
MIFIDPRU 8 DISCLOSURE

June 2023

TABLE OF CONTENTS

1. MIFIDPRU 8 DISCLOSURE 1

2. RISK MANAGEMENT OBJECTIVES AND POLICIES 1

3. GOVERNANCE ARRANGEMENTS..... 3

 3.1 Overview 3

 3.2 External Directorships 4

 3.3 Risk Committee 4

 3.4 Diversity 4

4. OWN FUNDS 5

5. OWN FUNDS REQUIREMENT 7

6. REMUNERATION POLICIES AND PRACTICES 8

1. MIFIDPRU 8 DISCLOSURE

Boussard & Gavaudan Investment Management LLP (“the Firm”) is authorised and regulated by the Financial Conduct Authority (the “FCA”). The Firm is a UK domiciled alternative investment manager.

Under the Investment Firms Prudential Regime, the Firm is categorised as a “Non-SNI MIFIDPRU investment firm” by the FCA for capital purposes with the Firm reporting on a solo basis. The Firm’s MIFIDPRU 8 disclosure fulfils the Firm’s obligation to disclose to market participants’ key information on a firm’s:

- Risk management objectives and policies
- Governance arrangements
- Own funds
- Own funds requirement
- Remuneration policies and practices

In making the qualitative elements of this disclosure, the Firm is required to provide a level of detail that is appropriate to the Firm’s size and internal organisation, and to the nature, scope and complexity of its activities.

This disclosure is made annually on the date the Firm publishes its annual financial statements. As appropriate, this disclosure is made more frequently, for example if there is a major change to the Firm’s business model.

As this is the first disclosure made there are no significant changes to report, in future should any there be any significant changes from the previous disclosure these will be set out in this disclosure document which is published on our website.

2. RISK MANAGEMENT OBJECTIVES AND POLICIES

Risk management is performed by the Firm. No risk functions are delegated to third parties.

The clear organisational structure with appropriate lines of responsibility and effective processes allows identifying, managing, monitoring, and reporting the risks to which the Firm and the funds are exposed.

The Chief Risk Officer (“CRO”) is responsible for investment risk management and has ultimate authority over the risk management decisions. The Firm relies on the CRO and on the Risk Committee for investment risk management. The risk committee meets on a weekly basis and takes decisions on risks (methods, indicators, exposures, limits).

The Chief Operations Officer (“COO”) is responsible for operational risk management which are non-investment risks. The COO reports to the Management and Control Committee (“MCC”) for operational risks. The MCC meets on a quarterly basis and can also be called, on an ad-hoc basis, when required.

The risk management team is independent from portfolio management functions.

Risk Management

The Firm defines risk appetite as the amount and type of risk that it is prepared to pursue, retain or take. The Firm’s Risk Appetite Statement articulates the Firm’s risk-taking, risk mitigation and risk avoidance measures.

The Firm acknowledges that whilst it must embrace risk in pursuing its goals, it must understand how much risk it is willing to accept.

The risk appetite is articulated with reference to the following aspects of the Firm’s business and operating model:

Governance and culture: The Firm promotes a culture of integrity and high ethical standards. All members of staff contribute towards this via a framework of setting the ‘tone from above’, communicating and embedding the Firm’s risk appetite into business activities and fostering a collaborative workplace environment. The Firm has a zero-risk tolerance for violations of regulatory requirements or ethical best practices. Regular training is provided to all staff in this regard.

Internal control: The Firm’s internal control framework enables it to operate in line with sound principles and practices that are commensurate to the nature, scale and complexity of its activities. Internal control includes; checks and balances, segregation of duties where applicable, necessary supervision and oversight, and maintaining sound information security and data management practices.

Operations: The Firm's operational risks are with reference to inadequate or failed internal processes, people and systems or external events. Whilst the Firm acknowledges that operational risks cannot be totally eliminated, it maintains a program of identifying, mitigating and managing its potential and operational risks.

