LAZARD

MIFIDPRU 8 Disclosures

Lazard Asset Management Limited (Ref. Number: 121839

Lazard Fund Managers Limited (Ref. Number: 122190)

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1. Introduction

Lazard Asset Management Limited ("LAML") and Lazard Fund Managers Limited ("LFM"), both of which are authorised and regulated by the Financial Conduct Authority ("FCA"), together constitute the "LAML Group" or "the Group". The parent company of the smallest group to which LAML and LFM belong is Lazard Asset Management (UK) Holdings Limited ("LAMUKH"), a UK based holding company, whose parent company is Lazard Asset Management LLC which is the US based parent company to Lazard's global asset management business ("LAM Group").

As a MIFIDPRU investment firm, the LAML Group is required to publicly disclose certain qualitative and quantitative information that is appropriate to its size and internal organisation, and to the nature, scope and complexity of their activities. The provisions for public disclosure are set out in MIFIDPRU 8 and this document has been produced in order to meet the disclosure obligations of the Group.

The disclosures are available on the Group's website (www.lazard.com).

1.1. Business Overview

Lazard Asset Management Limited was incorporated in the United Kingdom as a private limited company, and it is authorised by the Financial Conduct Authority ("FCA") to provide the following regulated activities:

- Advising on investments (except on Pension Transfers and Pension Opt Outs)
- Arranging (bringing about) deals in investments
- Dealing in investments as agent
- Making arrangements with a view to transactions in investments
- Managing investments
- Advising on P2P agreements
- Agreeing to carry on a regulated activity

Lazard Fund Managers Limited was incorporated in the United Kingdom as a private limited company, and it is authorised by the Financial Conduct Authority ("FCA") to provide the following regulated activities:

- Arranging safeguarding and administration of assets
- Managing investments
- Arranging (bringing about) deals in investments
- Advising on investments (except on Pension Transfers and Pension Opt Outs)
- Dealing in investments as agent
- Dealing in investments as principal
- Establishing, operating or winding up an unregulated collective investment scheme
- Making arrangements with a view to transactions in investments
- Managing a UK UCITS
- Managing investments
- Agreeing to carry on a regulated activity

Lazard Asset Management Limited acts as an asset manager, providing investment advisory, trading, marketing, client services and limited operational support. Lazard Fund Managers Limited acts as an authorised corporate director to Lazard Investment Funds; Lazard Investment Funds is an open-ended investment company.

1.2. Classification

In accordance with the provisions of MIFIDPRU, all UK investment firms are classified either as Small and Non-Interconnected ("SNI") or Non-Small and Non-Interconnected ("Non-SNI") investment firms.

To qualify as an SNI from a qualitative perspective, a UK investment firm:

- must not carry out activities that have the greatest potential to cause harm to its customers or to the markets in which it operates, and
- must not carry out any activities on such a scale that would cause significant harm to customers or to the markets in which it operates.

Further to the above, the table below shows the quantitative thresholds that have been set by the FCA in order to be categorised as an SNI:

Table 1: SNI Thresholds

No.	Metric	Thresholds
1.	Assets under management	< £1.2 billion
2.	Client orders handled – cash trades	< £100 million per day
3.	Client orders handled – derivative trades	< £1 billion per day
4.	Assets safeguarded and administered	zero
5.	Client money held	zero
6.	On- and off-balance sheet total	< £100 million
7.	Total annual gross revenue from investment services and activities	< £30 million

The LAML Group is categorized as a non-SNI investment firm as it does not satisfy all of the quantitative criteria set out in Table 1 above.

1.3. Regulatory Framework

This document has been prepared in accordance with the Investment Firms Prudential Regime ("IFPR") which is the regulatory regime for investment firms that the FCA has adopted. The IFPR establishes the prudential requirements for firms in terms of own funds, the level of minimum capital, concentration risk, liquidity requirements and level of activity with respect to UK investment firms. The disclosure requirements are described in MIFIDPRU 8.

The Group's policy is to publish the disclosures required on an annual basis. The Group will consider whether disclosure is required on a more frequent or ad hoc basis in the event that there is a material change in approach used for the calculation of capital, business structure or regulatory requirements.

1.4. Declaration of the Board

The Board of Directors of the LAML Group (the "Board") performs an assessment on at least an annual basis of the adequacy of the Group's risk management framework and ensures that the risk management arrangements and systems of financial and internal control in place are in line with the Group's risk profile.

The Group's risk management framework is designed to identify, assess, mitigate and monitor all sources of risk that could have a material impact on the Group's operations. The Board considers that the Group has in place adequate systems and controls with regards to its size, risk profile and strategy and an appropriate array of properly resourced risk mitigation mechanisms to avoid or minimise loss to the Group.

2. Risk Management Objectives and Policies

To ensure effective risk management, the Group has adopted the Three Lines of Defence model, with clearly defined roles and responsibilities.

First Line of Defence: Management and senior employees are responsible for establishing an effective control framework within their area of operation and identifying and controlling risks so that they are operating within the organisational risk appetite and are compliant with the Group's policies and where appropriate defined thresholds. The First Line of Defence is responsible for ensuring issues are escalated in a timely fashion and accordingly acts as an early warning mechanism for identifying (or remedying) risks or failures.

Second Line of Defence: The Risk Committee is responsible for proposing to the Board appropriate objectives and measures to define the Group's risk appetite, devising the suite of policies necessary to control the business including the overarching framework, independently monitoring the Group's risk profile, and providing additional assurance where required. The Risk Committee will leverage their expertise by providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify firm-wide risks and making recommendations to address them. Integral to the mission of the Second Line of Defence is identifying risk areas, detecting situations/activities in need of monitoring, and developing policies to formalise risk assessment, mitigation, and monitoring.

Third Line of Defence: The Internal Audit Function is independent of the First and Second Lines of Defence and is responsible for providing reliable and objective assurance to the Board on the adequacy of the design and operational effectiveness of the systems of internal control. Internal Audit undertakes on-site visits to ensure that the responsibilities of each function are discharged properly as well as reviewing the Group's relevant policies and procedures. Internal Audit works closely with both the First and Second Lines of Defence to ensure that its findings and recommendations are taken into consideration and followed, as applicable.

2.1. Risk Management Framework

Managing risk effectively in a continuously changing risk environment requires a strong risk management culture. As a result, the Group has established an effective risk oversight structure and the necessary internal organisational controls to ensure that it undertakes the following:

- Adequate risk identification and management,
- Establishment of necessary policies and procedures,
- Setting and monitoring of relevant limits, and
- Compliance with applicable legislation and regulation.

The Board meets quarterly and receives updates on risk and regulatory capital matters from management. The Board regularly (at least annually) receives reports and updates concerning compliance, risk management and internal audit procedures as well as the Group's risk management policies and procedures. As part of its business activities, the Group faces a variety of risks, the most significant of which have been described further below.

2.2. Risk Statement

The Group's activities expose it to a variety of risks, in particular to outsourcing risk, market risk, investment risk, reputational risk, operational risk and information technology/cyber security risk. The Group's approach to risk including its risk strategy and risk appetite have been described in further detail below.

Risk Strategy

The risk strategy of the Group is a responsibility of the Board, which formulates and is responsible for monitoring its implementation. This is achieved through the development of risk management processes and procedures as well as through an assessment of the risks undertaken and the effectiveness of the risk management framework, given the Group's business model. One important characteristic of the Group's risk strategy is its alignment with the strategic and operational targets that are set by the Board.

