



GAMCO
INVESTORS

CAPITAL REQUIREMENTS DIRECTIVE
PILLAR 3 DISCLOSURE
GAMCO ASSET MANAGEMENT (UK) LIMITED

As at May 2020

1. INTRODUCTION and BACKGROUND

The European Union's ('EU') Capital Requirements Directive ('CRD'), as amended from time to time, has established a regulatory capital framework across the EU governing the amount and nature of capital that credit institutions and investment firms must maintain. In the United Kingdom ('UK'), the CRD has been implemented by the Financial Conduct Authority ('FCA') through rules and guidance set out in the Interim Prudential sourcebook for Investment Businesses ('IPRU (INV)'), the General Prudential Sourcebook ('GENPRU') and the Prudential Sourcebook for Banks, Building Societies, and Investment Firms ('BIPRU').

As a '*full-scope UK AIFM*' that also undertakes permitted additional MiFID type activities in addition to '*managing an AIF*', GAMCO Asset Management (UK) Limited ('GAMCO UK') (the '**Firm**') falls within the definition of a '*collective portfolio management investment firm*' ('CPMI') and is a BIPRU firm ('BIPRU 1.1.7A'). As such, in addition to the IPRU (INV) 11 Prudential Sourcebook, the Firm also has to comply with the prudential obligations contained in the GENPRU and BIPRU sourcebooks which together addresses both the Firm's capital requirements under the Alternative Investment Fund Management Directive ('AIFMD') in '*managing an AIF*' and under the CRD in respect of the additional MiFID type activities ('IPRU (INV) 11.6.1(1)'). In the main, BIPRU only applies to a collective portfolio management firm such as GAMCO UK in respect of its designated investment business excluding managing an AIF. An exception is Pillar 2 (the Internal Capital Adequacy Assessment Process ('ICAAP'), see below) which applies to the whole of GAMCO UK's business and the Pillar 3 disclosure ('BIPRU 1.1.3').

2. OVERVIEW OF ALTERNATIVE INVESTMENT FUND MANAGEMENT DIRECTIVE

The AIFMD is an EU directive that entered into force on 22 July 2013, with a 12 month transitional period allowing firms to comply with the directive by 22 July 2014. The AIFMD classifies certain investment vehicles, including investment companies, as Alternative Investment Funds ('AIFs') and requires them to appoint an Alternative Investment Fund Manager ('AIFM') to manage and oversee the operations of the investment vehicle. The Boards of the AIFs retain responsibility for strategy, operations and compliance and the Directors retain a fiduciary duty to shareholders.

For the purposes of the AIFMD, GAMCO UK is the appointed AIFM to the funds which are classified as AIFs under the AIFMD.

Under IPRU (INV), GAMCO UK is required to maintain own funds equal to the higher of:

- The FOR; or
- The Funds under Management Requirement ('FUMR') which is the BCR ('€125,000') plus 0.02 per cent of the amount by which the total value of Funds Under Management ('FUM') exceeds €250 million (or equivalent), subject to a cap of €10 million (or equivalent).

'Funds' in this context means AIFs and includes funds where a firm has delegated the management function but excludes funds that it is managing as a delegate.

In addition to the own funds requirements, GAMCO UK is also required to:

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (2019)

Capital Requirements Directive

Pillar 3 Disclosure

GAMCO ASSET MANAGEMENT (UK) LIMITED

FRN: 197343

- Have additional own funds which are appropriate to cover potential liability risks arising from professional negligence. The amount of additional own funds that must be maintained is 0.01 per cent of the AUM of the AIFs being managed by the Firm; or
- Hold professional indemnity insurance against liability arising from professional negligence which is appropriate to the risks covered. The coverage of such insurance for an individual claim must be equal to at least 0.7 per cent of the value of the portfolios of AIFs managed by GAMCO UK with the coverage of the insurance for claims in aggregate per year to be equal to at least 0.9 per cent of the value of the portfolios of AIFs managed by the Firm.

