Atomos Investments Limited

MIFIDPRU 8 Disclosure 2023

Disclosure (MIFIDPRU 8.1)

Background
The Investment Firms Prudential Regime (IFPR) is the Financial Conduct Authority's (FCA) prudential regime for MIFID investment firms with aims to streamline and simplify the prudential requirements for UK investment firms. IFPR came into effect on 1st January 2022, and its provisions apply to Atomos Investments Limited (AIL) as an FCA authorised and regulated firm. The public disclosure requirements of IFPR are set out in MIFIDPRU 8, replacing the previous Pillar 3 requirements of BIPRU 11. For the 2023 financial year, AIL has adopted the FCA's provisions for disclosure requirements (MIFIDPRU 8.1), risk management objectives and policies (MIFIDPRU 8.2), disclosure of Governance arrangements (MIFIDPRU 8.3), own funds (MIFIDPRU 8.4), own funds requirements (MIFIDPRU 8.5), and remuneration policies and practices (MIFIDPRU 8.6). AIL is categorised as a Non-Small Non-Interconnected (Non-SNI) MIFIDPRU investment firm as relevant SNI thresholds (outlined in MIFIDPRU 1.2.1) have been exceeded (primarily AIL's Assets Under Advice (AUA) on an ongoing nature, is greater than £1.2 billion).

Basis of Disclosure
This report is prepared on an accounting individual basis and includes the following regulated entity: Atomos Investments Limited (AIL) (FRN 122588). The report is not required to be reviewed by the AIL's auditor. Certain information will be omitted from the report if, in the opinion of the management of AIL, such information is of proprietary nature, price-sensitive, may intrude the privacy of any AIL's clients and/or employees, or would not change or influence the assessment or decision of market participants or other users of the report. The disclosed information is proportionate to AIL's size and organisation, and to the nature, scope and complexity of its activities. Atomos Investments Holding Limited (AIHL) now files consolidated returns for the mini consolidation group (AIHL / AIL). However, this disclosure is for the solo entity AIL. AIHL does not trade, and its sole holding is AIL. AIL is the only FCA regulated entity in the consolidated situation.

Frequency of Disclosure
Unless otherwise stated, all figures are at 31 December 2023, AIL's financial year end, with comparative figures for 31 December 2022 where relevant, in accordance with the rules set out in chapter 8 of MIFIDPRU, MIFIDPRU 8 - FCA Handbook. MIFIDPRU 8 disclosures are published annually concurrently with the Annual Report and Accounts in accordance with regulatory guidelines.

Location of Disclosure
The MIFIDPRU 8 disclosure report is available on the website at: www.atomos.co.uk
Copies of the statement are available on request by writing to atomos Risk Management Desk, 2nd Floor, 5 Hatfields (Alto), London, SE1 9PGS, United Kingdom

About Atomos Investments Limited
Atomos Investments Limited (Company House Number: 2041819) offers a comprehensive retail and institutional investment management service comprising discretionary and advisory fund management and a range of multi-asset funds. AIL is authorised and regulated by the Financial Conduct Authority and is registered in England and Wales. Registered offices: 2nd Floor, 5 Hatfields (alto), London SE1 9PG, United Kingdom. AIL is owned by funds operated by Oaktree Capital Management L.P. (Oaktree).

Summary of Significant Changes from Previous Disclosure
There have not been any significant changes to the information disclosed, when compared with previous disclosure periods (MIFIDPRU 8.1.13(4)).

Risk Management Objectives and Policies (MIFIDPRU 8.2)

AIL has a centralised Risk Management function and processes which ultimately report into the Board. The Board has overall responsibility for the establishment and maintenance of an appropriate risk management framework. A committee structure, reporting to the Board, is in place to ensure that procedures, controls and limits are consistent with a Board approved risk framework and appetite.

To fulfil its obligations the Board is required to ensure an effective system of governance is in place. To discharge this the Board has established frameworks for risk management and internal control using the 'three lines of defence' model and reserves to itself the setting of the respective risk appetite.

Role of Risk Management

The role of the Risk Management Department (under the leadership of the Assurance Director) is to monitor and continuously improve the risk management process, in conjunction with the business areas, to ensure an effective risk management process operates across AIL. Key risks and outputs are reported to the Boards via the Audit & Risk Committee (ARC). The regulatory horizon is also monitored for emerging risks and change requirements.

