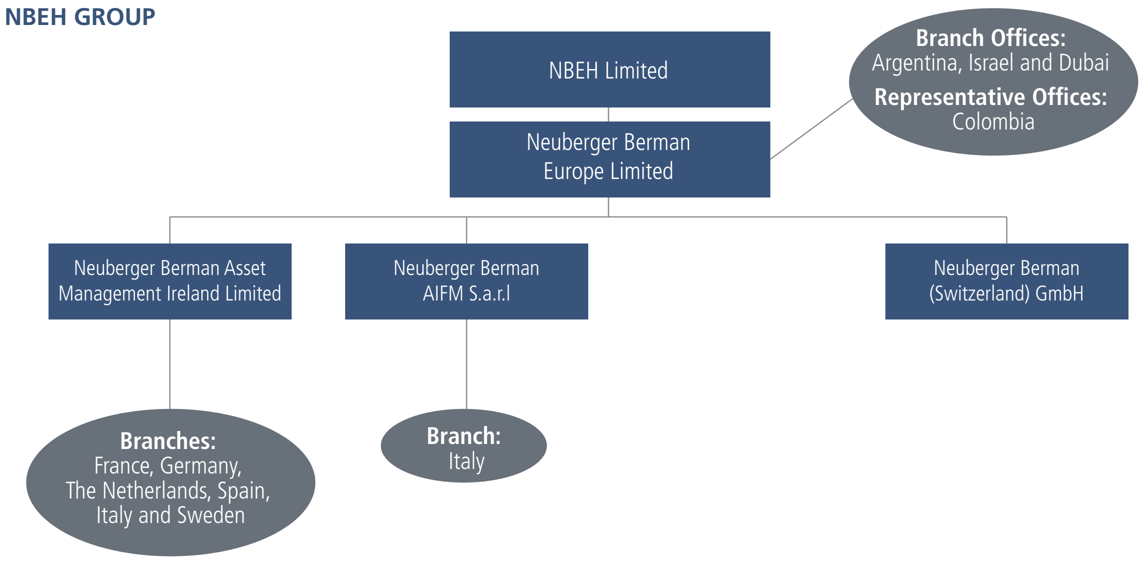
The Financial Conduct Authority ("the FCA") has adopted a risk-based approach in monitoring and enforcing a firm's compliance with the Pillar 3 requirements. Specifically, the FCA has created new rules and guidance via the General Prudential Sourcebook ("GENPRU") and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU").

The rules in BIPRU Chapter 11 set out the provision for Pillar 3 disclosure. In order to comply with the requirements laid out in BIPRU 11.3.1 and BIPRU 11.3.2, Neuberger Berman Europe Limited will draft the Pillar 3 disclosure document annually, to be followed by an internal verification of the disclosures.

The disclosure document will then be reviewed and challenged by appropriate members of the Neuberger Berman Europe Limited Board to ensure that the information contained within is appropriate. The FCA does not expect disclosures to be made that are regarded as immaterial, proprietary or confidential. Information that is regarded as material is if on its omission or misstatement, could change or influence the assessment or decision of a user relying on it to make economic decisions. Proprietary or confidential information could include information which, if shared with competitors, would render a firm's investments less valuable or if the information comprises obligations to customers or other counterparty relationships binding a firm to confidentiality. Where such omissions have been made, details of the information not disclosed with reason will be included.

Scope

The UK entity, authorised and regulated by the FCA as at 31 December 2021, is Neuberger Berman Europe Limited ("NBEL"), which is a subsidiary 100%-owned by Neuberger Berman Europe Holdings (NBEH) Limited ("NBEH").



NBEL is focused on two main activities: first, the distribution of Neuberger Berman investment products to clients in the UK, Continental Europe, Latin America and the Middle East (collectively, "EMEA") and, second, the provision of investment management services to those clients. It is supported in those activities by professionals in legal, compliance, finance, operations, information technology, human resources and portfolio analytics functions.

