SUMITOMO MITSUI TRUST INTERNATIONAL LIMITED

Introduction

Sumitomo Mitsui Trust International Limited (the "**Firm**", 'SMTIL') is authorised and regulated by the UK Financial Conduct Authority ("**FCA**") and complies with the regulatory capital framework in the UK Investment Firms Prudential Regime ("**IFPR**"). The IFPR is the prudential regime for MiFID investment firms applied by the FCA. The IFPR rules are primarily set out in FCA's Prudential sourcebook for MiFID Investment Firms ("**MIFIDPRU**").

For the purposes of MIFIDPRU, the Firm is categorised as a non-Small and Non-Interconnected ('non-SNI') MIFIDPRU investment firm and is not subject to consolidated reporting with other entities.

This report has been prepared in accordance with the requirements of Chapter 8 of MIFIDPRU and, unless otherwise stated, its scope is the Firm's most recently ended financial year, which ended on 31st December 2023.

The information below is published for the purposes of complying with the disclosure requirements in Chapter 8 of MIFIDPRU and is updated annually and published on the Firm's website, https://uk.sumitrust-am.com/disclosures-uk-row. It is based on the Firm's financial position at its year end reporting date. The disclosures do not constitute any form of audited statement and have been produced solely for the purposes of complying with Chapter 8 of MIFIDPRU. They should not be relied upon in making judgements about the Firm and are only subject to external verification to the extent that they are equivalent to those made under financial reporting requirements.

History of this document

Before 1st January 2022, the Firm was subject to and applied the requirements under the CRD/CRR framework known as the Pillar 3 disclosures regime. For the Firm's reporting period ending on 31st December 2021 and before, and in accordance with the transitional provisions in MIFIDPRU, the previous disclosures made by the Firm had been made under the CRD/CRR framework.

This was replaced by IFPR which came into force on 1st January 2022 with the following aims and objectives:

- To produce a regime more aligned to Investment Firms' business models.
- To subject Investment Firms to meaningful and consistent prudential requirements.
- Increased focus on the assessments that are more proportionate to the size and complexity of Investment Firms.
- Consolidate all the different prudential rules into a single sourcebook (MIDFIDPRU).

Accordingly, the disclosures made under the rules in IFPR to the period ending on 31st December 2022 were made under IFPR.

Since that previous report, in the last financial year, one of the principal intended outcomes of the new IFPR regime was completed, the Internal Capital Adequacy and Risk Assessment (ICARA). This document constitutes SMTIL's inaugural report under the fully implemented regime.

SMTIL ICARA

The Firm has completed the SMTIL Internal Capital Adequacy & Risk Assessment (ICARA) for the reference point 30 September 2023. The assessment concludes that SMTIL has maintained and continues to maintain adequate capital to satisfy the Overall Financial Adequacy Requirement (OFAR) for an investment firm of its size, complexity, and business approach. Furthermore, Management have assessed the Company to have adequate non-capital resources (staff, IT infrastructure, governance and controls, policies & procedures) to further mitigate identified risks and harms relevant to its business.

As part of ICARA, SMTIL conducts business model analysis, stress testing, recovery, and wind-down planning. Key stages of the SMTIL ICARA process include:

- Business model and strategy (based on the SMTIL Annual Business Plan).
- ICARA fitness assessment, remedial actions and key changes
- Risk Management Framework ('RMF') and governance overview
- Material harms and mitigations
- Financial projections and capital & liquidity planning process
- Available own funds and available liquid assets
- Own funds capital requirement (formerly Pillar 1)
- Additional own funds assessment (formerly Pillar 2, own assessment)
- Compliance with Overall Financial Adequacy Requirement ('OFAR')
- Capital stress testing
- Recovery planning
- Wind-down planning

The SMTIL ICARA focusses on analysing SMTIL's business model and resultant outcomes for the consumers and markets. The ICARA is materially different from the previous Internal Capital Adequacy and Assessment Process (ICAAP). In summary, the objectives of the ICARA are to;

