

BNP PARIBAS ASSET MANAGEMENT UK LIMITED

MIFIDPRU 8 DISCLOSURES



APRIL 2024



BNP PARIBAS
ASSET MANAGEMENT

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MIFIDPRU DISCLOSURES

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1. INTRODUCTION

1.1 Purpose

This document sets out the mandatory MIFIDPRU Chapter 8 disclosures for BNP Paribas Asset Management UK Limited authorised and regulated by the FCA (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 non-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. Disclosure of BNPP AM UK Remuneration policies and practices are covered in a separate disclosure document available on the BNPP AM UK website (bnpparibas-am.com).

1.3 Basis of preparation and frequency of disclosure

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. The disclosures of BNPP AM UK are prepared and published on its website annually or more frequently in the event that a major change to BNPP AM UK's business model has taken place.

2. BUSINESS OVERVIEW

2.1 BNP Paribas Group

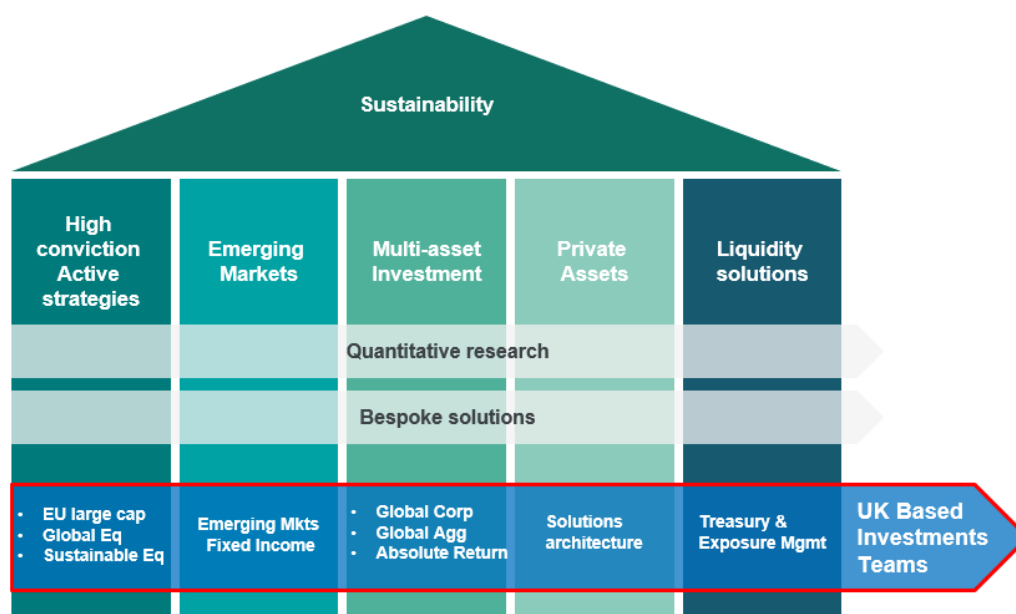
With its integrated and diversified model, BNP Paribas is a leader in banking and financial services in Europe. The Group leverages on strong customer franchises and business lines with strong positions in Europe and favourable positions internationally, strategically aligned to better serve customers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

It operates in 63 countries with almost 183,000 employees, of which more than 146,000 are based 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 €540bn 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.

BNPP AM 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.

