Lombard Odier Asset Management (Europe) Limited

MIFIDPRU 8 Disclosures

1. Introduction

This document sets out Lombard Odier Asset (Europe) Limited (the "Firm") public disclosure in relation to Governance Arrangements, Risk Management objectives and policies, Own Funds, Own Funds Requirements and Remuneration Policy and Practices as at 31 December 2022 (the "Reference Date").

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

The Firm is authorised and regulated in the United Kingdom by the FCA as a MiFID Investment Firm with its parent company based in Switzerland and form an integral part of the Lombard Odier Group. The Firm is classified as a Non-Small and non interconnected investment firm ("Non-SNI MIFIDPRU investment firm").

Frequency and means of disclosures

These prudential disclosures are published annually in conjunction with the annual Solvency and Financial Statements, via the Firm's external website (https://www.lombardodier.com/home/asset-management-regulatory-disc.html).

Revised disclosures will be published should significant changes occur to the Firm's business model.

Verification

This document has been validated by the Board of Directors ("Governing Body") of the Firm and are not subject to audit, except where they are prepared under accounting requirements for publication in the financial statements.

The disclosures have been prepared solely for the purpose of MIFIDPRU 8 and apply to the Firm only and not to any other entities within Lombard Odier group. They do not constitute any form of financial statement and must not be relied upon in making any judgment about the Firm.

2. Governance Arrangements

2.1. Oversight of Governance Arrangements by the Management Body ("Governing Body")

Board of Directors

The Board of Directors consists of five directors and is predominantly composed of three members who are independent from the Lombard Odier Group. The Governing Body is responsible for defining, overseeing and implementing governance arrangements that ensures effective and prudent management of the Firm, including but not limited to the segregation of duties in the organisation and the prevention of conflicts of interest, in a manner that promotes integrity of the market and the interests of the Firm's clients. The Governing Body fits the following criteria:

- They are of sufficiently good repute
- They possess necessary and sufficient knowledge, skills and experience individually and collectively to perform the relevant duties
- They reflect an adequately broad range of viewpoints and experiences
- They commit sufficient time to perform their functions at the Firm; and
- They act with honesty, integrity and independence of mind, enabling them to effectively assess and challenge the decision of Senior Management of the Firm, where necessary, and to effectively oversee and monitor management decision-making.

The Board of Directors meet regularly and on at least a quarterly basis and discuss a wide range of business issues including but not limited to performance, investment risk, sales objectives, operational risk, financial, compliance (including AML) and legal topics.

The Governing Body defines the Firm's risk appetite and/or tolerance for risk and ensures that the Firm has implemented an effective and ongoing process to identify risks, to measure its potential impact and then to ensure that such risks are actively managed.

The Board of the Firm has delegated the daily management of the Firm to an Executive Committee comprising of senior members of the Firm. The Governing Body retains the oversight responsibility. Senior Management is accountable to the Executive Committee for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of the Firm.

The Board of the Firm has further delegated certain activities and powers to the LOIM Committees to oversee the operations of the Firm but remains ultimately responsible for the exercise of the power by these Committees. The responsibilities of each Committee are documented in specific terms of reference. The Board of Directors/Senior Managers are supplemented as necessary by subject matter experts from across the business which forms an integral part of these Committees.

Conflict of Interest

It is the Firm's policy to take all reasonable steps to maintain and operate effective organisational and administrative arrangements to identify, prevent or manage relevant conflicts appropriately. The Board members regularly assess and make sure that their members' mandates are and remain compatible with any other positions and interests that those members may have, in particular in terms of conflicts of interest and availability.

Senior Management is responsible for ensuring that the Firm's systems, controls and procedures are adequate to identify and manage conflicts of interest.

The Firm's Compliance function assists the Senior Management to identify, prevent, manager and/or mitigate actual and potential conflicts of interests, records conflicts and the mitigating actions in a conflict of interest register. Induction training is provided to all new joiners and refresher training is provided to the staff on an annual basis. In addition, the Compliance function conducts periodic (at least annually) reviews of the Firm's conflicts of interest management procedures including the Company's conflicts of interest policy and maintenance of a register.