The risks that arise from the implementation of the Group's strategic and business plans are regularly analysed in order to ensure the adequacy of the relevant policies, procedures and systems.

The risk strategy of the Group aims to provide to both senior management and employees a general risk framework for the management of the different types of risks in line with the overall risk management and risk bearing capacity of the Group. The Group recognizes the importance of risk management to its business' success, and therefore the overall objective is to establish effective risk management policies that are designed to mitigate the Group's exposure to various risks.

Risk Appetite

Risk appetite is defined as the Group's willingness to accept risks in pursuit of its objectives. Risk appetite is assessed against the Group's key drivers of success, which form the basis for the risk appetite. The Risk Appetite framework has been designed to create links to the strategic long-term plan, capital planning and the Group's risk management framework.

The establishment of the Group's risk appetite statement (the "Risk Appetite Statement") is intended to guide senior management and other employees in their actions and ability to accept and manage risks.

LAML has a low tolerance for breaches, errors and financial loss and has implemented processes and procedures to mitigate against potential errors. Senior management, the COO and Compliance are informed of all breaches and errors, which are discussed at the LORC with those material issues being escalated up to the LAML Group Boards. The LAML Group Boards accept that there is a need to recognise a degree of risk tolerance due to the nature of the current business model as a limited licence firm, primarily in long only equity products following model strategies bought either for segregated mandates or within a fund framework and having a professional client base.

The Group's Risk Appetite Statement is prepared by the Risk Committee and approved by the Board. The Group employs mitigation techniques defined within the Group's policies, to ensure risks are managed within its risk appetite.

Risk Culture

Risk culture is a critical element in the Group's risk management framework and procedures. Management considers risk awareness and culture within the Group as an important part of the effective risk management process. Ethical behaviour is a key component of the strong risk culture, its importance is reinforced through the Group's code of conduct and senior management who lead by example and set an appropriate tone from the top.

The Group is committed to embedding a strong risk culture throughout the business where employees understand the risks they personally manage, the importance of accountability and the identification of situation in which to escalate issues or seek advice.

2.3. Material Risks

In the context of the ICARA process, the Group has identified the following principal risk areas:

2.3.1. Outsourcing Risk

LAML Group has outsourced much of its back office operations to third party providers (both intra-group and external) and is therefore exposed to a risk of the poor performance of or even, in an extreme situation, potential failure of the outsourced provider. LAML has outsourced its portfolio recording, settlement reporting, proxy voting and client service reporting operations to LAM LLC. This relationship still stands, however LAM LLC itself has entered into an outsourcing arrangement with State Street Corporation (a leading custody and investment advisory bank) in the United States in August 2008**.** Under this arrangement LAM LLC together with LAML Group have outsourced to State Street, a global mid office operations system, which streamlines LAM's ability to give more detailed and efficient reporting to its increasing global professional customer base.

The LAML Group Boards consider that this arrangement reduces the risk of a system and controls failure given the cost of replacing technology and the increasing specialism in this area and cost of doing business. This will allow the business to leverage off the available technology and greater resource pool within the State Street organisation whilst at the same time, being able to influence the design and requirements of the new system.

LAML Group has an Outsourcing Steering Committee (LOSC) to document, review and oversee the activities of all outsourcing arrangements supporting our Institutional and Fund businesses (UK and Ireland). The LOSC is a sub-committee of the London Operating Risk Committee who meet quarterly (or more frequent if required) and in addition to overseeing LAML's outsourcing arrangement will document its governance framework and scenario management,

LAML's current oversight arrangements include the following:

<u>Daily / Monthly Oversight</u>

LAML Group Operations together with LAM LLC Operations are responsible for the oversight of the State Street service. This involves regular interaction supported by regular service reviews in relation to the Global relationship and specific to LAML Group contracted clients. Each service review meeting is supported by a full reporting pack, a list of key outstanding actions which may relate to additional service requests or ongoing queries. KPIs are also prepared to provide a clear understanding of how service requirements are being met and identify service trends which could trigger the need to escalate issues.

LAM LLC perform a monthly review of reconciliations completed by State Street, this review includes a number of UK clients as directed by LAML Operations. All results are provided to LAML Group, and any issues identified are reviewed and again where necessary (control testing concerns) escalated.

<u>State Street IMS Operational Model</u>

LAML Group requires State Street to provide detailed information relating to their business model and in particular those functions that support LAML Group. This report is required to include in addition to a full oversight of all offices supporting LAML Group, a full explanation of their BCP and DR planning. LAML Group requires State Street to confirm the business continuity planning for each office and how functions, if necessary, can be ported from one office to another to ensure no interruption to the service provided to LAM and its clients.

Annually State Street and LAM produce an externally audited SSAE18 report specific to those functions outsourced by LAM to State Street IMS, this report is a key control.

State Street is considered a Significant Influence Financial Institution (SIFI) and is therefore required to produce a Recovery and Resolution Pack. Quarterly Recovery and Resolution planning updates are provided which detail State Street's financial strength. This document was introduced in response to the FCA's thematic work relating to Outsourcing.

As noted above, due to the strategic importance of State Street (and other critical outsourced service providers, as detailed in the Outsourcing Policy) and the considerable impact such a failed service provider could have to both LAML Group and its clients, a key control is understanding financial strength of all outsourced service providers on an ongoing basis.

Third Party Service Providers are therefore asked to provide regular updates and highlight any significant changes in either the profitability of the business or changes in the firms Tier 1 capital, along with other relevant information as may be required by LAML Group from time to time in order to adequately monitor and oversee the performance of any outsourced services.

All of the above is supported by:

- Building strong relationships
- Clear escalation policies.
- Senior management access
- Legally negotiated Master outsourcing agreement with an indemnity from State Street for fraud and negligence.
- Continued high level management, oversight and engagement
- Compliance monitoring: Onsite and desk based
- Internal Audit Reviews
- LORC/LOSC

LAML Group also meets regularly with Senior State Street Management to ensure effective communication and provide escalation points should issues arise affecting LAML Group clients.

It is key to note that the LAML Group Boards recognise that through outsourcing they have in no way removed any of their fiduciary responsibilities to clients or investors.

LAM LLC carried out considerable risk analysis on State Street and the business is comfortable that State Street, as one of the world's leading custodial and third party administrators are a low risk partner organisation.

BNY Mellon Corporation

LAML Group outsources the administration of its onshore mutual funds to BNY Mellon Corporation, including fund pricing, valuation, accounting, transfer agency.

In order to manage outsourcing risks LAML Group has implemented the following risk mitigating controls:

Daily / Monthly Oversight

LAML Group Operations are responsible for the oversight of all third parties involved in the servicing the LFM Funds and investors. This process involves regular interaction supported by regular service reviews with both BNYMellon Fund Accounting and Transfer Agency team plus the State Street Depository and Trustee team. Close monitoring is also carried out via the LOSC (see above). Each service review meeting is supported by a full reporting pack, a list of key outstanding actions which may relate to additional service requests or ongoing queries. KPIs are also prepared to provide a clear understanding of how service requirements are being met and identify service trends which could trigger the need to escalate issues.

Operational Model

LAML Group requires third party providers to provide detailed information relating to their business and in particular those functions support LAML Group.

Each update is required to include in addition to a full oversight of all offices supporting LFM a full explanation of their BCP and DR planning. LAML Group requires both BNYMellon and State Street to confirm the business continuity planning for each office and how functions, if necessary, can be ported from one office to another to ensure no interruption to the service provided to LFM and its investors/clients.

