



MIFIDPRU 8 DISCLOSURE

Reference date: 31 December 2022

Centerbridge Partners Europe, LLP (the "Firm")

Introduction

The Financial Conduct Authority (“**FCA**”) in its Prudential sourcebook for MiFID Investment Firms (“**MIFIDPRU**”) sets out the detailed prudential requirements that apply to Centerbridge. In particular, Chapter 8 of MIFIDPRU (“**MIFIDPRU 8**”) sets out public disclosure obligations with which the Firm must comply, further to those prudential obligations.

Centerbridge is classified under MIFIDPRU as a small and non-interconnected investment firm (“**SNI MIFIDPRU investment firm**”). In addition, Centerbridge does not have additional tier 1 instruments (as defined in the FCA Handbook) in issue. As such, MIFIDPRU 8 requires Centerbridge to disclose information regarding the Firm’s remuneration policy and practices.

The purpose of these disclosures is to give stakeholders and market participants an insight into the Firm’s culture, and to assist stakeholders in making more informed decisions about their relationship with the Firm.

This disclosure is prepared at least annually on a solo entity (i.e., individual) basis. The disclosed information is proportionate to Centerbridge’s size and organisation, and to the nature, scope and complexity of Centerbridge’s activities. This document has been prepared by Centerbridge in accordance with the requirements of MIFPRU 8 and is verified by Centerbridge’s Governing Body. Unless otherwise stated, all figures are as at the 2022 financial year-end.

The Firm is part of a wider group which includes Centerbridge Partners, L.P. (the “**Centerbridge Group**”).

Remuneration Policy and Practices

Overview

As an SNI MIFIDPRU investment firm, Centerbridge is subject to the basic requirements of the MIFIDPRU Remuneration code (as set out in Chapter 19G of the Senior Management Arrangements, Systems and Controls sourcebook in the FCA Handbook). The purpose of the requirements on remuneration are to:

- promote effective risk management in the long-term interests of the Firm and its clients;
- ensure alignment between risk and individual reward;
- support positive behaviours and healthy firm cultures; and
- discourage behaviours that can lead to misconduct and poor customer outcomes.

The objective of Centerbridge’s remuneration policies and practices is to establish, implement and maintain a culture that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the Firm and the services that it provides to its clients.

In addition, Centerbridge recognises that remuneration is a key component in how the Firm attracts, motivates and retains quality staff and sustains consistently high levels of performance, productivity and results. As such, the Firm’s remuneration philosophy is also grounded in the belief that its people are the most important asset and greatest competitive advantage.

Centerbridge is committed to excellence, teamwork, ethical behaviour and the pursuit of exceptional outcomes for its clients. From a remuneration perspective, this means that performance is determined through the assessment of various factors that relate to these values, and by making considered and informed decisions that reward effort, attitude and results.

Governance and Oversight

Due to the Firm's nature, size and simplicity, it does not have an independent risk management function. Instead, the Governing Body of the Firm has the daily management and oversight responsibility. It meets quarterly and is composed of the following Senior Managing Directors:

- Jed Hart;
- Ben Langworthy;
- William Neuenfeldt; and
- Susanne Clark.

The Governing Body is responsible for setting and overseeing the implementation of Centerbridge's remuneration policy and practices, with input from Centerbridge's Legal & Compliance team, as appropriate. The Firm's cash incentive compensation scheme is fully discretionary, with the Governing Body and the Founding Managing Principal of the Centerbridge Group determining any discretionary awards. The Governing Body:

- is appropriately staffed to enable it to exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital and liquidity;
- is responsible for preparing decisions regarding remuneration, including decisions which have implications for the risk and risk management of the Firm;
- is responsible for ensuring that the remuneration policy and practices take into account the public interest and the long-term interests of the stakeholders of the Firm; and
- is responsible for ensuring that the overall remuneration policy is consistent with the business strategy, objectives, values and interests of the Firm and of its clients.

Centerbridge's remuneration policy and practices are reviewed annually by the Governing Body.