3. OVERVIEW OF CAPITAL REQUIREMENTS DIRECTIVE

The framework established by the CRD for the management of regulatory capital consists of three 'Pillars'. The three Pillars are set out in the revised Basel Accord, which has been written into EU Law through the CRD, and further developed in the Pillar 2 guidance issued by the European Banking Authority ('EBA').

Collectively Pillars 1, 2 and 3 form an overall framework for prudential supervision of banks, credit institutions and investment firms.

-  Pillar 1 specifies the minimum regulatory capital requirements that authorised firms need to hold. This is the higher of the Base Capital Requirement ('BCR'); and the Fixed Overheads Requirement ('FOR'); or the sum of the prescribed Credit Risk ('CR') Capital Requirement plus the Market Risk ('MR') Capital Requirement (in respect to designated investment business).
-  Pillar 2 requires firms to analyse the risks to the business and then consider whether the risks are mitigated to an appropriate standard. Where the firm considers that the risks are not adequately mitigated then it is required to assess the amount of internal capital it considers adequate to cover all of the risks to which it is, or likely to be, exposed and the need to hold additional capital against the risks not covered by Pillar 1. Stress and scenario tests are conducted to ensure that the processes, strategies, and systems are comprehensive and robust, and that the allocation of capital is sufficient; and
-  Pillar 3 requires firms to develop a set of disclosures which allows market participants to assess key information about the firm's underlying risks, its policies, and controls for managing risk and its capital position and resources.

The purpose of this Statement is to meet the BIPRU requirements as regards Pillar 3 obligations by setting out GAMCO UK's risk management objectives and policies. This Statement is produced on an annual basis, shortly after the accounts for GAMCO UK have been audited and the completion of its ICAAP.

4. INFORMATION COVERED UNDER THIS DISCLOSURE

In this document the Firm discloses information, unless it has been determined as immaterial or of a proprietary or confidential nature, on:

- GAMCO UK's risk management objectives and policies;
- The scope of application of directive requirements;

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (2019)

Capital Requirements Directive

Pillar 3 Disclosure

GAMCO ASSET MANAGEMENT (UK) LIMITED

FRN: 197343

- GAMCO UK's capital resources;
- GAMCO UK's compliance with the rules in IPRU (INV), BIPRU and on Pillar 2 requirements; and
- GAMCO UK's remuneration.

5. SCOPE AND BASIS OF THE DISCLOSURE

This Statement is made in respect of GAMCO UK only. GAMCO UK is authorised and regulated by the FCA to provide advisory and discretionary investment management services. This disclosure does not include any statement for any other member of the GAMCO Investors, Inc. ("**GAMCO**") Group of companies. The Firm is not required by the FCA to report its financial returns on a consolidated basis.

The FCA has authorised GAMCO UK with the following Part 4A Permission:

- Advising on investments (except on Pension Transfers and Pension Opt Outs);
- Agreeing to carry on a regulated activity;
- Arranging (bringing about) deals in investment;
- Managing an unauthorised AIF;
- Dealing in investments as agent;
- Making arrangements with a view to transactions in investments;
- Managing investments; and
- Arranging safeguarding and administration of assets.

GAMCO UK does not have the Part 4A Permission to hold Client Money and/or Client Assets, it does not operate a Trading Book, and therefore it is outside of the scope of CRD IV.

GAMCO UK benefits from the FCA's Capital Requirements Regulation ('**CRR**') derogation, which permits the Firm to continue to comply with the CRD III requirements and as such, the following disclosures are in accordance with the requirements of BIPRU 11, which requires that a firm subject to the provisions of the Directive must disclose the relevant information required under this rule unless the information is believed to be immaterial, proprietary or confidential.

GAMCO UK may omit information it deems as immaterial, in accordance with the rules. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. Accordingly, where GAMCO UK has considered an item to be immaterial it has not been disclosed.

