MIFIDPRU 8 Public Disclosure

DigitalBridge UK Advisors 1 LLP

31 December 2022

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Introduction

Business Background

DigitalBridge UK Advisors 1 LLP (the "**Firm**") (CHN: **OC424858**) is a limited liability partnership. The Firm was incorporated on 13th November 2018 and authorised on 11th September 2019 (FRN: 613498) and is regulated by the Financial Conduct Authority ("FCA"). The Firms primary function is to provide investment advisory and other ancillary services to its parent, DigitalBridge Investment Management LLC, and is therefore classified as a MIFIDPRU investment firm and falls into scope of the Investment Firms Prudential Regime ("**IFPR**") and the MIFIPDRU section of the FCA handbook. The Firm is required to comply with the disclosure requirements set out in the MIFIDPRU 8 section of the FCA handbook.

For the purpose of prudential regulations, DigitalBridge UK Advisors 1 LLP is classified as a Non-small and non-interconnected ("**Non-SNI**") firm. The given information is appropriate for the size and nature of the Firm.

Basis and Purpose of Disclosure

This disclosure provides market participants with both qualitative and quantitative information of the Firms governance, risk management processes, own funds makeup and own funds requirements and the Firms remuneration policies and processes to a level of detail which is appropriate to LLP's size, and to the nature, scope and complexity of its activities.

These disclosures are revised at least annually with additional updates prepared during periods of material change and published on the Firms website.

These disclosures have been prepared on a solo entity basis as of 31st December 2022, being the date the Firm last published annual financial statements.

Risk Management Objectives and Policies (MIFIDPRU 8.2)

Approach to risk management

The Management Committee has established and maintained the Firm's governance arrangements. They have designed, implemented and operates a risk management framework that identifies the risks that the execution of the business strategy entails, assesses those risks against the Firm's risk appetite, assesses the arrangements in place to mitigate and/or manage those risks on an ongoing basis, and – where appropriate – identifies, implements and operates enhanced procedures and/or controls to improve the Firm's ongoing mitigation and/or management of specific risks.

Risk management structure and operations

The members of the LLP (the "Members") and the Directors of the Corporate Members, together form the "Management Committee" (same term as defined by the FCA) and therefore the Firm's most senior level of management. The Management Committee currently consists of:

- Matthew Evans
- James Burke
- Manjari Govada;
- DigitalBridge UK 1 Limited; and
- DigitalBridge UK 2 Limited.

Matthew Evans, James Burke and Manjari Govada are responsible for all executive day-to-day aspects of the Firm with the Boards of the Corporate Members only providing strategic input as needed.

Regarding compliance and risk management, there is a hierarchical process to management and oversight. Responsibility ultimately rests with the Compliance Officer, Kristen Whealon, but input can be obtained at the Members level. The Compliance Officer is a member of the Senior Management. The compliance function has overall responsibility for all compliance procedures and compliance monitoring, and reporting will take place on both a regular and as needed basis.

Risk Appetite

The Firm has been and will continue to be cautious with regard to risks. The Firm has a low overall risk appetite, and specifically, does not intend to take significant risk with its own capital and ensures that risk taken within the portfolios it advises is closely monitored. Any issues arising with the latter would not only affect the clients but have an adverse effect on the Firm itself.

The Firm demonstrates its low overall risk appetite by ensuring that an adequate buffer of capital is held in excess of its regulatory requirement is held.

Assessing effectiveness of risk management processes

The Firm conducts a formal review of its ICARA processes on at least an annual basis. The risk management framework forms an integral part of the Firms ICARA process and as such is subject to review, challenge and update by the Firms governing body as part of this formal review to ensure it remains effective for ongoing operational purposes and for feeding into ICARA processes. The Firms governing body concludes that the risk management process is fit for purpose.

Material harms

On an ongoing basis, the Firm maintains the 'Material Harms Assessment' with an exhaustive list of risks which are assessed as to their likelihood of coming to fruition and the potential impact on customers, markets and the Firm should they do so. Mitigations and controls are also documented and their impact upon reducing the risk to provide an overall risk rating after controls. Based on the findings of this register, the Firm has developed several policies, procedures and internal reporting frameworks to control these risks. As new risks emerge, they are identified and added to the register. As different strategic decisions are taken by the Managing Members, the assessment of risks is adjusted. Should the outcome of the assessment of any risk change, this could warrant a change to the strategy, the risk appetite or the policies and procedures.