To this end, operational risks are considered as part of the overall Firm risk matrix which identifies specific risks in operations functions. The operations team is structured with adequate redundancy and supervision, with overall oversight provided by the COO. In addition, certain operations functions are conducted independently by the Fund administrator shadowed by the internal operations team. This set up results in a duplication of work which aims to reduce the risk of errors and mistakes. Independently, as part of its second line of defence function, the Compliance team conducts periodic monitoring to ensure the robustness of operational systems and controls.

Business activities: The firm is a collective portfolio manager of multi-strategy event-driven market neutral fund. The Firm ensures that the liquidity profile of investments and investors are aligned. The vast majority of investments in the Firm's funds are made by professional and institutional investors, with an estimated 99% of asset under management corresponding to institutional and professional investors.

The Firm's flagship fund has monthly liquidity with two month's notice for redemption required.. In addition, the Fund has a permanent capital base provided by a listed vehicle which further mitigates risk on the Fund from unexpected redemptions.

The Firm does not take on new products, services or business lines until after a rigorous process, including a review of risk, strategy, direction, resources, business impact and product governance, has been completed and the new product line has been approved by both the Management and Control Committee and the Firm board of directors.

Risks from the business activities are set and monitored by the Firm's Risk Committee under the supervision of the Firm's board of directors.

Capital: The Firm uses the ICARA process as a mean to set, monitor and manage capital and liquidity risk.

The Firm does not take significant risk with its own capital as it does not operate a proprietary trading book. Therefore, the Firm's risk tolerance is considered to be low and the Firm manages and mitigates identified risks accordingly.

Whilst the review of the Firm's risk appetite is considered to be an iterative process. The Firm formally reviews its Risk Appetite Statement at least annually, as part of the ICARA review process which is reviewed and approved by Management and Control Committee.

Liquidity Risk

Liquidity Risk is the risk that BG Group may be unable to meet its payment obligations as they fall due.

The liquidity of the Group is managed on a daily basis within the Finance department, to ensure that that Group always has sufficient cash or highly liquid assets available to meet its liabilities. The Group has no contractual obligation to bear the liquidity risk associated with its client's funds and as such this liquidity risk is focussed on corporate liquidity only.

Concentration Risk

Risk of excessive exposure to one group of assets and related revenue stream, which if removed would cause severe damage to the business model. This exposure could be through a fund manager or management team, a sales force, a client concentration, a country / geographic concentration or specific product concentration. It is a risk of amplified losses as a result of exposure to groups of connected counterparties or counterparties in the same economic sector, geographic region or from the same activity. The greatest concentration risk in our Group is concentrated within its cash placed with banks and intercompany loans. BG business being concentrated mostly on its flagship fund, there is an inherent risk linked to the management of this fund. Thus BG Group manages its breakeven closely.

The Firm is subject to the Internal Capital Adequacy and Risk Assessment ("ICARA") process requirements. The purpose of the ICARA process is to ensure that the Firm:

- Has appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms; and
- Holds financial resources that are adequate for the business it undertakes.

As part of the ICARA process, the Firm sets out its risk management processes including an analysis of the effectiveness of its risk management processes.

The Firm has established risk management arrangements that seek to:

- Meet regulatory requirements as detailed in the FCA handbook, including the requirement to have effective processes to identify, manage, monitor and report the risks it is or might be exposed to;
- Reflect industry best practices; and
- Are appropriate and effective, taking into account the Firm's size, nature, characteristics, risk profile and risk appetite.

The Firm's risk management function is responsible for analysing all risks to which the Firm may be exposed and works with the Firm's governing body to ensure such risks are mitigated as far as possible.

The Firm has established a Risk Committee which is chaired by the Firm's Chief Risk Officer.

The Risk Committee meets regularly to review all identified risks and analyse the Firm's approach to managing them. Weekly risks reports are in place which are circulated to Senior Management and the CRO is responsible for ensuring appropriate action is taken in case of breaches. The Firm maintains a risk matrix register that sets out all identified potential and actual risks, and mitigants in place. Senior Management regularly discuss and review risks to which the Firm is exposed. This ICARA process forms one of the methods through which Senior Management manage the risks within the business, in particular the deployment of risk mitigation techniques to address potential and actual material harms.