As of 31 December 2021, NBEL also has three wholly owned subsidiary companies:

- Neuberger Berman AIFM S.a.r.l ("NB Lux"), a Luxembourg company formed in 2018 authorised by the CSSF to provide investment management and risk management services to Neuberger Berman's European alternative investment funds in accordance with the European Union's AIFM Directive ("AIFMD").
- Neuberger Berman Asset Management Ireland Limited ("NBAMIL"), an Irish company formed in 2018 authorised by the Central Bank of Ireland to provide investment management and risk management services under AIFMD with MIFID style permissions for individual portfolio management.
- Neuberger Berman (Switzerland) GmbH ("NB Switzerland"), a Zurich-based distributor of Neuberger Berman strategies in Switzerland, regulated by FINMA.

Frequency

This report will be produced on an annual basis shortly after the completion of NBEL's annual report and accounts.

2. Risk Management Framework

The Neuberger Berman group of companies ("NB Group") employs a risk management framework that features dedicated investment and operational risk teams. These teams are independent of the group's portfolio managers. Together, they provide for consistency in, and frequency of, investment and operational risk reviews. They collaborate with other control units of the group, including: compliance, internal audit, legal and business control. This structure is enhanced by an ability to escalate to executive management and our boards certain issues, including unusual market, credit, operational or reputational risk matters that may have a potential effect on either client portfolios or the investment management business as a whole.

Enterprise Risk Management

The group has developed a robust enterprise-wide risk management framework underpinned by the investment and operational risk committees.

FIVE PILLARS OF ENTERPRISE RISK MANAGEMENT

	Strategic Risk			Financial Risk	Investment Risk	Operational Risk	Regulatory Risk
	Client Activity	**Product Offering**	**Human Capital and Culture**	**Financial Strength**	**Investment Risk**	**Operating Platform**	**Legal/Regulatory Regime**
RISK	Adequacy of client activity to support the target platform footprint	Ability to innovate, maintain and scale competitive strategy offerings	Ability to attract and retain talent who embody our business principles	Ability long term to invest in the business, maintain a range of equity value/yield to equity owners and meet financial obligations	Potential for portfolios to be negatively impacted by market risk factors, active risks or liquidity events	Ability to provide the proper operational and technological support [and protection] for the firm's internal and external activities	Exposure and risk of non-compliance to laws, rules, regulations, contractual obligations, prescribed practices, or ethical standards
RISK DRIVERS	• Client Flows • Asset Retention • Alternatives Raise • Productivity	• Existing Product Competitiveness • Scale of Offerings • New Product Launches • ESG Integration	• Key Person Risk • Employee Engagement	• Extreme Market Risk • Leveraged Balance Sheet	• Stress Testing • Concentration • Correlation • Liquidity	• Information Security • Infrastructure Platform • Operating Platform (IT) • Operating Platform (Ops)	• Litigation or Regulatory Actions • Fraud/Self-Dealing • Global Regulatory Environment
OVERSIGHT	**Risk Owners:** COO Client Coverage Leadership **Governance:** Executive Management Quarterly Operating Committee/ Partnership Committee Meetings Quarterly Board Meetings	**Risk Owners:** CIOs COO PSM Client Coverage Leadership **Governance:** Executive Management Operating Committee ESG Committee	**Risk Owners:** Chief of Staff Head of HCM **Governance:** Executive Management Board of Directors	**Risk Owners:** FO **Governance:** Operating Committee Audit Committee Partnership Committee NB Boards	**Risk Owners:** CIO CRO PMs **Governance:** Investment Risk Committee NB Boards	**Risk Owners:** Head of Infrastructure Technology & CISO Chief Technology Officer Head of Operations Head of Operational Risk and AMGO **Governance:** Operational Risk Committee Operating Committee NB Boards	**Risk Owners:** General Counsel – Asset Management Head of Compliance **Governance:** Operating Committee NB Boards

OVERSIGHT IS CONDUCTED BY THE OPERATING COMMITTEE

Our control groups hold meetings with portfolio management and business units to help ensure that risks are identified and proactively mitigated to the extent possible and that a strong internal control environment exists, with overlapping and reinforcing elements.