- Identify, quantify, and mitigate material risks and harms to SMTIL's clients, the UK financial markets and also SMTIL's business.
- Identify the required capital that SMTIL needs to hold to ensure that should an adverse risk event occur, it has adequate resources to resolve and/or mitigate the risk with minimal disruption to clients and the UK financial markets.
- Identify the required capital SMTIL needs to hold to ensure that should an adverse risk event occur which makes its business model unviable, SMTIL could engage in an orderly wind-down of the business, again with minimal disruption to clients and the UK financial markets.
- To assess and maintain on an ongoing basis the amounts, types and distribution of financial and non-financial resources (e.g., regulatory capital, liquidity, etc) that SMTIL considers adequate to cover the nature and level of the risks to which it is or might be exposed.
- To identify any material vulnerabilities in SMTIL's business model to enable management to take pre-emptive mitigating actions to minimise the likelihood and impact of the event crystalising.

SMTIL Senior Management have confirmed that they consider that SMTIL's ICARA assessment process:

- is proportionate to risk-based approach and relies on a combination of quantitative methods, qualitative assessments and management judgement of inputs and outputs;
- is designed to form an integral part of management's decision-making and business planning process; and
- captures all material risk to which SMTIL may be exposed at the various points of business cycle, i.e. both internal risks arising from the nature, size and complexity of its business and from its regulatory and business environment.

Governance and group structure

SMTIL is regarded as a MIFIDPRU investment firm and as such will need to demonstrate the controls, risk management and governance processes of such a firm. SMTIL considers that it qualifies as a non-SNI MIFIDPRU investment firm. The Board reviews SMTIL's status as a non-SNI MIFIDPRU investment firm at least annually. SMTIL is not part of a UK Consolidation Group for FCA reporting purposes and in accordance with the provisions of MIFIDPRU.

The Board of Directors is responsible for governance setting the framework within which the management of the Firm is conducted including risk management and regulatory compliance.

The Firm is a wholly owned subsidiary of the ultimate parent company, Sumitomo Mitsui Trust Holdings, Inc. (“SMTH”) and of the immediate parent company, Sumitomo Mitsui Trust Asset Management Co., Ltd. (“SMTAM”). Sumitomo Mitsui Trust Bank, Limited (“SMTB”), the principal operating company in the group, is a wholly owned subsidiary of the ultimate parent company, SMTH. Each of SMTH, SMTAM and SMTB is registered in and has its head office in Japan.

The Board of Directors comprises the following directors:

- One non-executive director as chairman, nominated for appointment by SMTAM;
- Two non-executive directors, nominated for appointment by SMTAM;
- Three executive directors, responsible for the day to day management of the Firm, nominated by SMTAM.

The Board is accountable for defining, implementing and overseeing governance arrangements that ensure effective and prudent management, including the segregation of duties in the Firm and the prevention of conflicts of interest. The Board seeks via its governance of the Firm to promote the integrity of the market and the interests of clients. Taking account of the size of the Firm and the nature of its activities, it has not been considered appropriate to establish committees for different aspects of governance and supervision. The responsibilities which would otherwise be discharged by committees are retained and discharged by the Board of Directors itself.

Diversity, Inclusion and Equality

The Firm is committed to diversity and inclusion as reflected in the Firm's Diversity, Inclusion & Equality Policy. The objectives of this policy are to:

- ensure that all directors, managers and employees of the Firm feel included in the workplace and understand the value of diversity and inclusion;
- articulate the Firm's commitment to diversity, inclusion and equality and how it improves outcomes;
- set out the Firm's plan in respect of diversity, inclusion and equality; and
- specify remediation measures (as necessary).

The Firm does not currently set specific numerical targets or goals in respect of diversity but seeks to embed expectations as respects diversity (both FCA expectations and the Firm's own expectations) within the Firm's culture, policies and procedures. The Firm seeks to foster a culture of inclusion in which each individual feels empowered and can progress and prosper. In delivering on its diversity and inclusion commitments, the Firm has specific diversity, equity and inclusion requirements as respects recruitment but also on an ongoing basis through the training and development.