3. GOVERNANCE ARRANGEMENTS

3.1 OVERVIEW

The Firm is managed on a day-to-day basis by the MCC which is chaired by Rubens Serenade and meets on no less than a quarterly basis. This Committee reports into the Management Committee which in turn reports to the Firm level Board of Directors. Subcommittees of the MCC are tasked with specific functions such as the Risk Committee, ESG Committee and Compliance Committee.

The Executive Committee is the ultimate Firm level governing body. The members of the Executive Committee are:

- Emmanuel Boussard – CIO
- Emmanuel Gavaudan – Executive Chairman
- Rubens Serenade - CEO
- Charles-Edouard Joseph – Chief Analyst

The Firm's governance arrangements ensure that the effective and prudent management of the Firm is prioritised. This is both with respect to the composition of the governing body itself and with respect to the Firm's overall structure, including the segregation of duties within the wider organisation.

The Firm maintains conflicts of interest procedures and processes. This includes the identification, managing and monitoring of potential or actual conflicts under the overall supervision of the governing body. The Firm emphasises the need to prioritise the interests of its clients and to resolve potential or actual conflicts between clients.

The Firm's ICARA process assists the Firm in determining its material harms, including those affecting its clients and the integrity of the market. The Firm's governing body reviews the ICARA at least annually.

3.2 EXTERNAL DIRECTORSHIPS

The number of external directorships held by the members of the Firm's management body are as follows¹:

Management body member	Executive directorships	Non-executive directorships
<i>Emmanuel Boussard</i>	0	0
<i>Emmanuel Gavaudan</i>	0	1
<i>Charles-Edouard Joseph</i>	0	1
<i>Rubens Serenade</i>	0	0

3.3 RISK COMMITTEE

The Firm is not subject to a mandatory requirement to put in place a risk committee, per MIFIDPRU 7.3.1. However, the Firm has put in place a Risk Committee which reviews a weekly risk report to ensure the Firm is not taking excessive risk. The Risk Committee is responsible for monitoring risk and taking risk management decisions. The Risk Committee's members include the Chief Risk Officer, the Head of Quantitative Risk, the Head of Qualitative Risk, the CIO, the CO-CIO and a Credit Strategist. Membership of the Risk Committee is designed to ensure a balance between investment and non-investment functions. In addition, the Firm ensures that risk management is embedded into its culture and its overall systems and controls framework.

3.4 DIVERSITY

The Firm's diversity policy aims to reflect the Firm's values and inclusivity at all levels within the organisation, including the management body.

The Firm's diversity policy seeks to:

- Provide equality, fairness and respect for all in our employment, whether temporary, part-time or full-time.
- Not unlawfully discriminate on the basis of protected characteristics such as age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (including colour, nationality, and ethnic or national origin), religion or belief, sex and sexual orientation.
- Oppose and avoid all forms of unlawful discrimination. This includes in pay and benefits, terms and conditions of employment, dealing with grievances and discipline, dismissal, redundancy, leave for parents, requests for flexible working, and selection for employment, promotion, training or other developmental opportunities.

The Firm commits to:

- Encourage equality, diversity and inclusion in the workplace as they are good practice and make business sense.
- Create a working environment free of bullying, harassment, victimisation and unlawful discrimination, promoting dignity and respect for all, and where individual differences and the contributions of all staff are recognised and valued.
- Take seriously complaints of bullying, harassment, victimisation and unlawful discrimination by fellow employees, customers, suppliers, visitors, the public and any others in the course of the organisation's work activities.

¹ This excludes: (a) executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives; (c) holding companies and (b) executive and non-executive directorships held within the same Firm or within an undertaking (including a *non-financial sector entity*) in which the *firm* holds a *qualifying holding*.

- Make opportunities for training, development and progress available to all staff, who will be helped and encouraged to develop their full potential, so their talents and resources can be fully utilised to maximise the efficiency of the organisation.
- Decisions concerning staff being based on merit (apart from in any necessary and limited exemptions and exceptions allowed).

Review employment practices and procedures when necessary to ensure fairness, and also update them and the policy to take account of changes in the law.

