

**BNP ASSET MANAGEMENT UK LIMITED**

# **MIFIDPRU 8 DISCLOSURES**



**APRIL 2023**



**BNP PARIBAS**  
**ASSET MANAGEMENT**

The sustainable  
investor for a  
changing world

## MIFIDPRU DISCLOSURES

1. Introduction.....	1
2. Business Overview .....	2
3. Risk Management Objectives & Policies .....	3
4. Governance Arrangements.....	7
5. Own Funds Requirements.....	9
6. Remuneration Policies and Practices .....	13

## 1. INTRODUCTION

### 1.1 Purpose

This document sets out the mandatory MIFIDPRU Chapter 8 disclosures for BNP Paribas Asset Management UK Limited (FRN: **170064**), hereafter referred to as 'BNPP AM UK'.

### 1.2 Background

The Investment Firm Prudential Regime (IFPR) came into effect on 1 January 2022. The IFPR aims to streamline and simplify the prudential requirements for MIFID investment firms that the FCA prudentially regulates in the UK. This new set of rules refocuses prudential requirements and expectations away from the risks firms face, to also consider and look to manage the potential harm firms can pose to consumers and markets.

BNPP AM UK is authorised and prudentially regulated by the FCA. It is categorised under the rules as a on-small non-interconnected (Non-SNI) MIFID investment firm. As a result, the firm is subject to mandatory disclosures under MIFIDPRU Chapter 8. These disclosures cover risk management objectives and policies, governance arrangements, own funds, own funds requirements and remuneration policies and practices.

### 1.3 Basis of preparation

The disclosures are prepared on an individual solo basis. The firm is not part of UK consolidated investment group for the purpose of IFPR. The reporting period is aligned to the financial year of the company, with the year ending on 31 December. However, some items tied to the ICARA process are dated due to the internal timetable of the process. These are reported on the basis of the accounts of the most recent approved ICARA document. See the table below for more details:

Item	Reporting Basis
Fixed Overhead Requirement	31/12/2022
K-Factor Requirements	31/12/2022
Own Funds Composition	31/12/2022
Own Funds Reconciliation	31/12/2022

### 1.4 Frequency of disclosure

The disclosures of BNPP AM UK are prepared annually.

## 1.5 Important disclaimers

BNPP AM UK is authorised and regulated by the FCA. The company is registered in the UK (company number 02474627). UK registered office address: 5 Aldermanbury Square, London EC2V 7BP

## 2. BUSINESS OVERVIEW

### 2.1 BNP Paribas Group

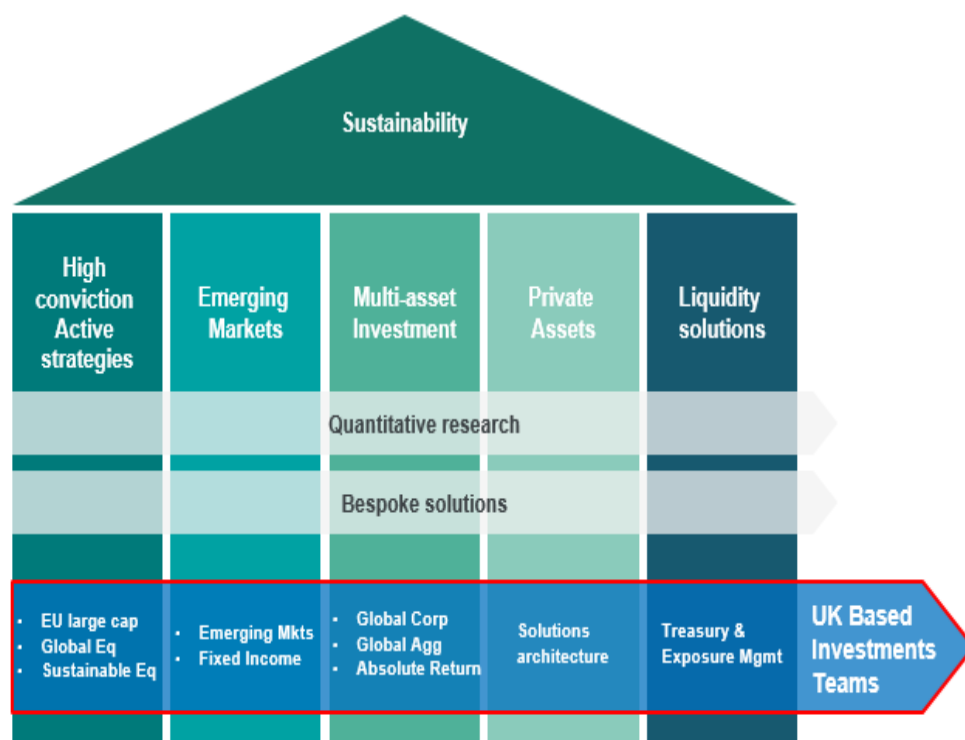
With its integrated and diversified model, BNP Paribas is a leader in banking and financial services in Europe. The Group leverages on strong customer franchises and business lines with strong positions in Europe and favourable positions internationally, strategically aligned to better serve customers and long-term partners.

It operates in 65 countries and has almost 190,000 employees, including nearly 145,000 in Europe. The Group's activities are diversified and integrated within a distinctive model combining commercial banking activities in Europe and abroad, specialised services (consumer credit, mobility and leasing services, and new digital business lines), insurance, private banking and asset management, and banking for large institutional companies.

### 2.2 BNP Paribas Asset Management Group and BNP Paribas Asset Management UK Limited

BNP Paribas Asset Management Holdings S.A. (BNPP AM), the parent entity of BNPP AM UK, is a leading provider of quality investment solutions for individual, corporate and institutional investors. BNPP AM has €537bn assets under management, and employs more than 3,000 staff in 30 countries. It is backed by BNP Paribas, whose scale and A+ rating give BNPP AM and its clients secure foundations to invest and make a positive difference to people's futures.

BNP Paribas Asset Management UK is a wholly owned subsidiary of BNP Paribas Asset Management Holdings S.A. The primary activity and business offering of BNPP AM UK is the provision of investment management services to both internal and external clients. BNPP AM UK provides important components of the investment expertise of the wider BNPP AM.



As with many other entities within the wider Asset Management group, BNPP AM UK is highly integrated and benefits from BNPP AM's global client reach and shared operating model.