Outsourcing is viewed by the LAML Group Boards as a risk mitigant to operational risk, while recognising that outsourcing itself introduces its own risks. Through LAML's choice of outsourcing partners and the long history of outsourcing within LAML Group, the LAML Group Boards' views are that this and the relationships developed, the strong controls and enforced mitigants implemented, significantly reduce the outsourcing risk.

The LAML Group Boards accept the risk associated with outsourcing arrangements but consider the tight control and monitoring to provide sufficient assurances that the possibilities of material losses are limited.

2.3.2. Market Risk

Market risk is the risk of losses arising due to a change in the value of assets and liabilities as a result of adverse movements in market prices. LAML Group's main exposure to market risk is through three separate factors:

Direct exposure through long term investments

LAML Group does not make short term investments and does not trade on its own account. LAML Group can manage its cash and counterparty risk by investing in UK Gilts, US Treasuries or the short-term bonds of other EU sovereign issues. Any potential investment must be authorised by a member of the LAML Board, after careful consideration is given to all aspects of the investment including implications on capital resources.

LAML also invests in specific Lazard funds as a natural hedge to the Lazard Fund Interest ("LFI") deferred compensation scheme. Under the LFI scheme certain employees are granted deferred compensation in the form of specific Lazard funds with vesting dates two and three years from the grant date. By investing in the underlying Lazard funds LAML hedges its compensation liability reducing market risk and volatility on the liabilities.

Foreign exchange risk

LAML Group's exposure to foreign exchange risk is through currency revenue receivables, currency intercompany transfer pricing balances and USD denominated compensation liabilities. To mitigate against these risks, LAML Group actively manages currency balances and maintains currency bank accounts as a natural hedge against payables. In this way exposures are kept to a relatively low net balance.

Indirect exposure to market risk through falling revenues on falling market values

LAML's exposure to macro market fluctuations is considered as part of the stress and scenario testing section.

2.3.3. Investment Risk

Investment risk is the risk of loss of AUM and/or loss of reputation due to investment performance. This risk is mitigated by the strong risk management culture within LAM and the constant flow of management information between the GRM, PMs and the Oversight Committee, as well as LAML Group Boards and their committees. LAML's ability to win new business, and retain current business, is to a great extent reliant on the performance of its strategies and products. LAML recognises its heavy exposure to performance risk and in mitigation of this risk applies considerable resources, reporting systems and internal controls within its risk management framework to ensure its successful track record, including the following key internal business practices:

LAML's investment philosophy embraces a number of valuation methodologies and fundamental analysis to support a bottom-up stock selection approach used in the majority of strategies. All portfolios are constructed as models using a team approach avoiding "Keyman" risk and a "star manager" mentality to seek to identify the best ideas to the benefit of all clients. In-house research as well as external research underpins this approach. The LAM Group Integrated Knowledge Platform of sector analysts supports equity products while some products also have their own specific analysts e.g. Emerging Markets. The LAM Integrated Knowledge Platform is structured on a global basis.

LAM's teams of dedicated analysts look at industries across markets and regions unfettered by geography. With analysts located around the world, there is a constant exchange of information and thematic ideas between analysts and dedicated portfolio management teams. The quality of research is measured by the success of the research recommendations. The LAM Group places a particular emphasis on providing analysts with sufficient accountability and incentive so that they may generate strong, independent recommendations that contribute to the performance of all portfolios.

LAML controls risk through its bottom-up investment approach to security selection, which results in diversified portfolios across sectors. The newer Quantitative models also have strong risk controls agreed with the Oversight Committee and the GRM team. The Portfolio Management teams, in conjunction with the Group Risk Management ("GRM") team, review the impact that each security will have, relative to the model's risk control and diversification guidelines. Multiple investment risk control mechanisms (i.e. company specific risk, portfolio-related risk, macroeconomic risk, and external risk) are in place throughout all stages of the investment process. Risk "Books" are produced on the relevant model strategies by the GRM. The Head of the GRM prepares risk reports for the Oversight Committee, whose members receive strategy performance daily and focus on under-performing strategies or on unusual out performance. In addition, our institutional client base and the consultant ratings process is another external check on investment performance.

2.3.4. Reputational Risk

LAML Group recognises its reputation as one of its most valuable assets. Reputational damage can often occur as a consequence of the failure to manage other risks, for example Regulatory, Investment Performance, Legal and Operational Risks; and many of these have been examined elsewhere within this ICARA. It is the view of the LAML Group Boards that no amount of capital can mitigate a serious loss of reputation including at LAM Group level, resulting in a loss of clients and revenue, given our particular client base. A wind down may be invoked.

The risk that unethical practices in the organisation will be exposed, also represents a danger to LAML Group's reputation. The business has taken specific steps through its governance and culture to ensure that its employees behave within tight guidelines and are fully aware of the sanctions if not. These include:

- One on one induction training, including induction training from Compliance, as well as a continued programme of Compliance training across the firm, including workplace behaviour training.
- Having a culture which recognises that the clients' interests ("Treating Customers Fairly") come first.
- Senior Management supervision, coaching and direction.
- Instilling a sound compliance and ethical culture where sanctions will be imposed on personnel at all levels of seniority.
- Restricted lists and regular Market Abuse training with strong messaging of "no tolerance".
- Open access to senior management, through both informal and formal mediums.
- Strong Human Resource area linked into the LAML Business, with open access to the LAML CEO, LAM LLC CEO and Legal & Compliance.
- Skilled and experienced legal and compliance team working in the business.
- Training specifically on regulatory themes and in areas of conflict management.
- Robust Gifts and Entertainment Policy, which is monitored by Compliance.
- Robust Marketing review and sign off policies.
- Expense Policy. Expenses in LAML are signed off at COO/CEO level
- Personal Account Dealing Policy. Distributed and monitored by Legal & Compliance. PA Dealing must be pre-cleared, and certifications are sought quarterly.
- Monitoring carried out by Internal Audit and Compliance

2.3.5. Operational Risk

Operational risk is the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is broken down into two main areas:

1) Control Risk – loss from inadequate controls

2) Systems Risk – loss stemming from infrastructure, communication and single application weaknesses

LAML Group's management of operational risk is paramount, and we have instilled a risk control culture, which covers a number of different factors:

- Comprehension – understanding the conditions and state of the Group
- Controls & Checks – an effective risk management framework
- Communication – clear and concise, timely and effective reporting mechanisms
- Culture – risk awareness
- Correct Weaknesses – ensure timely and robust remedial action
- Compliance – monitor conformity with applicable regulations and procedures
- Management Information – regular reporting from business areas
- Training – continued staff development, appraisals and performance targets
- Business Continuity Planning – regular review and testing
- Segregation of duties – trade flow process is split between three separate teams: the portfolio manager, the Portfolio Implementation team, and the Dealing Desk.

Through the production of LAML's annual SSAE18 report, audited by Deloitte, key risks and their controls are identified. This exercise is repeated prior to each report and through discussions both internally and with the external auditor the content of the report is agreed. The annual review of its content ensures all new processes or procedures and captured and tested in a timely manner. The report describes each key control and related control objective which are examined by the external audit firm and tested for effectiveness. The final report is made available to both existing and potential new clients of LAML (with appropriate disclaimers).

