



Amundi (UK) Limited

MIFIDPRU 8 : Disclosure

Based on Financial Data as at 31 December 2022

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Introduction

This document sets out the public disclosure obligations which Amundi (UK) Limited (“Amundi UK”), must comply in accordance with Chapter 8 (“MIFIDPRU 8”) of the Prudential sourcebook of The Financial Conduct Authority (“FCA”) for MIFID Investment Firms (“MIFIDPRU”).

The UK Investment Firms Prudential Regime (“IFPR”) came into force on 1 January 2022, this therefore resulted in the IFPRU Limited Licence being superseded by the Markets in Financial Instruments Directive (“MIFID”). Under this regime Amundi UK is classified as a Non-small and non-interconnected investment (“Non-SNI”) firm. As such, MIFIDPRU 8 requires Amundi UK to disclose information on:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration policy and practices.

The purpose of these disclosures is to give key stakeholders an insight into Amundi UK’s culture and information about management of specific risks and to assist stakeholders in making strategic decisions.

These disclosures are required to be made at least annually and, if appropriate, some disclosures will be made more frequently as a result of material updates to Amundi UK’s internal capital adequacy assessment. Amundi UK has a financial year-end reporting date of 31st December and disclosures are made as soon as is practicable after finalisation of its Annual Report and Accounts. Disclosures will be made at other dates if appropriate. Unless otherwise stated, all figures are as at the 2022 financial year-end (31st December 2022).

These disclosures are published on Amundi UK’s website within the regulatory information section (<https://www.amundi.co.uk/>)

Scope of disclosure

The disclosures included in this document relate to Amundi UK only.

Amundi UK is a wholly owned subsidiary of Amundi Asset Management S.A.S (“Amundi AM”), headquartered in Paris, with close to 5,300 team members globally, and provides tailored investment solutions to over 100 million retail, institutional and corporate clients worldwide.

Amundi UK is authorised and regulated by the FCA in the United Kingdom under Firm Reference Number 114503. It is authorised to perform portfolio management and investment advisory services.

Amundi UK focuses on delivering outcomes for investors across the following investment strategies/ asset classes:

- Bonds
- Equities
- ETF, Indexing & Smart Beta
- Emerging Markets
- Multi-Asset Investing
- Treasury
- Amundi Real Assets

Business Model and Strategy

Amundi UK is a manager of predominantly fixed income portfolios with current assets under management being approximately €43bn. Of those assets, approximately 42% relates to mandates delegated to Amundi UK in respect of Luxembourg domiciled UCITS funds which are controlled by the Group’s authorised fund manager in that jurisdiction. The remaining 58% of assets relate to segregated mandates from institutional clients, in some cases Amundi UK has the direct end relationship with the client, in other cases it acts as a delegated manager of another Amundi entity.

Amundi UK’s strategy is:

- To expand its UK distribution footprint by attracting more investment into its investment management capabilities and existing overseas UCITS range. The targeted client segments are mainly intermediaries (eg. discretionary fund managers, wealth manager) and institutional investors (eg. pension funds, corporates, endowments, universities).
- To develop its investment management capabilities both towards UK and international clients.

In addition, Amundi UK is further evaluating making available technology tools which would support some of its clients having in-house investment capabilities. This would leverage technology capability developed by the Group and applied, after sufficient testing and risk assessment, to the UK market.

The potential for harm associated with Amundi UK’s business strategy is assessed to be low. It does not undertake any proprietary trading nor hold client money.

Amundi UK maintains a sufficient surplus above the own funds requirement, including above an internal minimum requirement set at 125%.