Characteristics of the remuneration policy and practices

Remuneration at Centerbridge is made up of fixed and variable components. The fixed component is set in line with market competitiveness at a level to attract and retain skilled staff. Variable remuneration is paid on a discretionary basis and takes into consideration the Firm's financial performance (inclusive of the performance of the Firm's strategies), and the financial and non-financial performance of the individual in contributing to the Firm's success. A range of non-financial metrics are used to assess individuals' compensation, and there are no targets set for staff based on revenue, profit or income. All staff members are eligible to receive variable remuneration.

Fixed Remuneration

The Firm seeks to ensure that fixed remuneration primarily reflects a staff member's professional experience and organisational responsibility as set out in the staff member's job description and terms of employment. The Firm's fixed remuneration is permanent, pre-determined, non-discretionary, non-revocable and not dependent on performance.

Variable Remuneration

The Firm, through its Liquidity Policy and Internal Capital Adequacy and Risk Assessment ("**ICARA**"), establishes its liquidity and ongoing capital requirement on a rolling three-year basis. This is reviewed and stress tested annually. The size of the variable remuneration pool (bonus pool) is determined at the Centerbridge Group level and will take into consideration:

- the Firm's regulatory capital requirement;
- the revenues which have been received in cash;
- any revenues which have not yet been received but are guaranteed;
- business cycles; and
- deferred variable remuneration payments.

The discretionary nature of the Firm's cash incentive compensation scheme is sufficiently flexible to allow the Firm to vary the date of variable remuneration payments or cease to make such payments. The Firm seeks to ensure that any payment of variable remuneration only occurs following risk adjustments to profits and where the Firm is not at risk of being unable to maintain a sound capital base. Furthermore, the Firm's risk analysis takes account of actual and potential risks faced by the Firm on an ongoing basis.

The size of the Firm's variable remuneration pool is based upon risk-adjusted profits, rather than revenues, which takes into account the risks identified in the Firm's ICARA and the cost and need of capital in both the short- and long-term future. Members of the Governing Body and the Founding Managing Principal of the Centerbridge Group determine the size of the bonus pool at the end of the financial year, after the Firm's profits have been determined.

The variable remuneration of staff is determined on an individual basis within a set framework ultimately determined by the Founding Managing Principal of the Centerbridge Group. The Founding Managing Principal will liaise with the members of the Governing Body and senior management if needed. Any variable remuneration is subject to an assessment of the individual's financial and non-financial performance. A weighted rating in favour of effective risk and compliance with the Centerbridge Group's policies and procedures is used to ensure an individual's remuneration promotes effective risk management. The Firm utilises a review process to assess performance.

In relation to specific types of variable remuneration:

- *Guaranteed variable remuneration* – the Firm does not enter into agreement to pay guaranteed variable remuneration. There are rare exceptions to this in the context of hiring or retaining key staff.

- *Payments related to early termination* – in determining any early termination payment(s), the Firm will consider the performance of the individual over a reasonable period and ensure any payment does not have a material impact on the Firm’s capital or liquidity requirements.
- *Deferred remuneration* – from time to time, the Firm may pay a portion of an individual’s variable remuneration as deferred variable remuneration. Deferrals are used for purposes of staff retention and aligning their interests with that of the Firm.

Individual Remuneration Criteria

The Firm is dedicated to ensuring that individuals are not remunerated for exceeding the risk tolerances of the Firm. When assessing individual performance, the Firm takes account of financial as well as non-financial criteria.

The Firm’s non-financial criteria are a combination of effective risk management and compliance with the Firm’s policies and procedures. Poor performance in the Firm’s non-financial criteria could pose a threat to the Firm’s financial soundness. The Firm places a weighted value on the non-financial criteria overriding the metrics of financial performance.

The Firm seeks to ensure that staff making subjective judgments remain objective by having an established a framework for making such judgments. This includes:

- clearly documented parameters and key considerations;
- documented final decisions regarding risk and any performance adjustments;
- input from individuals in Control Functions; and
- sign off by authorized members of the Governing Body for any performance adjustments.

Quantitative Remuneration Disclosures

For the financial year 1 January 2022 to 31 December 2022, the total amount of remuneration awarded to all staff was £22.0m, of which £6.0m comprised the fixed component of remuneration, and £16.0m comprised the variable component. As used herein, “staff” refers to the Firm’s personnel ^[1].

[1] With support & oversight of personnel of the broader group companies.