The Firm's senior management are responsible for ensuring that equality, diversity and inclusion form an integral part of the Firm's activities and providing leadership in these matters.

Risk management

Overall risk management

The Firm is managed by the Board of Directors who determine its business strategy and risk appetite. They are also responsible for establishing and maintaining the Firm’s governance arrangements along with designing and implementing a risk management framework that recognises the risks that the business faces. The Firm is not required to have and does not have a separate risk committee.

The new IFPR regime has been designed to be better suited for the investment management industry. It departs from

banking-based regulation of CRD/CRR which required ICAAP (Internal Capital Adequacy and Assessment Process). In comparison to ICAAP, the ICARA has different start points and endpoints. Risk analysis, under ICARA, starts by analysing the firm's business model and therefore it introduces activity-based capital requirements for firms. As the endpoints of analysis, ICARA focuses on outcomes rather than classes of risk. The ICARA mainly focuses on the outcome for the consumers/clients and markets (and ultimately for the firm). It introduces the concept of risk-to-customers (RtC), risk-to-market (RtM) and risk-to-firm (RtF).

The directors determine how the risk the business faces may be mitigated and assess the arrangements to manage those risks. They manage the Firm's risks through a framework of policies and procedures having regard to relevant laws, standards, principles and rules with the aim of operating defined and transparent risk management framework. These policies and procedures are updated as required.

The directors conduct a formal semi-annual review of their risks, controls and other risk mitigation arrangements and assess their effectiveness and an annual ICARA (Internal capital adequacy and risk assessment) process. They identify material risks and consider the financial impact of these risks as part of their business planning and capital management and conclude whether the amount of regulatory capital is adequate.

Whilst risk management is the responsibility of the entire business, the Risk Controller ensures all the relevant people in the Firm have a clear understanding of the risk model and how to manage and mitigate risks.

The Firm's risk management objectives and policies

The Firm's risk management objectives (and the Firm's policies as applicable in achieving each of them) can be summarised as follows:

- *Own funds requirement*: MIFIDPRU requires firms to comply with the Overall Financial Adequacy Rule ("OFAR"). The OFAR states that the Firm must at all times hold own funds and liquid assets which are adequate, both in amount and quality to ensure it that: (i) the Firm remains financially viable throughout the economic cycle, with the ability to address any material potential harms that may result from its ongoing activities; and (ii) the Firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.
- *Concentration risk*: The Firm could encounter concentration risk that arises from concentration of (i) the Firm's own cash deposits and (ii) earnings. As regards point (i), the Firm places funds for term deposits with three banks. The Firm mitigates this risk by reviewing these banks on a quarterly basis and renewing credit lines for these banks on an annual basis. As regards point (ii), the Firm receives its earnings from intra-group service fees. During the year most of net investment management income was received from two related parties. This concentration is unavoidable as the Firm's business is based on supporting affiliated companies' activities outside Japan and on receiving financial support from the parent company based in Tokyo. Any risk to the Firm from exposure to group companies is mitigated by the fact that the other companies in the group to which the Firm has exposure are all regulated in Japan for prudential purposes by the Financial Services Agency in Japan under an FCA recognised equivalent regulatory regime.
- *Liquidity*: The objective of the Firm's liquidity policy is to ensure the management of net maturing liabilities in a controlled fashion and in a way that is consistent with the Firm's financial management policies. The Firm monitors rolling forecasts of liquidity on the basis of expected cash flow. The Firm manages liquidity risk by depositing funds available for investment for periods of up to one year. In order to ensure compliance with the liquidity requirements under MIFIDPRU, the policy is to maintain a term deposits with maturities that reflect anticipated cash-flow needs. The Firm regularly reviews key elements of its liquidity adequacy assessment ensuring that the Firm's liquid assets remain appropriate to cover the liquidity and funding risks in normal and stressed conditions as well as to support the wind-down of the Firm in an orderly manner.