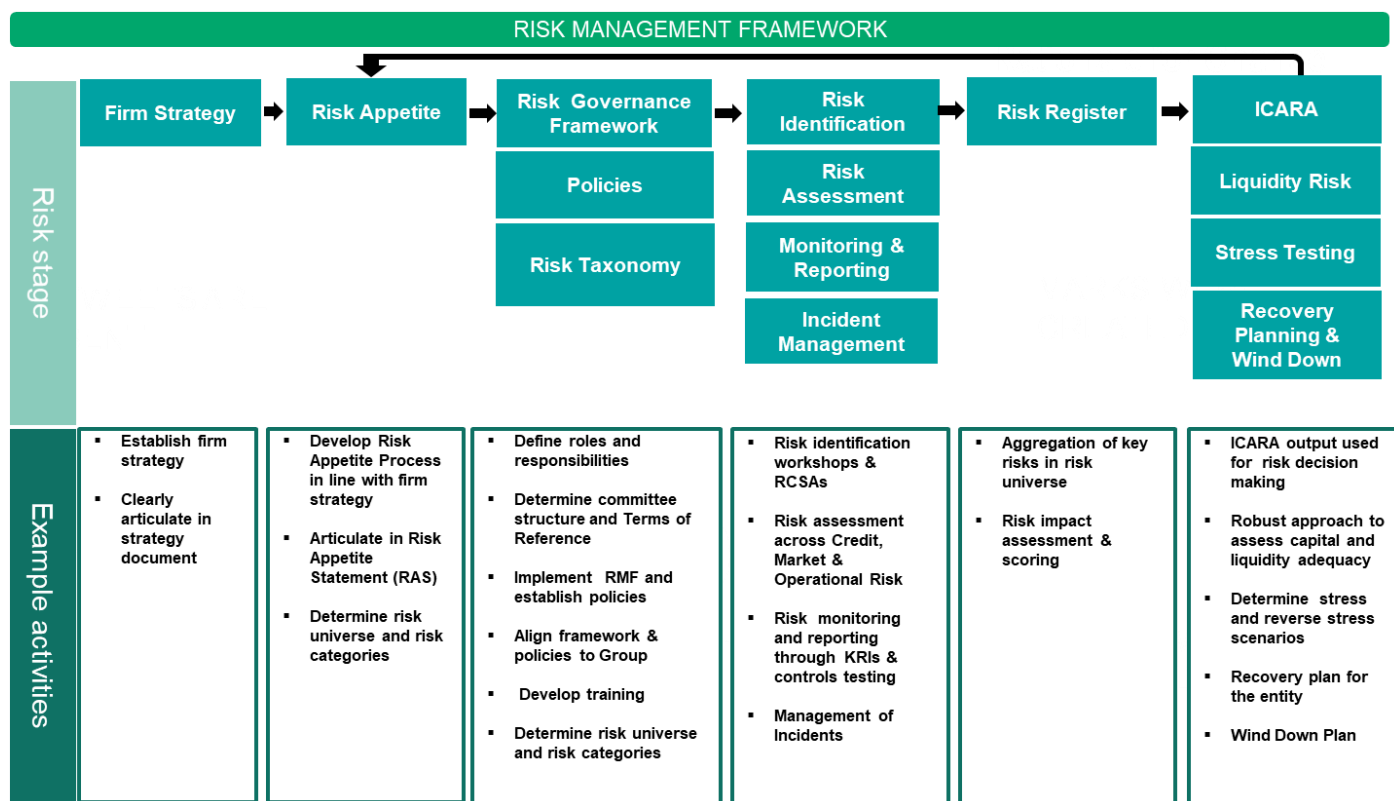
The business model has the following core elements:

- › 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

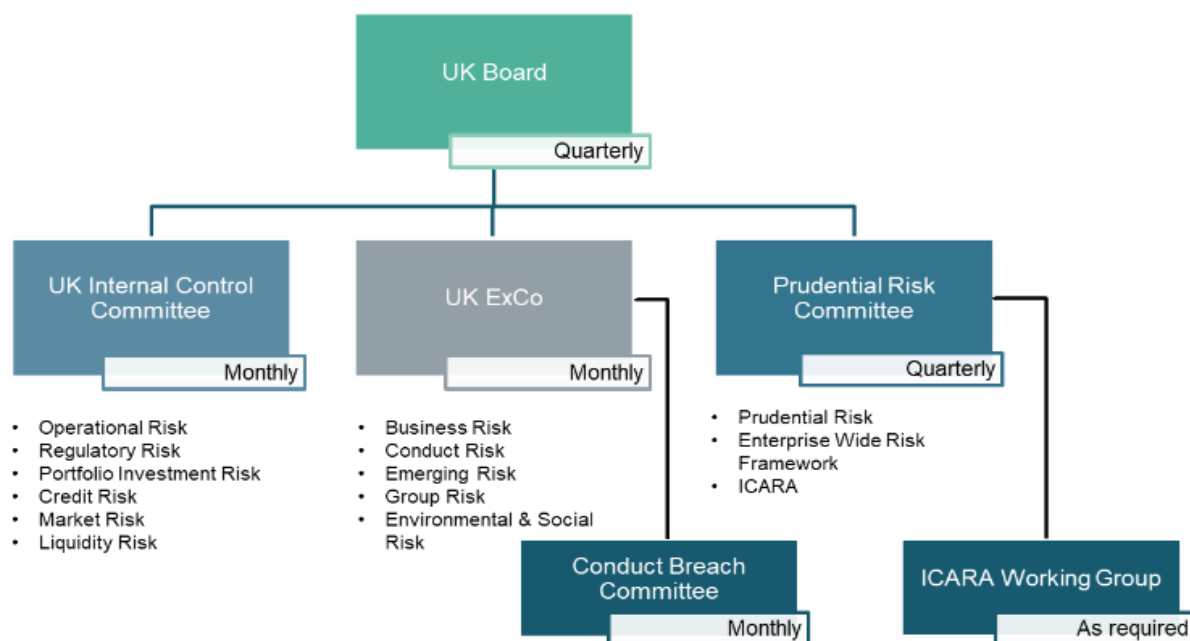
Risk	Potential harm	Description
Market Risk	Harm to Firm	<p>The risk of incurring a loss of value due to adverse trends in market prices or exchange rates.</p> <p>BNPP AM UK acts on an agency basis on behalf of its clients and does not take principal positions or trade on a proprietary basis. The main source of market risk to BNPP AM UK is through the currency exposure on settled balances, receivables, and payables due in non-sterling currencies. These non-sterling exposures are actively managed monthly, to limit the impacts of harm created if FX rates became volatile.</p>
Business (& Strategic) Risk	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 ICARA business model stress test to challenge BNPP AM UK's ability to withstand the harms associated with its business risks and evaluate whether the Firm has sufficient capital and liquidity to maintain the required regulatory minimum now and over the future three years forecasted.</p>
Group Risk	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) are covered under 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, which would likely manifest themselves in the withdrawal of assets under management and this consequence is explored in the business model stress test assessment.</p>
Credit Risk	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.</p>
Liquidity Risk	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. The level of liquid assets is monitored to ensure that the FCA's Overall Financial Adequacy Rule (MiFIDPRU7.4.7) is met and that there is no significant risk that its liabilities cannot be met in full as they fall due.</p>