The Pillar 3 disclosure must be done in accordance with a formal disclosure policy which sets out GAMCO UK's policies for assessing the appropriateness of its disclosures, including their verification and frequency. The FCA's Rules provide that the Firm may omit one or more of the required disclosures if it believes that the information is immaterial.

Where GAMCO UK has considered a disclosure to be immaterial, it has stated this in the relevant section.

The Firm is also permitted to omit one or more of the required disclosures where it believes that the

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (2019)

Capital Requirements Directive

Pillar 3 Disclosure

GAMCO ASSET MANAGEMENT (UK) LIMITED

FRN: 197343

information is regarded as proprietary or confidential, which if it such information was shared, would undermine GAMCO UK's competitive position. Information is considered to be confidential where there are obligations binding the Firm to confidentiality with its customers and counterparties. Where GAMCO UK has omitted information for either of these two reasons, the Firm has stated this in the relevant section and the reasons for this.

6. FREQUENCY AND LOCATION

GAMCO UK makes its Pillar 3 disclosure at least annually. The disclosure will be as at the Accounting Reference Date ('ARD') and displayed on a GAMCO Asset Management website.

7. VERIFICATION

The information contained in this Pillar 3 disclosure has not been audited by GAMCO UK's external auditors and does not constitute any form of financial statement.

8. RISK MANAGEMENT

8.1 OVERVIEW

The FCA's Principle 3 requires that GAMCO UK takes reasonable care to organise and control its affairs responsibly and effectively, with adequate risk management systems. To do this the Firm has established and operates a Risk Matrix. This Risk Matrix sets out the standards and requirements for risk management, control, and assurance at GAMCO UK. The Risk Matrix aims to ensure that the Firm manages and controls its risks. It also informs and is directed by the business strategy in which risk management considerations are integral. Due to GAMCO UK's size and proportionality, it has not established an independent risk management and/or audit function.

However, independent assurance of the effectiveness and appropriateness of the Risk Matrix is provided by the Firm's Governing Body, the Board of Directors (the '**Board**'). The Risk Matrix is reviewed by GAMCO UK's Compliance Officer ('**CO**') and approved by its Board. The implementation and operation of the Risk Matrix is the responsibility of the CO.

GAMCO UK defines risk tolerance as the type and level of risk that it, as an advisory and discretionary investment manager, is willing to accept in pursuit of its business objectives. A number of risk tolerance levels have been established by the Board and the Firm's Chief Executive Officer ('**CEO**') in order to monitor the key risks that the Firm faces, and these are outlined in the Risk Matrix.

Although the Firm believes that its risk management arrangements outlined herein are appropriate for the size and complexity of its business and that the capital resources GAMCO UK holds is adequate to meet the risks that it faces, the Firm cannot guarantee that this will actually be the case in the event any particular risk arises.

There will always be some unlikely risks with unusually high impact which may require additional capital. GAMCO UK's risk management policy reflects the FCA requirement that it must manage a number of different categories of risk. These include credit, market, business, operational, liquidity, insurance and group risk. In respect of this disclosure it is the first five of these risks that are relevant and further information is provided on these risks below.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (2019)

Capital Requirements Directive

Pillar 3 Disclosure

GAMCO ASSET MANAGEMENT (UK) LIMITED

FRN: 197343

8.2 CREDIT RISK

As a Limited Licence BIPRU Investment Firm, GAMCO UK neither holds Client Money nor Client Assets nor does the Firm lend money, and it is, therefore, not exposed to Credit Risk in its traditional sense. The Firm's direct exposure to Credit Risk is the risk that its investment management and/or investment advisory fees cannot be collected and its exposure to the banks where its income/revenue is deposited. All bank accounts are held with large international credit and regulated institutions.

The Firm regularly monitors amounts due from its clients and it has appropriate credit control procedures in place. GAMCO UK's credit control process is operated by its CEO together with the Firm's independent accountants and any outstanding balances are reported to senior management on a monthly basis via the Firm's management accounts. All management accounts are subject to an annual audit. Given the nature of its exposures, it has not been deemed necessary to implement a specific policy for hedging and mitigating credit risk and to apportion additional capital.

