

Pillar 3 Disclosures

Capital Requirements Directive: Pillar 3 Disclosure

Introduction

Principal Global Investors (Europe) Ltd (“PGIE” or the “Firm”) is regulated by the Financial Conduct Authority (“FCA”) in the UK. In accordance with the FCA’s Prudential Sourcebook for Banks, Building Societies and Investment Firms (“BIPRU”), PGIE has made this Pillar III Disclosure.

PGIE is incorporated in the UK and categorised by the FCA as a BIPRU €50k firm. PGIE is an investment management firm that does not deal on its own account or underwrite issues of financial instruments. PGIE is not permitted to and does not hold client money or assets. PGIE is a solo regulated entity and is also required to report on a consolidated basis for prudential purposes.

PGIE may omit one or more of the disclosures required on the basis of materiality which is based on the criterion that its omission or misstatement could change or influence the assessment or decision of a user relying on that information. Certain disclosures may also be omitted if they are proprietary or confidential and the Firm will state the specific reasons for any such omission. Information is deemed to be confidential if it would undermine our competitive position or where we have obligations to customers or counterparties. Proprietary information includes that relating to products or systems which, if shared with competitors, would render our investments less valuable.

The Pillar III disclosure is published in the annual accounts. It will be updated on an annual basis following the Accounting Reference Date or if there are any significant changes throughout the year.

Governance and risk management

Governance

The PGIE Board of Directors has overall responsibility for risk management. The Board is responsible for setting PGIE’s risk strategy, establishing its risk appetite and ensuring that all key risks are effectively and efficiently controlled. The Board places a high priority on a strong risk management culture and recognises that risk is inherent in the business and markets in which it specialises. Systems of internal control are designed to ensure effective and efficient operations, including financial reporting and compliance with laws and regulations.

The Board has delegated oversight of risk management matters to the Risk Management Committee. On a quarterly basis PGIE’s Board reviews the Risk Management Committee report which details the results of the Committee’s risk assessments and the quarterly report of the Trading Committees - that determine and review trading policies and procedures and consider the results of compliance monitoring and other internal reviews.

Risk Appetite

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PGIE's risk appetite is generally low. A Board approved Risk Appetite Statement is maintained which details our risk appetite towards specific risks. The current risk profile of the Firm against its approved risk appetite is reported and discussed at each Risk Management Committee and Board meeting.

Policies

PGIE has developed a Risk Framework which is used to identify and assess the risks that could damage PGIE's business, or adversely affect its activities, processes or systems; as well as managing and controlling these risks. It enables PGIE to:

- produce a comprehensive and accurate view of the risks to the business, at an appropriate level of materiality, and to inform the executive in the decision-making process;
- provide management information on material risks which lie outside of risk appetite and those which are volatile and therefore require close management and monitoring; and
- provide assurance that risks are being appropriately managed.

PGIE assesses all risks across each of the Business Risk, Financial Risk and Operational Risk headings as detailed in the Principal Global Investors risk taxonomy.

PGIE's Risk Register documents the detail of the risks to which the Firm is subject, and also those factors that have been identified as giving rise to reputational risk. The Register contains a relevant risk score in relation to each risk identified, apportions responsibility for the oversight of each risk and documents any in flight actions required to further mitigate the risk. It is reviewed on a quarterly basis and the results discussed at the following Risk Management Committee meeting, or sooner if they require immediate escalation.

Capital Resources Requirement and Adequacy Position

As a BIPRU €50k firm, PGIE's Pillar I capital requirement is determined as being the higher of:

- i. The Base Capital Requirement of €50k;
- ii. The Fixed Overhead Requirement ('FOR'); or
- iii. Credit Risk Capital Requirement plus the Market Risk Capital Requirement.

The table below sets out PGIE's capital resources requirement and capital adequacy position as at 31st December 2019 in GBP'000. It can be seen that PGIE's Pillar I capital requirement is determined by its FOR and that PGIE is adequately capitalised to meet this requirement.

Capital Position	31 December 2019
Core tier one capital	
Permanent share capital	2,724

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Share premium	373
Retained earnings	6,619
Other reserves, including share based payment reserves	6,400
Total tier one capital before deductions	16,116
Market risk capital requirement	892
Credit risk requirement	997
Fixed overhead requirement	5,195
Surplus of own funds	10,921

PGIE management has worked through and prepared the Internal Capital Adequacy Assessment Programme ('ICAAP') document to determine the Pillar II capital requirement. Based on this assessment, PGIE has determined that no additional capital above the Fixed Overhead Requirement is required.