

Bedrock Asset Management (UK) Ltd

MIFIDPRU 8 DISCLOSURE

Financial Year Ended 31st December 2023

1. INTRODUCTION

1.1. Background

Bedrock Asset Management (UK) Ltd (hereby known as “BAM” or “the Firm”) is prudentially regulated as a non-SNI MIFIDPRU investment firm. The Firm is Authorised and regulated by the FCA (FRN 409324) to provide investment and advisory services. It is permitted to act only for Eligible Counterparties and Professional clients.

1.2 Scope of Application

Due to its ownership structure, the Firm is not a member of an investment firm group and therefore is required to issue disclosures on an individual basis for prudential purposes.

1.3 Disclosure Policy

This Disclosure is in line with the most recent published financial statements for the Firm as at 31st December 2023.

The MIFIDPRU Disclosure obligations, under MIFIDPRU chapter 8, require publication on an annual basis. The FCA expects this to be published on the Firm’s website. This Disclosure will be assessed and amended if there are any material changes within the period of Disclosure.

This Disclosure has been approved by the governing body of the Firm and are not subject to audit, except where they are prepared under accounting requirements for publication.

2. GOVERNANCE

2.1 BAM’s Board

The Board has overall responsibility for the activities of the Firm. The Board consists of senior managers who collectively have extensive knowledge and experience of all areas of the firm’s business. Together, they oversee the process of risk management, financial reports, and remuneration. The Board is assisted by an external compliance advisor and a legal counsel. As at the reporting date, the Board considered that it had in place adequate and appropriate systems and controls with regard to the Firm’s strategy and that the Firm is properly resourced and skilled, to avoid or minimise loss.

BAM has embedded a series of controls in its business and support functions. Compliance and risk management policies have also been implemented which set out specific requirements to be applied in the management of relevant risks.

BAM has an independent compliance function. Key elements included in their remit are the identification, measurement, and assessment of compliance risk and the monitoring and testing of compliance by performing sufficient and representative testing to provide a reasonable level of assurance to the partners of the effectiveness of the firm’s management of compliance risk.

2.2 Directorships

The total number of executive and non-executive directorships held by members of the Board as at 31st December 2023 are as below.

| Name of Director/Senior Manager | Directorships |
|---------------------------------|---------------|
| David Joory | 4 |
| Ariel Arazi | 2 |
| Maurice Ephrati | 4 |
| Robert Mizrahi | 7 |
| Keyvan Khosrovshahi | 7 |

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

2.3 Diversity

The Firm operates in a gender-neutral working environment and does not discriminate against any protected characteristics. The Firm ensures its Remuneration Policy is compliant with the Equality Act 2010. BAM recognises that employees and directors with different backgrounds and experience can bring valuable insights to the workplace and enhance the way the firm works.

3. RISK MANAGEMENT

Under MIFIDPRU, the Firm's senior management is responsible for establishing and maintaining its Internal Capital Adequacy and Risk Assessment (ICARA). This requires the Firm to assess the Firm's capital and liquidity requirements and ensure it has sufficient own funds and liquidity resources at all times to meet the Overall Financial Adequacy Rule (OFAR) throughout the business cycle, whether in a Business as Usual or stressed environment. The ICARA assesses the aforementioned capital needs in a way which is consistent with the Firm's stated risk profile and operating environment. The Firm ensures that throughout its ICARA process, it identifies its material risks which are reviewed and amended where necessary by the Firm's board on an annual basis, and its winding down plan to ensure the Firm holds sufficient Own Funds and Liquidity to both mitigate its material risks and is able to wind down in an orderly manner.

The Firm's general risk management objective is to minimise the risks to the Firm's clients, its counterparties, and other stakeholders and to ensure it remains in full compliance with its regulatory and legal obligations. The Firm's risk appetite is reviewed on a regular basis and updated in accordance with the evolving strategy, business model, financial capacity, business opportunities, regulatory constraints, and other internal and external factors.

The Firm oversees and manages its risks through a combination of routine control testing and monitoring of policies and procedures, an efficient reporting process, an annual independent audit, a Compliance Manual, and the use of an independent outsourced compliance adviser. The Board of Directors has an overall responsibility for the process of risk management, as well as to determine the business strategy and risk appetite along with establishing, implementing, and maintaining adequate risk management policies and procedures. These policies and procedures are updated as required, having regard to the relevant laws, standards, principles, and rules (including FCA Principles and Rules).