2.2. Directorships

The total number of executive and non-executive directorships held by members of the Board as at the Reference date are detailed below.

Director	Position	Number of Directorships*
Hubert Keller	Chairman	1
Jean-Pascal Porcherot	Director/Co-CEO	1
Jeremy Bailey	Non-Executive Director	1
Peter Clarke	Non-Executive Director	3
Stephen Fitzgerald	Non-Executive Director	2

*Directorships held within the same group are counted as a single directorship and those in non-commercial organisations are excluded.

2.3. Risk Committee

The Firm is not required to establish a Risk Committee under MIFIDPRU 7.3 as it meets the conditions set out under MIFIDPRU 7.1.4R. However, the Firm has chosen to establish separate Audit and Risk & Compliance Committees.

Risk & Compliance Committee

The Risk & Compliance Committee was appointed by the Firm's Board of Directors and assists them in fulfilling the risk management and compliance responsibilities, whilst championing the highest levels of risk management and compliance standards considering the best practice and regulatory requirements. This Committee is chaired by the Chief Risk Officer.

Audit Committee

The Audit Committee was appointed by the Firm's Board of Directors and assists them in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control and the Internal and External Audit processes in accordance with applicable laws and regulations. This Committee is chaired by an independent director.

2.4. Approach to Diversity

The Firm engages a broad set of qualities and competences when recruiting members to the Governing Body. The Firm has established a Diversity & Inclusion ("Diversity") policy at the Firm level which builds on a commitment to equal opportunities for all and the conviction that everybody should be recognized and respected for who they are; the belief that diversity and inclusion are pre-conditions for the Firm's successful development in the global market; and the desire to ensure that the Firm is a contributor to social sustainability in the societies in which it operates.

The Firm has implemented several initiatives led from the top. For example, with the launch of the LOIM Diversity Committee sponsored and co-chaired by members of the Governing Body. The role of this Committee is to provide clear, consistent leadership and accountability for Diversity.

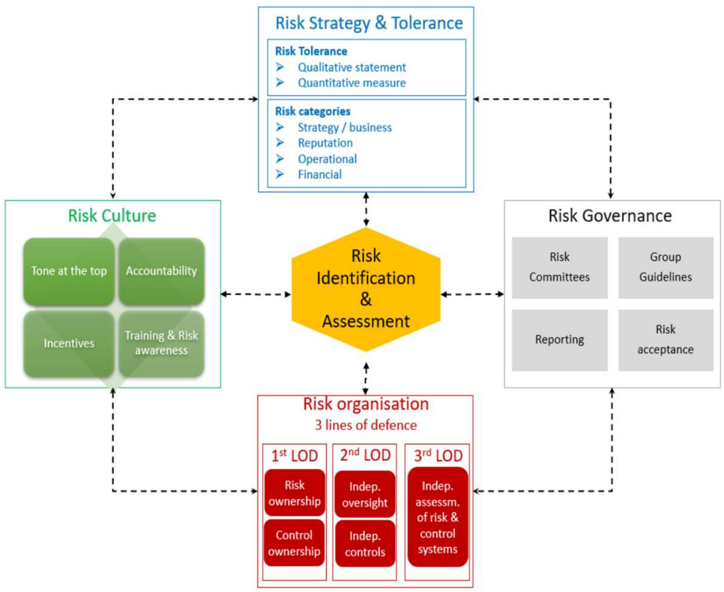
In reviewing its composition, the Governing Body considers the benefit of having a broad range of views, long standing experiences, skills, backgrounds and values represented. Whilst all appointments to the Governing Body are made on merit against objective criteria, the Firm recognises that Diversity within the Governing Body is an area of continued focus and development for the Firm.

3. Risk management objectives and policies

The Firm operates an enterprise-wide risk management framework defined at Lombard Odier group level, which describes an overarching framework for clear and effective risk management across the Firm. It describes the different elements that contribute to the holistic approach towards risk management , as well as clarifying the roles and responsibilities of all staff. The framework is reviewed at least annually. It covers the direct and indirect risks that could affect the Firm in the pursuit of its corporate objectives. Specifically, it covers Investment or Market, Operational, Counterparty and Business or Strategic risks. Direct Liquidity risk of the Firm is managed by LOIM Finance and is documented in the ICARA document.