The Firm's Risk Management Framework

Risk identification takes place through regular business monitoring and periodic reviews, including risk mapping exercises and the risks arising from changes or new products and services. The Firm manages risk in accordance with the following objectives:

- Align the Firm's business strategy and risk appetite.
- Pursue business objectives through transparent identification and management of acceptable risks.
- Prioritise and select optimal business opportunities i.e., with a good risk/reward balance.

- Inform and enhance risk response decisions and escalations as required.
- Learn from, reduce and manage operational losses.
- Promote a culture based upon integrity, ethical values and competence; and
- Create an overall 'risk conscious' firm.

The practical application of the above objectives are detailed below:

Risks are reviewed by the completion of a semi-annual Risk Controller's Risk Assessment which is provided to senior management and reviewed/approved by the Board. Performance and risk management targets to measure risks and compliance non-conformities are managed by the semi-annual management review and completion of departmental action plans to identify and mitigate risks.

The Firm adheres to British standards Institution (BSI) Quality Management standard ISO 9001:2015. Risks are managed by the BSI Risk Management Framework (RMF) to assess all operational risks. The BSI RMF is subject to annual review and approval by the Board. This document is also presented to the BSI for their annual assessment of the Firm's adherence to ISO 9001:2015.

The Firm's Risk Management Policy is detailed in the Firm's Compliance Manual and is accompanied by a risk management flow chart to identify the key risks faced by the Firm. These documents are subject to regular review with external consultants.

Operational resilience and outsourcing risks are managed through the Firm's Outsourcing Framework and monitoring of outsourced relationships and third party suppliers. The compliance function conducts thematic reviews of regulatory matters to mitigate the risk of failing to understand or comply with regulatory requirements.

"Three Lines of Defence" risk management model

The "three lines of defence" are the business unit(s), the compliance function and Internal Audit Department. This risk management model has been adapted to the size, structure and the level of complexity of the Firm's business operations. The model operates as follows:

- *First line of defence*: The business lines, as the first line of defence, take risks and are responsible for their operational management directly and on a permanent basis. For that purpose, business lines have appropriate processes and controls in place that aim to ensure that risks are identified, analysed, measured, monitored, managed, reported and kept within the limits of the institution's risk appetite and that the business activities are in compliance with external and internal requirements.
- *Second line of defence*: The risk management function and compliance function form the second line of defence. The risk management function facilitates the implementation of a sound risk management framework throughout the institution and has responsibility for identifying, monitoring, analysing, measuring, managing and reporting on risks. It challenges and assists in the implementation of risk management measures by the business lines. The compliance function monitors compliance with legal and regulatory requirements and internal policies, and provides advice on compliance to the management body.
- *Third line of defence*: The independent internal audit function forms the third line of defence. It conducts risk-based and general audits and reviews the internal governance arrangements, processes and mechanisms to ascertain that they are sound and effective, implemented and consistently applied. The internal audit function is also in charge of the independent review of the first two lines of defence. The internal audit function performs its tasks fully independently of the other lines of defence.

Board Approved Risk Appetite Statement

The Firm has overall a low tolerance for risks that will adversely affect its business. As a result, active and effective risk management is a core competence and the potential impacts of current and emerging risks are actively monitored. The Firm places significant focus on the integrity and good conduct of employees and the risk management framework is underpinned by a strong ethical culture.

In terms of investment capabilities, the Firm accepts that its investments are exposed to market fluctuations, credit, currency and liquidity risk impacts. These risks are mitigated through stringent management frameworks and global policies of the parent company that the Firm is subject to, as well as a strong three lines of defence model, which ensures that risk tolerances and limits are monitored and adhered to.

In terms of operational issues, the Firm has a low risk appetite and history of a low number of risk events, operational incidents and significant breaches reportable to FCA, UK Information Commissioner's Office, HMRC and other regulators. The Firm accepts that it is not possible to eliminate all risks inherent in its activities. Acceptance of some residual risks is necessary to facilitate efficiencies within the business and business development opportunities.