Risk	Potential harm	Description
Operational Risk	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 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 & Controls Self-Assessment (RCSA) process.</p>
Concentration risk	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> <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.</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.</p>

4. GOVERNANCE ARRANGEMENTS

4.1 Overview

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



Committee	Description
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.
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.
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. Several Key Risk Indicators are also reported and monitored by this committee.
Prudential Risk Committee (PRC)	The PRC provides ongoing oversight of all Internal Capital Adequacy & Risk Assessment (CARA) 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 regarding 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.

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

4.2 Number of directorships held by management body member

Members of BNPP AM UK's management body are expected to disclose any external executive and non-executive directorships in both commercial and non-commercial endeavours. As at 30th April 2024, those individuals that hold external executive &/or non-executive directorships in organisations which either pursue predominantly commercial objectives and are not part of the wider BNP Paribas Group are detailed below:

Management Body Member	Number of Directorships under MIFIDPRU 8.3.2R
Roger Miners, CEO	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. As of 30th April 2024, 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, BNPP AM UK 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 BNPP AM UK 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), BNPP AM UK assesses its own fund requirements under the Own Funds Threshold Requirements and ICARA process frameworks across the economic cycle.

5.2 ICARA

BNPP AM UK's assessment of the adequacy of its own funds in accordance with the OFAR is governed by the ICARA process.

The ICARA preparatory work is carried out primarily by the ICARA Working Group (IWG). The purpose of the IWG is to oversee the production of the BNPP AM UK ICARA on behalf of the Board which remains responsible for the ICARA overall. The IWG has the following scope:

- Planning and organisation of the ICARA;
- Assigning roles and responsibilities for the members of the IWG;
- Coordination and running of the ICARA workshops with key stakeholders from the 1st and 2nd line as well as subject matter experts; and
- Performing any additional analysis, information, or revision required as a result of the Prudential Risk Committee and / or Board of Directors challenge in relation to the ICARA.

The 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 Overhead Requirement (FOR)
- its K-Factor requirement

Permanent Minimum Capital Requirement

The PMCR is the regulator prescribed minimum capital required for BNPP AM UK to undertake its business given its regulatory permissions. BNPP AM UK is categorised as a MIFIDPRU £75k firm 'non-SNI' firm.

Fixed Overhead Requirement

The FOR is an amount equal to one quarter of the firm's relevant expenditure during the preceding year calculated as £10.8m.

K-Factor

BNPP AM UK only has a K-AUM requirement (assets under management) leading to a £2.7m capital requirement.

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

Table 1 Composition of regulatory own funds

Composition of regulatory own funds in GBP thousands		31 December 2023	Source*
1	Own Funds	51,242	12,15,18,19
2	Tier 1 Capital	45,661	n/a
3	Common Equity Tier 1 Capital	45,661	n/a
4	Fully paid up capital instruments	35,043	18
5	Share premium	2,427	19
6	Retained earnings	8,191	19
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	674	12
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	6,255	15(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		

* Source based on reference numbers/letters of the balance sheet in the audited financial statements

Table 2 Reconciliation of regulatory own funds to Balance sheet in the 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
Assets				
1	Property, Plant and Equipment	208		
2	Right-of-use assets	448		
3	Deferred tax asset	674		11
4	Cash and cash equivalents	74,834		
5	Trade and other receivables	20,390		
6	Income tax receivable	1,035		
7	Total Assets	97,589		
Liabilities				
1	Subordinated Loan	15,000		25
2	Lease liabilities	448		
3	Trade and other payables	36,264		
4	Provisions	216		
5	Total Liabilities	51,928		
Shareholder's Equity				
1	Share capital	35,043		4
2	Share premium account	2,427		5
3	Retained earnings	8,191		6
4	Total Shareholder's Equity	45,661		

Table 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	£35,042,520
Nominal Amount	£35,042,520
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