The purpose of the framework is to ensure that all material risks faced by the Firm are identified, understood and that appropriate responses are in place to protect the Firm, its employees, its clients and the markets it operates in. The framework is built on five blocks:

- risk culture
- risk strategy and tolerance
- risk organisation
- risk governance
- risk identification and assessment



3.1. Risk Culture

Risk culture is the way the organization demonstrates through its actions and accepted behaviour its shared beliefs, values, knowledge and understanding about risk. It is a subset or complement to organizational culture. Each employee is encouraged to be open, candid and fact-based in discussing risk issues. Within LOIM, risk culture is shaped by the following: tone at the top, accountability, incentives and communication.

3.2. Risk Strategy and Tolerance

The Firm's strategy is to ensure in pursuit of its goals it does so without taking any unnecessary risks. This does not mean that the Firm takes no risk but rather its actions in pursuit of its objectives are commesurate and aligned to the levels of risks that can be tolerated by its Board and senior management.

The following are the Firm's key business objectives:

1. Position LOIM as a profitable standalone business
2. To be a fully scaled organisation – i.e. critical mass AuM in our investment strategies
3. To generate an externally focused client base and create real revenue diversification for the Group

The Firm's risk management strategy adopts the following principles:

- Maintain a strong risk governance structure
- Encourage a strong risk awareness culture

- Enforce strong accountability for risk management within the business units (1st Line of Defence)
- An independent Risk function (2nd Line of Defence) able to challenge the business if risk tolerances are being breached
- Clearly articulate LOIM's agreed levels of risk tolerance
- Strong commitment to comply with all required regulations in the jurisdictions LOIM operates in and to co-operate with regulators

It is through effective risk management of risks that we enable the enterprise to implement our strategic goal and grow the business successfully in alignment with our philosophy and strategic principles.

For this reason, the Firm adopts a prudent approach towards its risk tolerance with a very limited tolerance towards the risks it is prepared to accept in the day-to-day running of its activities. Maintaining a conservative approach to risk tolerance is a key aspect of ensuring we protect our investors, clients, employees and stakeholders.

3.3. Risk Organisation

Risk management is a key aspect of portfolio management and corporate activities. The approach, adopting industry best practise and utilised across the Firm is to construct three lines of defence. The three lines of defence framework enable a clear segregation of responsibilities and the implementation of an overview of risk exposure vs tolerance across the Firm.

First Line of Defence: Risk Ownership

It has the duty to ensure that day-to-day activities are carried out correctly and in compliance with internal and external requirements as well as in line with risk tolerance and risk strategy

- Unit owner accountable for their control environment. May be supported by dedicated risk owners within the business
- Controls are performed directly within and by each business or support unit and should be evidenced with appropriate reporting and escalation where required
- Implements risk management framework and is responsible for identification, assessment, management and reporting of any risk events

Second Line of Defence: Risk Management

It has the duty to oversee risks and controls in the business lines. It is separate and act independently from the business lines and other support units. The units which play a key role for this second line of defence are Risk Management, Compliance and in certain circumstances, Legal, HR and Finance.

- Own and operate the frameworks, tools and methodologies to measure and assess risk
- Set and maintain risk framework and limits in which business operate
- Control risk through monitoring and reporting against risk tolerance

Third Line of Defence: Risk Assurance

- Performed by internal audit
- It assesses and regularly checks the completeness, functionality and adequacy of the internal control system
- Internal audit is completely independent of both first and second line of defence

The Firm has a centralized risk management function – LOIM Risk Management – headed by LOIM Chief Risk Officer. The LOIM Risk Management function, in close collaboration with the other Control Functions (in particular Legal & Compliance), is responsible for the day-to-day management of the risks linked to the different activities performed by the Firm (i.e. portfolio management, distribution and management company) and the implementation of an appropriate risk management framework within the Firm.

