

LAZARD

MIFIDPRU 8 Disclosures

Lazard & Co., Limited (Ref. Number: 114054)

July 2024

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1. Introduction

As a MIFIDPRU investment firm, Lazard & Co., Limited (the “Company” or the “Firm”) 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 its 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 Company.

The disclosures are available on the Company’s website (www.lazard.com).

1.1. Business Overview

The Company 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
- Making arrangements with a view to transactions in investments
- Agreeing to carry on a Regulated Activity

The Company is authorised to provide services to the following client types:

- Professional (Per se and Elective)
- Eligible Counterparty

The Company's primary activity is the provision of financial and strategic advisory services. Such advisory services are provided to a diverse set of clients across a broad range of business sectors. A wide array of advisory services are offered, including relating to mergers and acquisitions and strategic advisory matters, restructuring, capital markets and capital structure advisory services, equity fundraising advisory, private capital raising advisory, investor relations advisory and other corporate finance matters.

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 Company 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 the Company 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 Company’s policy is to publish the disclosures required on an annual basis. The Company 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 Company (the “Board”) performs an assessment on at least an annual basis of the adequacy of the Company’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 Company’s risk profile.

The Company’s risk management framework is designed to identify, assess, mitigate and monitor all sources of risk that could have a material impact on the Company’s operations. The Board considers that the Company 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 Company.

2. Risk Management Objectives and Policies

To ensure effective risk management, the Company 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 Company'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 Company's risk appetite, devising the suite of policies necessary to operate and control the business including the overarching framework, independently monitoring the Company'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 Company'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 Company 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 four times a year 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 Company's risk management policies and procedures. As part of its business activities, the Company faces a variety of risks, the most significant of which are described further below.

2.2. Risk Statement

The Company's activities expose it to a variety of risks, in particular to business risk, credit risk, liquidity risk, operational risk, reputational risk and information technology/cyber security risk. The Company's approach to risk including its risk strategy and risk appetite are described in further detail below.

Risk Strategy

The risk strategy of the Company 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 Company's business model. One important characteristic of the Company'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 Company'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 Company aims to provide 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 Company. The Company 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 Company's exposure to various risks.

Risk Appetite

Risk appetite is defined as the Firm's willingness to accept risks in pursuit of its objectives. Risk appetite is assessed against the Company'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 Company's risk management framework.

The establishment of the Company'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.

The Company assesses its risk appetite in respect to clients and mandates it chooses to take on and to managing its business and operational activities. The Company has a low-risk appetite in relation to these matters. The Company's Risk Appetite Statement is prepared by the Risk Committee and approved by the Board. In addition, the Board approves the Company's corporate strategy, long term plan and ICARA. The Company employs mitigation techniques defined within the Company's policies to ensure risks are managed within its risk appetite.

Risk Culture

Risk culture is a critical element in the Company's risk management framework and procedures. Management considers risk awareness and culture within the Company 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 Company's code of conduct and senior management who lead by example and set an appropriate tone from the top.

The Company 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 Company has identified the following principal risk areas:

2.3.1. Credit Risk

Credit Risk is the risk that counterparties fail to discharge their obligations towards the Company, thus reducing the amount of future cash inflows from the financial assets at hand on the Company's balance sheet.

The Company's credit risk primarily arises from cash/bank balances and receivables. In order to mitigate credit risk, the Company adopts the following practices:

- Management assesses the credit quality of financial institutions taking into account their financial position, past experience and other factors. Cash balances are kept with high credit quality financial institutions.
- Monitoring of exposure to banks and exercising appropriate cash management.
- The Company regularly reviews its receivables and takes action to ensure the fees owed are paid.
- The Company uses strategies such as retainers to ensure timely payment of receivables.

2.3.2. Liquidity Risk

Liquidity risk is the risk that, over a specific horizon, the Company is unable to meet its demands/needs for money (i.e. cash) due to insufficient financial resources. Liquidity risk can arise either via extreme market conditions and/or failures of counterparties.

The Company manages liquidity risk by maintaining adequate reserves through continuous monitoring of forecast and actual cash flows.

2.3.3. Business Risk

Business risk is the risk that losses are incurred by the Company during unfavourable or volatile market conditions.

The Company may be exposed to business risk in the event of a deterioration of the business and economic conditions in the markets in which it operates. The Company's business and strategic plans involve a continuous focus on engaging with existing clients for future work, securing new clients, and possibly entering into new sectors, sub-sectors or other business areas to create new revenue opportunities and further increase the diversification of the business.