Risk management objectives and policies

As part of ongoing monitoring of strategic, financial and compliance matters, the Firm ensures it remains in compliance with own funds requirements (MIFIDPRU 4), concentration risk requirements (MIFIDPRU 5), and liquidity requirements (MIFIDPRU 6).

In compliance with MIFIDPRU 4, the Firm calculates K-factor requirements ("**KFR**") for K-AUM, based on the investment portfolios that it advises, and for K-COH, for trades executed outside of these portfolios. The Firm does not hold client money or assets and does not operate a trading book, and so is not required to calculate any other KFRs.

In compliance with MIFIDPRU 5, the Firm monitors and controls its concentration risk using sound administrative and accounting procedures and robust internal control mechanisms. On a quarterly basis, the Firm reports to the FCA its counterparty concentrations of cash deposits and earnings.

In compliance with MIFIDPRU 6, the Firm calculates a basic liquid asset requirement ("**BLAR**") and ensures that it has sufficient core liquid assets to cover this at all times. This position is monitored on an ongoing basis to ensure a healthy surplus to safeguard against unforeseen adverse conditions.

The Firm's adherence with MIFIDPRU 4, MIFIDPRU 5 and MIFIDPRU 6 is subject to rigorous challenge as part of the ICARA process, whereby the potential financial impact of risks and material harms is assessed to determine if the Firm's financial resources are sufficient to withstand severe yet plausible stressed scenarios.

Governance Arrangements (MIFIDPRU 8.3)

DigitalBridge UK Advisors 1 LLP as a standalone entity holds the responsibility of risk management internally, with DigitalBridge UK Advisors 1 LLP board having overall responsibility of the governance and risk management framework. Various committees have been established to delegate specific roles.

Board Composition

The Board consists of the individual members in the table below.

Name	Title	Individual Reference Number	FCA Role
Matthew Evans	Head of Europe, Managing Director	MXE01466	SMF1 Chief Executive SMF27 Partner
Manjari Govada	Principal	MXG15526	SMF27 Partner
DigitalBridge UK 1 Limited	N/A	XXD14154	SMF27 Partner
DigitalBridge UK 2 Limited	N/A	XXD14155	SMF27 Partner
James Peter Burke	Managing Director	JXB13879	SMF17 Money Laundering Reporting Officer (MLRO) SMF27 Partner
Kristen Whealon	Chief Compliance Officer	KXW13669	SMF16 Compliance Oversight
Haig George Bezian	Managing Director	HGB01025	[FCA CF] Client dealing
Zachary Gellman	Principal	ZXG00012	[FCA CF] Client dealing

The Board meets quarterly and is in charge of the Firms Risk management framework, identifying any potential arising risks and oversee the prevailing already established potential harms of the firm. It is the Boards responsibility to challenge the ICARA process and ultimately sign off.

Diversity

The Firm and the Board support and affirm their commitment to the legal and moral imperatives that preclude unlawful discrimination in all relevant matters – including remuneration – on the basis of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, or sexual orientation.

Committees

The LLP has the following committees where certain matters are delegated:

Committee	Principal Role/Function of Committee
Management Committee	Matthew Evans, James Burke and Manjari Govada are responsible for all executive day-to-day aspects of the Firm with the Boards of the Corporate Members only providing strategic input as needed. The Members seek to create and maintain a sound control environment by promoting a strong attitude of control consciousness throughout the organisation. There are regular and formal management meetings between the Members to ensure that all aspects of the Firm's activities are being properly managed and monitored. These each plays an important role in the internal control environment, with all material issues reported and resolved.

Own Funds (MIFIDPRU 8.4)

Under MIFIDPRU 8.4 (Own funds), firms are required to disclose the following information:

- a reconciliation of CET1, AT1 and T2 items including relevant deductions
- a reconciliation against the balance sheet
- a description of the CET1, AT1 and T2 makeup

Composition of Own Funds as at 31 December 2022

	Item	Amount (GBP thousands)	Source based on reference numbers of the audited financial statements
1	OWN FUNDS	200	
2	TIER 1 CAPITAL	200	
3	COMMON EQUITY TIER 1 CAPITAL	200	
4	Fully paid up capital instruments	200	
5	Share premium		
6	Retained earnings		
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		
19	CET1: Other capital elements, deductions and adjustments		
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		

Prior to 31st December 2022, additional share capital of £300,000 was issued and fully paid up however subject to MIFIDPRU 3.3, 20 business days' notice is required by the FCA before such capital can be considered eligible as common equity Tier 1 capital – this notice period had not elapsed by 31st December 2022 and so the additional share capital became eligible from January 2023.