Risk Management Objectives and Policies

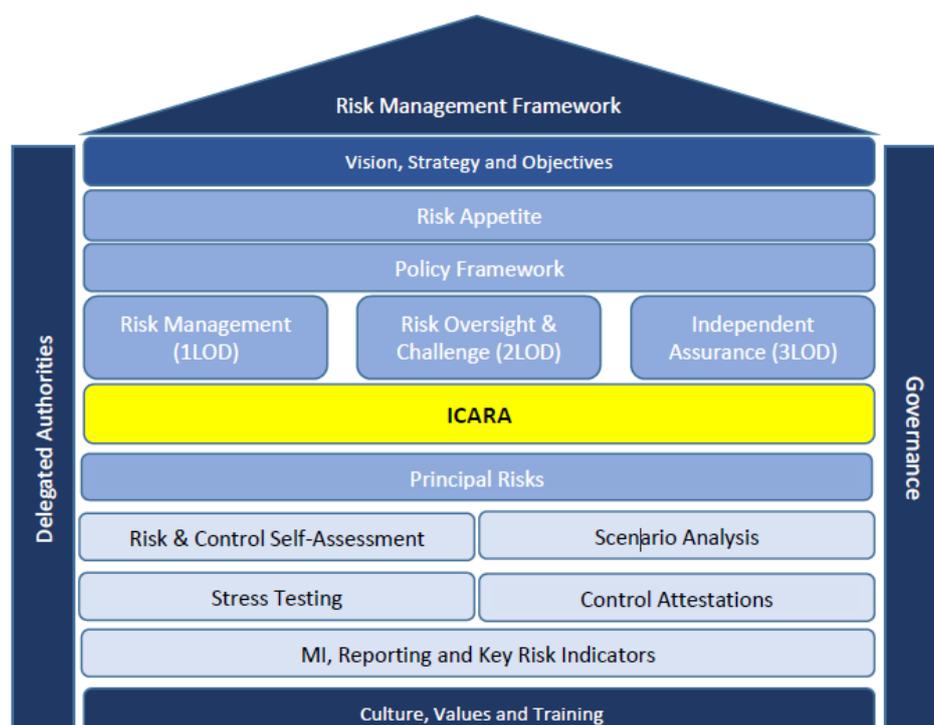
Risk management framework

The Risk Management Framework is made up of various components (systems, tools, policies, guidelines, processes, controls) which collectively form the basis of ensuring that the pursuit of organisational or strategic objectives is aligned to the Risk Appetite set by the Board.

The Risk Framework is the basis by which Risks in Amundi UK are identified, assessed, managed, monitored and reported. The adoption of consistent processes within a comprehensive framework ensures that risk is managed effectively, efficiently and coherently across the business. It acts as a key mechanism by which the Board ensures that the business strategy and risk management are aligned.

The Risk Management Framework is a formalised definition of the management of risk across the business. The Risk Management Framework building blocks below shows how it ensures congruence throughout the business.

Figure 1: Risk Management Framework building blocks



Risk Appetite

The Amundi UK's Risk Appetite Statement (RAS) is the Amundi UK Board's articulation of the level of risk that Amundi UK is prepared to accept to achieve its strategic objectives.

The risk appetite statement is a means by which management sets, communicates, and nurtures an appropriate risk culture, and supports the understanding of Amundi UK's risk profile, thereby achieving an optimal balance between risk and return.

The Chief Risk Officer (CRO) is responsible for the development of the Risk Appetite Statement and its subsequent proposal for sign-off to the UK Board. Any material changes to the risk appetite must be authorised by the Board.

Covering both financial and non-financial risks, the RAS is articulated by reference to total “Risk Capacity”, “Risk Tolerance” and “Risk Appetite”. Thresholds have been agreed by the Board, which represent acceptable outcomes / volatility in relation to the different categories of risk that Amundi UK is exposed to.

Detailed Key Risk Indicators are derived from the risk appetite, and (linked to Principal Risks) are used to provide regular monitoring of compliance to risk appetite limits, as well as providing early warning.

Three Lines of Defence Model

Risk governance arrangements are based on the ‘three lines of defence’ model, comprising risk manager/ risk takers (1LOD), risk oversight (2LOD), and independent assurance (3LOD).