Lazard Internal Audit periodically undertakes an independent risk and control assessment to assist management and the Audit Committee in fulfilling their oversight and fiduciary responsibilities. A risk-based approach is taken to determine the audit cycle. Each LAML and LFM business unit is assessed for inherent and control risk, and this is documented in the R.A.D.A.R Risk Map report. The output from these reviews is presented by Internal Audit to senior management including members of the LOC, the LORC and the LAML and LFM Boards. The LORC will consider these risk maps along with the management action points issued by Internal Audit when assessing and re-assessing operational risk and other material risks within LAML and LFM.

2.3.6. Information Technology / Cyber Security Risk

Information technology risk is the risk that IT hardware or software failure or function could adversely impact the Group. Cybersecurity risk is one such risk, and can be described as the probability of exposure, loss of critical assets and sensitive information, or reputational harm as a result of a cyber-attack or breach within an organization's network. A few examples of cybersecurity risks include ransomware, malware, insider threats, phishing attacks, poor compliance management, and more.

The IT infrastructure plays an important role in the day to day running of the Group. As well as ensuring a business continuity plan is in place, the Group has implemented a cybersecurity risk management strategy to protect the Group against constantly advancing and evolving cyber threats. Risk reviews produce an ever-changing list of threats which consistently include phishing/ Business Email Compromise BEC (e.g., fraudulent email), 3rd Party risk, and Nation State Actors/APT (e.g., advanced operations to establish a foothold into infrastructure). To address these and other risks, Lazard has security controls in place including Edge routers with enhanced packet filtering, carrier-based detection, and prevention of DDOS attacks, Firewalls, Intrusion detection and prevention devices, advanced host and network-based malware protection, host and server based APT detection and prevention, inline email encryption, spam filtering, and antivirus, as well as content filtering web proxies. These technologies are monitored and include input from threat intelligence feeds from commercial vendors and industry groups such as the FS-ISAC.

The Group has a complete set of Cyber Security Policies governing all aspects of Information Security including a robust Cyber Security Incident Response Plan. These policies are reviewed and tested annually by both the IS and IT teams. Lazard's Corporate Information Security team also conducts regular risk assessments to identify cybersecurity threats, vulnerabilities, and potential business consequences.

The Group has a structured methodology to manage the installation of patches, hot fixes, and service packs. Additionally, the Group has a comprehensive vulnerability management program that ensures all hosts are updated and or patched on a timely basis if vulnerabilities or misconfigurations are discovered. Furthermore, continuous in-house vulnerability testing of all internal and external networked devices are conducted.

LAML Group also considers cyber security when completing due diligence visits of State Street, as well as other important outsourced service providers.

3. Governance Arrangements

The Group's systems of risk management and internal control include risk assessment processes, and risk management and mitigation through control processes, information and communication systems, and processes for monitoring and reviewing of control effectiveness.

The risk management and internal control systems are embedded in the operations of the Group and are capable of responding appropriately to evolving business risks, whether they arise from factors within the Group or from changes in the business environment.

3.1. Organisational Structure

The Group's governance structure is as follows:

Global Executive Committee (GEC)

Global CEO and Country Heads

LAML Board and LFM Board (BoD)

London Operational Risk Committee (LORC)	London Outsourcing Steering Committee (LOSC)	London Operating Committee (LOC)	The Brokerage Committee	The Counterparty Risk Committee	Compensation Committee
Compliance Committee	Fair Valuation Committee (FVC)	CASS Committee (CASSCo)	Product Governance Committee (PGC)	Best Execution Committee	LAML Remuneration Committee
UCITS Remuneration Committee	Investment Management Group	Sales & Marketing Management Group	Infrastructure Management Group	Strategic Growth Group	

Through the structure set out above, the Group incorporates a strict internal governance framework.

Moreover, the Group maintains appropriate risk management policies and procedures which identify the risks relating to the Group's activities, processes and systems, and where appropriate, sets the level of risk tolerated by the Group. The Group adopts effective arrangements, processes and systems, in light of the level of risk tolerance set, where applicable.

3.2. Board of Directors

The Board has the ultimate and overall responsibility for overseeing the management of the business and affairs of the Group and defines, oversees and is accountable for the implementation of the governance arrangements. The Board is responsible for ensuring that the Group complies with its obligations pursuant to applicable law and regulation. In doing so, the Board approves and periodically reviews the effectiveness of the policies, arrangements, and procedures in place, and if needed, takes appropriate measures to address any deficiencies.

The Board is responsible for:

- Strategy and operating performance
- Group values and alignment with culture
- Risk management
- Management and resources
- Finance/financial reporting
- Board composition/effectiveness

The Board comprises of six executive directors who have significant experience in the asset management industry and have a proven track record of being senior managers/directors of Lazard and other successful and well-run businesses.

3.3. Committees

The Board delegates authority to a number of committees, details of which are set out below.

Establishing committees helps management bodies in their supervisory functions. Committees draw on the specific knowledge and areas of expertise of individual management body members.

For the avoidance of doubt, primary responsibility for the oversight of the Group rests with the individuals who hold SMF functions and/or prescribed responsibilities under the FCA Senior Managers and Certification Regime.

The governance structure and the risk management framework both at LAM Group (by which we mean Lazard Asset Management globally) and local levels, underpin the LAML Group Boards' approach to risk and control.

LAM Group management maintains a risk aware culture across the LAM Group. Principal day to day responsibility for risk management is at the business unit level. LAM Group policies and procedures as relevant are adopted by the LAML & LFM Boards and these cascade down to senior and business line management and to board delegated committees (see table below). The LAML & LFM Boards are responsible for ensuring that an appropriate corporate governance regime is in place and that there is a clearly defined structure and management framework.

The LAM Group Management Committee, of which the LAML CEO is a member, sets overall LAM Group strategy. The LAML & LFM Boards of directors set the LAML Group's own corporate and strategic objectives, ensure high ethical standards, ensure that the Group reputation continues to be maintained, take all decisions regarding major expenditure and initiatives and protect the financial security of the LAML Group.

Committee	Terms of Reference	Participants	Freq. of Meetings
LAML Board	All matters relating to LAML	LAML CEO LAM LLC Deputy Chairman LAM LLC Chief Operating Officer LAML Head of Finance LAML COO and Head of Legal (Secretary) LAML Business Heads	Quarterly as standard, with ad hoc meetings as required
LFM Board	All matters relating to LFM	LAML CEO LAM LLC Deputy Chairman LAM LLC Chief Operating Officer 2x Non-Executive Directors	Quarterly as standard, with ad hoc meetings as required

		LAML COO and Head of Legal (Secretary) LAML Business Heads	
London Operational Risk Committee ("LORC") (LAML Group Committee)	The LORC is responsible for monitoring and oversight of all existing, (known) risks and emerging risk. Reporting packs are prepared in advance of each meeting and minutes record each session and outstanding actions. The LORC is responsible for LAML Group's ICARA and Risk log working with business heads and the Board to agree amendments when required.	LAML COO and Head of Legal (SMF16) LAM LLC Global Head of Technology & Operations LAML Head of Finance LFMI Head of Operations LAM LLC Head of Information Security Relevant Business Heads	Quarterly as standard, with ad hoc meetings as required
London Outsourcing Steering Committee ("LOSC") (LAML Group Committee)	The LOSC is a sub-committee of the Lazard Operational Risk Committee ("LORC"). LOSC is responsible for governance and oversight of the outsourcing framework, which is designed to manage outsourcing risk as it relates to the LAML Group (and LFMI).	LAML COO and Head of Legal LAM LLC Operations LFMI Head of Operations LFM Operations LAML Operations	Quarterly as standard, with ad hoc meetings as required
London Operating Committee ("LOC")	The LOC reviews all aspects of the LAML and LFM business. Business heads produce reports. Reporting packs are prepared in advance of each meeting and minutes record each session and outstanding actions.	LAML CEO LAML Business Heads	Quarterly as standard, with ad hoc meetings as required
The Brokerage Committee (Global Committee)	Responsible for monitoring all issues relating to trading and commissions. NB: in relation to LAML Group dealing, there is now a split between Governance of the Broker Panel and the Research Panel. Dealing Commission/soft dollar arrangements no longer apply to LAML Group trades.	LAM LLC Global COO LAM LLC Global Head of Legal and Compliance Representatives from Trading, Portfolio Management, Compliance and Operations	Quarterly or as required
The Counterparty Risk Committee (Global Committee)	Tasked with the responsibility of monitoring counterparty risk, including the global approved broker list	LAM LLC Global COO LAML COO and Head of Legal & Compliance Representatives from Trading, Compliance and Operations	Quarterly or as required