The investment and operational risk groups support the mandates of the Investment Risk Committee ("IRC") and the Operational Risk Committee ("ORC"). The role of these committees is to sustain a culture of risk awareness propagated through broad divisional senior management participation, with a goal of protecting the group's clients, reputation and financial well-being. Members of the committees have proper incentives, which for many include equity ownership in the group, participation in our deferred compensation program and non-competition agreements.

The IRC and ORC review investment and operational risks associated with new and existing products. The ORC also oversees the process of identification and mitigation of risks associated with the group's operational processes and systems.

Investment Risk Oversight

The Portfolio Analysis and Risk group is engaged in the independent identification and measurement of risk exposures within and across portfolios to assist portfolio managers in seeking portfolio returns through intended risk strategies and not by unintentional assumptions of risk.

Investment Risk Oversight Responsibilities:

- Establish independent risk oversight of the investment processes.
- Generate investment risk metrics and reports on investment strategies for the portfolio management teams, boards, management and the Investment Risk Committee. Those metrics will include, but are not limited to, risk and performance attribution/analysis, scenario analysis, scenarios and factors stress-testing, limit-setting and liquidity analysis.
- Responsible for the valuation oversight process.

Operational Risk Oversight

The Operational Risk Management group facilitates the identification, assessment and monitoring of uncompensated risks which expose the group to the possibility of unexpected loss resulting from inadequate or failed internal processes, people, systems, or from external events. In furtherance of these responsibilities, the Operational Risk Management group operates an operational risk management framework which provides for, but is not limited to, a risk and control self-assessment program; event and error loss analysis; issues and actions management; and ongoing partnership with the business and support and control functions in process improvement initiatives and the establishment of key risk indicators. Periodic reports are provided to management, boards, and the Operational Risk Committee.

Operational Risk Oversight Responsibilities:

- Operational risks pertaining to new and existing investment strategies and products
- Credit risk associated with the firm's counterparties, including trading counterparties, critical third-party service providers and key vendors
- Model risk management policy and its implementing framework
- Cybersecurity-related risks, threats, incidents, testing results, program effectiveness and strategic planning
- Third-party risk management framework
- Business Continuity Planning
- GIPS compliance

3. Capital Adequacy

Capital Resources

As at 31 December 2021 and throughout the year, NBEL complied with the capital requirements of a BIPRU Limited License 50k firm as set out by the FCA.

NBEL's capital is comprised solely of Common Equity Tier 1 capital, NBEL does not hold additional Tier 1 or Tier 2 capital.

	$000
Paid-up Share Capital	21,500
Retained Earnings	59,200
Common Equity Tier 1 ("CET1") Capital	**80,700**
Deductions from Tier 1 Capital	(18,553)
Total Tier 1 Capital After Deductions	**62,147**
Total Tier 2 Capital	–
Total Capital Resources	62,147

Capital Requirement

The Pillar 1 capital requirement for NBEL is the higher of:

1. the base capital resources requirement of €50,000
2. the sum of the credit and market risk capital requirements
3. the Fixed Overhead Requirement ("FOR")

	$000
Credit Risk	4,638
Market Risk	1,596
Credit and Market Risk	**6,234**
Fixed Overhead Requirement	**17,606**
Pillar 1 Total	**17,606**

In calculating its credit risk capital requirement, NBEL applies the standardised approach (GENPRU 2.1.51).

Disclosures in relation to credit risk have been considered immaterial under BIRPU 11.3.5R (exemption from disclosure: materiality) as our capital requirement is our fixed overhead requirement rather than the sum of our credit and market risk capital requirement.