Risk Managers/ Risk Takers (First Line/1LOD)

Risk is owned by ‘front line’ owners of processes/activities that could create exposure to risk. For Amundi UK this is typically the Investment and Operations teams, however the term applies to other functional areas/teams for the processes which they own.

It is the responsibility of risk owners to ensure that they have adequate processes for the identification and management of their risks, to ensure that risk is managed in line with Amundi policies, and specifically within Risk Appetite. They are the ‘first level of control’.

Risk Oversight (Second Line/ 2LOD)

The second line of defence is responsible for providing a ‘second level of control’ over the first line. The 2LOD provides challenge and oversight over the design and adequacy of 1LOD systems, processes, and controls.

Risk and Compliance teams fall within this category; they are independent from the investment business lines, and report into the Chief Risk Officer and the Chief Compliance Officer, respectively.

Independent Assurance (Third Line/3LOD)

Independent from both 1LOD and 2LOD, the 3LOD provides independent assurance around the design and operating effectiveness of 1LOD and 2LOD business processes.

They undertake process reviews and thematic reviews, as well as control testing, to opine on the control environment via formal audit reports. The internal audit team fits in this category.

Risk assessment

Risk Management works with the business, following a set policy and procedures to control, manage and mitigate material risks and promote sound risk management practices within the organisation. The methods employed are as follows:

- Risk and Control Self-Assessment (RCSA)

- Risk mapping
- Risk Events Process (Operational Error Notes)

The Executive Committee (ExCo) meets quarterly and provided with Operational Risk Events, Key Risk Indicators (“KRIs”) and various risk reports to review, assess, and monitor Amundi UK’s risk exposures.

In addition, Amundi UK’s Internal Capital Adequacy and Risk Assessment process (ICARA) set out its risks assessment as well as capital and liquidity requirements. The ICARA assessment is formally approved by the ExCo annually, with regular reviews in response to changes in the business and macro environment.

Summary of key risks and potential harms to the business

- Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational Risk is the possibility that something – an event, a situation, or an outcome - will positively or negatively affect the creation of value for our customers, shareholders and other stakeholders.

Amundi UK operates an Operational Risk framework, which is outlined in detail in section above.

- Credit Risk

Credit Risk is defined as the risk of incurring losses arising from the possibility that a borrower, counterparty or an issuer of a financial obligation (bond, note, lease, and instalment debt) is not able to repay interest and/or principal or any other amount due on a timely basis.

The Finance Department operates a number of controls to ensure that Amundi UK’s assets are safeguarded such as account monitoring and reconciliations on a periodic basis. In addition, Amundi UK adopts specific policies (Liquidity Policy) that limit the exposure to assets bearing significant counterparty risk.

- Investment Risk (incl. ESG)

Investment Risk (incl. ESG) is defined as the impacts that movements in market traded variables can have on the economic value of the firm.

The Finance Department has a number of processes and controls in place to manage exposure to foreign currency balances, both on balance sheet and as an element of revenue forecasting.

- Business Risk

Business risk is defined as adverse, unexpected changes in business volume and/or margins that impact our Gross Operating Income. The capital requirement associated with this risk is intended in particular to cover an estimate of the volatility of future results.

There is a time lag between any deterioration in AuM before it will have a significant impact on revenue. This will allow Amundi UK to take corrective measures including an adjustment in baseline expenditure. In addition variable remuneration is linked to fund performance and profitability accordingly if fund performance or profitability were negatively impacted by market factors there would be a corresponding decrease in expenditure.

The key service providers are supervised by the COO and incidents are monitored closely with a potential indemnification process.

- **Accounting and Regulatory Risk**

The risk that regulators will change the current rules or impose new rules which negatively impact business e.g. by changing capital or liquidity requirements.