Compensation Committee (Global Committee)	The Lazard Group Compensation Committee is responsible for defining and implementing LAM Compensation Policy globally that requires employees to be incentivised in a manner that complies with industry best practices. Local HR & Compliance teams feed in any local regulatory requirements, such as FCA rules	Lazard NEDs Lazard CEO Lazard HR	Meets as often as required before year-end.
Compliance Committee (Global Committee)	The Compliance Committee provides a forum for the consideration of various compliance and regulatory issues affecting the firm.	LAM LLC CEO LAM LLC Chief Operating Officer General Counsel and Chief Compliance Officer Global Head of Technology & Operations Senior representatives from regional offices	Quarterly or as required
Fair Valuation Committee ("FVC") (LAML Group Committee)	Responsible for reacting to circumstances where either individual securities or market turmoil events prevent assets being valued using third party pricing vendor data. Coordinates decisions with other LAM offices	LFMI Head of Operations LAML COO and Head of Legal Representatives from Compliance and operations	As required
CASS Committee ("CASSCo") (LAML Group Committee)	The purpose of this Committee is to help LAML Group ensure that it meets its regulatory obligations with respect to the protection of any client assets and client money that it may hold or have within its control from time to time.	LAML COO and Head of Legal LAML Operations LAML Compliance	Quarterly or as required.
Product Governance Committee ("PGC") (LAML Group Committee)	The PGC is responsible for overseeing the design, target market identification and the distribution strategy of products and strategies that LAML, LFM and LFMI manufacture.	LAML COO and Head of Legal Representatives from TPD, Institutions, Risk Management, Operations and Legal & Compliance.	Half-yearly and as required.
Best Execution Committee (LAML Group Committee)	The Best Execution Committee is responsible for ensuring effective oversight and ongoing monitoring of best execution in respect of LAML trades, and adherence to LAML's Best Execution and Order Management policies.	LAML Compliance LAML Trading	Quarterly or as required.
LAML Remuneration Committee	The purpose of this Committee is to ensure that the LAML Group promotes sound and effective risk management and good corporate governance such that employees	LAML COO and Head of Legal LAML Head of HR LAML CEO LAML Head of Finance	As required

(LAML Group Committee)	are incentivised to act in ways that do not undermine this primary purpose.		
UCITS Remuneration Committee	The purpose of this Committee is to ensure that the remuneration policies and practices for identified "in-scope" staff who have a material influence over our UCITS products are sound and that appropriate deferrals are made into UCITS in accordance with the UCITS Remuneration Policy.	LAML COO and Head of Legal LAML Head of HR LAML Head of Finance LAM LLC General Counsel LAM LLC HR	Half yearly
Investment Management Group (Global Committee)	The purpose of this Committee is to review existing and approve new strategies managed throughout the LAM Group	LAM CEO Senior Portfolio Managers throughout LAM Group LAM LLC Co- Head of Sustainability LAM LLC Head of Analysts	Ad hoc and as required
Sales & Marketing Management Group (Global Committee)	The purpose of this Committee is to review the sales and marketing strategy of the LAM Group and to approve new initiatives as required	LAM LLC Head of Sales, North America LAML CEO LAM LLC Sales LAM Deutschland CEO Head of LFM Sales LFG Sales LAM Pacific Sales LAM LLC Head of Marketing	Ad hoc and as required
Infrastructure Management Group (Global Committee)	The purpose of this Committee is to review the key infrastructure support areas to the LAM Group	LAM LLC General Counsel LAM LLC Head of Technology & Operations LAM LLC Head of Risk LFMI CEO LAM LLC Head of Compliance LAM LLC CFO LAM LLC Head of Trading LAM LLC HR	Ad hoc and as required
Strategic Growth Group (Global Committee)	The purpose of this Committee is to consider the strategic growth of the LAM Group, reviewing opportunities as they arise	LAM LLC Deputy Chairman LAM LLC General Counsel LAM LLC Head of Risk LAM LLC Chief Operating Officer LAM LLC Geopolitical Advisory Corporate Strategy	Ad hoc and as required

3.4. Policy on recruitment

Recruitment into the Board involves the assessment that candidates possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board reflects an adequately broad range of experiences to be able to understand the Group's activities, including the main risks to ensure the sound and prudent management of the Group as well as sufficient knowledge of the legal framework governing the operations of the Group.

3.5. Directorships

As noted above, the Board is comprised of six executive directors. Details of their roles and the number of external directorships held by these individuals as at 01 June 2023 are set out in the table below.

Table 2: Number of Directorships of the members of the Board

Name of Director	Role	Number of External Directorships (for active profit organisations only)
J Reinsberg	Head of International and Global Equities and Fixed Income, Deputy Chairman	0
N A Paul	Vice Chair and Chief Operating Officer of Lazard Asset Management	0
J M Taylor	CEO of Lazard Asset Management London	3
N I Emmins	Non-Executive Director of Lazard Fund Managers Limited	2
T D W Springhall	Executive Director, Head of Finance	0
H V Tseayo	Non-Executive Director of Lazard Fund Managers Limited	1

For the purpose of the above, other directorships held within the Lazard group are not reflected on this table.

3.6. Policy on Diversity

Lazard strives to cultivate a workforce comprised of people with different backgrounds and experiences, which we believe creates an environment of cognitive diversity that promotes new ideas and innovation. The Group's IDEA strategy fosters diversity through hiring, development, promotion and retention while contributing to an equitable and inclusive culture by calling on everyone at the Group to take personal responsibility in ensuring the strategy's success. Additionally, Lazard support the creation of a variety of employee resource groups, which build community across the Group, contribute to the inclusive culture, and provide opportunities for individuals to give back to their communities through volunteering and educational outreach.

Lazard Asset Management Limited, the employing services company of the Group, is a signatory to the Women in Finance Charter and, in its last annual disclosure, it confirmed it had 29% female representation in senior level positions against target (30-35%).

All employees of the Group have the opportunity and are encouraged to support and join established and flourishing employee networks, which include Lazard Proud, Lazard Plus, Lazard Family Network and Lazard Women's Leadership Network. The Group also regularly hosts both internal and external sessions and roundtables that cover a broad range of diversity topics including Diversity in Banking and Neurodiversity.

4. Own Funds

Own Funds (also referred to as capital resources) are the type and level of regulatory capital that must be held to enable the Group to absorb losses.