Risk is inherent in all businesses and, therefore, arises in the normal course of the Firm's activities. The Firm accepts this and seeks to effectively identify, monitor, manage and mitigate each of the risks and they actively promote a risk awareness culture throughout the organisation. Appropriate action is taken where risks are identified which fall outside of the Firm's risk tolerance levels or where the need for remedial action is required in respect of identified weaknesses in the Firm's systems and controls environment which has been established to mitigate such risks.

3.1 Own Funds Risk

The Firm's main business risk relates to the medium and long term profitability of the Firm that could be adversely affected by the failure to identify and implement the correct strategy and to react efficiently to changes in the business and market environment.

BAM does not have any current own funds risk that are outside of the Firm's risk appetite. As set out below the Firm has sufficient own funds to meet its own funds requirements and this position is reviewed on a monthly basis.

This risk is assessed and mitigated as part of the ICARA process by clearly defining the Firm's strategy, analysing various economic scenarios to reduce single event and macroeconomic exposure.

3.3 Credit and Concentration Risk

Credit Risk refers to the risk of financial loss arising from the failure of a client or other counterparty to meet its outstanding obligations and from cash and deposits held with financial credit institutions.

The Firm is primarily exposed to Credit Risk from the failure of client transactions executed on a Delivery versus Payment (DvP) basis. It holds all liquidity with large international credit institutions with high credit ratings. Consequently, the risk of past due or impaired exposures is minimal. A financial asset is past due

when a counterparty has failed to make a payment when contractually due. Impairment is defined as a reduction in the recoverable amount of a fixed asset or goodwill below its carrying amount.

The Firm does not deal on its own account and therefore is not subject to position risk (specific or general) as a result the Firm does not have a concentration risk (K-CON) capital requirement. The Firm does monitor the concentration of assets to a client/group of connected clients on an ongoing basis as part of the monthly management accounts process. As a Non-SNI the Firm reports concentrations to the FCA via MIF004 on a quarterly basis.

3.5 Liquidity Risk

The Firm is required to hold sufficient financial resources to enable it to meet its obligations as they fall due or to ensure that it can secure adequate amount of assets in the event of a stress situation.

The Firm maintains an amount of free funds it considers suitable for providing sufficient liquidity to meet its liquid asset threshold requirements under normal and stressed business conditions. This is supported by a prudent budgeting and forecasting process, as well as monitoring of the Firm's cash position by the senior management on a regular basis. Accordingly, the Firm has always held sufficient liquidity to meet its contractual obligations as and when they arise.

4. CAPITAL ADEQUACY

The Firm is required to maintain sufficient capital resources at all times. Own funds describes the available capital resources of the Firm while own funds requirement describes the capital funds required as a result of the business activities of the Firm.

4.1. Own Funds

The table below shows the Firm's Own Funds as at 31st December 2023. This is made of Common Equity Tier 1 (CET1) capital, Additional Tier 1 capital and Tier 2 capital held by the Firm. In this case the Firm benefits from only CET1 capital.

| Own Funds | £000s |
|------------------------------|-------------------|
| Common Equity Tier 1 Capital | £1,726,952 |
| Additional Tier 1 Capital | 0 |
| Tier 2 Capital | 0 |
| Total Own Funds | £1,726,952 |

5. OWN FUNDS REQUIREMENT

Every FCA authorised firm must meet the FCA's threshold conditions which require all firms to have appropriate resources. The Overall Financial Adequacy Rule (the "OFAR") establishes the standard that the FCA applies to determine if a firm has adequate financial resources.

MIFIDPRU 7.4.7R sets out the OFAR and it states:

A firm must, at all times, hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

- (a) The firm 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) The firm's business can be wound in an orderly manner, minimising harm to consumers or to other market participants.*

The Firm's Own Funds Requirement is calculated in accordance with MIFIDPRU 4.3, which states that the Firm's own funds requirement as a non-SNI Investment Firm is the highest of the following components: -

- Its permanent minimum capital requirement under MIFIDPRU 4.4;
- Its fixed overheads requirement under MIFIDPRU 4.5;
- Its K-factor requirement under MIFIDPRU 4.6

| As at December 2023 | £000s |
|---|-------------------|
| Permanent Minimum Capital Requirement | £130,000 |
| Fixed Overheads Requirement | £1,198,440 |
| K-Factor Requirement | £129,341 |
| Sum of K-AUM, K-CMH and K-ASA | £129,341 |
| Sum of K-COH and K-DTF | 0 |
| Sum of K-NPR, K-CMG, K-TCD and K-CON | 0 |
| Own Funds Requirement (Maximum of PMR, FOR and K-Factor Requirement) | £1,198,440 |

BAM's MIFIDPRU 4 own funds requirement is the highest of i) the sum of the applicable K-factor requirements; ii) the fixed overheads requirement; and iii) its permanent minimum requirement. The firm's MIFIDPRU 4 own funds requirement is the highest of these requirements which therefore for the period ending 31st March 2023 was the fixed overheads requirement.