Amundi UK's Legal and Compliance functions are tasked with ensuring that regulation relating to Amundi UK's business is identified and managed. The Legal function reviews all legal contracts to ensure its best interests are met.

- **Strategic Risk**

The risk of suffering potential losses due to decisions or radical changes in the business environment, improper implementation of decisions, lack of responsiveness to changes in the business environment.

There is a time lag between any deterioration in AuM due to strategic changes before it will have a significant impact on revenue. This will allow Amundi UK time to take corrective measures. In addition, variable remuneration is linked to fund performance and profitability accordingly if fund performance or profitability were negatively impacted by strategic changes there would be a corresponding decrease in expenditure.

- **Liquidity risk management**

Effective management of liquidity risk is of critical importance to the stability of Amundi UK.

Amundi UK has no borrowings and is not expecting to require any debt financing as it moves forward, with three-year forecasts indicating the business will remain positively cash generative over that period.

- **Concentration Risk**

The "single-name concentration risk" denotes the firm-specific (idiosyncratic) risk in a credit portfolio which arises from the credit risk of large borrowers.

Amundi UK does not engage in lending activities and does not invest in credit instruments. Management has assessed that concentration risk is not a material risk for Amundi UK and therefore no capital is required to be held against it.

Governance arrangements

Amundi UK has constituted a Board of Directors responsible for setting business strategy, monitoring performance and overseeing all aspects of internal control. The Board of Directors has the ultimate responsibility of the Governance of Amundi UK. The Board is constituted under Amundi UK's Articles of Association. Membership is made up of executive and non-executive directors. The Board sets the strategic direction and risk appetite of Amundi UK and is the ultimate decision-making body for matters of Firm-wide strategic, financial, regulatory or reputational significance. Key responsibilities of the Board are to maintain oversight of the internal control system and to provide assurances that adequate resources are available to allow Amundi UK to comply with its legal and regulatory obligations.

The Board delegates authority to committees as well as to individuals. The individuals appointed are Senior Managers of Amundi UK (classified as such under the FCA Senior Managers & Certification Regime).

Governance Structure

The Executive Committee ("ExCo")

The Executive Committee meets on a monthly basis. It is chaired by the CEO and senior managers comprise its membership. The Executive Committee is mandated with general responsibility for the activities in Amundi UK. This includes, for example, the monitoring of key corporate initiatives, organisational / financial and non-financial risks and oversight of the capital position of Amundi UK. The ExCo also provides a level of validation of the ICARA in advance of Board presentation and approval.

Risk Management and Controls Committee ("RMCC")

There is no regulatory requirement for Amundi UK to maintain an independent risk management function. Amundi UK established a Risk Management and Controls Committee on a voluntary basis.

Amundi UK has the RMCC which meets at least quarterly, and more regularly if required, to oversee the design and implementation of the organisation's risk management framework, to assess the organisation's risk profile and oversee the actions required to effectively control or mitigate key risks, address any material risk issues escalated to the committee and direct corrective action where necessary. The ICARA is reviewed annually by Risk, to ensure that it is consistent with current practice, and that the assessed ICARA risks are appropriate to the business.

Other operating committees

Amundi UK has established other operating committees to support the work and responsibilities of the Board and all of which report directly to the ExCo, except for Conduct Rules Assessment Committee reports directly to The Board. The other operating committees are listed as below:

Other operating committees:

- New Activities, Products and Services Committee
- Emerging Market Cross Asset Investment Committee
- Active Distressed Securities Committee
- Global Fixed Income Architect Investment Committee
- Leveraged Loans Investment Committee
- Training & Competence Committee

- Compliance Committee
- Health & Safety Committee
- ESG Committee
- Conduct Rules Assessment Committee

Directorships

The below table provides the number of directorships held by the members of ExCo of Amundi UK.