During the year, the primary objective of the Group with respect to capital management was to ensure that it complied with the imposed capital requirements with respect to its own funds and that the Group maintained healthy capital ratios in order to support its business. Further to the above, the Group, as a non-SNI investment firm, is required at all times to have own funds of at least an amount which is the greater of the following:

- Permanent Minimum Capital Requirement,
- Fixed Overheads Requirements, and
- K-Factors Requirement.

The Group throughout the year under review managed its capital structure well within its regulatory requirements, whilst keeping under review changes in economic and business conditions, and the risk characteristics of its activities.

4.1. Composition of Regulatory Own Funds

The following information provides a full reconciliation of the Common Equity Tier 1 (CET1), Additional Tier 1 (AT1) instruments and Tier 2 (T2) instruments issued by the Group. The Group's regulatory capital is comprised fully of CET1 capital; it has not issued any AT1 or T2 capital.

Table 3: Composition of Regulatory Own Funds

No.	Item	Amount £'000	Source based on reference number of Table 5 below
1.	**OWN FUNDS**	**31,663**	
2.	**TIER 1 CAPITAL**	**31,663**	
3.	**COMMON EQUITY TIER 1 CAPITAL**		
4.	Fully paid up capital instruments	9,150	Box 6
5.	Share premium	-	
6.	Retained earnings	22,513	Box 7
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	-	
19.	CET1: Other capital elements, deductions and adjustments	-	
20.	**ADDITIONAL TIER 1 CAPITAL**	**-**	
21.	**TIER 2 CAPITAL**	**-**	

4.2. Main Features of Capital Instruments

The Group is obliged to disclose information on the main features of the CET 1 instruments, Additional Tier 1 instruments, and Tier 2 instruments. The Group's capital instruments are outlined below:

Table 4: Own funds: main features of own instruments issued by the Group

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

Capital instruments include ordinary shares as at 31 December 2022 as shown below:

	Allotted, called up and paid			
Number:	**Class:**	**Nominal value:**	**Paid:**	**£'000**
9,025,000	Ordinary	£1	Fully paid	9,025,000
500,000	Ordinary	£1	25p called up and paid, there are no plans to call the remaining 75p	125,000
			Total	***9,150,000***

The ordinary shares constitute equity interests.

4.3. Balance Sheet Reconciliation

The following table reconciles the Group's assets and liabilities as at 31st December 2022 to the Group's regulatory own funds:

Table 5: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

		Balance sheet per audited financial statements £'000	**Under regulatory scope of consolidation**	**Cross reference to Table 3**
Assets - Breakdown by asset classes per the balance sheet in the audited financial statements				
1.	Tangible assets	1,296	-	
2.	Investments	29,926	-	
3.	Debtors	26,253	-	
4.	Cash at bank	43,833	-	
Total Assets		**101,308**	**-**	
Liabilities - Breakdown by liability classes per the balance sheet in the audited financial statements				
5.	Creditors: amounts falling due within one year	69,645	-	
Total Liabilities		**69,645**	**-**	
Shareholders' Equity				
6.	Called up share capital	9,150	-	Box 4
7.	Retained earnings	22,513	-	Box 6
Total Shareholders' equity		**31,663**	**-**	

5. Own Funds Requirements

As noted above, the Group as a non-SNI investment firm is required to have own funds of at least an amount which is the greater of the following:

a) Permanent Minimum Capital Requirement,
b) Fixed Overhead Requirements, and
c) K-Factors Requirement.

5.1. Permanent Minimum Capital Requirement

For a MIFIDPRU investment firm which is authorised to offer the following services but is not permitted to hold clients' money or client assets in the course of its MiFID business, the applicable Permanent Minimum Capital Requirement is £75k:

a) reception and transmission of orders in relation to one or more financial instruments;
b) execution of orders on behalf of clients;
c) portfolio management;
d) investment advice; or
e) placing of financial instruments without a firm commitment basis.

Therefore LAML Group's initial capital requirement is £75k based on the investment services which it is authorised by the FCA to offer.

5.2. Fixed Overheads Requirement

The fixed overheads requirement ("FOR" or "Fixed Overheads Requirement") applies to all MIFIDPRU investment firms. The FOR is intended to calculate a minimum amount of capital that a MIFIDPRU investment firm would need available to absorb losses if it has cause to wind-down or exit the market.

It is calculated as one quarter of the fixed overheads of the preceding year (or business plan where the audited financial statements are not available) in accordance with the provisions of MIFIDPRU 4.5. When calculating its Fixed Overheads Requirement, a firm must use figures resulting from the accounting framework applied by the firm in accordance with MIFIDPRU 4.5.2R.

Further to the above, the Group's Fixed Overheads Requirement based on the latest audited financial statements is £17,288k.

5.3. K-Factors Requirement

The K-factor capital requirements are essentially a mixture of activity- and exposure-based requirements. K-factor application to an individual FCA investment firm will depend on the MiFID investment services and activities the Firm undertakes.

Capital requirement from applying K-factors formula is the sum of Risk to Client ('RtC'), Risk to Market ('RtM') and Risk to Firm ('RtF') as described in the table below:

Table 6: K-Factors Proxies

Risk to Client (RtC)	Risk to Market (RtM)	Risk to Firm (RtF)
• K-AUM: Assets Under Management • K-ASA: Client Assets Safeguarded and Administered • K-CMH: Client Money Held, and • K-COH: Client Orders Handled	• K-NPR: Net Position Risk (calculated in accordance to CRR); or • K-CMG: Clearing Member Guarantee	**Sum of:** • K-TCD: Trading Counterparty Default • K-CON: Concentration risk based on large exposures, and • K-DTF: Operational risks from Daily Trading Flow

Further to the above the K-AUM and K-CMH proxies are applicable to the LAML Group.

5.3.1.1. K-AUM: Assets Under Management

K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio management and investment advice.

AUM is the value of assets an IF manages for its clients under both discretionary portfolio management and non-discretionary arrangements constituting investment advice of an ongoing nature.

Calculation

AUM shall be the rolling average of the value of the total monthly assets under management, measured on the last business day of each of the previous 15 months, excluding the 3 most recent monthly values.

K-AUM shall be the arithmetic mean of the remaining 12 monthly values multiplied by the relevant coefficient of 0.02%.

As at 31 December 2022 the Group's average AUM was £7,221,520,195 and the respective K-AUM was £1,444,304.

5.3.1.2. K-CMH: Clients Money Held

K-CMH captures the risk of potential for harm where an investment firm holds the money of its clients, taking into account whether they are on its own balance sheet or in third-party accounts and arrangements under applicable national law, provided that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm.

CMH is the amount of client money that an investment firm holds or controls. It excludes client money that is deposited on a (custodian) bank account in the name of the client itself, where the investment firm has access to these client funds via a third-party mandate (on a segregated or nonsegregated basis).

Calculation

CMH shall be the rolling average of the value of total daily client money held, measured at the end of each business day for the previous 9 months, excluding the 3 most recent months.

K-CMH shall be the arithmetic mean of the daily values from the remaining 6 months multiplied by the relevant coefficient (0.4% and for segregated accounts and 0.5% for non- segregated accounts).

As at 31 December 2022 the Group's CMH was £89,754 and the respective K-CMH was £359.