The Risk Department plays an active role in AIL Governance and is represented in the following:

- Permanent invitee of the Audit & Risk Committee (ARC);
- Member of relevant executive sub committees as appropriate

The Board together with the Assurance Director have the responsibility to consider decisions, actions or intended actions and risks, brought to their attention either by the business heads or other sources, and if they conclude that these are or could be detrimental to the business, it is also their responsibility to veto said actions or, alternatively, implement measures to reduce or restrict the detrimental effect or consumer and or market harm.

Risk Management Process

Risk management is integral to AIL's operational processes and procedures. The risk management framework is a fundamental part of its business planning and decision-making processes.

Integrating AIL's risk management framework into day-to-day processes supports the achievement of core business objectives in a controlled environment and the continued delivery of outstanding client service.

Risks are identified using top-down and bottom-up approaches and each risk is assigned to agreed owners. This ensures completeness and consistency in the identification, assessment, mitigation and monitoring of risk.

Figure 1: The Risk Management Framework

The risk register process is the foundation of the risk management framework. The business regularly performs risk and controls self-assessments ("RCSA"). Risks are reviewed alongside key control performance assessments and Key Risk Indicators ("KRIs") to ensure risks are monitored and managed within an effective control environment. Risk owners consider the relevant operational losses, process changes or system amendments that are required to appropriately manage risk. Where controls are insufficient management defines actions to bring risk exposures down to agreed tolerance levels.

Risk Appetite

Risk Appetite is the level and type of risk AIL is willing to accept from its business activities to achieve the objectives of the business and its clients. The Board of AIL, alongside the Executive Committee (ExCo) are required to ensure an appropriate risk management framework is in place across the business. The risk appetite is set by the Board and is reviewed at least annually or when there are material changes to the business. The Board defines a set of statements and tolerances which correspond to how atomos monitors and manages risk on a day-to-day basis. Tolerances can be set as numerical values, percentage, or compliance statements (Yes/No).

At a more granular level, the implementation and oversight of the risk framework is the responsibility of all individuals within the business who must identify, assess, manage, and monitor risks within their area of responsibility and where appropriate, the broader business. The Risk Team is functionally and operationally independent of the business and is there to support the business in identifying, monitoring, and managing risks. Strategic, operational, conduct and reputational risk are key risk exposures to AIL.

Categories of Risk

AIL has a comprehensive risk framework capturing risks across an agreed and documented risk universe, which sets out the high-level risk categories to which it is exposed to, and all risks are linked. Three specific MIFIDPRU 8 categories are defined below with a concise statement approved by the firm's governing body describing the potential for harm associated with the business and a summary of the strategies and processes used to manage each of the categories of risk and how this helps to reduce the potential for harm.

Liquidity Risk (MIFIDPRU 6)

AIL's appetite to risks impacting liquidity risk is low. Liquidity risk refers to the potential negative consequences that can arise when atomos faces difficulties in meeting its short-term financial obligations or accessing sufficient liquidity to fund its operations.

AIL acknowledges that minimising liquidity risk could help maintain financial stability, better cash flow management, financial forecasting, maintaining confidence and trust in stakeholders such as investors and customers. AIL will identify and record risks that could cause harm to liquidity. Through regular monitoring, assessment, and reporting atomos will seek to reduce the risks through mitigation strategies, stakeholder engagement and continuous improvement until the risks remain or return to low. Monitoring of the AIL liquidity profile is performed by the Finance team and assessed within the annual ICARA process.

Concentration Risk (MIFIPRU 5)

AILs' appetite to Concentration risk is low. Concentration risk is the risk that atomos has a significant exposure to a particular asset, sector, borrower, or client which could materially impact its financial performance if it was to lose that relationship.

AIL acknowledges that minimizing concentration risk could mitigate the potential impact of adverse events on its financial health and contributes to overall financial stability. AIL will identify and record risks that could cause concentration risks. Through regular monitoring, assessment, and reporting atomos will seek to reduce the risks through mitigation strategies, stakeholder engagement and continuous improvement until the risks remain or return to low. To mitigate concentration risk, AIL implements administrative, internal control mechanisms and accounting procedures to limit concentration risk across its business.

Own Funds Requirements (MIFIDPRU 4)

The ongoing maintenance of AIL's Internal Capital Adequacy and Risk Assessment (ICARA) is the responsibility of the atomos Risk Department, in conjunction with the Finance Department. The AIL Board reviews, challenges and approves the ICARA at least annually. In the interim, a quarterly Risk update report is provided to the Board. Reporting is designed to provide an update and assessment of the key risks the business is exposed to within the context of the stated risk appetite, and the current (and likely future) solvency positions given these exposures to risk. A key part of the ICARA process is to evidence the use of risk, capital and liquidity information in business decision making processes, particularly in business planning, capital management, product development and decisions on corporate activity (e.g. mergers and acquisitions).