6. REMUNERATION

6.1 Approach to Remuneration

The Firm does not link remuneration directly to the performance of the Firm, or that of the Group, rather, the Firm's performance may be a factor in determining variable remuneration. The Firm also considers its non-financial criteria when assessing remuneration.

Any discretionary bonus scheme pools are calculated by reference to the Firm's net operating profit, where the underlying revenue is not subject to recovery or downward adjustment. Employees are not encouraged, and the Firm's remuneration schemes do not reward, the taking of market or trading risks. The Firm operates remuneration through 1 scheme. The Firm has a scheme where all staff are eligible participants. The Scheme's intended purpose is to reward performance retain and motivate personnel who can perform to the highest level of expectation. The scheme is fully discretionary following an annual review and factors in financial and non-financial criteria (considered on page 6 of this policy document). All discretionary bonuses are paid out in cash, with no deferred portion or retention period in place and is not adjusted based on the Firm's performance.

The Firm operates based on being conservatively managed and with remuneration levels in line with industry standards, with a structured approach based on two performance reviews, one in mid-year and one at the end of the year to ensure that individuals are attaining their roles and to consider whether their role descriptions require updating. Key remuneration decisions will be agreed by consensus of the Management committee.

The Firm has a general guidance ratio and consensus that the limit for variable remuneration is set to a limit of 20% of fixed remuneration and should not be exceeded except where there has been exceptional performance.

In accordance with applicable guidelines once a year, subject to an annual assessment process, the governing body identifies employees in control functions and employees who are material risk takers.

When determining the variable remuneration paid to any employee, the Firm considers a number of factors covering the firm as a whole, individual business units, and the individual employees as appropriate. The Firm's overall profitability, the absolute and relative performance of an employee and (as applicable) their business unit, the employee's conduct and adherence to the Firm's values, any disciplinary action taken against the employee and the results of the employee's performance review will be taken into account.

The discretion held by the Board of the Firm ensures that the Firm is able to retain employees in executive positions who are vital to the Firm's strategic development. The Firm has no obligation to pay variable remuneration other than out of realised profits which are not subject to later reduction (after subtracting all expenses relating to running the business) to allow for a fully flexible policy. Accordingly, the Firm's total variable remuneration does not limit its ability to strengthen its capital base.

The Firm oversees and manages its risks through a combination of routine controls testing and the monitoring of policies and procedures of policies and procedures, an efficient reporting process, an annual independent audit (SOPHER + CO LLP), a Compliance Manual, and the use of an independent outsourced compliance adviser (IQ-EQ Consulting Limited).

6.2 Remuneration Objectives

The Firm's financial incentives are designed to attract and retain employees with the appropriate skills, knowledge and expertise to enable the Firm to deliver its long-term strategic goals, widen its client base and expand into similar areas of business as and when the appropriate opportunities arise, in each case in a manner which is consistent with and which promotes effective risk management and does not expose the Firm to excessive risk.

6.3 Remuneration Governance

The Firm has in place a Remuneration Policy which is approved by the Board at least annually.

The Firm does not meet the criteria to form a remuneration committee under SYSC 19G. In view of the nature and size of the Firm, the Board does not believe it is proportionate to have a Remuneration Committee but will periodically monitor the remuneration practices of the Firm to determine if the implementation of such a committee would enhance its practices. The Board has oversight of the Firm's remuneration policies and refers to its remuneration Terms of Reference and the MIFIDPRU remuneration code. Furthermore, the Firm ensures that the Firm's standards, fairness, compliance objectives, corporate governance and maintaining a sound capital base are not compromised by its remuneration incentives. The Firm has used external consultants to assist in the development of its remuneration policies and practices.

6.4 Material Risk Takers

As the Firm is categorised as a non-SNI MIFIDPRU Investment Firm, staff members whose activities have a material impact on the risk profile of the Firm or of the assets that the Firm manages are categorised as material risk takers (MRTs) under SYSC 19G.5.3R.

*The Firm has identified 8 material risk takers, of which 5 are Senior Managers of the Firm, and 3 are other material risk takers.