The Board of Director

Title/ Role	Name	No. of directorship held (executive and non- executive)
Chairman and Executive Director	Vincent Mortier	0
Executive Director, Chief Executive Officer	Philippe d'Orgeval	0
Senior Independent Director	Eric Personne	2
Independent Non-Executive Director	Geoffroy Bragadir	3
Executive Director	Pascal Duval	1
Executive Director	Eric Vandamme	1
Executive Director	Miriam Oucouc	0
Executive Director	Julien Faucher	0

Diversity of the Management Body

Amundi UK recognises that a diverse and inclusive workplace provides real benefits to employees and supports stronger long-term business performance. Amundi UK's mission is to foster and promote a culture of inclusion across our business which celebrates all forms of diversity, enabling our colleagues to maximise their potential, and encourage collaboration, innovation and creativity.

Amundi UK has signed up to the Women in Finance charter in 2019. The Charter commits firms to supporting the progression of women into senior roles in the financial services sector by focusing on the executive pipeline and the mid-tier level as well as recognises the diversity of the sector. Amundi UK set a target of 33% for women in senior roles (Exco-1) and Amundi UK has achieved this target in 2023.

The Diversity and Inclusion committee was created and Diversity and Inclusion strategy was launched in April 2021, endorsed by the Executive committee and the Board.

The Diversity and Inclusion policy is fully supported by senior management, the policy and any diversity and inclusion strategy or actions are ongoing practices thus, resulting in an annual review, and considering any additional actions or changes to address issues or legislation.

On a Group level, Amundi Asset Management's Board of Directors has set a target for the number of women across all management bodies, to ensure a balanced gender representation in the company's governing bodies. It set a target of 30% women in its Executive Committee by 2022. This figure was exceeded and stood at 36.7% at the end of December 2022. Amundi UK recognises this is an area for further development and continues to follow Group's direction on Diversity and Inclusion.

Own Funds

This disclosure has been prepared by using the MIFIDPRU 8 Annex 1R template in accordance with the MiFIDPRU 8.4 own funds requirements. As at 31st December 2022, Amundi UK maintained own funds of £39,508k net of deductions.

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	39,508	-
2	TIER 1 CAPITAL	39,508	-
3	COMMON EQUITY TIER 1 CAPITAL	39,508	-
4	Fully paid up capital instruments	1,508	Note 21
5	Share premium	48,440	-
6	Retained earnings	1,408	-
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	(11,848)	-
19	CET1: Other capital elements, deductions and adjustments	(11,848)	Notes 17, 18
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	-	-
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	-	-

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
as at 31 December 2022				
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to above template
<i>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements</i>				
		<i>£'000</i>		
1	Debtors: due within one year	83,889	-	
2	Cash and cash equivalents	68,560	-	
3	Intangible fixed asset	10,016	-	19
4	Tangible fixed assets	4,506	-	
5	Debtors: due after one year	1,832	-	19
	Total Assets	168,803		
<i>Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements</i>				
1	Creditors: due within one year	41,559	-	
2	Creditors: due after one year	10,640	-	
	Total Liabilities	52,199		
Shareholder's Equity				
1	Called up share capital	1,508	-	4
2	Share premium account	48,440	-	5
3	Profit and loss account	66,656	-	
	Total Shareholder's equity	116,604		

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

12,066,667 ordinary shares of 12.5 pence each, fully paid.

Own Funds Requirements

Under IFPR a firm's Own Funds Requirement is made up of the higher of its Permanent minimum capital requirement, Fixed overhead requirement and K factor capital requirements.

- **Permanent minimum capital requirement ("PMR"):** The PMR is the minimum level of own funds required to operate at all times and, having considered Amundi UK's regulatory permissions of Portfolio Management and Investment advice, the level of PMR is £75,000;
- **Fixed overhead requirement ("FOR"):** The FOR is intended to calculate a minimum amount of capital that the firm would need available to absorb losses if it has cause to wind-down or exit the market, and is equal to one quarter of the firm's relevant expenditure; and
- **K-Factor requirement ("KFR"):** The KFR is intended to calculate a minimum amount of capital that the firm would need available for the ongoing operations of its business. The only K-factor that applies to the firm's business is K-AUM (calculated on the basis of the firm's AUM).