GAMCO UK's Board has set its Credit Risk appetite as "LOW". Credit Risk, for the purpose of Pillar 2, is assumed to be that calculated at Pillar 1. Consequently, the Firm has a limited number of credit exposures in respect of which it uses a risk weighted exposure of 8% of the total balance due in accordance with the provisions applied under the simplified standardised approach detailed in BIPRU 3.5 of the FCA Handbook. Consequently, credit risk is not considered by the Firm to be material for the purposes of this disclosure.

8.3 MARKET RISK

As a Limited Licence BIPRU Investment Firm, GAMCO UK does not have a Trading Book, does not hold Client Money and/or Client Assets; and, is therefore not directly exposed to Market Risk. The Firm's only potential direct exposures is Non-Trading Book Exposures that relate specifically to Foreign Exchange Risk in respect of the accounts receivable and cash balances held in currencies other than in GBP. Therefore, the Firm does not have any material exposure to either Foreign Exchange Risk or Position Risk, which together make up Market Risk.

Disclosures in relation to its Market Risk have been considered immaterial under BIPRU 11.3. of the FCA Handbook, as the Firm's capital requirement under GENPRU 2.1 of the FCA Handbook is the Fixed Overhead Requirement ('FOR') rather than the sum of its CR and MR.

The Firm has not adopted a specific strategy in order to mitigate the risk of currency fluctuations arising from receipt of its investment management and/or advisory fees in currencies other than GBP. Any exposures are monitored on a regular basis and reported to GAMCO UK's senior management via its monthly management accounts.

The Firm calculates its Foreign Exchange Risk as set out in BIPRU 7.5 of the FCA Handbook. GAMCO UK applies an 8% risk factor to any foreign exchange exposure. All the Firm's reserves and cash balances are held in GBP. GAMCO UK's Board has set its Market Risk appetite as "LOW" and, for the purposes of Pillar 2, is assumed to be that calculated at Pillar 1. Foreign Exchange Risk, and therefore Market Risk, is not considered to be material for the purposes of this disclosure.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (2019)

Capital Requirements Directive

Pillar 3 Disclosure

GAMCO ASSET MANAGEMENT (UK) LIMITED

FRN: 197343

8.4. BUSINESS RISK

Business Risk might arise from external sources such as changes to the economic environment or one-off economic shocks, and also from internal sources such as poor investment decisions or allocation of capital resulting in poor performance and damage to the Firm's reputation.

The Firm conducts a formal assessment of any Business Risk to which it may be exposed on an annual basis, though given the size and nature of its business, no separate Risk Management function is considered necessary in respect of its own balance sheet. Matters arising from the review are considered and mitigating or remedial action is taken where appropriate.

GAMCO UK's Pillar 2 assessment principally takes the form of a fall in assets under management following a market downturn that leads to lower investment management fees and/or a market downturn that leads to lower other income. Different economic scenarios are modelled as part of the Pillar 2 assessment to establish the impact of economic and market downturns on its financial position.

The Firm's senior management are responsible for monitoring the impact of any market downturn on its business. Controls implemented include the continuing monitoring of its budgets and expenses and performance to determine any market risk. All figures are reviewed monthly by the senior management with management accounts prepared by the finance team of the Firm's parent company, GAMCO.

8.5. OPERATIONAL RISK

Operational Risk can be defined as the risk of losses arising from inadequate or failed internal processes, people and systems, administrative errors, fraud and/or theft or from external events, including Legal Risk. Most of the Firm's risk management efforts are focused on Operational Risk.

GAMCO UK's policy is to operate a robust and effective risk management process, embedded within the governance and management structures of its business. The Firm's risk management framework defines what Operational Risk means to the business and this is reviewed as part of the Firm's Annual review of its ICAAP and approved by the Board.