4. OWN FUNDS

The Firm is a Limited Liability Partnership. Its capital comprises members' capital in accordance with the LLP Agreement.

Table A

As of 31st March 2023 the Firm's regulatory capital position is:

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	10,783	
2	TIER 1 CAPITAL	10,783	
3	COMMON EQUITY TIER 1 CAPITAL		
4	Fully paid-up capital instruments	14,732	
5	Share premium		
6	Retained earnings	12,275	
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	2,867	
20	ADDITIONAL TIER 1 CAPITAL		
21	Fully paid up, directly issued capital instruments		
22	Share premium		
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24	Additional Tier 1: Other capital elements, deductions and adjustments	4,607	
25	TIER 2 CAPITAL		
26	Fully paid up, directly issued capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions and Adjustments		

Table B

The following table sets out a reconciliation of the Firm's own funds to the balance sheet in the Firm's audited financial statements dated **31st March 2023**:

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 Table A
		As at period end	As at period end	
Assets – Breakdown by asset classes according to the balance sheet in the audited financial Statements				
1	Current Assets	17,603		
2	Fixed Assets	3,151		
xxx	Total Assets	20,754		
Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial Statements				
1	Current Liabilities	6,021		
xxx	Total Liabilities	6,021		
Shareholders' Equity				
1	Share Capital	2,457		
2	Audited Reserves	8,873		
3	Current Year Profit & Loss	3,402		
xxx	Total Shareholders' equity			

5. OWN FUNDS REQUIREMENT

The Firm's own funds requirement includes the following components:

K-factor requirement:	GBP
Sum of the K-AUM requirement, the K-CMH requirement and the K-ASA requirement:	384,756
Sum of the K-COH requirement and the K-DTF requirement:	
Sum of the K-NPR requirement, the K-CMG requirement, the K-TCD requirement and the K-CON requirement:	
TOTAL K-factor requirement:	384,746
Fixed overheads requirement	7,228

The Firm is required to assess the adequacy of its own funds in accordance with the overall financial adequacy rule. This requires the Firm to hold financial resources that are adequate for the business it undertakes. This is designed to achieve two key outcomes for the Firm:

1. To enable it to remain **financially viable** throughout the economic cycle, with the ability to address any potential material harms that may result from its ongoing activities (including both regulated activities and unregulated activities); and
2. To enable it to conduct an **orderly wind-down** while minimising harm to consumers or to other market participants, and without threatening the integrity of the wider UK financial system.

The Firm achieves this via its Internal Capital Adequacy and Risk Assessment (“ICARA”) process. The Firm sets out:

- A clear description of the Firm’s business model and strategy and how this aligns with the Firm’s risk appetite
- The activities of the Firm, with a focus on the most material activities
- Whether or not the ICARA process is ‘fit-for-purpose’. Where this is the case the Firm must explain why it has reached this conclusion. Where this is not the case, the Firm must set out the improvements needed, the steps needed to make the improvements and the timescale for making them, and who within the Firm is responsible for taking these steps
- Any other changes to the Firm’s ICARA process that have occurred following the review and the reasons for those changes
- An analysis of the effectiveness of the Firm’s risk management processes during the period covered by the review
- A summary of the material harms identified by the Firm and any steps taken to mitigate them
- An overview of the business model assessment and capital and liquidity planning undertaken by the Firm
- A clear explanation of how the Firm is complying with the overall financial adequacy rule (“OFAR”) (i.e. the obligation to hold adequate own funds and liquid assets) vis-à-vis the Firm’s ongoing business activities and wind-down arrangements
- A summary of any stress testing carried out by the Firm
- The levels of own funds and liquid assets that, if reached, may indicate that there is a credible risk that the Firm will breach its threshold requirements
- The potential recovery actions that the Firm has identified
- An overview of the Firm’s wind-down planning

6. REMUNERATION POLICIES AND PRACTICES

The Firm is subject to the Remuneration Code (the “Code”) for MIFIDPRU Firms as codified in Section 19G of the SYSC sourcebook of the Financial Conduct Authority handbook.

