Investment Firms Prudential Regime

2023 MIFIDPRU 8 Disclosure

1. Introduction

The Investment Firms Prudential Regime ("IFPR") is the Financial Conduct Authority's ("FCA") new prudential regime for MiFID investment firms, which seeks to streamline and simplify the prudential requirements for UK investment firms. The regulation went live on 1st January 2022 and its requirements apply to Neuberger Berman Europe Limited ("NBEL") as an FCA-authorized and regulated MIFIDPRU firm. Neuberger Berman Europe Limited together with its subsidiaries forms a MIFIDPRU investment firm group ("NBEL Group"). Subsequently this disclosure has been completed for NBEL Group.

IFPR has been implemented by the FCA through the rules and guidelines documented within the MIFIDPRU Sourcebook. As set out in MIFIDPRU 8, firms must make an annual public disclosure which replaces the previous Pillar 3 requirements. Firms are required to disclose their objectives and policies in relation to certain key risks: own funds, concentration, and liquidity, as well as agreements pertaining to NBEL Group's governance arrangements and remuneration practices.

The NBEL Group disclosures are produced and published at least once a year which takes place following the completion of the Internal Capital Adequacy and Risk Assessment ("ICARA") process and the submission of the MIF007 ICARA reporting to the FCA. The disclosure may be updated more frequently in the event of a material business change.

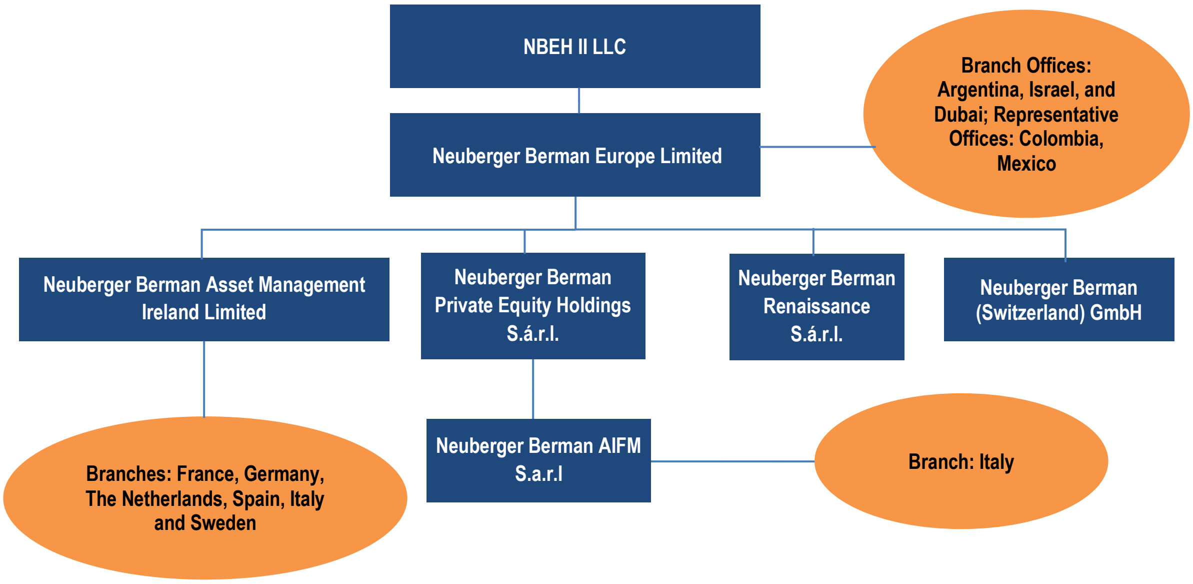
The disclosure document is reviewed and challenged by appropriate members of the Neuberger Berman Europe Limited Board ("the Board") to ensure that the information contained within is appropriate. The approved disclosure is then published on the Neuberger Berman website (www.nb.com).

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 an individual 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 will be included.