The main initiative is the establishment of a "Risk Matrix" which includes analysis of the key risk areas identified by the senior management. These areas cover specific risk items within the following areas: Financial; Strategy; Customer Service; Third Party Outsourcing; Operational; and Legal and Regulatory. The Firm seeks to identify the impact and probability of each risk item and rank it as High, Medium, or Low. GAMCO UK also identifies and implements measures to mitigate the risk and monitor any residual risk on an ongoing basis.

GAMCO UK conducts a formal assessment of its Operational Risk to which it is exposed on an annual basis. Whilst no separate risk management function is considered necessary in respect of the Operational Risks which the Firm faces, given its size and the nature of the risks faced, risk management remains a key function of the business in respect of the investment business conducted by the Firm. Matters arising from the review are considered and mitigating or remedial action is taken where appropriate.

GAMCO UK has professional indemnity insurance in place to mitigate against the risk of costs being incurred. The Firm is reliant on its ability to attract and retain key investment personnel. Appropriate

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (2019)

Capital Requirements Directive

Pillar 3 Disclosure

GAMCO ASSET MANAGEMENT (UK) LIMITED

FRN: 197343

arrangements are in place to mitigate this, including thorough vetting procedures and an appropriate remuneration structure. The Firm has alternative arrangements in place should a disaster recovery event occur. These arrangements are tested from time to time in order to ensure that they would be effective should they be required to be invoked.

GAMCO UK seeks to minimize any Operational Risk that it might face through its internal systems and controls arrangements. The Firm considers risks which may impact the business directly or indirectly. The most significant operational risks facing the Firm would most likely be a catastrophic systems failure and it has in place Business Continuity and Disaster Recovery arrangements that are monitored and overseen by its CEO. Any Operational Risk identified is addressed by the senior management promptly and will either be resolved as a priority or GAMCO UK's Board will allocate Pillar 2 capital to cover the potential impact of the risk.

8.6. LIQUIDITY RISK

As a Non-ILAS firm, GAMCO UK is subject to only a limited number of the FCA's liquidity requirements as set out in BIPRU 12 of the FCA Handbook. However, the Firm is required, at all times, to maintain liquidity resources which are adequate, both as to amount and quality, and to ensure that there is no significant risk that the Firm's liabilities cannot be met as they fall due.

To meet its overall liquidity requirements, GAMCO UK ensures that it holds sufficient assets which are marketable, or otherwise realisable; that it is able to generate funds from those assets in a timely manner; that it maintains a prudent funding profile in which its assets are of appropriate maturities, taking account of the expected timing of its liabilities; and that it is able to generate unsecured funding of appropriate tenor in a timely manner.

Management accounts are prepared that detail the Firm's reserves, income, and expenditure and these are compared to its rolling twelve month cash flow forecasts. The nature and level of its liquidity risk is regularly reviewed by the senior management such that adjustments would be made to GAMCO UK's model for, by example, persistent late fee payers.

In accordance with the FCA's requirements, the Firm's Board has established a risk tolerance level against which its actual liquidity position is compared. GAMCO UK's Board considers that the FOR, which represents the equivalent to a quarter of the Firm's fixed relevant annual costs, is the minimum level of liquidity that it seeks to retain at all times.

This has been deemed appropriate for the Firm's business model as GAMCO UK does not deal for its own account, maintains neither a Trading Book nor holds Client Money and/or Client Assets. The maintenance of this level of liquidity would ensure that the Firm would either be in a position to implement its contingency funding plans or seek an orderly wind-down of its business.

GAMCO UK's liquidity position is determined solely from the reserves that it holds, and the fee income received on an ongoing basis from its respective business lines. Current fee income is based on investment management and/or advisory fees and/or other income. All reserves and surplus income are held as cash with large international credit and regulated institutions.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (2019)

Capital Requirements Directive

Pillar 3 Disclosure

GAMCO ASSET MANAGEMENT (UK) LIMITED

FRN: 197343

9. CAPITAL REQUIREMENTS AND RESOURCES

As a 'full-scope UK AIFM' and in accordance with IPRU (INV), GAMCO UK is required to maintain own funds equal to the higher of:

- The FOR; or
- The FUMR which is the BCR ('€125,000') plus 0.02 per cent of the amount by which the total value of FUM exceeds €250 million (or equivalent), subject to a cap of €10 million (or equivalent).