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

		a	b	c
		Balance sheet as in published/audited financial statements	**Under regulatory scope of consolidation**	**Cross reference to template OF1**
		As at 31.12.22	**As at 31.12.22**	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Tangible assets	463,152		
2	Debtors	6,440,207		
3	Cash at bank and in hand	387,365		
5	Total Assets	7,290,724		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
6	Creditors: Amounts falling due within one year	3,675,395		
7	Creditors: Amounts falling due after more than one year	217,524		
8	Members' other interests – other reserves classified as equity	-		
9	Loans and other debts due to members	2,897,805		
10	Total Liabilities	6,790,724		
Shareholders' Equity				
11	Members' capital classified as equity	500,000		Box 1 – see note above
12	Ordinary share capital	-		
12	Retained earnings	-		
13	Total Shareholders' equity	500,000		

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

DigitalBridge UK Advisors 1 LLP own funds consist of capital invested by the LLP individual members in accordance with the Firms partnership agreement. This capital is deemed at CET1 capital and satisfies the requirements set out in the following section 'own funds requirements'. Should an individual member leave or retire from the partnership, the individual member may withdraw its initial own funds invested, providing that an equal replacement is sourced.

Own Funds Requirements (MIFIDPRU 8.5)

DigitalBridge UK Advisors 1 LLP is required to assess the adequacy of its own funds in accordance with the overall financial adequacy rule. As of 31 December 2022, The LLP's basic own funds requirements as a NON-SNI firm in accordance with MIFIDPRU 4.3 were as follows:

	Basic Own Funds Requirement £'000	**Transitional Basic Own Funds Requirement £'000**
Permanent Minimum Requirement ("PMR")	75	50
K Factor Requirement ("KFR")	1,927	-
Fixed Overhead Requirement ("FOR")	858	-
Highest of above	**1,927**	**50**

The Firm utilises the own funds requirements transitional provisions detailed in MIFIDPRU TP2.10 and MIFIDPRU TP2.12 of the FCA's Handbook, the above figures shown are after the transitional provisions have been applied. The transitional provisions allow for an incremental annual increase, based on the basic own funds requirements, of the own funds the Firm is required to maintain.

Whilst the highest basic own funds requirement is currently driven by the KFR, the Firm actively monitors its ongoing expenditure and assets under management ("AUM"), preparing forward-looking financial forecasts to ensure it can stay abreast of any material changes to the basic own funds requirements that would affect the transitional basic own funds requirements.

The risk committee and finance function who are responsible for preparing these disclosures keep up to date with the Firm's strategy and initiatives to ensure that capital planning is in place should the increase in assets exceed the FOR.

The Firm is also obliged to consider risks on top of its basic requirement through its ICARA process in MIFIDPRU 7.6.2. A reasonable estimate is required to ensure firms hold enough own funds to cover its risk identified in the below:

1. The firm is able to remain financially viable throughout the economic cycle, with the ability to address any potential material harms that may result from its ongoing activities; and
2. The firm's business can be wound down in an orderly manner.

Additional own funds from material harms assessment	-
Additional own funds required for the Firm to be wound down in an orderly manner	-
Own Funds Threshold Requirement (Basic plus higher of the above)	**£1,927,147**

Remuneration policy and practices (MIFIDPRU 8.6)

Approach to remuneration

The Partners are responsible for the remuneration policy, which is designed to ensure that DigitalBridge's compensation arrangements:

- are consistent with and promote sound and effective risk management;
- does not encourage risk-taking which is inconsistent with the risk profiles of the AIFs managed;
- seek to avoid creating conflicts of interest; and
- are in line with DigitalBridge's business strategy, objectives, values and long-term interests.

Compensation is based upon consideration of qualitative and quantitative factors, including the performance of the individual and business overall. Variable remuneration is adjusted in line with capital and liquidity requirements.

Development of remuneration policies and practices

The Firm's management body, its 'Management Committee', has responsibility for setting, reviewing, and ratifying the compensation arrangements at the Firm. This review takes place on an annual cycle for the Firm and at the recruitment stage for new joiners.

The Management Committee will consider input from the business and control functions (excluding external parties) to ensure that the Firm is able to offer competitive compensation in order to attract and retain high-quality talent. Further, and, with regard to variable compensation, the Management Committee will consult with the relevant functions, including compliance and risk management, as part of the consideration of relevant non-financial metrics.