This disclosure has been prepared in accordance with the MIFIDPRU 8.5 own funds requirement.

	<i>£'000</i>
Own Funds requirement (OFR) highest of 1-3	15,239
(1) Permanent minimum capital requirement (PMR)	75
(2) Fixed overhead requirement (FOR)	15,239
(3) Sum of K-Factor Requirement (KFR)	8,536
- K-AUM	8,536
- K-CMH	-
- K-ASA	-

In addition to the IFPR prescribed determination of capital needs detailed above, a firm must undertake a further internal assessment to establish if further additional capital should be held. Amundi UK is required to comply with overall financial adequacy rule ("OFAR") in accordance with MIFIDPRU 7. Amundi UK's own funds threshold requirement ("OFTR") is the amount of own funds that it is required to maintain at any given time to comply with the OFAR.

Amundi UK's internal assessment of additional capital considers Operational risk, requirements under a Wind-down, and Credit risk and Market Risk as the latter two are not captured under the K-AUM.

In determining its level of Credit risk Amundi UK has applied the capital requirements under the standardised approach of the Basel Capital Requirements Regulation (CRR).

In determining its level of Market risk Amundi UK has applied the capital requirements under the standardised approach of the Basel Capital Requirements Regulation (CRR).

In the wind-down scenario, Amundi UK has modelled the costs of the wind-down and in addition, to the capital position during the 18 month wind-down period.

A firm must notify the FCA immediately if its own funds fall below (or it considers it reasonably likely that they will fall below in the foreseeable future) the firm's:

- Early warning indicator (110% of the own funds threshold requirement)
- Own funds threshold requirement

- Own funds wind-down trigger

Amundi UK monitors these on a quarterly basis with reporting each quarter to the FCA and in addition to the Board through the Key Risk Indicator dashboard metrics.

Remuneration Policy and Practices

This Amundi UK Remuneration Annex applies to Amundi UK and the individuals who work for Amundi UK.

MiFID investment firms that are regulated by the FCA in the UK (FCA investment firms) are within scope of the MIFIDPRU Remuneration Code (the “Code”) in the FCA Handbook at SYSC 19G. As part of the Code, firms are expected to ensure that their remuneration policies and practices (including performance assessment processes and decisions) are clear and documented.

Amundi UK is classified under the Code as a “non-SNI Firm” given that it has annual AUM of €43 billion. Further, Amundi UK will not be considered to be a “significant” non-SNI firm due to the value of its balance sheet assets, which means that Amundi UK is subject to the “core” rules of the Code applying. This Remuneration Annex reflects those principles of the Code.

This UK Remuneration Annex is designed as a tool for Amundi UK to document our remuneration policies and practices aligned to the Amundi Group remuneration policy.

Amundi UK remuneration policy practices are gender neutral and do not discriminate on the basis of the protected characteristics of an individual in accordance with the Equality Act 2010.

The remuneration policy is designed to be aligned with the economic strategy and long-term objectives, the values and interests of the company and of the funds under management and with those of investors, with sound and well-controlled risk management.

1 Governance

The Amundi Remuneration Annex is subject to annual review by Group Compensation and is submitted for local adoption by Amundi UK to align with local FCA regulation.

Employees of Amundi UK who hold control functions have appropriate authority and are remunerated adequately to attract qualified and experienced staff and in accordance with the achievement of the objectives linked to their functions. The remuneration of senior officers in risk management and compliance functions at Amundi UK is overseen by the Group Remuneration Committee and their risk and compliance behaviours are subject to ongoing monitoring by control functions and periodical review by Group Risk Remuneration Committee¹.