2. NBEL Structure and Governance

NBEL is a UK entity authorized and regulated by the FCA for investment management services and is a subsidiary 100%-owned by Neuberger Berman Europe Holdings II LLC ("NBEH II LLC").



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

NBEL is regulated by the FCA (FRN 442488) and, as of 31 December 2023, has four controlled subsidiary companies:

- Neuberger Berman Private Equity Holdings S.á.r.l.("PEH"), a company incorporated and domiciled in Luxembourg in 2021. Its subsidiary is Neuberger Berman AIFM S.á.r.l. ("NBAS"), a Luxembourg company formed in 2018 and 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 Renaissance S.á.r.l. ("NBR") is a company incorporated and domiciled in Luxembourg in 2021.
- Neuberger Berman Asset Management Ireland Limited ("NBAMIL"), an Irish company formed in 2018 and authorised by the Central Bank of Ireland to provide investment management and risk management services under AIFMD, with additional "MIFID style" permissions for individual portfolio management.
- Neuberger Berman (Switzerland) GmbH ("NB Switzerland"), a Zurich-based distributor of Neuberger Berman investment funds and strategies in Switzerland, regulated by FINMA.

2.1. NBEL Board ("The Board")

The Board is the governing body of NBEL. It sets NBEL's strategic direction and is responsible for the overall management of its operations including NBEL's capital, corporate structure and material contract arrangements. The Board ensures the soundness of the NBEL's internal risk management framework by reviewing NBEL's risk and control process as well as approving NBEL's risk appetite. The Board is responsible for communicating documentation to shareholders where necessary as well as any other corporate governance matters including but not limited to the authorization of conflicts of interest of its directors, approval of litigation matters and approval of NBEL's Anti-Bribery & Corruption, Privacy and Whistleblowing policies.

2.2. EMEA Risk and Compliance Committee

The purpose of the EMEA Risk and Compliance Committee is to establish and oversee the legal, compliance, liquidity/investment risk, and operational risk framework for addressing, managing, and, where necessary, escalating any identified EMEA risk and compliance matters at NBEL Group. It also oversees the EMEA Enterprise Risk Management Risk Frameworks, reviews risk and compliance reporting, oversees ICARA and ICAAP development, and ensures oversight of the Third-Party Risk oversight framework, among other responsibilities. The committee ensures that any business-related activities within EMEA are in scope, including the adoption of Neuberger Berman Group ("NB Group") policies and procedures, and any upcoming group wide initiatives impacting NBEL Group.

2.3. EMEA Product Governance Committee

The purpose of the EMEA Product Governance Committee is to oversee product governance systems and controls within NBEL, NBAMIL, and NBAS, ensuring they meet regulatory requirements and that products are able to adapt to business and regulatory changes. Its responsibilities include reviewing and approving new product proposals, overseeing material changes to existing products, conducting regular product reviews, validating product strategy, ensuring compliance with MiFID II target market assessments, and monitoring risks related to product development and management. The committee aims to ensure fair outcomes for end investors, maintain compliance with regulations, and respond to regulatory changes effectively.

2.4. Conflicts of Interest Committee

The purpose of the Conflicts of Interest Committee is to oversee the management of actual and potential conflicts of interest within NBEL, NBAMIL and NBAS. This including identifying, managing, recording, and disclosing actual or potential conflicts of interest between NB Group, its employees, and its clients, as well as between different clients and ensuring that the NB Group's policy regarding conflicts of interest aligns with its overall strategy and risk tolerance. The Committee also makes recommendations to mitigate the risk of conflicts of interest and ensuring effective operational and administrative arrangements are in place for their management and escalates significant conflict of interest matters to the Board for further guidance and approval.

2.5. Senior Management & Certification Regime ("SMCR") Certification Committee

The role of the NBEL SMCR Certification Committee is to oversee the certification process and ensure that NBEL complies with the Certification Regime. This includes ensuring that fitness and propriety assessments are satisfactorily completed and appropriately calibrated, that matters relating to the SMCR are considered as part of the annual performance appraisal process (where relevant), the allocation of activities and prescribed responsibilities upon the appointment of any Senior Manager, the completion of the annual certification process and the suitable consideration of other ad hoc issues such as disciplinary matters.