9.1. FIXED OVERHEAD REQUIREMENT ('FOR')

During the review period, GAMCO UK did not manage the investments of an AIF. Therefore, it is the opinion and decision of GAMCO UK's Board, that it is the FOR that is the higher capital resource requirement and the Firm's FUMR, MR and CR capital requirements are deemed immaterial. GAMCO UK's Pillar 1 capital resources requirement is determined by its FOR, calculated in accordance with GENPRU 2.1.53, since this is the largest of the variable factors to be considered.

The Firm monitors its expenditure on a monthly basis and takes into account any material fluctuations in order to determine whether its FOR remains appropriate to the size and nature of its business or whether any adjustment needs to be made intra-year. This position is monitored by GAMCO UK's CEO together with the finance team of its parent company and reported to the senior management.

GAMCO UK calculates its FOR after first deducting variable costs from its fixed relevant audited annual expenditure. Variable costs deducted when calculating its current FOR relate to discretionary bonuses paid to staff, non-recurring staff related, legal and tax advisory costs as well as exchange rate losses.

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (2019)

Capital Requirements Directive

Pillar 3 Disclosure

GAMCO ASSET MANAGEMENT (UK) LIMITED

FRN: 197343

As at 31 December 2019	£000
CORE TIER 1 CAPITAL	817.087 *
<i>*No innovative tier one capital is held</i>	
Deductions from Tier 1 Capital – Intangible assets	0
TIER 2 CAPITAL	0
Deductions from Tier 2 Capital	0
TIER 3 CAPITAL	0
TOTAL CAPITAL/OWN FUNDS	817.087
Base capital resource requirement (€125,000 at €:£ of 1:0.8465 as at 31.12.2019)	105.813
Credit risk capital requirement (under the standardised approach)	22
Fixed overhead requirement	208.560
Funds under management requirement	0
Professional negligence capital requirement	0
OWN FUNDS SURPLUS	608.527

10. COMPLIANCE WITH RULES IN BIPRU AND PILLAR 2 REQUIREMENTS

GAMCO UK's overall approach to assessing the adequacy of its internal capital and to meet its Pillar 2 obligations is set out in its ICAAP. The purpose of the ICAAP is to inform the Firm's senior management and its Board of the ongoing assessment of the risks faced by the business, how GAMCO UK mitigates those risks and, having considered those mitigating factors, how much current and future capital is required to meet those risks.

The ICAAP process involves separate consideration of risks to the Firm's capital combined with:

➤ **Scenario analysis and stress testing.**

These are financial scenarios are determined by GAMCO UK's Risk Management arrangements that are used to help assess whether the Firm is appropriately capitalised to withstand a range of adverse circumstances and events.

➤ **Wind down analysis.**

The objective of the wind down analysis is to demonstrate that GAMCO UK has sufficient capital resources to be able to wind-down its regulated activities in an orderly manner.

The level of capital required to cover risks is a function of impact and probability.

The Firm assesses impact by modelling the changes in its income and expenses caused by various potential risks over a twelve month time horizon. Probability is assessed subjectively.

A review of GAMCO UK's ICAAP is completed (and updated where applicable) at least annually or more frequently if material internal or external factors make it prudent to do so. The ICAAP and the reporting

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (2019)

Capital Requirements Directive

Pillar 3 Disclosure

GAMCO ASSET MANAGEMENT (UK) LIMITED

FRN: 197343

on the risks contained within it, is considered and owned by GAMCO UK's CO and CEO. It is formally approved on an annual basis by GAMCO UK's Board.

The Firm's ICAAP analysis has not indicated a need to hold financial resources in excess of our Pillar 1 capital requirements. The ICAAP confirms that GAMCO UK has appropriate financial resources to meet its business requirements over the coming twelve month period and it has assessed that that no additional capital is currently necessary to meet its business requirements over the coming twelve month period.