1.1 Material Risk Takers (MRT) identification

Under the Code, Amundi UK is obliged to identify “material risk takers” (“MRTs”), which are staff members whose professional activities have a material impact on the risk profile of the firm or of the assets that the firm manages.

This assessment is reviewed once a year. When assessing MRTs, Amundi UK will follow the Amundi Group Remuneration policy as well as the FCA’s key indicators that professional activities of a staff member have a material impact on the risk profile of the firm or the assets it manages. These indicators are set out in the FCA’s Senior Management Arrangements, Systems and Controls Sourcebook (“SYSC”) at SYSC 19G.5.4 G and notes the list of individuals the FCA expects to be categorised as MRTs as set out at SYSC 19G.5.5 G, including heads of investment research and individuals responsible for a high proportion of revenue. MRTs are identified as the following:

Categories of staff, including (but not limited to):

¹ The role of the Group Risk Remuneration Committee is described in section 2.9 of the Amundi Group Remuneration policy

- Members of the management body;
- Members of senior management;
- Staff with managerial responsibility for business units carrying on certain regulated activities;
- Staff that have managerial responsibilities for activities of a control function or for the prevention of money laundering and terrorist financing;
- Staff responsible for managing a material risk within the firm;
- Staff responsible for managing information technology, information security and/or outsourcing arrangements of critical / important functions who have authority to take decisions approving or vetoing the introduction of new products.

2 Remuneration structures

2.1 Fixed Remuneration

Amundi UK follows the group remuneration policy approach to fixed remuneration whereby, fixed compensation is based on the level of responsibility of the relevant individual, considered within the local specificities and market conditions. Fixed remuneration is permanent, non-discretionary and non-revocable; the fixed remuneration element does not depend on performance.

2.2 Balance of Fixed and Variable components of total remuneration

Fixed remuneration (i.e. salary) and variable remuneration is appropriately balanced.

The fixed component represents a high enough proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components (including the possibility to pay no variable remuneration). However, there may be certain situations where a higher ratio between balanced and fixed is justifiable based on the Amundi group job families; such as executives and portfolio managers based on annual outstanding performance, these particular exceptions (where justified) may see a higher ratio above 200%.

For all control function roles (for example, those in risk and compliance roles), these are remunerated in accordance with the achievement of their annual objectives linked to their specific function, including those set out in the statement of responsibilities for Senior Managers, depending on the projects managed, objectives set and quality control. In particular, financial goals are avoided for control functions to ensure an adequate degree of independence with respect to business subject to controlling activities and avoiding any conflict of interest. The variable component ratio would remain below 100% for control function staff.

Identification criteria	Maximum ratio split Fixed vs variable (where justified)
Management body and Senior management (inc. Exec Portfolio managers)	300%
Heads of business unit (1.1.4)	250%
Head of Control Functions	100%

2.3 Variable Remuneration

Variable remuneration is split into two components:

- Annual discretionary bonus, addressed to the general population: rewards the individual / team performance and is defined by managerial discretion on the basis of the level of achievement of pre-defined performance drivers
- Long term incentive (LTI), addressed to selected key people across the business, the LTI is based on Amundi performance shares and aimed at motivating managers on the achievement of mid-term business and financial goals as well as on the implementation of Amundi's ESG trajectory objectives.

The Group Risk Remuneration Committee verifies the compatibility of the Remuneration Policy with the economic/prudential situation of Amundi before variable remuneration pools are determined. The Amundi total variable remuneration pool is determined as a percentage of gross operating income so as to calibrate the amounts paid out according to the results achieved by Amundi. This pool is communicated to the Amundi Board of Directors. The bonus pools for the various sectors are defined following a top-down process to take into account the contribution of each sector to the overall performance. Amundi UK ensures that any variable remuneration paid does not affect its ability to ensure a sound capital base.