2.6. UK OEIC Oversight Committee

The NBEL UK OEIC Oversight Committee is to ensure that there is effective governance and control structures in place for the hosted Authorised Corporate Director ("ACD") funds. The committee is responsible for overseeing the investment management process, ensuring compliance with regulatory requirements, assessing risk management arrangements, and ensuring the funds meet their investment objectives and policies. It also oversees service providers, including investment managers, fund administrators, and transfer agents, ensuring that they adhere to agreed standards and regulations. The committee acts as a formal body of the Board, providing assurances and confirmations regarding the effective management and oversight of the sub-delegated entities involved in the fund's operations.

2.7. EMEA Outsourcing Committee

The EMEA Outsourcing Risk Oversight Committee is a sub-committee of the EMEA Risk and Compliance Committee. The purpose of the EMEA Outsourcing Risk Oversight Committee is to ensure appropriate oversight and escalation of key third-party and outsourcing risks. It aims to oversee business-related activities within EMEA involving the deployment of third-party and outsourcing arrangements, adopt relevant policies and procedures, and ensure appropriate oversight of the third-party risk and oversight framework. The Committee acts as an escalation point for third-party and outsourcing risk events and issues, reviews and challenges the selection of new arrangements, considers significant changes in risk ratings, and reviews exceptions and suitability of activities carried out by distributors and third parties.

2.8. European Valuation Committee

The European Valuation and Pricing Committee is established to oversee and govern the valuation and pricing activities for various investment funds and entities for which NBEL or NBAMIL acts as Investment Manager. Its role includes independently assessing valuation and pricing activities across fund ranges, reviewing fair value methodologies for investment positions, and making valuation decisions. This committee operates under a formal delegation from NBEL, NBAMIL, and the specified funds, authorized to make all relevant valuation decisions within its Terms of Reference.

2.9. Audit, Capital & Liquidity Committee

The Audit, Capital, and Liquidity Committee established in 2023, is to assist the Board in its oversight responsibilities by reviewing and monitoring several key areas. These include the performance of the NBEL and NBEL Group in terms of financial, liquidity, and capital aspects; the integrity of NBEL's financial statements and financial information provided to stakeholders; the effectiveness of NBEL Group's internal financial controls; the objectivity and effectiveness of both internal and external audit processes; and oversee any escalated issues from NBEL Group. The Committee also plays a role in financial reporting, monitoring the NBEL's financial positions, compliance with financial reporting standards, and the relationship with and performance of external and internal auditors.

2.10. EMEA Compensation Committee

The EMEA Compensation Committee, established in 2023, oversees and ensures the integrity of the compensation policies and practices within NBEL, NBAMIL and NBAS. It is responsible for ensuring these policies meet regulatory expectations, support effective risk management, align with the NB Group's business strategy, and foster a culture that encourages positive outcomes for clients and discourages misconduct. The Committee is tasked with the preparation, review, and recommendation of changes to the remuneration policies, overseeing their implementation, and ensuring that they are designed to promote a healthy firm culture, support positive behaviors, and ensure alignment between risk and reward.

2.11. EMEA ESG Product Committee

The purpose of the EMEA ESG Product Committee, is a sub-committee of the EMEA Product Governance Committee. The Committee is established to oversee and ensure responsible governance regarding Environmental, Social, and Governance ("ESG") aspects of products manufactured by NBEL Group, or those marketed within it. The Committee's responsibilities include the approval of SFDR classifications for new and existing products, the review and consideration of climate risks and opportunities, addressing UK Stewardship matters, and managing European ESG categorisation. Additionally, it serves as a bridge for escalating ESG-related matters to higher governance structures and ensures the dissemination of ESG-related information within the organization.