It is also noted that the Company takes into consideration business risk when preparing its financial projections and when conducting its stress testing by taking a conservative view of revenues.

2.3.4. Reputational Risk

Reputational risk is the risk that an incident could result in the Company's clients, counterparties, shareholders or regulators adopting an adverse perception of the Company.

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It may occur as a result of poor client service or legal actions against the Company, fines or other sanctions imposed by the FCA or other applicable regulators, breaches of confidentiality, the loss of significant clients, and from negative publicity relating to the identify of specific clients of the Company's overall operations, whether such fact is true or false.

Reputational risk is managed by performing careful client selection prior to taking on any new clients or mandates and escalation of any potential reputational concerns to senior management so that further due diligence can be undertaken where required. In addition, in certain circumstances ad hoc internal meetings are held to discuss and peer review substantial pieces of advice to be delivered to clients. In relation to reputational risks relating to employees, performance and compliance, only employees assessed to have the highest degree of integrity are hired into the firm and adherence to the firm's ethical standards are monitored on a regular basis.

2.3.5. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal risk. It is inherent in every business organisation and covers a wide range of issues.

In order to reduce operational risk, the Company has established various controls and procedures. These include the comprehensive capture of data elements needed to measure and verify operational risk, the implementation of reporting systems and the implementation of risk mitigation strategies. The Business Continuity Plan is one example of the Company's defence against operational risk. The Company is highly confident that it would be able to continue normal business procedures following an unexpected incident. The Company also has an Operating Committee, which reports to the Board and meets on a bi-weekly basis.

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 Company. 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 and poor compliance management.

The IT infrastructure plays an important role in the day to day running of the Firm. As well as ensuring a business continuity plan is in place, the Company has implemented a cybersecurity risk management strategy to protect the Firm 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), third 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 Company has a comprehensive 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 Information Security and Information Technology teams. Lazard's Corporate Information Security team also conducts regular risk assessments to identify cybersecurity threats, vulnerabilities, and potential business consequences.

The Firm has a structured methodology to manage the installation of patches, hot fixes, and service packs. Additionally, the Firm 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 is conducted.

3. Governance Arrangements

The Company'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 Company and are capable of responding appropriately to evolving business risks, whether they arise from factors within the Company or from changes in the business environment.

3.1. Organisational Structure

The Company's governance structure is as follows:



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

Moreover, the Company maintains appropriate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, sets the level of risk tolerated by the Company. The Company 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 Company and defines, oversees and is accountable for the implementation of the governance arrangements. The Board is responsible for ensuring that the Company 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
- Firm values and alignment with culture
- Risk management
- Management and resources
- Finance/financial reporting
- Board composition/effectiveness

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The Board comprises of five executive directors who have significant experience in the investment banking 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 Company rests with the individuals who hold SMF functions and/or prescribed responsibilities under the FCA Senior Managers and Certification Regime.

Committee	Description
UK Financial Advisory Leadership Committee	Oversight and management of the business and operational activities of the Firm. Meetings are held on a weekly basis.
Operating Committee	Reviews, oversees, and guides the overall operations of the Firm in line with the strategic direction as set by senior management of the Firm and globally. Meetings are held on a bi-weekly basis.
Risk Committee	Focuses on ensuring operational and regulatory risks impacting the Firm's business are assessed, monitored and where relevant mitigated. Meetings are held at least bi-annually.

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 Company's activities, including the main risks to ensure the sound and prudent management of the Company as well as sufficient knowledge of the legal framework governing the operations of the Firm.

3.5. Directorships

As noted above, the Board is comprised of five executive directors. Details of their roles and the number of external directorships held by these individuals as at 01 July 2024 are set out in the table below.

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

Name of Director	Role at the Company	Number of External Directorships (for active profit organisations only)
Cyrus Kapadia	Executive Director, CEO	0
David Prior	Executive Director, Deputy Chairman	3
Catharine Foster	Executive Director, General Counsel	0
Timothy Springhall	Executive Director, Head of Finance	0
Samantha Worth	Executive Director	0

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

3.6. Policy on Diversity

We strive 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. Our IDEA strategy fosters diversity through hiring, development, promotion and retention while contributing to an equitable and inclusive culture by calling on everyone at the firm to take personal responsibility in ensuring the strategy's success. Additionally, we support the creation of a variety of employee resource groups, which build community across the firm, contribute to our inclusive culture, and provide opportunities for individuals to give back to their communities through volunteering and educational outreach.

Lazard & Co., Services Limited, the employing services company of the Firm, is a signatory to the Women in Finance Charter and, in its last annual disclosure, it confirmed it had met its target (30-35%) of 31% of senior women within the business.