This deep integration significantly shapes BNPP AM UK's:

- › Business Model;
- › Operating Model; and
- › Regulatory Permissions.

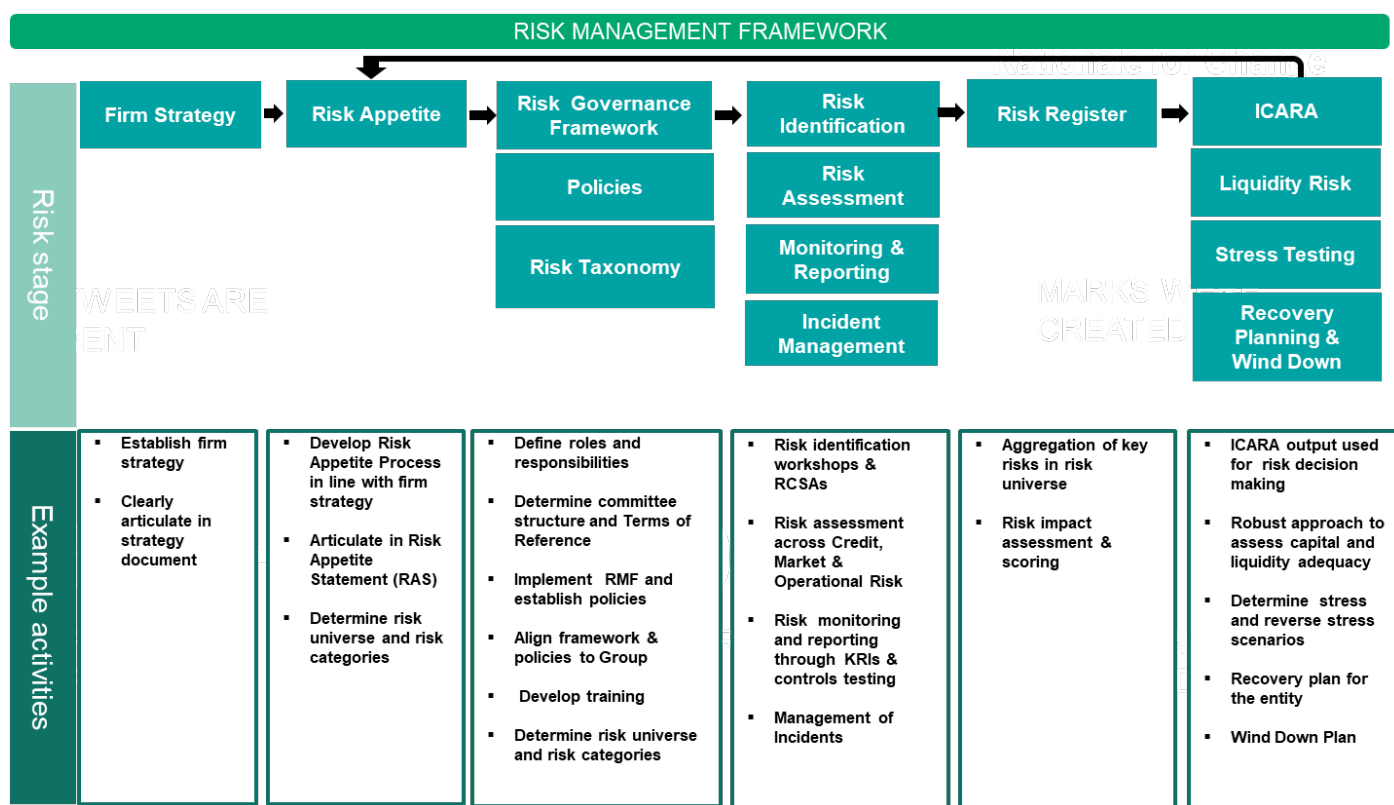
The business model has the following core elements:

- › Provision of investment management services internally to other BNPP AM entities and externally to Institutional clients; and
- › Distribution of BNPP AM products and services to UK and global institutions.

### 3. RISK MANAGEMENT OBJECTIVES & POLICIES

#### 3.1 Risk management objectives and overview

Risk management is a core part of BNPP AM UK's business and is inherent in every activity performed and transaction undertaken. The risk management framework provides a coherent structure of policies, methodologies and tools to identify and manage the risks to which the entity is exposed. The risk management framework is set out below:



The BNPP AM UK Board defines and approves the strategic plans and objectives for the Firm, which make up the overall Business Strategy. These form the primary inputs into defining the BNPP AM UK Risk Appetite which is designed and calibrated to support the Firm's Business Strategy.

The risk management processes are continually evolving and improving. The objective is to ensure that these processes are inclusive of all risk types, are aligned and linked and comprehensively monitored and reported. All applicable risk types are listed in the BNPP AM UK Risk Taxonomy and from this, through a series of Risk & Control Self Assessments and extensive workshops with subject matter experts, a Scored Risk Register has been developed. This Risk Register lists the key risks to which the business is exposed and assigns to each an inherent risk rating. It also lists and evaluates the mitigating controls allowing a residual risk rating to be derived for each key risk. These key risks are then further examined to assess the harms that they could cause to the Firm, client and market. These

risks and harms are examined within the Additional Own Funds Requirement assessments, Reverse Stress Testing, Recovery Planning and Wind-down Planning.

In line with the industry standard, BNPP AM UK has implemented the Three Lines of Defence model summarised below:



### 3.2 Risk assessments

Risk	Potential harm	Description
<b>Market Risk</b>	Harm to Firm	<p>The risk of incurring a loss of value due to adverse trends in market prices or parameters.</p> <p>BNPP AM UK has market risk on its foreign currency cash and accruals. In respect of investment risk exposure, the probability of a change in value of the Money Market Fund is evaluated. The funds are managed by BNP Paribas Asset Management Luxembourg with BNP Paribas Securities Services Luxembourg acting as Custodian. The Money Market fund has a liquidity fund rating of AAAM by Standard &amp; Poor and the overriding investment objective is to achieve a return in line with prevailing money market rates while preserving capital and maintaining a high degree of liquidity. The rating of the fund is monitored as part of the Firm's key risk indicators. Given the guidelines of the fund and the highly regulated UCITS framework within which it operates, the high credit rating required of its counterparties and the high degree of liquidity and diversification of underlying assets, the scenario that the value of the fund has fallen significantly below the level of initial investment is considered remote and consequently no additional capital requirement is included in respect of these funds.</p>
<b>Business (&amp; Strategic) Risk</b>	Harm to Firm & Client	<p>The risk of decline of net operating income due to changes in the business and economic environment or to commercial underperformance.</p> <p>BNPP AM UK could incur an operating loss due to changes in the economic environment leading to a decline in revenue coupled with insufficient cost elasticity. This risk is assessed as part of the business model stress test which evaluates whether the Firm has sufficient capital and liquidity to maintain the required regulatory minimum now and over the future three years forecasted.</p>
<b>Group Risk</b>	Harm to Firm	<p>This risk arises from being part of the wider Group including association with the BNP Paribas brand name. Group risk for the Firm is primarily reputational risk, since other group risk types such as outsourcing / third party risk (firm wide) is covered under</p>

Risk	Potential harm	Description
		<p>operational risk. Similarly, financial exposure to other intra group entities within BNP Paribas is covered under credit risk.</p> <p>BNPP AM UK is dependent on other parts of the group for the provision of services, however the risks that arise from this are dealt with under Operational Risk. The Firm may however be adversely affected by poor conduct in the rest of the Group, e.g. reputational contagion. This can however be very difficult to quantify and to date we have not experienced any significant detriment at BNPP AM UK, despite some significant regulatory sanctions at the Group level. Reputational contagion issues would likely manifest themselves in the withdrawal of assets under management and this consequence is explored in the business model stress test assessment.</p>
<b>Credit Risk</b>	Harm to Firm	<p>The risk of incurring a loss on receivables (existing or potential due to commitments given) resulting from a change in the credit quality of the Firm's debtors, which can ultimately result in default. Additionally credit risk also covers loss arising from the triggering of indemnities that have been issued to cover the lending activity of BNPP AM Holdings.</p> <p>These risks are monitored and evaluated through a suite of KRIs that align to the risk appetite and they are additionally evaluated under the additional own funds assessment.</p>
<b>Liquidity Risk</b>	Harm to Firm	<p>The risk of the Firm being unable to fulfil current or future foreseen or unforeseen cash requirements without affecting routine transactions or its financial position.</p> <p>The Firm has an extremely prudent approach to managing liquidity and historically operated at a liquid asset level much higher than the regulatory de minimis or operational requirement. The Firm will manage liquid assets at level 10% higher than the Firm's Liquid Assets threshold as an early warning and ensure the Contingency Funding Plan is tested annually as a further measure against any potential liquidity shortfall.</p> <p>The Firm's Liquidity Adequacy is governed by its Liquidity Policy, which sets out the Liquidity Risk Management Framework.</p>
<b>Operational Risk</b>	Harm to Firm & Client & Market	<p>The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes the risk that actions of the Firm or of an individual causes detriment to clients or has an adverse effect on market stability or effective competition causing damage to the Firm.</p> <p>Operational risk is further sub-divided into the following sub risks:</p> <ul style="list-style-type: none"> <li>- Model risk</li> <li>- Information &amp; Communication Technology risk</li> <li>- Execution, Delivery &amp; Process Management risk</li> <li>- Compliance &amp; Conduct risk</li> <li>- Other operational risk</li> </ul> <p>Operational risks are monitored and evaluated through a suite of KRIs that align to the risk appetite, and they are additionally evaluated through the regular Risk &amp; Controls Self-Assessment (RCSA) process.</p>
<b>Concentration risk</b>	Harm to Firm	<p>Due to the integrated nature of the Firm's activities with the rest of BNPP AM, there is concentration risk for both intra-group BNPP AM debtors and for the cash balances held with BNPP Group.</p>

Risk	Potential harm	Description
		<p>Whilst the scenario of a default of a significant intra-AM entity is considered, such an event would imply that the BNPP Asset Management group is in an extremely stressed situation which would likely ultimately lead to the wind-down of BNPP AM UK. For this reason, no additional capital or liquidity is held in respect of this risk.</p> <p>Similarly with cash balances, BNPP AM UK holds its cash within the BNP Paribas group. Whilst the scenario of not being able to access liquid resources on demand is considered, such an event would imply that the BNP Paribas group is in an extremely stressed situation which would likely ultimately lead to the wind-down of BNPP AM UK. For this reason, no additional capital or liquidity is held in respect of this risk.</p>

### 3.3 Potential for harm of risk strategy

As part of the 2021 ICARA process there has been an increased focus on the harms that may be caused by the implementation of the Firm's business strategy. The analysis has looked at the harms that could be caused to the firm, clients and the market and how BNPP AM UK would manage and remediate these harms.

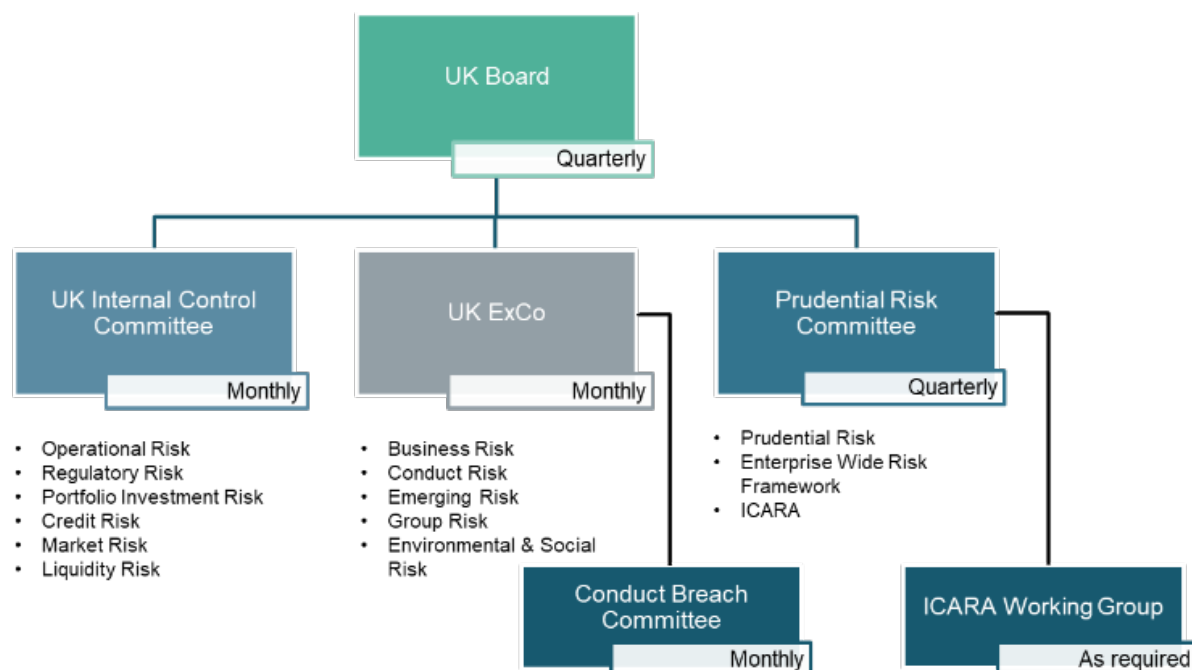
The Firm has concluded that it meets the Overall Financial Adequacy Rule which is the obligation to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that:

- › it is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- › its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants;

## 4. GOVERNANCE ARRANGEMENTS

### 4.1 Overview

The committee governance structure for BNPP AM UK is as follows:



There is requirement under MIFIDPRU for BNPP AM UK to have a Risk, Remuneration or Nominations Committee and the Firm relies upon the governance structures at BNPP AM Group level for this.

#### ***BNPP AM UK Board***

The BNPP AM UK Board is the senior governing vehicle and has ultimate responsibility for determining strategy and monitoring implementation as well as ensuring that BNPP AM UK complies with its regulatory obligations.

The Board is responsible for defining and approving the risk management framework to ensure alignment with the Firm's business strategy and risk appetite.

The Board is comprised of the Directors of the Company and is chaired by the BNPP AM CEO. The Board meets at least quarterly and more frequently where business initiatives require.

Three sub-committees have been established with Terms of Reference set by the Board. These committees support, report to, and where relevant escalate matters directly to the Board. These are the key governance committees which in turn are supported by various thematic committees that report into them.

#### ***BNPP AM UK Executive Committee (ExCo)***

The ExCo is responsible for implementing the UK business strategy as defined and delegated by the Board. It is the primary forum for reporting to the UK Board. The ExCo is also the primary forum for monitoring of the Firm's Risk Appetite and it has a key role in identifying emerging risks and delegating to the relevant committee.

The committee is chaired by the BNPP AM UK CEO

#### ***BNPP AM UK Internal Controls Committee (ICC)***

The ICC provides oversight of the operating and financial risks of the Firm. The committee is designed to ensure that the risks are understood and appropriately controlled, as well as ensuring compliance with both the law and regulation. As a result, this is the



primary escalation point for incident reviews, issues and actions to address control deficiencies. A number of Key Risk Indicators are also escalated to this committee.

The committee is chaired by the BNPP AM UK CEO

#### ***BNPP AM UK Prudential Risk Committee (PRC)***

The PRC provides ongoing oversight of all ICARA related activities. This committee provides the first point of review and challenge for the ICARA, before it is submitted to the board, as well as steering the ICARA Working Group in regards to the production and evolution of the ICARA. This committee also provides oversight of the Risk Management Framework and risk methodologies, including prudential risk matters covering capital and liquidity.

The committee is chaired by the BNPP AM UK Deputy CEO

Note: The Firm is not required under is required by MIFIDPRU 7.3.1R to have a Risk Committee.

## 4.2 Number of directorships held by management body member

Management Body Member	Number of Directorships under MIFIDPRU 8.3.2R
Sandro Pierri	1
Roger Miners	2
Cecile Lesage	1
Guy Davies	1
Louise Fitzgerald-Lombard	1
Iain Heeps	1

## 4.3 Diversity, equity and inclusion

As part of the BNP Paribas Group, BNPP AM UK has implemented robust internal governance arrangements, and complies with the BNP Paribas Group Corporate Governance Policy and BNP Paribas Asset Management Board and Management Selection and Assessment of Suitability Policy.

These policies promote diversity by setting diversity objectives and targets on the management body of BNPP AM UK.

Pursuant to these policies, several processes and diligence must be carried out when selecting, assessing, and appointing members of the management body.

Diversity is factored in the selection process, both on an individual and collective basis. The diversity criterium involves considering gender, age, geography, social, educational, and professional background (i.e., academic background or experience). The Board of BNPP AM UK also assesses and monitors on an on-going basis whether diversity is met. Diversity is very desirable to ensure that the management body has the appropriate balance of skills, knowledge, experience, and independence to contribute to diversity of thoughts and healthy decision-making in the context of the business challenges faced by BNPP AM UK.

In addition to including diversity as a criterium in the selection process, the BNP Paribas Group aims to actively promote diversity in its senior management teams, through comprehensive human resource and management processes, fostering diversity and gender balance. Notably, BNP Paribas Asset Management aims to maintain, globally across its entities, in excess of 40% of directorships held by the under-represented gender. In addition, pursuant to the BNP Paribas Group Corporate Governance Policy, Boards of BNP Paribas entities that are within the BNP Paribas Group's prudential consolidation perimeter, shall comprise (individually) at least 40% of the under-represented gender by the end of 2026. At present the Board of BNPP AM UK is composed of four men and two women, but the aim is to reach the gender balance target by the end of 2026

## 5. OWN FUNDS REQUIREMENTS

### 5.1 Overall Financial Adequacy Rule

Under MIFIDPRU, BNP Paribas Asset Management UK Limited is required to undertake an assessment of its Own Funds Requirement in order to comply with the Overall Financial Adequacy Rule (OFAR). The OFAR requires BNP Paribas Asset Management UK limited to hold adequate own funds and liquidity to ensure that:

- (a) it is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- (b) its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

To ensure compliance with the Overall Financial Adequacy Rule (OFAR), BNP Paribas Asset Management UK Limited assesses its own fund requirements under the Own Funds Threshold Requirements and ICARA process frameworks across the economic cycle. Risk and Finance stress test the Own Funds Requirement yearly under normal and stressed scenarios over a three-year time horizon.

### 5.2 ICARA

BNP Paribas Asset Management UK Limited's assessment of the adequacy of its own funds in accordance with the OFAR is governed by the Internal Capital & Risk Assessment (ICARA) process.