6.5 Total Remuneration

| Remuneration | Total for Firm (£) | Senior Management | Other MRT's |
|-----------------------|--------------------|-------------------|-------------|
| Total Remuneration | 3,035,497 | 1,728,730 | 1,038,242 |
| Of which: | | | |
| Fixed Remuneration | 2,628,179 | 1,123,013 | 680,537 |
| Variable Remuneration | 407,318 | 605,717 | 357,705 |
| Total Number of MRT's | 8* | 5 | 3 |

The Firm has paid guaranteed variable remuneration and/or severance payments during the period of this report as set out below:

| | Total for Firm | Number of MRT's receiving those awards |
|---|----------------|--|
| Guaranteed Variable Remuneration | 40,000 | 1 |
| Severance Payments | 13,500 | 0 |
| Highest severance payment awarded to an MRT | 0 | 0 |

APPENDIX 1: COMPOSITION OF REGULATORY OWN FUNDS

| Composition of regulatory own funds | | | |
|-------------------------------------|---|----------------------------------|---|
| | Item | Amount (GBP thousands) | Source based on reference numbers/letters of the balance sheet in the audited financial statements |
| 1 | OWN FUNDS | 1,726 | |
| 2 | TIER 1 CAPITAL | 1,726 | |
| 3 | COMMON EQUITY TIER 1 CAPITAL | 1,726 | |
| 4 | Fully paid up capital instruments | 700 | |
| 5 | Share premium | 0 | |
| 6 | Retained earnings | 1,027 | |
| 7 | Accumulated other comprehensive income | 0 | |
| 8 | Other reserves | 0 | |
| 9 | Adjustments to CET1 due to prudential filters | 0 | |
| 10 | Other funds | 0 | |
| 11 | (-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1 | 0 | |
| 19 | CET1: Other capital elements, deductions and adjustments | 0 | |
| 20 | ADDITIONAL TIER 1 CAPITAL | 0 | |
| 21 | Fully paid up, directly issued capital instruments | 0 | |
| 22 | Share premium | 0 | |
| 23 | (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1 | 0 | |
| 24 | Additional Tier 1: Other capital elements, deductions and adjustments | 0 | |
| 25 | TIER 2 CAPITAL | 0 | |
| 26 | Fully paid up, directly issued capital instruments | 0 | |
| 27 | Share premium | 0 | |
| 28 | (-) TOTAL DEDUCTIONS FROM TIER 2 | 0 | |
| 29 | Tier 2: Other capital elements, deductions and adjustments | 0 | |

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

Flexible template - rows to be reported in line with the balance sheet included in the audited financial statements of the investment firm.

Columns should be kept fixed, unless the investment firm has the same accounting and regulatory scope of consolidation, in which case the volumes should be entered in column (a) only.

Figures should be given in GBP thousands unless noted otherwise.

| | | a | b | c |
|--|---|---|--|--|
| | | Balance sheet as in published/audited financial statements | Under regulatory scope of consolidation | Cross-reference to template OF1 |
| | | As at period end | As at period end | |
| Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements | | | | |
| 1 | Debtors: amounts falling due within one year | 8,297,278 | 0 | |
| 2 | Cash at bank and in hand | 388,747 | 0 | |
| 3 | Tangible assets | 254,846 | | |
| 4 | Profit & loss account | 1,026,952 | | |
| | Total Assets | 9,913,823 | | |
| Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements | | | | |
| 1 | Creditors: amounts falling due within one year | 6,687,585 | | |
| 2 | Creditors: amounts falling due after more than one year | 485,323 | | |
| 3 | Deferred tax | 41,011 | | |
| | Total Liabilities | 7,213,919 | | |
| Shareholders' Equity | | | | |
| 1 | Called up share capital | 700,000 | | |
| | Total Shareholders' equity | 1,726,952 | | |

Own funds: main features of own instruments issued by the firm

Free text. A non-exhaustive list of example features is included below.

Examples

Public or private placement

Instrument type

Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)

Nominal amount of instrument

Issue price

Redemption price

Accounting classification

Original date of issuance

Perpetual or dated

Maturity date

Issuer call subject to prior supervisory approval

Optional call date, contingent call dates and redemption amount

Subsequent call dates, if applicable

Coupons/dividends

Fixed or floating dividend/coupon

Coupon rate and any related index

Existence of a dividend stopper

Convertible or non-convertible

Write-down features

Link to the terms and conditions of the instrument