3. Risk Management Framework

NB Group employs a risk management framework that features dedicated investment and operational risk teams. These teams are independent of the NB Group's portfolio managers. Together, they provide for consistency in, and frequency of, investment and operational risk reviews. They collaborate with other control units, 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.

Enterprise Risk Management

NB Group has developed a robust enterprise-wide risk management framework underpinned but the investment and operational risk committees.

Five Pillars of Enterprise Risk Management

	Strategic Risk			Financial Risk	Investment Risk	Operational Risk	Regulatory Risk
	Client Platform	Product Offerings	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: CFO 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, Head of Business Technology, 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 NB Group's clients, reputation and financial well-being. Members of the committees have proper incentives, which for many include equity ownership in NB 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 NB Group's operational processes and systems.

Investment Risk Oversight

The Investment 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 IRC. Those metrics 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 NB 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 (ORC).

Operational Risk Oversight Responsibilities:

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

4. Own Funds

4.1. Composition of Regulatory Own Funds

As of 31st December 2022, and throughout the year, NBEL Group has complied with the capital requirements in accordance with the rules set out in IFPR. NBEL Group's capital is comprised solely of Common Equity Tier 1 capital, and we do not hold additional Tier 1 or Tier 2 capital.

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**	**87,807**	Group statement of Changes in Equity
2	**TIER 1 CAPITAL**	**87,807**	Group statement of Changes in Equity
3	**COMMON EQUITY TIER 1 CAPITAL**	**87,807**	Note 15 - Share premium +18 - Capital contribution reserve
4	Fully paid-up capital instruments	-	
5	Share premium	13,234	Note 15 -Share premium
6	Retained earnings	73,132	Group Statement of Financial Position
7	Accumulated other comprehensive income	454	Group Statement of Financial Position
8	Other reserves	988	Note 18 - capital contribution reserve
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-) TOTAL DEDUCATIONS FORM COMMON EQUITY TIER 1		
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 Tier 1: Other capital elements, deductions, and adjustments		
25	**TIER 2 CAPITAL**		
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions, and adjustments		

4.2. Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

		Balance sheet as in published / audited financial statements	Under regulatory scope of consolidation	Cross reference to template OF1
Assets				
1	Fixed Assets	9,087	-	
2	Cash and Cash Equivalent	147,892	-	
3	Investments	29	-	
4	Debtors	47,358	-	
	Total Assets	**204,366**	-	
Liabilities				
1	Current Creditors	-107,236	-	
2	Creditors	-9,322	-	
	Total Liabilities	**-116,558**	-	
Capital and Reserves / Shareholders' Equity				
1	Share Capital	-	-	
2	Share Premium Account	13,234	-	5 Share premium
3	Capital Contribution Reserve	988	-	8 Other reserves
4	Profit and loss accounts	73,586	-	6 Retained earnings & 7 Accumulated other comprehensive income
	Total Shareholders' Equity	**87,807**	-	

5. Own Funds Requirements

5.1. Own Funds Requirements Summary

Under MIFIDPRU 4.3, NBEL must **always** maintain own funds that are at least equal to its own fund's requirement. This is the minimum capital requirement to cover the harms a firm poses to its clients, the firm and the market.

As outlined in MIFIDPRU 4.3, the own funds requirement is considered the higher of:

- **Permanent Capital Requirement** – replaces the Initial Capital Requirement and will be either £75k or £150k depending on the specific firm.
- **Fixed Overhead Requirement** – The costs associated with operating the business. Under IFPR, the calculation approach is much unchanged but allows certain deductibles from audited expenses.
- **K-Factors** – Manner of quantifying our business activities and model to mitigation the impact of harm (to clients, firm, the market)

NBEL's own funds requirement is equal to its Fixed Overhead Requirement ("FOR") as this is greater than its K-factor requirement and Permanent Capital Requirement has been determined as shown below:

Own Funds Requirement Category	Value £'000
The Higher of:	
Permanent Capital Requirement	75
Fixed Overhead Requirements	24,006
K-factors	9,514
(i) K-AUM	9,353
(ii) K-COH	162
Own Funds Requirement	24,006

5.2. Internal Capital Adequacy and Risk Assessment ("ICARA") Process

The objective of the ICARA process is to allow firms to understand from its own business model what sources of harm (impacts and outcomes) are arising to clients, the firm and the market and what systems and controls are in place to mitigate these risks. NBEL is therefore required to assess its own funds and liquidity requirements and ensure sufficient own funds and liquid assets are held to meet the Overall Financial Adequacy Rule ("OFAR").