3.4. Risk Governance

The Board has ultimate responsibility for the Firm's system of internal controls and risk framework and for reviewing its effectiveness. The 1st Line is represented by the Executive Committee, 2nd Line by the Risk and Compliance Committee and 3rd Line by the Audit Committee. This allows the effective oversight of risk level across the organization. These protocols operate both at the legal entity and functional/unit level across the organisation. Both the Cybersecurity Committee and the Counterparty Risk Committee are dedicated risk committees and are sub-committees to the Risk and Compliance Committee.

3.5. Risk Identification and Assessment

The following elements ensure ongoing and comprehensive risk identification and assessment:

Frequency	Element of risk identification and assessment
Annual	Assessment of the Risk Framework Review of Risk Acceptances Internal Capital Adequacy & Risk Assessment (ICARA for LOAME) Legal Entity Risk and Control Assessments Functional Risk and Control Self-Assessments (RCSA) ISAE 3402 review and ad-hoc intermediary testing
Quarterly	Quarterly risk reporting to the LOIM Risk and Compliance Committee Key Risk Indicators Dashboard and Report
Monthly	Counterparty Risk Exposures Operational Risk Reporting Incident monitoring: root cause analysis and effectiveness of controls assessed Material Risk Briefings (investment and liquidity risk analysis)
On-going & Ad-Hoc	New business initiatives, new funds, products and markets Risk Assurance Testing (Trader exceptions, Controls testing)

On an annual basis, LOIM Operational Risk prepares a formal risk assessment for each entity, including the Firm. The assessment reviews the inherent and residual risks that are considered material to the operation of each legal entity respectively. The residual risks are assessed taking into account the current control environment applicable to each operating entity of the LOIM group of companies. LOIM consolidates its risk profile for each material type of risks to ensure an informed exchange between senior management, business stakeholders, risk owners and the Risk function.

The results provide an input to the setting of risk tolerance and to the development of relevant stress scenarios as part of the Firm's ICARA.

4. Own Funds

The table below provides an overview of the own funds of the Firm based on 31st December 2022 figures:

Own Funds	£ ('000)
CET1 own funds held (net of deductions - see MIFIDPRU 3.3)	43,305
AT1 own fund held (net of deductions - see MIFIDPRU 3.4)	0
T2 own funds held (net of deductions - see MIFIDPRU 3.5)	0

5. Own funds requirements (OFR)

The Firm's own funds requirements is calculated in accordance with MIFIDPRU 4.3.2, which states that the Firm's own funds requirements is the highest of its:
(a) Permanent minimum capital requirement ("PMR") under MIFIDPRU 4.4,
(b)Fixed Overheads requirement ("FOR") under MIFIDPRU 4.5
(c) K-Factor requirement under MIFIDPRU 4.6

Given the scale of the business, the PMR of the Firm is set at £75,000, while its nature only requires the application of the K-AUM factor – calculated as 2 bps of Assets under Management of the Firm, which equates to £ 2,980,000. Firm's own funds requirement is therefore driven by the FOR, which is the highest of the three, and which amounted to **£8,568,000** as at the Reference date.

ICARA and overall financial adequacy threshold requirement (OFTR)

The Firm is required to perform an Internal Capital Adequacy and Risk Assessment (ICARA), which main purpose is to determine the adequate level of capital to support the residual risks that the Firm faces while implementing its business strategy, as well as to demonstrate how the Firm can meet its regulatory capital and liquidity adequacy requirements, taking into account unexpected events and economic downturns. The focus of the ICARA process is on identifying and managing risks that may result in material harms to the Firm, its clients and markets. Depending on the nature of the potential harms identified, the only realistic option to manage them and to comply with the overall financial adequacy rule may be to hold additional own funds or additional liquid assets above the firm's own funds requirement or basic liquid assets requirement. Overall, the Firm holds adequate capital resources to cover the risks inherent in its business model even under stressed conditions.

The Firm establishes its ICARA on an annual basis. The Firm is not required to transmit the exhaustive ICARA document to the local regulator. However, quarterly and annual submissions as per MIFIDPRU 9 are made to the FCA via their data collection platform, RegData. This document is made available for regulatory review, upon request.

The ICARA is prepared for the Firm and does not form part of either a UK Consolidation Group or any other form of Consolidation Group as currently structured. Since the Firm is not part of a Consolidation Group, it does not hold capital for Concentration risk as per MIFIDPRU 5.