The Firm does not have a Remuneration Committee as it is not required to establish one. The Remuneration Policy Statement is tabled to the Management Committee where it is approved and signed off. In the case that remuneration awards are made or paid out, these should be signed off in accordance with the remuneration policy.

The decision-making procedures and governance surrounding the development of the remuneration policies and practices adopted by the LLP, have risk management, equality and conflicts of interest at their core:

- Risk management - The Firm seeks to promote sound and effective risk management and discourages risk-taking that exceeds the level of risk tolerated by client mandates and the Firm itself, although it should be noted that the Firm's regulated activities do not lend themselves to risk-taking. As such, the Firm ensures that its remuneration practices are integrated with, and informed by, long-term business model planning and a positive and purposeful culture. Moreover, its practices are aligned with the interests of, and outcomes sought by, its client.

- Equality - DigitalBridge of which DBUK form a part, is a responsible employer with a global mindset and strives to create a business environment that embraces diversity and fosters inclusivity. DigitalBridge believes that an intentional focus on Diversity, Equity, and Inclusion ("DEI") is paramount to the long-term success of the Group, which includes DBUK. DigitalBridge has accordingly implemented a DEI policy, which details the specific responsibilities of DigitalBridge to strive towards creating more diverse teams across the Group and building a more equitable and inclusive environment for its employees and broader stakeholders. The Firm's remuneration policies and 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. These policies and practices accord with the Group DEI Policy.

- Conflicts of interest - The Firm's Compliance Manual ("Manual") and Compliance Policies and Procedures Manual ("CPPM") establish a control environment that includes policies governing personal account dealing, outside business interests, gifts and entertainment, inducements, anti-bribery, and other conflicts management procedures. The Manual includes a Conflicts of Interest Policy which considers actual and potential conflicts of interest with regard to the Firm's business. This process requires the Firm to review potential conflicts of interest on a regular basis, including throughout the lifecycle of the client relationship.

Objectives of financial incentives

The LLP's objectives of financial incentives can be summarised as follows:

- Attract and retain highly motivated, talented and goal orientated employees,
- Encourage, drive and motivate staff to meet their performance targets,
- Individuals are rewarded based on their contribution to the overall strategy of the LLP; and
- Other factors such as performance, reliability, effectiveness of controls, business development and contribution to the LLP are taken into account when assessing the performance of the senior staff responsible for the infrastructure of the LLP.

Components of remuneration

The LLP's remuneration included in this disclosure is made up of the following components:

Fixed remuneration

- Base Salary/partnership drawings
- Pension
- Benefits in kind

Variable Remuneration

- Discretionary bonus
- Carried interest
- Company stock

Performance criteria used for assessment

Individual performance is reviewed on an annual basis and all staff awards are based upon the overall performance of the Firm, the Group, and the funds, taking into account financial metrics, function performance, and individual contribution, as well as compliance with the Firm's core compliance policies.

The assessment includes consideration of the business cycle of the Firm, the Group, its risk, and the investment strategy, such that compensation practices are aligned with the outcomes achieved.

The Firm ensures that non-financial criteria form a significant part of the appraisal process which informs the allocation of bonus awards and, where necessary will override any abiding financial performance achieved by the business overall.

Quantitative Remuneration

Aggregated quantitative information for all remuneration paid to staff can be seen below.

Fixed Remuneration	£3,481,986
Variable Remuneration	£3,856,097
Total Remuneration	£7,338,083

Material Risk Takers

The LLP has used the guidance in SYSG 19G.5.3 to identify the firms material risk takers (MRT's). The Firms MRT's are made up solely of senior management and individuals that have managerial/supervisory responsibilities for the firms regulated activities and ultimately have a direct impact on the firms risk profile. The Board are responsible for reviewing existing MRT's and identifying new MRT's. As at 31st December 2022 the Board had identified 6 MRTs, their total remuneration for the period is set out below.

	MRTs	Other Staff
Number of MRT's	6	24
Fixed Remuneration	£1,753,365	£1,728,621
Variable Remuneration	£2,806,257	£1,049,840
Total Remuneration	£4,559,621	£2,778,462

The LLP operates a deferred compensation bonus scheme, during the period January 1, 2022 – December 31, 2022 included in variable remuneration that was deferred for a period up to 2 years. £524,547.35 was paid out during 2022 which related to stock comp bonuses that had vested. All other amount included in variable remuneration relate to performance related cash payment awarded and paid within 9 months of the year end. £121k of severance payments were awarded during the year.