Governance Arrangements (MIFIDPRU 8.3)

A strong system of governance is a fundamental part of AIL's responsibility to ensure good outcomes for clients. A strong governance framework also helps deliver long term shareholder value and protect clients by ensuring atomos has a strong financial base to allow it to service its clients.

- Good corporate governance is essential to:
- Deliver good outcomes for clients,
- Promote effective and transparent decision making,
- Clarify accountability and ensure an appropriate balance between the collective responsibilities of atomos, its subsidiary boards and senior management, and the individual responsibilities of senior management and individual staff,
- Embed an appropriate culture across the business;
- Protecting the interests of clients; and
- Support atomos' strategy and business model.

Governance Structure

AIL believes a strong system of governance, is essential in ensuring the business runs smoothly, supporting effective decision making and delivering its strategic objectives.

AIL has established a structured approach to governance, ensuring an effective level of alignment between oversight and management responsibility for risk. The risk governance structure has clearly defined roles and responsibilities for board and control committees, control functions and the accountable executives. The risk-based roles and responsibilities are organised in adherence to the 'three lines' principles to ensure appropriate levels of segregation.

Directorships

The following information relates to the appointments of members of the management body held in both, executive and/or non-executive functions, including directorships held at external, commercial organisations as of 31st December 2023. This will not include executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives; and executive and non-executive directorships held within the same group or within an undertaking in which AIL holds a qualifying holding.

Table 2: Directorships Held (MIFIDPRU 8.3.1(2))

Name	Job Title	Number of Directorships
Jonathan Polin	Chief Executive Officer	1
Niral Parekh	Chief Operating Officer	1
Nicola Fraser	Chief Financial Officer	1
James Annand Fraser	Non-Executive Director	4

ATOMOS INVESTMENTS LIMITED people

Diversity (MIFIDPRU 8.3.1(4))
At AIL equality means breaking down barriers and delivering a meritocracy which eliminates discrimination and ensures equal opportunities and access for all groups in employment, our products and services.

Diversity at AIL means celebrating differences and valuing everyone for who they are. Each person is an individual and in respecting this everyone can feel valued for their contributions which are beneficial not only for the individual but delivers better outcomes for AIL too. For AIL quality and diversity are inter-dependent. There can be no equality of opportunity if difference is not valued and harnessed, and we feel proud of our track record. AIL is committed to make opportunities for training, development, and progress available to all staff, who will be helped and encouraged to maximise their own potential so their talents can be fully utilised in a win-win for our people and the organisation.

Audit and Risk Committee
AIL has established an Audit and Risk Committee (ARC). The ARC assists the Board in fulfilling their risk management and audit oversight responsibilities by:

•Setting and overseeing the overall standard for financial reporting, risk management and internal audit;

•Monitoring the effectiveness of risk management processes;

•Reporting to the Boards on current risk exposures or potential risk issues;

•Providing guidance to the Boards on the risk appetite, and appropriate risk management policies and procedures;

•Agreeing annual requirements and reviewing and assessing the outputs provided by the external and internal auditors;

•Engaging in discussions with external and internal auditors on the quality and acceptability of the control environment and reporting structures;

•Reviewing the auditors' CASS reports and any required actions arising.

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Own Funds (MIFIDPRU 8.4)

Own Funds Capital Calculation
The table below shows the Tier 1 capital, specifically Common Equity Tier 1 (CET1) capital held by AIL. AIL does not hold any Additional Tier 1 or Tier 2 capital.

The following tables below, in compliance with MIFIDPRU disclosure requirements, disclose:

- the composition of AIL's own funds
- a reconciliation of own funds to the capital in the balance sheet per the audited financial statements of the firm, followed by
- a description of the main features of the CET1 capital issued by the firm.

The tables are based on Firm's Financial Statements as 31st December 2023.