In calculating its market risk capital requirement, NBEL applies the approach under GENPRU 2.1.

ICAAP and Pillar 2 Capital Requirements

As part of its ICAAP process, NBEL identifies specific risks to its business and undertakes stress-testing involving various scenarios. As part of its ICAAP process NBEL has set aside capital to mitigate the following risks:

- **Strategic Risk:** We do not calculate capital against strategic risk; instead, we test our capital adequacy through the use of stress scenarios to ensure that the group is adequately protected against strategic risks.
- **Financial Risk:** The group adopts a "Pillar I+" approach to Financial Risk and opts to use its Pillar I calculations for Credit and Market risk.
- **Investment Risk:** In this context Investment risk is the business risk conferred on us not by our own investments, but by the investments we manage on behalf of our clients. Like Strategic Risk, we do not calculate capital against Investment Risk; instead we test our capital adequacy through the use of stress scenarios to ensure that the group is adequately protected against Investment risks. The largest risks that the firm faces here are around the damage that poor performance or adverse conditions could inflict on our revenue stream. These factors can also impact our Credit and Market risk relating to our balance sheet, particularly seed capital investments; stress-testing allows us to assess the overall impact of these scenarios across the risk categories.
- **Operational Risk** is assessed on the basis of bottom-up operational risk assessments, but the board has acted to increase this where information is lacking, or in its judgement further provision is necessary.
- **Regulatory/Compliance Risk** is assessed on the basis of bottom-up operational risk assessments, but the board has acted to increase this where information is lacking, or in its judgement further provision is necessary.

These risks are then aligned with the 12 risk categories required for consideration in GENPRU 1.2.30 to ensure that our risk universe is in compliance with FCA regulation:

- Credit risk
- Market risk
- Liquidity risk
- Operational risk
- Insurance risk
- Concentration risk
- Residual risk
- Securitisation risk
- Business risk
- Interest rate risk
- Pension obligation risk
- Group risk

Exposures

The risk areas covered by the ICAAP include Operational Risk, Financial/Economic Risk, Market Risk, Reputational Risk, Liquidity Risk, Transfer/Parent Risk and Regulatory Risk. The most relevant of these risks are set out in further detail below:

Operational Risk

The key operational risks that NBEL faces are execution, delivery and process management where losses can occur due to failure of transaction processing by internal resources or external trade counterparties and vendors. The management of this risk lies with the Director of Operational Risk, who is responsible for the development and continual maintenance of the NBEL Operational Risk Framework. The output is escalated to both the NBEL Risk and Compliance Committee and the European Operating Committee—chaired by the Chief Executive Officer and which has senior representation from the distribution, fund management, legal and compliance, portfolio analytics and risk, product development, HR, client services and finance functions within the organisation.

All internal operation activities are carried out by an independent dedicated team. NBEL outsources all of the day-to-day internal operational activities to other members of the wider NB Group. This is an established process: process management- and service-level agreements are in place. Within NBEL the Middle Office team provides operational oversight for all London-managed and co-managed portfolios with additional Middle Office support in The Hague for the Emerging Market Debt portfolio managers based there and the European Investment Grade team in Paris. The European operational risk and compliance departments maintain a breach log, which is provided to senior management, and the firm has a comprehensive Trade Execution Error and Escalation Policy.

Credit Risk

Credit risk is the risk that NBEL's clients or debtors fail to meet the amounts due to the Company. NBEL's main bank accounts are held with the UK branch of a major US bank. The majority of its cash / cash equivalents is held in money market funds (currently US Treasury MMFs).

NBEL makes proprietary investments in its own funds in order to facilitate the launch of new funds / share classes. Some of those funds may have investments in Credit debts, inclusive of non-investment grade or emerging countries debts, which may have a higher risk to not meeting their interest repayments, or repaying their debt. Management of this risk is addressed by the PAR group through their regular monitoring of the strategy.