2.4 Assessment of performance

The Individual variable remuneration awards are discretionary in nature, based on an assessment of the individual performance by managers on the basis of:

- Objective criteria, both quantitative and qualitative, (Group criteria is detailed in the Amundi Group Remuneration policy)
- Incorporating, depending on the function, an appropriate short to long term time scale
- Compliance with risk limits (including sustainability risk) and the client's interests.

Furthermore, it is specified that the non-financial criteria include compliance with the Code as well as, steps taken to build and maintain positive client relationships and Amundi UK's reputation in line with Amundi Group's strategy and values. The non-financial criteria also include adherence to Amundi UK's Bullying & Harassment and Diversity & Inclusion policy, risk and control environment and relevant overseas regulatory requirements.

In particular, as already mentioned in 2.2, financial goals are avoided for control functions to ensure adequate degree of independence with respect to business subject to controlling activities and avoid any conflict of interest.

Any disciplinary action will be communicated by the Amundi UK Conduct Committee to the Group Risk Remuneration Committee and result in a review of the discretionary variable remuneration regarding the application of malus or clawback provision.

2.5 Guaranteed bonuses

Guaranteed variable remuneration is not permitted unless it is exceptional; it occurs in the context of hiring new staff; and is limited to the first year of a new employee's service.

In buying out the compensation that new hires would have received from their previous employer reasonable steps are taken to ensure that the remuneration is not more generous in

either its amount or its terms and the firm will only cover guarantees if it has a strong capital base to cover this payment.

Payments relating to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure.

2.6 Deferral and Performance Adjustment for Identified Staff²

In alignment with the group remuneration policy, in absence of stricter local requirements of variable remuneration payments, the Amundi group remuneration policy applies to all entities of the Amundi Group in the European and Asian perimeter.

Being Amundi UK a non-significant non-SNI firm as stated in the introduction, Amundi UK benefits from the exemptions provided for in SYSC 19G.5.9 R and SYSC 19G.5.10 G, therefore Amundi UK applies “The terms of payment for identified staff” detailed in section 5 of the Amundi Group Remuneration policy.

Sound risk management is a key element of Amundi group remuneration policy.

2.7 Operation of malus and clawback

Malus

The Group Risk Remuneration Committee may reduce before vesting deferred awards (malus) when certain conditions have been triggered (this is sometimes referred to as performance adjustment)³. Such conditions include:

- Where the financial performance of Amundi as a whole or of one of its business units has suffered a significant downturn or deterioration; or
- Where an employee has materially violated Amundi’s Code of Conduct or other key risk and compliance policies, there is evidence of serious misconduct or misbehaviour and/or the employee causes material detriment to the business or reputation of Amundi or one of its entities; or
- Where there is significant failure of risk management in relation to Amundi, any of its funds or business units.

Amundi UK has the power to reduce an award throughout the life of the vesting period up until the award has vested in its entirety.

Clawback

Pursuant to FCA rules, Amundi UK’s variable remuneration awards for MRTs are also now subject to clawback arrangements. FCA guidance (at SYSC 19G.6.34G) confirms clawback should in particular be applied in cases of fraud or other conduct with intent or severe negligence which led to significant losses to the firm. While Amundi UK has discretion to exercise its clawback powers where it deems appropriate, in accordance with Amundi group policy, Amundi UK would normally apply malus where performance adjustment is required. However, it is Amundi UK’s policy to apply the use of its clawback powers of variable compensation that has already been paid if an MRT has been involved in fraud or there is evidence of conduct with intent or severe negligence on the part of the MRT.

² Identified Staff are as defined in the Amundi Remuneration Policy

³ Performance adjustment provisions are set out in the relevant deferred remuneration award documentation.

The right to clawback set by Amundi UK will allow sufficient time for any risks to crystallise; as a minimum this spans at least the combined length of any applicable deferral and retention periods.

Investment Policy

Currently Amundi UK is not required to include in this document disclosures relating to its investment policy (MIFIDPRU 8.7), as such no disclosure is made.