All employees of the Company 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 Company 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 Company to absorb losses.

During the year, the primary objective of the Company 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 Company maintained healthy capital ratios in order to support its business. Further to the above, the Company, 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 Firm 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 Company. The Company'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	134,523	
2.	TIER 1 CAPITAL	134,523	
3.	COMMON EQUITY TIER 1 CAPITAL		
4.	Fully paid up capital instruments	32,803	Box 7
5.	Share premium	45,282	Box 8
6.	Retained earnings	58,367	Box 10
7.	Accumulated other comprehensive income	-	
8.	Other reserves	407	Box 9
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 & adjustments	(2,336)	Box 2
20.	ADDITIONAL TIER 1 CAPITAL	-	
21.	TIER 2 CAPITAL	-	

4.2. Main Features of Capital Instruments

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

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

Own funds: main features of own instruments issued by the firm			
Fully paid capital instruments include ordinary and deferred shares as at 31 December 2023 as shown below:			
Allotted, issued and fully paid			
Number:	Class:	Nominal value:	£'000
27,803,222	Ordinary	£1	27,803
5,000,000	Deferred Shares	£1	5,000
		Total	32,803
<p>The ordinary shares constitute equity interests and the deferred shares constitute non-equity interests. The non-interest bearing deferred shares do not confer the right to receive any dividend, nor the right to receive notice of, attend, or vote at any general meeting. They confer the right, on a winding up, to the repayment of the amounts paid up thereon, after payment to the holders of the ordinary shares of the sum of £100 in respect of each ordinary share held by them.</p> <p>Other reserves constitute a capital redemption reserve which arose on 27 October 2000 when the Company redeemed previously issued Swiss Franc shares at a cost of £1 per share. Share premium arises when shares are issued at a price above par value.</p>			

4.3. Balance Sheet Reconciliation

The following table reconciles the Company's assets and liabilities as at 31 December 2023 to the Company'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	4,761	-	
2.	Investments	2,336	-	Box 19
3.	Debtors	121,628	-	
4.	Cash at bank	73,230	-	
Total Assets		201,955	-	
Liabilities - Breakdown by liability classes per the balance sheet in the audited financial statements				
5.	Creditors: amounts falling due within one year	62,494	-	
6.	Provisions for liabilities	2,602	-	
Total Liabilities		65,096	-	
Shareholders' Equity				
7.	Called up share capital	32,803	-	Box 4
8.	Share premium	45,282	-	Box 8
9.	Capital redemption reserve	407	-	Box 6
10.	Retained earnings	58,367	-	
Total Shareholders' equity		136,859	-	

5. Own Funds Requirements

As noted above, the Company as a non-SNI investment firm is required to have at all times 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 the Company's Permanent Minimum 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 Company's Fixed Overheads Requirement based on the latest audited financial statements is £40,216k.

5.3. K-Factors Requirement

We have considered the K-factor capital requirements and determined none to be applicable to the Company due to the nature of the services provided.

5.4. Overall Capital Adequacy Position

According to MIFIDPRU 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:

$$\frac{\text{Common Equity Tier 1 Capital}}{D} \geq 56\%$$

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

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

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The Company's own funds, own funds requirement and capital ratio reported as at 31 December 2023, were as follows:

Table 6: Capital Adequacy Analysis

OWN FUNDS COMPOSITION	£'000
Total Own Funds	134,523
OWN FUNDS REQUIREMENTS	£'000
<i>Permanent Minimum Capital Requirement</i>	75
<i>Fixed Overheads Requirement</i>	40,216
<i>K-Factors Requirement</i>	-
Total Own funds Requirement	40,216
CAPITAL RATIOS	
Common Equity Tier 1 Capital Ratio (min. 56%)	334.50%
Surplus/(Deficit) of Common Equity Tier 1 Capital Ratio	112,002
Tier 1 Capital Ratio (min. 75%)	334.50%
Surplus/(Deficit) of Tier 1 Capital Ratio	104,361
Total Capital Ratio (min. 100%)	334.50%
Surplus/(Deficit) of Total Capital Ratio	94,307

As per the above results, the Company as at 31 December 2023 maintained adequate own funds to cover its capital requirements. The Company 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 MIFIDPRU 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 Company 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-authorized credit institution;
- assets representing claims on or guaranteed by the UK government or the Bank of England;
- units or shares in a short-term MMF;
- units or shares in a third country fund that is comparable to a short-term money market funds ("MMF"); and
- trade receivables, if the conditions in MIFIDPRU 6.3.3R are met.