5.4. Overall Capital Adequacy Position

According to MIFIPDRU 3.2.2, investment firms are required to have own funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall meet all the following conditions at all times:

$$\frac{\textbf{Common Equity Tier 1 Capital}}{\boldsymbol{D}} \geq \mathbf{56\%}$$

$$\frac{\textbf{Common Equity Tier 1 Capital} + \textbf{Additional Tier 1 Capital}}{\boldsymbol{D}} \geq \mathbf{75\%}$$

$$\frac{\textbf{Common Equity Tier 1 Capital} + \textbf{Additional Tier 1 Capital} + \textbf{Tier 2 Capital}}{\boldsymbol{D}} \geq \mathbf{100\%}$$

where D is the Group's own funds requirement calculated in accordance with MIFIDPRU 4.3.

The Group's own funds, own funds requirement and capital ratio reported as at 31 December 2022, were as follows:

Table 7: Capital Adequacy Analysis

OWN FUNDS COMPOSITION	£'000
Total Own Funds	**31,663**
OWN FUNDS REQUIREMENTS	**£'000**
Permanent Minimum Capital Requirement	*75*
Fixed Overheads Requirement	*17,288*
K-Factors Requirement	*1,445*
Total Own funds Requirement	**17,288**
CAPITAL RATIOS	
Common Equity Tier 1 Capital Ratio (min. 56%)	**183.15%**
Surplus/(Deficit) of **Common Equity Tier 1** Capital Ratio	**21,982**
Tier 1 Capital Ratio (min. 75%)	**183.15%**
Surplus/(Deficit) of Tier 1 Capital Ratio	**18,697**
Total Capital Ratio (min. 100%)	**183.15%**
Surplus/(Deficit) of Total Capital Ratio	**14,375**

As per the above results, the Group as at 31 December 2022 maintained adequate own funds to cover its capital requirements. The Group will continue to monitor the above ratios in order to ensure compliance with the capital adequacy requirements at all times.

5.5. Liquidity Requirements

The basic liquid assets requirement is based on a proportion of a MIFIDPUR investment firm's Fixed Overheads Requirement and any guarantees provided to clients. The purpose is to ensure that investment firms have an adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets into cash to meet their liquidity needs.

The Group is required to maintain an amount of liquid assets that is at least equal to the sum of the following:

- one third of the amount of its Fixed Overheads Requirement, and
- 1.6% of the total amount of any guarantees provided to clients.

The MIFIDPRU handbook defines core liquid assets as any of the following items denominated in pound sterling:

- coins and banknotes;
- short-term deposits at a UK-authorised credit institution;
- assets representing claims on or guaranteed by the UK government or the Bank of England;
- units or shares in a short-term money market funds ("MMF");
- units or shares in a third country fund that is comparable to a short-term MMF; and
- trade receivables, if the conditions in MIFIDPRU 6.3.3R are met.

In this respect, the Group's core liquid assets as at 31 December 2022 were well above the 1/3 of the Fixed Overheads Requirement as indicated in the table below:

Table 8: Liquidity Requirements

Item	£'000
Total Core Liquid Assets	**43,833**
Basic Requirement (1/3 of Fixed Overheads Requirement)	**5,763**
Additional Liquidity Requirement (Liquidity Stress Test)	288
Additional Liquidity Requirement (Wind-down)	-
Total Liquidity Requirement	**6,051**
Surplus/(Deficit)	**37,782**

Further to the above, the Group maintains adequate liquid assets to cover the one-third Fixed Overheads Requirement.

5.6. Internal Capital Adequacy and Risk Assessment Process

The purpose of capital is to provide sufficient resources to absorb unexpected losses over and above the ones that are expected in the normal course of business. The Group aims to maintain a minimum risk asset ratio which will ensure there is sufficient capital to support the Group under normal and during stressed conditions.

The Group has established sound, effective and comprehensive arrangements, strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that it considers adequate to cover the nature and level of risks which it may pose to others and to which the Group itself might be exposed to. These arrangements, strategies and processes are appropriate and proportionate to the nature, scale and complexity of the activities of the Group and are subject to regular internal review.

The ICARA report presents the main business background aspects and developments of the Group, a summary of the Group's business economic environment, the Group's financial summary for the previous and upcoming years, the business and strategic goals, organisational structure and the risk management framework, the overall assessment of the material risks as well as a forward-looking capital and liquidity planning assessment.

The Group is required to comply with the Overall Financial Adequacy Rule (OFAR). The OFAR requires the Group, at all times, to hold adequate own funds and liquid assets to:

- ensure it can remain viable throughout the economic cycle, with the ability to address any potential harm from its ongoing activities; and,
- allow its business to wind-down in an orderly way.

The Group sets its liquid assets threshold requirement as the sum of the basic liquid assets requirement and the higher of:

1. the additional liquid assets necessary at any given point in time to fund ongoing operations, taking into account potential periods of financial stress during the economic cycle,
2. the additional liquid assets required to begin its orderly wind-down, taking into account inflows of liquid assets that can be reasonably expected to occur during the wind-down period.

The Group recognises the importance of the ICARA and appreciates that it enables the Group to justify its business strategy and risk assessments in such a way as to be more diligent in the inclusion of risk factors in the business design process and also to hold adequate capital against the gross risks to which it is exposed. The Board is committed to reviewing the ICARA regularly, at least annually, to reflect the latest strategic plans and updates. Furthermore, the ICARA is embedded in the Group's day to day risk management process and is a key part of the monitoring and control of the risks the Group faces. Its findings also drive the consideration of the regulatory capital the Group must hold when the Board performs its capital planning, reporting, and budgeting.

Through its ICARA process, the Group has concluded that its capital and liquid assets were above the respective thresholds calculated during the year-ended 31 December 2022. Furthermore, it holds sufficient financial resources to cover its capital requirements in stressed and normal conditions that might crystallise over the next three years. In addition, it has concluded that the Group holds sufficient financial resources to implement an Orderly Wind Down in the event that this is required. This outcome has been determined through the various components of the ICARA process, including the financial projections and stress tests, orderly wind-down planning, and the harm-pose risk register approach to identifying different potential risk events that may affect the Group's overall capital adequacy position. The Group monitors its capital and liquid asset requirements to ensure compliance at all times.

The ICARA report and capital planning for the year 2022 has been prepared and approved by the Board. The ICARA report is reviewed and updated at least annually.

6. Remuneration

As a non-SNI investment firm, the Group is required to disclose certain information on its remuneration policy and practices as well as certain quantitative aggregated information about the remuneration awarded to its staff in respect the Group's financial year ended 31 December 2022. The definition of "staff" includes employees of the Group itself, secondees into the Group from other group entities, together with employees of other group entities where these employees are identified as MRTs of the Group.

The Group has in place a remuneration policy (the "Remuneration Policy") in line with the requirements set by the FCA. The Policy reflects the current organisational structure and is proportionate to the size and activities of the Group.

The Remuneration Policy is reviewed by the Board periodically and any changes to the Remuneration Policy require its approval. The Board is supported by Compliance and Human Resources in the development and review of the Remuneration Policy and implementation of such policy is subject to central and independent internal review at least annually. Pursuant to MIFIDPRU 7.1.4(2) the requirement to establish a Risk, Remuneration and Nomination Committee does not apply to the Group.

6.1. Remuneration Policy Principles

The Remuneration Policy is aligned to the Group's business strategy and is designed to support the long-term interests of the Group and its shareholders.

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

The Group recognises that remuneration gives it a competitive advantage in attracting, retaining, rewarding and sustaining consistently high levels of performance, productivity and results. The Group's staff are its greatest asset, and the Group's policy is designed to ensure pay equitably across the Group.