The Firm's risk appetite is decided by the Firm's senior management and confirmed annually by the Board of Directors with the goal of aligning risk-taking with the statutory requirements, strategic business objectives and capital planning. The Board and senior management have key roles in the implementation of the Firm's risk appetite by steering the Firm's activities. The Firm's adherence to the Risk Appetite Statement involves making necessary changes to capture development in the Firm's strategic priorities, operating environment, and risk profile.

Risks to which the Firm is exposed

The Firm's activities expose it to a variety of risks. It is considered that the principal financial risks arise in respect of its assets under management, including:

Capital risk

The Firm manages its capital to ensure that it will be able to continue as a going concern. The capital structure of the Firm comprises share capital and retained earnings, represented mainly by demand and term deposits.

Market risk

Price risk: Although price risk is a secondary risk for the Firm, income from investment management business is sensitive to market conditions and price movements through portfolio valuations, and the resulting income is also sensitive to exchange rate movements.

Interest rate risk: The Firm's interest rate risk arises from cash and cash equivalents and term deposits. Term deposits with banks are for fixed rates for the period of the deposit, all with a maturity of less than one year.

Exchange rate risk: The Firm's exposure to exchange rate movements is limited. Over the last five years there have been net outflows in foreign currencies, covered periodically by spot foreign exchange deals.

Credit risk

Credit risk is the risk that counterparties and customers of the Firm will be unable to meet their obligations to the Firm either in part or in full. It arises from cash and cash equivalents, term deposits and credit exposures to customers, including outstanding debtors.

Credit risk is managed through established credit policies. The parent company assesses the quality of the banks with which deposits are placed and sets credit limits throughout the group. The Firm has placed all deposits in accordance with approved policies and limits. Funds were placed in the year with financial institutions with a credit rating of at least 'A-' using Standard & Poor's categorisation.

Liquidity risk

The Firm is exposed to liquidity risk to the extent that it is unable to meet its daily payment obligations as and when they fall due. It monitors rolling forecasts of liquidity on the basis of expected cash flow. It manages liquidity risk by depositing funds available for investment for periods of up to one year.

Concentration risk

The Firm is exposed to concentration risk. During the year most of net investment management income was received from two related parties. This concentration is unavoidable to the extent that the Firm's current business is based on supporting affiliated companies' activities outside Japan. The Firm places funds for term deposits with three banks.

Operational risk

Operational risk is the risk of a loss resulting from inadequate or failed internal processes, staff and systems or from external events, including legal and regulatory risk.

The Firm seeks to limit its operational risks to acceptable levels by maintaining a strong control environment, ensuring that employees have appropriate skills and training and by establishing an effective management structure.

Risk Controls

Controls are defined as the measures in place which act to reduce the likelihood or impact of a risk crystalising and/or reduce the likelihood of a trigger from happening. SMTIL has processes in place to record the controls operated within the business.

Amongst these controls are the following:

- Management Controls, (Corporate Governance, Management Committees).
- Organisation Controls, (Department Team Leaders, Managers, Board oversight etc).
- Financial Controls, (Sign off limits, deposit trading limits, audits of controls).
- Personnel Controls, (Recruitment process, Appraisal, Performance Management).
- Authorisation and Approval, (Signing off payments, Authorised signatories, Application and report approval by SMTIL Senior Management).
- Quality Control (Vs Quality Assurance), (operation of quality management system, multiple sign-offs).
- Segregation of Duties, (Finance vs Operations vs Fund Management).
- IT systems and controls, (PC logins, system access, frequent password changes).

Own funds

Composition of regulatory own funds			
Ref.	Item	Amount (GBP thousands) as at 31 December 2023	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	22,883	-
2	TIER 1 CAPITAL	22,883	-
3	COMMON EQUITY TIER 1 CAPITAL	22,883	-
4	Fully paid up capital instruments	20,000	Shareholders' Equity 1
5	Share premium	-	-
6	Retained earnings	2,922	Shareholders' Equity 2
7	Accumulated other comprehensive income	-	-
8	Other reserves	-	-
9	Adjustments to CET1 due to prudential filters	-	-
10	Other funds	-	-
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-39	Assets 7
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	-	-