In this respect, the Company's core liquid assets as at 31 December 2023 were well above the 1/3 of the Fixed Overheads Requirement as indicated in the table below:

Table 7: Liquidity Requirements

Item	£'000
Total Core Liquid Assets	73,230
Basic Requirement (1/3 of Fixed Overheads Requirement)	13,405
Surplus/(Deficit)	59,825

Further to the above, the Company 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 Company aims to maintain a minimum risk asset ratio which will ensure there is sufficient capital to support the Company under normal and during stressed conditions.

The Company 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 Firm 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 Company and are subject to regular internal review.

The ICARA report presents the main business background aspects and developments of the Company, a summary of the Company's business economic environment, the Company'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 Firm is required to comply with the Overall Financial Adequacy Rule (OFAR). The OFAR requires the Company, 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 Company 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 Company recognises the importance of the ICARA and appreciates that it enables the firm 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 Firm's day to day risk management process and is a key part of the monitoring and control of the risks the Firm faces. Its findings also drive the consideration of the regulatory capital the Firm must hold when the Board performs its capital planning, reporting and budgeting.

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Through its ICARA process, the Firm has concluded that its capital and liquid assets were above the respective thresholds calculated during the year-ended 31 December 2023. Furthermore, the Firm believes 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 Firm 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 based risk register approach to identifying different potential risk events that may affect the Company's overall capital adequacy position. The Company monitors its capital and liquid asset requirements to ensure compliance at all times.

The ICARA report and capital planning for the year 2023 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 Company 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 Company's financial year ended 31 December 2023. The definition of "staff" includes employees of the firm itself, secondees into the firm from other group entities, together with employees of other group entities where these employees are identified as MRTs of the firm.

The Company 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 Company.

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 Company.

6.1. Remuneration Policy Principles

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

The objective of the Company'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 Company and the services it provides to its clients.

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

The Company 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 Company, 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 Ltd Compensation Committee.

6.3. Remuneration and Performance

The Company'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 Company's performance, its business strategy and associated conduct risk as well as the long-term goals of the Company and takes into account the performance of the individual, the business unit and the Company or Lazard Ltd and its subsidiaries and affiliates (the "Lazard Group") overall.

Company Performance - the profitability of the global Lazard Group and the Company with the variable bonus pool determined by its 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, collaboration between jurisdictions and individual revenue generators).

Individual Performance – the assessment of an individual's performance includes financial and non-financial criteria, including compliance with the Company'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 company and is determined through the Company'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 Company is comprised of fixed remuneration and variable remuneration.

Fixed Remuneration

Fixed remuneration consists of base salary and any other non-performance related amounts the Company 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 Company 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 includes discretionary bonuses, guaranteed bonuses, retention awards and buy-out awards.

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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 Company, 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 Company or the Lazard Group overall. As noted above, the Company 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 company'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 company, 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 Company and/or any other entity in the Lazard Group or the relevant business unit) may be taken into account (see above section 2.3 for the material risks identified by the Company). 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 Company'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 Company, they occur in the context of hiring new MRTs, the Company 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 Company 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 Company or of the assets that the Company manages.

The Company's MRTs include senior management of the Company ("Senior Management") and the heads of control functions and individuals whose professional activities have a material impact on the Company'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 Banking Operations have also been deemed control functions (together, the "Other MRTs") as they have the ability to exercise significant influence on the Company's affairs and contribute to maintain various safeguards within the Company.

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 Company's MRTs and other staff broken down by fixed and variable remuneration for the year ending 31 December 2023.

Table 8: Remuneration split of staff within the Company

Annual Remuneration as at 31 December 2023				
Position	No. of Beneficiaries	Fixed Remuneration	Variable Remuneration	Aggregated Remuneration
Senior Management	6	£2.98m	£18.85m	£21.83m
Other MRTs	7	£1.35m	£1.27m	£2.62m
Other Staff	348	£43.76m	£53.03m	£96.79m
Total	361	£48.09m	£73.15m	£121.24m

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The table below provides details of the guaranteed variable remuneration and severance payments awarded to the Company's MRTs for the year ending 31 December 2023.

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

Guaranteed Variable Remuneration and Severance Payments as at 31 December 2023				
Position	No. of Beneficiaries	Guaranteed Variable Remuneration	No. of Beneficiaries	Severance Payments
Senior Management	0	£0m	0	£0
Other MRTs	0	£0	0	£0

7. Investment Policy

The Company 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 Company.