The ICARA is owned by the BNP Paribas Asset Management UK limited Board, which delegates responsibility for its update to the ICARA Working Group. The Working Group comprises Risk and Finance functions with oversight, steer and challenge provided by Prudential and Risk specialists from BNP Paribas London Branch.

The related ICARA document is updated and formally reviewed by the Board annually as well as on an ongoing basis if significant changes of the business model occur.

### 5.3 Own Funds Requirement

The Own Funds Requirement (OFR) is the regulatory required minimum capital requirement as per the MIFIDPRU requirements. The firm must maintain an OFR as the higher of:

- its Permanent Minimum Capital Requirement (PMCR)
- its Fixed Overheads Requirement (FOR)
- its K-Factor requirement

#### Permanent Minimum Capital Requirement

The PMCR is the regulator prescribed minimum capital required for BNP Paribas Asset Management UK Limited to undertake its business given its regulatory permissions. BNP Paribas Asset Management UK limited is categorised as a MIFIDPRU £75k firm 'non-SNI' firm, which makes its permanent minimum capital requirement at least £75k.

#### Fixed Overhead Requirement

The Fixed Overhead Requirement (FOR) of a MIFIDPRU investment firm is an amount equal to one quarter of the firm's relevant expenditure during the preceding year. Figure 2 below shows BNP Paribas Asset Management UK limited's FOR.

	£'000
Fixed Overhead Requirement	10,100

## K-Factor

As a non-SNI firm, BNP Paribas Asset Management UK limited is required to calculate its relevant K-factor requirements. BNP Paribas Asset Management UK limited only has a K-AUM requirement (assets under management) and this relates to £10.6BN of relevant Assets Under Management, leading to a £2.1m capital requirement.

K-Factor Requirements	£'000
$\Sigma$ ( K-AUM, K-CMH, K-ASA )	2,111
$\Sigma$ ( K-COH, K-DTF )	
$\Sigma$ ( K-NPR, K-CMG, K-TCD, K-CON )	
<b>Total K-Factor Requirement</b>	<b>2,111</b>

## 5.4 Own Funds

As per MIFIDPRU 3.3.2, A firm must, at all times, have own funds that satisfy all the following conditions:

- 1) the firm's common equity tier 1 capital must be equal to or greater than 56% of the firm's own funds requirement under MIFIDPRU 4.3;
- 2) the sum of the firm's common equity tier 1 capital and additional tier 1 capital must be equal to or greater than 75% of the firm's own funds requirement under MIFIDPRU 4.3; and
- 3) the firm's own funds must be equal to or greater than 100% of the firm's own funds requirement under MIFIDPRU 4.3.

Under MIFIDPRU 3.2.1, own funds are the sum of:

- 1) common equity tier 1 capital
- 2) additional tier 1 capital
- 3) tier 2 capital

The regulatory own funds of BNP Paribas Asset Management UK limited are disclosed in Figure 2 and reconciled to audited financial statements in Figure 3. The main characteristics of BNP Paribas Asset Management UK Limited's own funds instruments are described in Figure 4.

Figure 1 Composition of regulatory own funds

Composition of regulatory own funds in GBP thousands		31 December 2022	Reconciliation reference
1	Own Funds	32,043	1
2	Tier 1 Capital		
3	Common Equity Tier 1 Capital		
4	Fully paid up capital instruments		
5	Share premium	2,427	2
6	Retained earnings	6,676	3
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	Total deductions from Common Equity Tier 1		
12	Losses for the current year		
13	Intangibles assets		
14	Deferred tax assets that rely on future profitability	970	4
15	Value of defined benefit pension fund assets		
16	Direct, indirect and synthetic holdings by the firm of common equity tier 1 instruments		
17	Article 56 (UK CRR) deductions from additional tier 1		
18	Relevant tax charge relating to common equity tier 1 items		
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 Capital		
24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	Tier 2 Capital	9,250	5 (Qualifying)
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		

Figure 2 Reconciliation of regulatory capital with audited financial statements

Own Funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements in GBP thousands		Balance sheet (audited)	Under regulatory scope of consolidation	Cross-Reference to Own Fund Composition
<b>Assets</b>				
1	Property, Plant and Equipment	248		
2	Right-of-use assets	146		
3	Deferred tax asset	970		4
4	Cash and cash equivalents	70,316		
5	Trade and other receivables	16,796		
6	Income tax receivable	2,701		
7	Total Assets	91,177		
<b>Liabilities</b>				
1	Subordinated Loan	15,000		5
2	Lease liabilities	146		
3	Trade and other payables	34,652		
4	Provisions	233		
5	Total Liabilities	50,031		
<b>Shareholder's Equity</b>				
1	Share capital	32,043		1
2	Share premium account	2,427		2
3	Retained earnings	6,676		3
4	Total Shareholder's Equity	41,146		

Figure 3 Main features of BNP Paribas Asset Management UK Limited's own fund instruments

Own Funds: main features of own fund instruments issued by BNP Paribas Asset Management UK limited	
Placement Type	Private
Instrument Type	Ordinary Share
Amount recognised in regulatory capital	£32,042,520
Nominal Amount	£32,042,520
Issuer	BNP Paribas Asset Management UK limited
Governing law(s) of the instrument	England and Wales
Maturity Date	Not applicable
Redemption Price	Not applicable
Accounting classification	
Original date of issuance	27-Feb-1990
Perpetual or Dated	Perpetual
Issue Price	£1
Issuer call subject to prior supervisory approval	Not applicable
Optional call date, contingent call dates and redemption amounts	Not applicable
Subsequent call dates	Not applicable
Coupons/dividends	Dividends
Fixed or floating dividend/coupon	Variable
Coupon rate and any related index	Not applicable
Convertible or non-convertible	Non-convertible
Write-down features	Not applicable

## 6. REMUNERATION POLICIES AND PRACTICES

### 6.1 Remuneration objective

The objective of our remuneration strategy is to ensure all employees are compensated in a way that complies with management guidelines, while offering transparency and consistency in the remuneration strategy, and ensuring compliance with applicable regulations.

In asset management and investment services, where human capital is crucial, a company's remuneration policy and practices have a significant impact on competitiveness, helping it recruit and retain talent.