A firm is required, always, to hold adequate own funds and liquid assets to:

- Ensure it can remain viable throughout the economic cycle, with the ability to address any potential harm from its ongoing activities; and,
- Allow its business to wind-down in an orderly manner, minimizing harm to consumers or other market participants.

This is monitored through introduction of the two key components of the OFAR:

- **Own funds threshold requirement ("OFTR")** – This is the sum of the Own Funds Requirement and any additional capital determined as appropriate to cover key risks / harms. This is the key risk assessment associated with ongoing operations.
- **Liquid assets threshold requirement ("LATR")** – This is the amount of liquid assets that a firm needs to hold at any given time to support ongoing operations and a wind down of the firm.

NBEL undertakes its ICARA process at least once a year (or more frequently in response to material changes in the business / strategy). NBEL's most recent ICARA was approved by the Board on 24 October 2023.

As part of the ICARA process, NBEL established its OFTR and LATR. This assessment was undertaken by assessing any potential harm from ongoing operations and the scenario of an orderly wind down. The ICARA is undertaken via a risk / harm identification workshop with key stakeholders and scenario analysis / modelling process for the ongoing business activities - this allows us to ensure we have sufficient capital and liquidity to address potential harms in the day-to-day operations for NBEL. This is compared to the costs associated with an orderly wind down of NBEL and the firm seeks to ensure that we have adequately capital and liquidity to wind down in an orderly manner. The ICARA process also includes business model assessments, downside scenario stress testing and reverse stress testing.

6. Remuneration Policy and Practices

NBEL is required to disclose certain quantitative and qualitative remuneration items. Due to its size of operations in the UK, the structure of the NB Group and its permissions as a non-small and non-interconnected firms ("non-SNI"), NBEL has recently established an EMEA Compensation Committee in the UK where certain decisions about the remuneration arrangements applicable to the employees in the UK are reviewed in line with individual conduct and NBEL's performance. The Compensation Committee can make recommendations that may impact compensation decisions.

Decisions regarding: (i) the group-wide incentive plans that are applicable to the firm; and (ii) the overall bonus pools: are made by the Neuberger Berman LLC Global Remuneration Committee. Any material decisions regarding remuneration applicable to (NBEL) are ratified by the Board.

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

Implementation of NBEL's remuneration policy is reviewed annually by the EMEA Compensation Committee.

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 are designed to (i) reward the successful financial performance of the Company and the NB Group; and (ii) by ensuring that remuneration is also linked to compliance with appropriate risk-taking behaviours; and (iii) by the deferral mechanisms described in NB Group's Contingent Compensation Plan.

Remuneration is benchmarked annually 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 the Company can both attract and retain talent. This is in line with long-term interests of shareholders, investors and other stakeholders.

MIFDIPRU's Material Risk Takers ("MRTs") include members of senior management and persons with managerial responsibility for managing investments, control functions, information technology and money laundering. 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. Finally, the Company did not offer any exceptional or non-standard termination payments to employees in the last year. Guaranteed bonuses are paid only in line with FCA Guidance.

Total Remuneration

The total renumeration for staff is broken down in the table below by material risk takers and non-material risk takers:

	MRTs	Non-MRTs	Total
Total Remuneration ($m)	7.8	77.6	85.5
Fixed Remuneration ($m)	2.0	35.7	37.6
Variable Remuneration ($m)	5.8	42.0	47.8