Market Risk

Market risk is the risk of the effect on NBEL's financial position resulting from market movements, interest rate changes, currency movements, etc. Apart from its investment in money market funds (which it considers to be cash equivalents due to the nature of the funds and underlying securities), NBEL also invests in its own funds or those of affiliates, e.g. in order to develop performance track record prior to marketing to clients. Some of those funds may invest in riskier parts of the market and the PAR Group through its regular monitoring and ensure that the portfolio's risks are consistent with the product expectation. Escalation procedures will address any material change in the risk profile.

NBEL's functional currency is US Dollar. However it has significant expenses in currencies other than USD, including Pound Sterling, Euro and Swiss Francs. NBEL seeks to mitigate currency risk by matching income and expenses and ensuring that adequate non-USD balances are held to meet short-term expense requirements.

Liquidity Risk

NBEL has a liquidity risk framework, the purpose of which is to:

1. identify any unwanted risks in relation to liquidity risk
2. design and implement procedures to eliminate or mitigate those risks
3. put processes in place to ensure that there is effective oversight and monitoring of liquidity risk
4. ensure there are contingency plans in place where possible in relation to identified risks

Regulatory Risk

The cost of doing business for NBEL is subject to ongoing regulatory change. Regulatory risk is the risk to earnings, capital and reputation if NBEL fails to comply with the increasing volume and complexity of UK, European and US regulation it is subject to. The lack of regulatory risk governance could lead to regulatory action, fines, sanctions, a Section 166 order and general business disruption when trying to remediate a regulatory risk. The regulatory risk increases as NBEL expands the number of jurisdictions in which it operates. NBEL engages local lawyers, accountants and tax advisers in each jurisdiction in order to provide updates of any relevant regulatory changes and ensure compliance with local laws and regulations.

4. Remuneration Policy and Practices

NBEL qualifies as a Proportionality Level 3 firm under the Remuneration Code. It is required to disclose certain quantitative and qualitative remuneration items. Due to its size of operations in the UK and the structure of the NB Group, the firm has not established a Remuneration Committee in the UK. However, certain decisions about the remuneration arrangements applicable to the firm are made by the Remuneration Committee of Neuberger Berman LLC, an affiliate of the firm (the Remuneration Committee).

Decisions regarding the group-wide incentive plans that are applicable to the firm and the overall bonus pools are made by the Remuneration Committee. Any material decisions regarding remuneration applicable to NBEL are ratified by NBEL's Board of Directors.

Decisions regarding individual bonus awards applicable to each division within NBEL are made by the Managing Director of that business line. Input is received from NBEL's Managing Director and the Head of Human Capital for the region.

Implementation of NBEL's remuneration policy is reviewed annually by the Board of Directors.

Information on the link between pay and performance

The long-term interests of shareholders, investors and other stakeholders are taken into account by ensuring that the remuneration structures in place: (i) reward the successful financial performance of NBEL and the NB Group; (ii) are linked to compliance with appropriate risk-taking behaviours; and (iii) are linked by the deferral mechanisms described in the group's Contingent Compensation Plan.

Remuneration is benchmarked annually in order to ensure that remuneration is competitive, using industry standard salary surveys supplemented with anecdotal evidence, taking account of the size of the organisation and its activities. This means that NBEL can attract and retain talent. This is in line with long-term interests of shareholders, investors and other stakeholders.

The remuneration of the control function staff is linked to their success in relation to their control functions (amongst other things). In addition, remuneration is benchmarked to ensure that employees in control functions are remunerated adequately.

Guaranteed bonuses are paid only in line with FCA Guidance, and NBEL did not offer any exceptional or non-standard termination payments to employees in the last year.

Information on Code Staff remuneration

As at 31 December 2021 the company considered seven members of staff to be Code Staff.

Total Remuneration

Code Staff $7.4m (broken down as $2.1m fixed remuneration and $5.3m variable remuneration).

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