However, GAMCO UK applies a prudent internal policy to the management of its capital and holds capital resources materially in excess of its regulatory requirement. The Firm monitors its expenditure and revenues on a monthly basis in order to take account of any material fluctuations which may cause the FOR to be reassessed. The Firm ensures that at all times it has sufficient capital to meet its FOR and it verifies this on a monthly basis. No fixed methodology is used to calculate the excess to be held over the Firm's regulatory requirements and is determined by GAMCO UK's CEO and CO on a continuing basis. This ensures that the Firm maintains flexibility to make decisions on its capital resources appropriate to the prevailing circumstances in the financial services industry and the risks faced by its business.

11. REMUNERATION CODE POLICY STATEMENT

As a CPMI Firm, the Firm is subject to the AIFM Remuneration Code (SYSC 19B), which requires GAMCO UK to provide information on its remuneration arrangements. As a firm that is subject to the CRD III and therefore still subject to the FCA's BIPRU and GENPRU requirements, the FCA's BIPRU remuneration principles proportionality rule requires GAMCO UK, when establishing and applying the total remuneration policies for BIPRU Remuneration Code staff, to comply in a way and to the extent that is appropriate to its size, internal organisation and the nature, the scope and the complexity of its activities.

This allows the Firm's Board to adopt a simplified approach (on a proportionate basis) to the UK Remuneration Code. The Firm is therefore subject to the minimum prescribed levels of UK Remuneration Code disclosures and GAMCO UK has disapplied some of the more onerous principles of the AIFM Remuneration Code, most significantly those relating to retained units, shares or other instruments, deferral, and performance adjustment, based on the application of the proportionality elements described in the FCA's General Guidance on the AIFM Remuneration Code.

The purpose of GAMCO UK's Remuneration Code Policy Statement is to ensure that it has risk focused remuneration policies, which are consistent with, and promote effective risk management and do not expose and/or encourage its business to excessive risk taking. As part of the Firm's continuing governance, GAMCO UK has in place remuneration arrangements designed to avoid conflicts of interest; are in line with its business strategy and objectives, the Firm's values and long term interests; and do not adversely impact its ability to meet the obligations that it may owe from a client, legal, regulatory and/or other financial perspective.

Due to the nature, scale and complexity of its business and the nature and range of the investment services and activities undertaken in the course of that business, GAMCO UK has deemed it, on proportionality grounds, not to be appropriate to establish and maintain an independent Remuneration

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (2019)

Capital Requirements Directive

Pillar 3 Disclosure

GAMCO ASSET MANAGEMENT (UK) LIMITED

FRN: 197343

Committee. Remuneration is determined by Mario Gabelli (president of GAMCO Investors Inc, the parent company of GAMCO UK) and Douglas Jamieson (Non-Executive Director of GAMCO UK) who set the levels of bonuses to be awarded based on the individual's specific contribution to the business during the period in question.

Mario Gabelli and Douglas Jamieson in conjunction with GAMCO UK's Board reviews the remuneration policy and the remuneration of the Firm's Code Staff on an annual basis. The Board analyses GAMCO UK's profits for the calendar period and determines whether to allocate a set amount of the profits for the year to:

- i) Meet basic remuneration requirements;
- ii) Meet an incremental increase in basic remuneration; and
- iii) Meet any variable remuneration requirements.

Basic remuneration and any incremental increases are established after consideration of applicable industry levels.

Variable remuneration levels are established on an individual basis dependent on that individual's contribution to the overall growth of the Firm's business and are not just determined on the individual contribution to profitability as outlined above. Total variable remuneration is either generally considerably contracted when the firm's performance is subdued or is not established for a period of negative performance. GAMCO UK does not use a pre-set formulaic matrix to determine either basic remuneration and or variable remuneration.