The Group is committed to its clients' interests and through its Remuneration Policy seeks to align the interests of its staff by rewarding success while ensuring these arrangements do not encourage the taking of unnecessary risks. Our remuneration structure is comprised of fixed and variable remuneration, underpinned by company, business line and individual performance appraisal.

6.2. Remuneration Committee

As noted above, there is no requirement for the Group, due to its size and non-SNI status, to have a local Remuneration Committee, although ultimate oversight and approval of remuneration is provided by the Lazard Compensation Committee.

6.3. Remuneration and Performance

The Group's variable remuneration policy is designed to reward staff for their performance and their contribution to the success of their business unit and the company. Variable remuneration is awarded in line with the Group's performance, its business strategy and associated conduct risk as well as the long-term goals of the Group and takes into account the performance of the individual, the business unit and the LAML Group or Lazard Ltd and its subsidiaries and affiliates (the "Lazard Group") overall.

Group Performance - the profitability of the global Lazard Group and the LAML Group and business units with the variable bonus pool determined by the Group's publicly disclosed compensation ratio targets

Business Unit Performance – the performance of the business unit within the context of the broader performance of the global Lazard Group and dependent on the function of the business unit e.g. revenue where appropriate and non-financial measures (e.g. client feedback, building long-term client relationships, culture contribution, development of talent).

Individual Performance – the assessment of an individual's performance includes financial and non-financial criteria, including compliance with the Group's policies, procedures and external regulations as appropriate. This emphasis and balance of these two measures is dependent on the individual's role within the Group and is determined through the Group's annual appraisal process.

This assessment will include a view on their individual contribution, which may include revenue generated by the individual, client interaction/services and collaboration with colleagues across the global network.

For staff in non-revenue generating roles, their contribution will be assessed on quality of service and/or execution of work with internal or external parties.

6.4. Fixed and Variable Remuneration

Remuneration within the Group is comprised of fixed remuneration and variable remuneration.

Fixed Remuneration

Fixed remuneration consists of base salary and any other non-performance related amounts the Group is committed to pay as a result of contractual obligations, market practice or applicable law and will include benefits and pension contributions.

Base salaries are determined by a staff member's professional experience and organisational responsibilities with due consideration to the external market.

The Group will set salaries at a level which allows it to operate a fully flexible bonus policy, including the option to award zero bonuses in appropriate circumstances.

Variable Remuneration

Variable remuneration consists of discretionary bonuses, guaranteed bonuses, retention awards, buy-out awards, and severance payments.

All eligible staff may be considered for an award of variable remuneration but have no entitlement to such awards which are discretionary in nature. Eligibility is determined by the terms of an individual's employment contract.

The overall variable bonus pool is determined by the overall profitability of the Group, with individual awards determined by a number of performance (financial and non-financial) criteria, primarily including, the performance of the individual, the business unit and the LAML Group or the Lazard Group overall. As noted above, the Group retains the option to award zero bonuses in appropriate circumstances.

Variable remuneration may be awarded in the form of cash or equity awards. The blend between these two components and the threshold at which equity is implemented are determined annually. The equity component is generally awarded as either Lazard Ltd restricted stock units or other regulated investment fund vehicles or cash and all equity awards are subject to a longer-term vesting period. The award of equity as part of variable remuneration supports the ongoing management of longer-term business risk and aligns the interests of the employee with both the Group's shareholders and clients.

Risk and Performance Adjustments

To support effective risk management, staff in receipt of equity awards are required to agree to forfeiture and clawback in the event of, for example, misconduct or actions contributing to the detriment of the business or its clients.

Non-Material Risk Takers receiving equity agree to forfeiture and clawback of such awards in the event of fraud, misconduct or actions contributing to the detriment of business interests, including competing with the business and soliciting employees or clients.

Material Risk Takers (“MRTs”) (see section 6.5 below for further details), are subject to more stringent risk adjustment, including, but not limited to, malus (for the existing remuneration year), clawback (on variable remuneration already paid or vested) and freezing (delaying the payment or vesting) restrictions in respect to all forms of variable remuneration, in the event of significant losses to the Group, staff misbehaviour, failure to meet appropriate standards of fitness or propriety, material error, material downturn in business unit performance, or a material failure of risk management. In determining whether and to what extent to apply malus and/or clawback, a variety of factors (including the proximity of the relevant individual to the failure of risk management in question and the level of responsibility and the impact on the risk profile of the Group and/or any other entity in the Lazard Group or the relevant business unit) may be taken into account (see [2.3] for the material risks identified by the Group). Malus and clawback may be applied for three years from the award date, or longer in cases, for example, where an award is subject to longer deferral and retention periods. All MRTs confirm their agreement to be subject to the Group’s malus and clawback policy (the “Malus and Clawback Policy”).

Guaranteed Variable Remuneration (MRTs only)

In certain exceptional cases guaranteed awards may be made, where there is a business critical need to attract/retain individuals. All such awards are subject to strict criteria (including that they are exceptional; they align with the long-term interest of the Group, they occur in the context of hiring new MRTs, the Group has a sound and strong capital base; they are limited to the first year of service; and they are subject to the Malus and Clawback Policy) and must be approved by Human Resources and/or the relevant local and/or global head of control functions.

Payments Related to Early Termination

The Group will ensure that payments relating to the early termination of an employment contract reflect contribution commensurate with the role and are designed in a way that does not reward poor risk management.

Termination payments made to MRTs are subject to the Malus and Clawback Policy and are paid consistent with the MIFIDPRU Remuneration Code's general requirements.

6.5. Remuneration of Material Risk Takers - MRTs

MRTs are staff members whose professional activities have a material impact on the risk profile of the Group or of the assets that the Group manages.

The Group’s MRTs include senior management of the Group (“Senior Management”) and the heads of control functions and individuals whose professional activities have a material impact on the Group’s risk profile.

While the FCA has clearly identified Compliance and Internal Audit as being control functions, for the purposes of this Policy, the UK Heads of Legal, Finance, Human Resources, and Operations have also been deemed control functions (together, the “Other MRTs”) as they have the ability to exercise significant influence on the Group’s affairs and contribute to maintain various safeguards within the Group.

Where individuals have both senior management and control function responsibilities, they are included within Other MRTs.

The table below provides the gross aggregate remuneration awarded to the Group's MRTs and other staff broken down by fixed and variable remuneration for the year ending 31 December 2022.

Table 8: Remuneration split of staff whose activities have a material impact on the risk profile of the Group

Annual Remuneration as at 31st December 2022				
Position	**No. of Beneficiaries**	**Fixed Remuneration**	**Variable Remuneration**	**Aggregated Remuneration**
Senior Management	9	£2.37m	£9.16m	£11.53m
Other MRTs	4	£0.79m	£1.24m	£2.03m
Other Staff	133	£14.81m	£34.48m	£49.29m
Total	146	£17.97m	£44.88m	£62.85m

The table below provides details of the guaranteed variable remuneration and severance payments awarded to the Group's MRTs for the year ending 31 December 2022.

Table 9: Remuneration and severance split of staff within the Group

Guaranteed Variable Remuneration and Severance Payments as at 31st December 2022				
Position	**No. of Beneficiaries**	**Guaranteed Variable Remuneration**	**No. of Beneficiaries**	**Severance Payments**
Senior Management	0	£0	0	£0
Other MRTs	0	£0	0	£0

7. Investment Policy

The Group meets the conditions of MIFIDPRU 7.1.4R(1). As a result, the disclosure obligations relating to Investment Policy set out in MIFIDPRU 8.7. do not apply to the Group.