Table 3: Composition of Regulatory Own Funds as at 31st December 2023 (MIFIDPRU 8.4.1)

Item	Amount (GBP thousands)	Source based on reference numbers / letters of the balance sheet in the audited financial statements
OWN FUNDS	13,413	
TIER 1 CAPITAL	14,100	
COMMON EQUITY TIER 1 CAPITAL	14,100	
Fully paid-up capital instruments (Share Capital)	100	
Share premium	0	
Retained earnings	12,403	
Accumulated other comprehensive income	0	
Other reserves	1,597	
Adjustments to CET1 due to prudential filters	0	
Other Funds	0	
(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-687	Note 11 – 2nd page
CET1: Other capital elements, deductions and adjustments	0	
ADDITIONAL TIER 1 CAPITAL	0	
Fully paid up, directly issued capital instruments		
Share premium		
(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
Additional Tier 1: Other capital elements, deductions and adjustments		
TIER 2 CAPITAL	0	
Fully paid up, directly issued capital instruments		
Share premium		
(-) TOTAL DEDUCTIONS FROM TIER 2		

Tier 2: Other capital elements, deductions and adjustments		
OWN FUNDS		
TIER 1 CAPITAL		
COMMON EQUITY TIER 1 CAPITAL		
Fully paid-up capital instruments		
Share premium		
(-) TOTAL DEDUCTIONS FROM TIER 2		
Tier 2: Other capital elements, deductions and adjustments		

Own Funds Requirements (MIFIDPRU 8.5)

The table below shows the K-Factor Requirement (KFR), broken down into three groupings and the total amount of fixed overheads. AIL's Fixed Overhead Requirement (FOR) is 25% the total annual eligible expenditure. This is £5,037,000.

Table 4: K Factor Requirement and Fixed Overheads Requirement as at 31st December 2023 (MIFIDPRU 8.5.1)

Item	Amount GBP (thousands)
K-Factors Requirement (KFR) – non SNI firms only	
Total K-Factor Requirement	606
K-AUM	604
K-CMH (segregated)	0
K-CMH (non-segregated)	0
K-ASA	0
K-COH (cash trades)	2
Own Funds Wind Down Trigger	**5,037**
Own Funds Threshold Requirement – assessment A	5,037
Own funds threshold requirement – Wind Down (ICAPP / ICARA)	4,450
Fixed Overheads Requirement (FOR)	**5,037**

Approach to Assessing the Adequacy of Own Funds

The internal capital adequacy and risk assessment process (the ICARA process) is the core risk management process for FCA investment firms. The ICARA process is a continuous assessment of the harm a firm may pose to clients and markets as part of its ongoing business and during wind-down. AIL reviews the adequacy of the ICARA process at least once every 12 months and following any material change in its business or operating model. The ICARA process document and associated external disclosures have been reviewed by senior management and has had senior management input throughout the document's development. The last ICARA process was completed in October 2023. As part of the ICARA process, AIL has undertaken sensitivity analysis (stress testing) to ensure the business is able to absorb shocks throughout a three-year life cycle. The conclusions for AIL were:

- there is sufficient capital and liquid assets to address any harms throughout the economic cycle (in compliance with the FCA Own Funds Adequacy Requirement)
- there are financial resources to wind down the business in an orderly manner.
- it has adequately assessed and documented identified harms to the clients, the firm and markets.

Remuneration Policy and Practices (MIFIDPRU 8.6)

Approach to Remuneration
The AIL Remuneration Policy is designed to appropriately reward performance and align remuneration with prudent risk management. The policy is aligned to the business strategy, objectives, values and cultural ethos and long-term success of AIL and the interests of clients and various stakeholders.

Objectives of the Financial Incentives
The Board recognises remuneration and incentives play a significant role in aligning conduct with good governance principles, good outcomes and reducing potential harms to clients. The remuneration policy considers the specific regulatory requirements that atomos are subject to regarding remuneration, including the relevant FCA Remuneration Codes.

The Remuneration Committee
The Remuneration Committee (RemCo) is responsible for atomos' human capital. It is involved in establishing and maintaining an effective management team, overall remuneration strategy and the annual determination of remuneration packages for the Executive Committee. The Committee meets at least once per year. RemCo is constituted by no less than two Oaktree nominations.

RemCo oversees the following:

- evaluating and making a final decision on the governance and bonuses of the CEO;
- ensuring atomos incentive schemes are in line with good business practice and adequately reward excellent performance;
- oversight of effective management succession;
- assessing the effectiveness of management, and particularly that of the Executive;
- any other relevant matters regarding remuneration;
- provide recommendations and reports to the Board on any potential conflict of interest or questionable situations of a material nature, or any other human resources risks;
- ensure compliance with employment legislation;
- ensure adequate management actions to reduce people risks.

In 2023, no external consultants were used in the development of the remuneration policies and practices.