The table below summarizes both the OFR and the OFTR as at 31st December 2022:

Own funds requirement for non-SNI firm (MIFIDPRU 4.3.2) – all amounts are in £('000)	Own funds requirement (OFR)	Own Funds Threshold Requirement (OFTR) – higher of Assessment A and Assessment B Assessment A – ongoing capital requirement	Assessment B – capital needed to wind down the firm
Permanent minimum capital requirement (PMR)	75		
Fixed Overhead Requirement (FOR)	8,568		
K-Factor Capital	-		
K-AUM	2,980		
K-COH	-		
K-CMH	-		
K-ASA	-		
K-NPR	-		
K-CMG	-		
K-TCD	-		
K-DTF	-		
K-CON			
Capital for harms identified in ICARA risk assessment		15,466	
Capital for residual Credit Risks		4,494	
Capital for residual Market Risks		290	
Capital needed to wind down the firm			**16,091**
ASSESSMENT A (additional capital for ongoing risks)		20,249	
ASSESSMENT B (higher of FOR and wind down)			16,091
Overall financial adequacy threshold requirement (OFAR is higher of Assessment A or B)		**20,249**	
Own funds held		43,305	
Surplus		23,056	

From an overall K-factor requirement, the Firm does not carry out any brokerage activities, nor does it trade on its own account. As a result, only the K-AUM factor applies.

6. Remuneration policy and practices

6.1. Remuneration Approach & Objectives

The Firm's Remuneration approach and objectives seeks to strike an appropriate balance between the following key considerations:

- the need to attract, incentivise and retain high quality personnel;
- the need to recognize the important contribution of staff to the continued growth, development and success of the Firm, its clients and stakeholders;
- the need for staff to avoid excessive risk taking and conflicts of interest;
- the need to encourage a culture of responsible business conduct, risk awareness and prudent risk taking;
- the need to encourage behaviour that will lead to the collective and enduring success of the Firm and its staff as a whole

The Firm operates on the basis of the fundamental principle that there should be equal pay for equal work or work of equal value regardless of gender, race, social background or other protected characteristics. The Firm also believes that the promotion of sustainable investment and business practices is essential to the development and success of the Firm. This Policy seeks to encourage positive collective and individual contributions to the development of sustainability at the Firm. This applies to all staff regardless of role or position. All permanent employees are eligible to receive variable remuneration.

6.2. Governance Approach to Remuneration

The Firm is not required to have a Remuneration Committee. However, the development of the Firm's Remuneration Policy has been achieved with the advice of Heads of Functions and external consultants.

The Firm's Remuneration Policy is subject to at least an annual review. The development and review of this Policy is supported by the LOIM Policy and Documentation Committee, comprising of the risk management, legal, compliance, HR and internal audit departments with a view to ensuring an independent assessment of this Policy to reflect the Firm's business strategy, risk profile, long term objectives and legal obligations.

In addition to the review of this Policy, the Governing Body initiates on an annual basis a central and independent internal review of whether the implementation of its remuneration practices at the Firm comply with this Policy with a view to determining whether the Firm's remuneration practices result in remuneration awards that are in line with the Firm's business strategy; reflect the risk profile and long-term objectives of the Firm and comply with relevant legal requirements. The independent review may inter-alia be carried out by one or more of the control or support functions at the wider LO group level, not involved in the day-to-day operations of the Firm.

The Firm identifies and records its 'Material Risk' takers in accordance with provisions of the FCA rules. The Firm undertakes an assessment of the identity of its material risk takers on an annual basis. A 'material risk taker' is defined in broad terms under SYSC 19G 5.1 as a staff member whose professional activities have a material impact on the risk profile of the Firm or of the assets that the Firm manages. The identification of Material Risk Takers within the Firm is done in line with the SYSC 19G 5.1 paragraph of the FCA Handbook.

6.3. Remuneration Key Characteristics

The Firm adopts a multiyear framework when assessing the overall performance of the Firm and the Lombard Odier group to try and ensure that variations in performance in the short term do not undermine the Firm's long term capital base or ability to operate its business over the long term.