This disclosure sets out qualitative and quantitative information on the Firm’s remuneration processes and practices.

This disclosure is with respect to the remuneration period 1 January 2022 to 31 December 2022.

A. Qualitative Information

The Firm must establish, implement and maintain remuneration policies, procedures and practices that are consistent with and promote effective risk management and do not encourage excessive risk taking.

The Firm ensures that the remuneration policy and its practical application are consistent with the Firm’s business strategy, objectives and long-term interests.

Given the nature and small size of our business, remuneration for all employees is set by the Management & Control Committee (MCC) of the firm, that acts as the Firm's Remuneration Committee and is responsible for the review and updating of the Firm's remuneration policy, maintaining and updating a list of material risk takers, agreeing the framework for variable remuneration plans and approving remuneration packages, including variable remuneration, for staff.

Staff receive a salary which reflects their market value, responsibilities and experience.

All staff may also receive variable remuneration, such as an annual bonus, where the individual operates within the risk appetite of the company and has demonstrated appropriate behaviour.

Variable remuneration is intended to reflect contribution to the Firm's overall success. Staff are assessed throughout the year and rated based on company and individual performance. The performance assessment considers both financial measures and non-financial measures .

The performance assessment does not relate solely to financial criteria but also includes compliance with regulatory obligations and adherence to effective risk management.

In keeping with BG's long-term objectives, the assessment of performance takes into account the Firm's business cycle.

- Material Risk Takers

The Firm is required to disclose the types of staff it has identified as material risk takers: these are individuals whose professional activities have a material impact on the firm's risk profile.

Material risk takers are subject to additional requirements regarding variable remuneration, including provisions related to guaranteed variable remuneration, retention awards, severance pay, buy-out awards, performance adjustment, discretionary pension benefits and personal investment strategies.

Material risk takers comprise the following:

- I. Members of the management body
- II. Staff with managerial responsibility for a business unit that arranges deals, deals in investments, manages investments or advises on investments
- III. Staff with managerial responsibilities for the activities of a control function (risk management, compliance)
- V. Staff responsible for managing a material risk within the firm
- VI. Staff member responsible for the management of information technology, information security and/or critical or important outsourcing arrangement)
- VII. Staff member with authority to take decisions approving or vetoing the introduction of new products
- VIII. Other : individuals whose professional activities have a material impact on the firm's risk profile.

- Performance adjustment

Variable remuneration is subject to malus and clawback in various circumstances.

Variable remuneration awarded should only vest or be paid if it is sustainable according to the financial situation of the AIFM as a whole and justified according to the performance of the AIF, the business unit and the individual concerned. Where financial performance is subdued or negative, BG will ensure that variable remuneration is "considerably contracted" through malus or claw back arrangements.

Bonuses should not be distributed until the BG funds' accounts have been established.

- Guaranteed Variable Remuneration

It is not the Firm's policy to pay guaranteed variable remuneration, except in limited cases, the first year when hiring a new BG members.

- Severance Pay

It is not the Firm's policy to pay severance pay,.

B. Quantitative Information

The following quantitative information is with respect to the financial year April 2022 – March 2023.

Number of material risk takers:		40	
Aggregated remuneration:			
		GBP	
Senior management	Fixed remuneration	Variable remuneration	Total remuneration
	£ 1.954.251	£9.843.186	£ 11.797.437
Other material risk takers	Fixed remuneration	Variable remuneration	Total remuneration
	£ 3.066.232	£ 9.836.656	£ 12.902.887
Other staff	Fixed remuneration	Variable remuneration	Total remuneration
	£ 1.429.180	£786.306	£ 2.215.487
Guaranteed variable remuneration and severance payments:			
Guaranteed variable remuneration awards			
	Total amount of awards made during the financial year	Number of material risk takers receiving awards during the financial year	
Senior management	0	0	
Other material risk takers	0	0	
Severance payments			
	Total amount of awards made during the financial year	Number of material risk takers receiving awards during the financial year	
Senior management	0	0	
Other material risk takers	0	0	
The amount of the highest severance payment awarded to an individual material risk taker		0	