Fostering awareness of our remuneration approach and practices among our managers and other employees is particularly important to BNP PARIBAS ASSET MANAGEMENT (BNPP AM or Company), the asset management business line of BNP Paribas Group, which includes BNP PARIBAS ASSET MANAGEMENT UK LIMITED (BNPP AM UK).

BNPP AM's portfolio management activities cover a large range of asset classes (i.e. bonds, equities, diversified and alternative). Its reputation is built on strategies that are implemented with strict adherence to investment compliance and in line with the culture of efficiently managed risks.

### 6.2 What are the key principles of BNPP AM's Reward Policy?

First, our reward strategy is designed to achieve a sound, responsible and effective remuneration approach for all employees. In particular, it is designed to:

- avoid conflicts of interest;
- protect the clients' interests; and
- ensure there is no encouraging of excessive risk-taking.

*These three points are central to our policy and are emphasized to all our employees.*

To meet these objectives, we use a best practice approach, which is to align the long-term interests of the employee, the Company and our clients.

Secondly, in concrete terms, BNPP AM's Remuneration Policy centres around four guiding business principles:

**Pay for Performance:** our results-oriented approach to reward helps us attract, motivate and retain the best and most effective talent.

**Share Wealth Creation:** monitoring closely the pay-out ratio of variable remuneration relative to BNPP AM's operating profits (before variable remuneration), allows us to efficiently align the remuneration of BNPP AM's human capital with that of our shareholders.

**Aligning employee and Company goals,** particularly for investment teams and senior managers, notably with deferred and indexed compensation plans, enables us to create a closer "*line of sight*", further strengthening the link between performance and rewards.

**Promoting an element of employee risk-sharing** (which we dub "*skin in the game*"), ensures that investment teams and senior managers are fully committed to the long term performance of the company and its products.

Together, these guiding principles help shape the BNPP AM approach to reward, resulting in what we call "Total Reward".

Indeed, monetary remuneration is just one part of our total reward package. We also offer our employees competitive benefits, exciting career opportunities and a dynamic workplace offering challenges and a sense of achievement.

### 6.3 What types of remuneration are awarded in practice?

BNPP AM UK's compensation structure is made up of two main types of remuneration:

- Everyone benefits from **Fixed Compensation** i.e. a base salary<sup>1</sup>, reflecting the individual's role, qualifications and experience, as well as a satisfactory level of commitment.
- **Variable Compensation** is a supplement available to a wide range of employees and based on individual and collective performance. It comprises bonus which is usually delivered in cash in March after the end of the performance measurement period, but can be subject to deferral, with payment over several years, settled after various risk adjustment factors have been applied. It also includes, where applicable, long term incentive awards.

BNPP AM UK sets appropriate ratios of variable to fixed components of remuneration for relevant employees, i.e. employees that have been identified as Material Risk Takers ("**MRTs**") under the Investment Firms Prudential Regime, implemented in the UK by the Financial Conduct Authority's MIFIDPRU Remuneration Code. Ratios may differ for different categories of staff, and from one performance period to the next. The ratios take into account BNPP AM UK's business activities and associated prudential and conduct risks, as well as the roles and impact that different categories of employees have on BNPP AM UK's risk profile and/or the assets it manages. When setting these ratios, a range of possible scenarios are considered, including a scenario where BNPP AM UK exceeds its financial objectives.

The maximum ratio applicable to members of the Compliance function is 50%, reflecting a remuneration practice which has been implemented for several years across the BNPP Group. For other control functions, the ratio is a maximum of 100%. Setting the ratios for control functions at these levels avoids the risk of conflicts of interests and protects the independence of these functions.

Besides, at BNPP AM UK:

- guaranteed variable remuneration is not permitted unless it occurs in the context of hiring a new employee; is limited to their first year of service; and BNPP AM UK has a strong capital base. BNPP AM's approach is to check for overall profitability level and capital base in BNPP AM, and to consider BNPP AM's UK specific contribution, when determining how to apply this regulatory requirement.
- any severance pay must reflect performance achieved over time and must not reward failure or misconduct. It will be determined in accordance with the BNPP AM governance processes for such payments as may be adopted by BNPP AM UK from time to time and, where applicable, taking into account the requirements of national regulation, contractual obligations and any agreements between the employer and any local employee representation bodies. The maximum amount of, or the criteria to determine, severance pay that can be awarded to BNPP AM UK employees is set by BNPP AM Global HR department, in accordance with BNPP Group HR delegation rules, as may be amended from time to time.

---

<sup>1</sup> and in some cases, other benefits such as accommodation, car, or other fixed, typically expatriation-related, allowances. There are no position-related "fixed salary allowances", nor specific personal pensions, in BNPP AM UK Remuneration Policy and practice

- buyouts are awarded to an MRT only if they align with the long term interests of BNPP AM UK and meet the conditions specified in the Remuneration Policy.
- guaranteed variable remuneration, severance pay, buyouts and retention awards<sup>2</sup> are subject to malus and clawback and considered for inclusion in the ratios mentioned above.

## 6.4 How is performance measured and linked to variable remuneration?

Remuneration depends not just on individual success, but also on the whole 'Company's performance.

For awards of variable remuneration, the global variable remuneration pool is a result of BNPP AM's overall performance, reflecting its success in meeting major business objectives, which are both quantitative and qualitative. In a top-down approach, this collective performance is assessed and cascaded down to BNPP AM UK, based on specific key performance indicators.

Finance and HR help BNPP AM's top Management determine the annual global variable remuneration pool, based on an estimate of BNPP AM's profit before variable remuneration.

This estimate is made after observations made by Risk, Compliance, Legal and Operational Risk Control have been factored in. This helps ensure that all existing and foreseeable financial and non-financial risks are duly taken into account including market, credit, operational, liquidity, compliance and litigation risks.

Allocation of variable remuneration to BNPP AM UK is subject to it having a sound capital base and taking into account BNPP AM UK's profit contribution. Where BNPP AM UK's financial performance is subdued or negative, variable remuneration is generally considerably contracted.

Variable remuneration for BNPP AM UK employees is based on an assessment of their individual performance (taking into account financial and non-financial criteria, the performance of the business unit in which they work, and the overall results of BNPP AM UK). Individual performance is assessed over the year, then at the end of it, thanks to a performance rating, based primarily on individual objectives set at the beginning of the year, for each BNPP AM UK employee.