Material Risk Takers
In accordance with the FCA rules (MIFIDPRU 8.6.4), AIL is required to identify the categories of staff whose professional activities are deemed to have a material impact on the risk profile. These are referred to as Material Risk Takers (MRTs) and AIL ensures that it applies all of the necessary remuneration requirements to these staff, taking into account the size and complexity of the business. MRTs are identified in line with the criteria included within relevant guidance, but broadly, they include:

- Executive Directors
- Members of senior management which form the Executive Committee (ExCo)
- Those individuals whose role means they can expose AIL, or the funds it manages for clients, to material risk.

Pay and Performance
The company aims to recognise the market value of each position in a competitive market, reward individual's capabilities and experience and recognise the performance of individuals and the person's potential to contribute and where they are positioned against comparable market rates. This may be a combination of fixed and variable compensation.

Remuneration can be made up of two broad components:

- basic fixed remuneration (e.g., salary plus any allowances) in line with the employee's professional experience and role within the company.
- variable remuneration (e.g., corporate bonus, long term incentive plans, performance fees) that reflects performance - which may be subject to performance adjustment.

Any variable remuneration, including any deferred portion, is paid or vests only if it is sustainable according to the financial situation of the company, and is based on the performance of the company, the business unit and the individual concerned.

Variable Remuneration

In determining short term annual variable components of salary the overall total remuneration of the individual is taken into account and an appropriate balance of fixed and variable pay is determined and maintained by taking into account the financial results of the company, the performance of the business unit, the individual's performance and adherence to compliance and regulatory obligations alongside retentions risks (and associated business risks) of not paying comparable to market. Bonus payments are at the discretion of the RemCo and depend on the individual and company performance amongst other factors.

Financial and Non-Financial Performance Criteria

The use of Financial and Non-Financial performance criteria for the assessment of the performance and reward of employees varies from each employee depending on a number of factors. This includes the business unit and seniority among others.

Ex-Ante and Ex- Post risk adjustment of remuneration can be initiated against current and future risks identified by the firm. This would be a topic for discussion at RemCo where the firm would take into account current and future risks when adjusting remuneration. Atomos does not have deferral and vesting policy. Atomos does not use guaranteed variable remuneration. All variable pay is at the company's discretion or contractual. Severance is covered in redundancy policy, disciplinary policy and contract that would cover any payments made with regards to this.

Long Term Incentive Plan

The purpose of the Long-Term Incentive Plan is to align the financial interest of the Company's employees to that of its stakeholders. These allocations are focused on motivating and rewarding sustained long-term performance. Long term incentives also serve to attract, motivate, and retain key senior employees. Annual allocations are used to share the financial success of the growth of the company. Inclusion in one year does not indicate inclusion in future years. Long-term incentive schemes are governed by RemCo which will assess performance against agreed measures at the vesting period. RemCo has the authority to apply clawback and/or malus adjustment to all or a portion of the award and all payments are made at the discretion of RemCo.

Retention Payments

Where AIL regards an employee as critical to the business, both currently and in the foreseeable future, a retention payment may be offered. This will be conditional upon the employee meeting agreed performance targets. The retention payment is subject to a retention period and where the condition of continued employment is not met the payment is repayable in full. Retention payments are also subject to malus and clawback provisions.

Malus and Clawback

Where defined trigger events take place provision is made for redress against remuneration through either malus (pre-vesting forfeiture) or clawback (post-vesting forfeiture). In assessing whether defined trigger events have taken place, the RemCo will work with the relevant committee, professional advisors and and/or any other business functions with the business to ensure that assumptions are correct. Malus and Clawback applies to all variable pay.

Aggregate Remuneration
AIL has identified 11 Senior Management personnel and other MRTs. Combined fixed remuneration for Senior Managers in 2023 was £1,614. Their variable remuneration was £396 and a combined remuneration of £2,011. Combined fixed remuneration for Other Material Risk Takers in 2023 was £248. Their variable remuneration was £29 and a combined remuneration of £278. Other staff combined fixed remuneration for 2023 was £6,395 Their variable remuneration was £1,150 leading to a combined remuneration of £7,545. All staff received combined fixed remuneration of £8,258 and variable remuneration of £1,575 with a total remuneration of £9,833. Above figures in £,000s. Above data satisfies MIFIDPRU 8.6.8.(4)(5)(6) AIL has not disclosed information on severance payments as it has relied on the exemption in MIFIDPRU 8.6.8.(7) to prevent the individual identification of these MRTs.

AIL is a non-SNI MIFIDPRU investment firm that does not meet the conditions in SYSC 19G.1.1R(2) so does not have a Deferral and Vesting Policy (MIFIDPRU 8.6.6(4)). MIFIDPRU 8.7 is not reported as AIL meets the conditions in MIFIDPRU 7.1.4R.

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