Variable remuneration levels to be awarded are based on the individual's specific contribution to the business during the period in question. All members of GAMCO UK's staff, including Remuneration Code Staff, receive a basic salary; pension benefits; sickness benefits and deaths in service benefits; and, where appropriate, a discretionary bonus.

Once the basic and variable remuneration levels have been established, GAMCO UK reviews the proposals for any risks and/or conflicts and as part of the Firm's continuing risk management arrangements before authorising the new remuneration package for each Code Staff. An individual's contribution to the overall business is a key factor in the determination of their specific remuneration.

Each individual's contribution (where applicable) to the Firm's profitability; the composition and the contribution of staff eligible to receive a bonus; current market practices and forces; achievement of objectives; business development in terms of clients, revenue, infrastructure and control; and the overall effective functioning of GAMCO UK; and the Firm's budgeted expenditure and plans for the future are the main criteria in determining an individual's remuneration. It is not based solely on the level of revenue generated by each individual.

GAMCO UK does not use the services of any external consultants to either determine or assist in the determination of its remuneration policy. The Firm has included the following categories of members of its staff as Remuneration Code Staff: GAMCO UK has deemed that all Significant Influence Functions

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (2019)

Capital Requirements Directive

Pillar 3 Disclosure

GAMCO ASSET MANAGEMENT (UK) LIMITED

FRN: 197343

(SIFs), senior managers and investment managers should be included as Remuneration Code Staff. GAMCO UK has identified four Remuneration Code Staff in total for the period in question.

There are no executive incentive schemes in place. All employees receive a basic salary; pension; sickness benefits and death in service benefits; and (where relevant) the discretionary bonus. Any variable remuneration (i.e. discretionary bonuses) is paid based on the profitability of the business and not on the income generated by the individual. Employees of GAMCO UK as part of their total compensation are granted periodic Restricted Stock Awards (RSAs). RSAs are authorised by the Board of GAMCO Investors, Inc. and the number of stock awards is determined by Mario Gabelli (president of GAMCO Investors Inc, the parent company of GAMCO UK) and Douglas Jamieson (Non-Executive Director of GAMCO UK).

The long-term interests of the Firm's shareholders are represented by the Board and the long-term interests of the Firm's investment team are strongly aligned to the overall success of GAMCO UK and its investment management business and are not dependent on the amount of revenue generated by a specific member of staff.

All Remuneration Code Staff report directly to the Board. The base remuneration is deemed appropriate to ensure that the Firm's Remuneration Code Staff are not overly dependent on any portion of remuneration which is related to the overall performance of the Firm's business. Remuneration arrangements are reviewed on an annual basis, and do not recognise and/or consider any future earnings streams.

Any base and/or variable remuneration for any member of staff is determined and based firstly, on the overall profitability of the Firm's business; and secondly, on the contribution of the member of staff to the business. GAMCO UK typically only pays variable remuneration from current profits. However, in certain circumstances, for example where the Firm is loss making, it may look to make small variable remuneration payments out of earnings retained from prior years.

Where senior management do hold an equity interest in the business this does not form part of their remuneration arrangements and is held on an individual basis. The firm does not buy out deferred variable remuneration for new joiners to the business and during the period in question, the Firm has not offered any specific retention awards to any Remuneration Code Staff.

GAMCO UK's Board and senior management recognise the application of the FCA's Remuneration Code and understand their obligations in this regard. Any remuneration scheme that facilitates the avoidance of the FCA's Remuneration Code would not be approved.

The breakdown of GAMCO UK's remuneration for the financial year ended 31 December 2019:

Breakdown of remuneration of staff in respect of whom disclosure is required by business area

INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (2019)

Capital Requirements Directive

Pillar 3 Disclosure

GAMCO ASSET MANAGEMENT (UK) LIMITED

FRN: 197343

Business Area		Total remuneration
Investment Management		£0
Aggregate quantitative information on remuneration broken down by senior management and members of staff whose actions have a material impact on the risk profile of the firm		
Senior management	Other members of staff	Totals
£330,000	£0	£330,000