Here as well, managers are required to pay specific attention to all existing and foreseeable risks (as defined above), when carrying out their employees' annual individual appraisal. This is done using key performance indicators tailored to each employee, pre-defined during the semi-annual objectives' setting and re-assessment processes.

Furthermore, specific methodologies have been developed to measure the performance of investment managers and sales teams.

Notably, for investment managers, excess performance over the benchmark is quantitatively measured, as a proportion of the target excess return of the portfolios, and requiring that risks taken stay within the pre-set risk budgets. This calculation is done over one and three year horizons. In this way, the Remuneration Policy entails a multi-year framework, allowing for the assessment of performance over a longer-term performance period, to take account of BNPP AM UK's business cycle and its business risks. Furthermore, the flagship portfolios of the team are given specific weights, under supervision from Risk, Compliance and HR.

The Remuneration Committee of BNPP AM Holding, the parent entity of BNPP AM business line (the "Remuneration Committee") ensures that remuneration for employees in control functions is determined independently of the business. Fixed and variable compensation for control functions is set independently from the performance and the compensation pool of the business areas that they oversee or monitor.

Each employee's compliance with BNP Paribas Group's Code of Conduct is taken into account when determining their variable remuneration, with a potential negative impact in case of breach.

Besides, regulated staff (i.e. including MRTs) have mandatory Compliance and Risk objectives, with a potential negative impact on their variable remuneration in case these objectives are not met.

---

<sup>2</sup> "Retention Awards" are one-off, generally deferred, bonuses granted in cases which require that a key employee be specifically retained in a role until a defined event (e.g. significant corporate events such as a merger or a restructuring, or other event) or for a set period of time.



Variable compensation may be reduced under the supervision of the Remuneration Committee within the limit of the authority it possesses. For the avoidance of doubt, variable remuneration can be reduced to zero.

Furthermore, for certain staff subject to deferral and/or malus and clawback pursuant to the Remuneration Policy, variable remuneration is paid over several years. Specific risk adjustments may be applied after their awards are granted, generally before their vesting dates at the end of their deferral periods. The Remuneration Committee reviews these awards before they are paid out, and oversees the application of malus, i.e. a downward adjustment to account for significant risks or underperformance (e.g. in cases of individual misconduct, conduct leading to a significant loss, failure of risk management etc.).

In case an event of misconduct is identified after variable remuneration has been paid out, BNPP AM UK can resort to the commercial terms of its awards (subject to applicable legislation), to recoup (or “claw-back”) all or part of such unduly received variable remuneration.

Malus and clawback are implemented by BNPP AM UK in compliance with the Remuneration Policy and other locally applicable requirements as set out in BNPP AM UK’s dedicated Malus & Clawback Procedure.

## 6.5 How are the remuneration decisions calculated and taken and how is the remuneration policy governed?

Remuneration decisions are made pursuant to the BNP Paribas Group's Compensation Review Process (CRP). CRP is a global end-of-year review used to validate every type of compensation. Its collaborative software platform allows the collective and individual performance impacts to be efficiently managed.

It also helps ensure employees receive equal and fair treatment, delegation rules are respected and remuneration decisions are verified by both a manager and HR at every step. BNPP AM UK’s Remuneration Policy<sup>3</sup> and practices are based on equal pay for equal work or work of equal value.

As a significant input to the CRP, individual market benchmarks for fixed as well as variable remuneration are used from leading providers (mainly McLagan and Towers Watson).

As a rule, BNPP AM has a discretionary approach to its variable remuneration decisions, and implements them systematically via the BNP Paribas Group’s CRP. In practice, the bonus pool is determined during the fourth quarter, based on estimates of performance indicators calculated by Finance and HR, in liaison with the business, Risk and Compliance, in the frame of the budgetary cycle. In particular, with regards to variable remuneration award for certain investment managers executives (i.e. portfolio manager and their team heads) BNPP AM uses quantitative indicators to help align their interests with that of BNPP AM and its clients.

Ultimately, the Remuneration Policy is designed and overseen by BNPP AM Holding’s board of directors and a four-member Remuneration Committee, who are responsible for ensuring its relevance and effectiveness at all times. The Remuneration Committee ensures that the Remuneration Policy, as it applies to BNPP AM UK, is aligned with BNPP AM UK’s risk appetite, business strategy, objectives, long-term interests and applicable regulatory and legislative requirements. The Remuneration Committee adopts and periodically reviews (with input from BNPP AM UK control, support and business functions as appropriate) the UK Appendix to the BNPP AM Remuneration Policy and has overall responsibility for overseeing its implementation.

The Remuneration Committee is chaired by one of the two independent directors (see below).

## 6.6 Who sits on the remuneration committee and who are the reward decision makers?

The Remuneration Committee comprises the following directors<sup>4</sup>:

- Hélène Leclerc: independent director, Chairwoman of Remuneration Committee;
- Alain Kokocinski: independent director, Chairman of Audit Committee of BNPP AM Holding’s board of directors;
- Jacques d’Estais: director of BNPP AM Holding
- Francine Calvet: director of BNPP AM Holding

---

<sup>3</sup> For BNPP AM UK, the Remuneration Policy is applied through the UK Appendix to the BNPP AM Remuneration Policy.

<sup>4</sup> To ensure that the independent board members have a majority, the Remuneration Policy charter provides a double voting right to the President

In addition, the reward decision makers are those listed below.

## 6.7 How is the list of REGULATED Staff determined?

At BNPP AM UK, MRT identification rules in SYSC 19.G.5 include the following categories:

1. Management Body and Senior management:  
We consider BNPP AM UK SMF's under SMCR, Executive Committee and non-executive directors to fall into this category
2. Risk takers:  
We consider CIOs, Heads of Investment teams, Research teams and Trading desks, as well as Senior advisors and Chief Economist/Strategist in the UK as MRTs under this criterion.
3. Control functions:  
We consider Heads of Risk, Compliance, Legal and Audit UK to fall under this criterion.  
  
We also consider that the Head of Compliance has managerial responsibilities for the prevention of money laundering and terrorist financing.
4. IT management & critical outsourcing:  
We consider BNPP AM's Chief Information Officer, Chief Information Security Officer and BNPP AM UK Deputy CEO to fall under this criterion.