The multi-year framework must ensure that the assessment of performance is based on longer term performance and takes account of longer-term business cycles and business risks. Variable remuneration will not be paid by the Firm in circumstances which would affect the Firm's ability to ensure a sound capital base.

The amount of variable remuneration to be paid to staff in control functions will be determined on the basis of the objectives linked to their functions independent of the business areas they control.

The Firm's remuneration structures are designed to reduce its exposure to liquidity and capital risk. The Firm's fixed remuneration is built into its capital calculations and reviewed by the Governing Body on at least an annual basis. Variable remuneration is only paid out of risk adjusted profits or from sources which will not undermine its capital base or expose the Firm to any risk in respect of its future financial commitments. Any variable remuneration paid takes account of the Firm's business cycles projected over three years in advance. The Firm has adopted a formulaic approach in calculating variable remuneration which can result in none being paid. As such, variable remuneration will not impact on the Firm's long-term risk profile.

The firm breaks remuneration down into 'fixed' and 'variable' components:

- Fixed remuneration components are base salary and benefits as defined in the contract of employment of each staff member. Fixed remuneration is permanent, pre-determined and non-discretionary and reflects inter alia market rates, professional experience, and responsibility.
- Variable components Variable remuneration components are any amounts paid in the nature of a 'bonus' in addition to the fixed component described above.

Variable remuneration is based upon assessments made at line manager, department head, HR and executive committee level and ultimately subject to the review, challenge and approval of the Firm's Board of Directors.

The determination of the amount of any variable remuneration paid to staff shall be based upon a combination of the following considerations:

- the overall results of the Firm and of the Lombard Odier group
- the results of the team or business line in which an individual sits; and
- individual performance (both financial and non-financial performance)

Non-financial considerations include without limitation, building and maintaining positive relations with other staff, customers and business connections and attitude (positive and negative) to risk, conflicts of interest, professional conduct, legal and regulatory obligations, diversity and inclusion and sustainable investment/business practices and adherence to the Firms risk management and compliance policies.

The Firm's assessment of individual performance or contributions shall not discriminate on the basis of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, or sexual orientation.

Without prejudice to any other sanction, the Firm reserves the right, including in-year adjustments or malus, and in appropriate timeframes, to apply clawback to variable remuneration in the case of fraud or criminal activity.

The Firm does not enter into agreements to pay guaranteed variable remuneration to Material Risk Takers. The only exception to this rule is where such a payment:

- is exceptional;
- is limited to the first year of service;
- the Firm has a strong capital base.

In determining whether to offer guaranteed variable remuneration, the Firm will have regard to the individual's qualifications and experience, the Firm's need for an individual with such experience and the likely impact on the Firm.

The Firm ensures that payments related to the termination of an employment contract by either party reflect the actual performance of the employee concerned, comply with the relevant regulations and labour laws and do not reward failure or low performance.

6.4. Quantitative Remuneration Disclosure

LOAME 2022 Remuneration Disclosure

For the year ended 31 December 2022

		Headcount			
Number of MRTs		23			
			Total (£)	Fixed(£)	Variable(£)
Total remuneration awarded, split into fixed and variable	Senior Management		6 684 919	1 895 087	4 789 832
	Other MRTs		12 755 185	3 857 982	8 897 202
	Other staff		23 792 958	12 926 596	10 866 362
Total guaranteed variable remuneration	Senior Management	-	-		
	Other MRTs	*Exemption under 8.6.8 (7)b **			
		Headcount	Total(£)		
Total severance payments	Senior Management	-	-		
	Other MRTs	-	-		
Highest severance payment awarded	All MRTs	-	-		

* In relation to the information items required in MIFIDPRU 8.6.8R(5)(a), the Firm has awarded guaranteed remuneration to two Material Risk Takers. The information in the category of Senior Management is nil. The Firm is exempted to provide additional information in accordance MIFIDPRU 8.6.8R(7), if the aggregated number on the Senior management and other Material Risk Taker categories result with a two figure. The Firm is also exempted to provide detailed information on guaranteed remuneration in accordance with MIFIDPRU 8.6.8(5)(a).