In addition, certain BNPP AM UK staff with a significant impact on the risk profile of AIF/UCITS portfolios they manage by delegation, are considered Identified Staff under AIFMD/UCITS regulations ("Identified Staff"). This include portfolio managers and CIOs.

## 6.8 What specific remuneration policy applies to them?

Due to its size, BNPP AM UK is exempt from the deferral, retention period and non-cash instrument rules under the Investment Firms Prudential Regime, implemented in the UK by the Financial Conduct Authority's MIFIDPRU Remuneration Code for performance year 2022. Hence MRTs of BNPP AM UK are not subject to mandatory deferral rules per the MIFIDPRU Remuneration Code.

As a principle, Identified Staff (i.e. regulated staff per the EU's AIFM and UCITS directives) have at least 40% of their variable remuneration deferred over three years (with pro-rata annual vesting). This deferral is fully in "remuneration instruments" i.e. in the form of cash indexed on relevant indices:

- For senior managers (excluding investments and control functions), the index is a weighted average, for 25% on the variation of the total return of a basket of portfolios common to all employees of BNPP AM and for 75%, the variation in BNPP AM's operational result<sup>5</sup> over the deferral periods (1, 2 and 3 years respectively for each third of the initial award).
- For portfolio managers, the index is a weighted average for 25%, on the variation of the total return of a basket of portfolios common to all employees of BNPP AM, and for 75%, on the total return of a basket of portfolios representative of the portfolio manager's team activity. All indices are measured over the deferral periods (1, 2 and 3 years respectively for each third of the initial award).
- For heads of control functions, there is no indexation, to preserve their independence.

Where the AIFMD/UCITS regulations require more than 40% of variable remuneration paid in instruments (typically, 50%), part of the non-deferred remuneration may be paid in retained instruments (i.e. the same instruments as those deferred, but only held for a period of six months, without vesting conditions).

## 6.9 How does BNPP AM implement proportionality?

In line with general market practice for asset management companies, Identified Staff who earn less than 200 000 euros of variable remuneration for their regulated activity (e.g. board directors' fees, junior portfolio managers...) will not be subject to the mandatory thresholds of 40% deferral and 50% in instruments on the entirety of their annual variable remuneration award.

Notwithstanding the above-mentioned proportionality-derived exemption as set out in the previous paragraph and section, part of BNPP AM UK staff's variable remuneration may still be deferred in instruments (as described above), to enhance global human resource

---

<sup>5</sup> Moreover, an additional and conditional indexation (downward-adjusting only), linked to the total excess return of a basket of representative funds, is applied if the operational result has a positive evolution whilst this basket shows significant underperformance.

management cohesiveness and also, for strategic retention purpose. Indeed, a firm-wide progressive grid of deferral (NB: 100% in instruments, as described above) is applied as a function of the variable remuneration award's level (applicable to all staff above a defined threshold). Thus, in practice, this grid is applied as a "minimum and universal deferral grid", regardless of the applicable rules and exemption possibilities.

Thus, for Identified Staff who do not benefit from specific regulatory exemptions, the minimum 40% regulatory deferral percentage (on the entirety of their annual variable remuneration) replaces the firm-wide progressive deferral grid, when their annual variable remuneration award exceeds 200 000 euros.

## 6.10 What about investment management delegations?

In order to best leverage its wide array of investment capabilities, BNPP AM resorts to internal delegations of portfolio management activities. Overall, there is only little use of delegations to asset managers external to BNPP AM. Internal delegations are generally given to other entities of BNPP AM, which are subject to the same BNPP AM Remuneration Policy. When a delegation is made to an internal entity of BNPP AM which is not subject to comparable regulation, BNPP AM ensures that the corresponding employees are subject to its BNPP AM Remuneration Policy.

## 6.11 PRODUCTION PROCESS OF THIS DISCLOSURE

This disclosure of BNPP AM UK's remuneration approach and practices was prepared by the HR, Risk and Compliance, departments of BNPP AM, and was approved by BNPP AM's management.

The last update of the BNPP AM Remuneration Policy (including its UK Appendix) was approved by BNPP AM Holding's Board of Directors on 7<sup>th</sup> December 2022.

Wherever local law so requires, the Policy was presented to staff representatives, regulators, and other stakeholders as may be appropriate.

## 6.12 Reward decision makers

For BNP PARIBAS ASSET MANAGEMENT UK Limited the reward decision makers<sup>6</sup> are:

Roger Miners: CEO

Danuta McPartlin: Head of Human Resources

## 6.13 Quantitative disclosure

### TOTAL NUMBER OF MATERIAL RISK TAKERS IDENTIFIED BY THE FIRM UNDER SYSC 19G.5

BNPP AM UK identified, in 2022, a total of 27 material risk takers under SYSC 19G.5.

---

<sup>6</sup> the reward decisions are made through a process involving the employees' hierarchical line, along with the Human Resources function, up to BNP Paribas Group level, and are ultimately reviewed by the CEO and Head of Human Resources of BNPP AM UK

## REMUNERATION AWARDED FOR THE FINANCIAL YEAR

Amounts in 000s GBP	# Staff	Total remuneration	Fixed remuneration	Variable remuneration
All staff	168	40,289	19,996	20,293
o/w Senior Management	12	8,706	3,067	5,639
o/w other Material Risk Takers	15	9,450	2,820	6,629
o/w other staff	141	22,133	14,109	8,024

## GUARANTEED VARIABLE REMUNERATION AWARDS MADE DURING THE FINANCIAL YEAR

Amounts in 000s GBP	Guaranteed variable remuneration awards	# Staff receiving them
Senior Management	-	-
other Material Risk Takers	n/a*	n/a*

\* Guaranteed variable remuneration was received at the level of Other Material Risk Takers in 2022. BNPP AM UK is required to disclose the total amount of guaranteed variable remuneration awards made during 2022 and the number of material risk takers receiving those awards. However, in accordance with MIFIDPRU 8.6.8R(7)(b), that information has not been provided in order to prevent individual identification of this(these) material risk taker(s).

## SEVERANCE PAYMENTS AWARDED DURING THE FINANCIAL YEAR

No severance payment was awarded to any Material risk taker in 2022.

Amounts in 000s GBP	Guaranteed variable remuneration awards	# Staff receiving them
Senior Management	-	-
Other Material Risk Takers	-	-