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements			
Ref.	Item	Balance sheet as in audited financial statements as at 31 December 2023	Cross- reference to template OF1
Assets			
1	Cash and cash equivalents	480	-
2	Term deposits with banks	19,000	-
3	Trade debtors and other receivables	4,320	-
4	Intangible assets	-	-
5	Tangible assets	12	-
6	Current tax assets	20	-
7	Deferred tax assets	39	Own funds 11
8	Total Assets	23,871	-
Liabilities			
1	Trade creditors and other payables	949	-
2	Total Liabilities	949	-
Shareholders' Equity			
1	Share capital - ordinary shares	20,000	Own funds 4
2	Retained earnings	2,922	Own funds 6
3	Total Shareholders' equity	22,922	-

Own funds: main features of own instruments issued by the Firm
The Firm has only one class of ordinary shares which carry no right to fixed income.

Own funds requirement under MIFIDPRU

The Firm's K-factor requirement as at 31 December 2023 was £3,849,000, being the sum of the K-factors that apply to the Firm, comprising the K-AUM £3,847,000 and K-COH £2,000.

The Firm's current fixed overheads requirement, derived from the audited financial statements for the year ended 31 December 2023 is £1,211,000.

The Firm's approach to assessing the adequacy of its own funds is set out in the Firm's ICARA Policy and Compliance Manual, under which, in summary:

The own funds requirement (or OFR) is a quantitative calculation that established the ‘base’ or ‘minimum’ amount of regulatory capital that must be held at all times. For the Firm, the key aspect of OFR (assuming that this remains to be more than the Firm's permanent minimum capital requirement and its fixed overheads requirement) is the K-AUM requirement. The K-AUM requirement of a MIFIDPRU investment firm is equal to 0.02% of the firm's average AUM. For the purpose of calculating K-AUM, AUM is the rolling average of the value of the total monthly assets under management, measured on the last business day of each of the previous 15 months in GBP, excluding the three most recent monthly values and calculating the arithmetic mean of the remaining 12 monthly values.

Remuneration Policy

Governance and oversight

The Firm's practices and procedures are codified in its Remuneration Policy. This has been drafted so as to comply with the requirements of the MIFIDPRU Remuneration Code set out in Chapter 19G of SYSC. The Firm complies with FCA rules and guidance on remuneration in a way that is appropriate to its size, internal organisation, risk appetite and the nature, scope and complexity of its activities.

The Firm is not required by the relevant rules in Chapter 7 of MIFIDPRU to establish a separate remuneration committee and considers that, in view of the Firm's relatively small size and the level of complexity involved its operations, that no separate remuneration committee is necessary. Therefore, the Board of Directors takes on the duties of a remuneration committee as part of its remit and sits as a remuneration committee.

The Board of Directors has overall responsibility for determining, implementing, overseeing and reviewing the Remuneration Policy. It carries out these responsibilities with input from the Firm's compliance, risk management and HR functions. When sitting as a remuneration committee, the Board is chaired by the Chairman or another non-executive director. Executive directors recuse and absent themselves when their own remuneration is under consideration.

Both the current governance structure and the Remuneration Policy itself are reviewed on an annual basis at least. The Firm's compliance function also conducts an annual independent review of the implementation of the policy.

Objectives and approach to remuneration

The objectives of the Firm's approach to remuneration, as expressed in the Remuneration Policy are to:

- set out the principles governing the Firm’s remuneration practices;
- ensure the remuneration is in line with regulatory requirements, particularly the Remuneration Code;
- ensure the remuneration is effectively managed and monitored;
- ensure a proportionate and appropriate approach to remuneration is taken whilst remaining competitive for markets to help Firm attract and retain talent and appropriately qualified and experienced staff;
- seek to avoid the creation of, and mitigate against, conflicts of interest or other incentives that may lead staff to act against the interests of the Firm or clients or to act in their own interest;
- ensure greater alignment between risk and individual reward by discouraging excessive risk taking and short-termism, and encourage more effective risk management and positive behaviours;
- ensure fair outcomes for staff, clients and counterparties; and
- support the delivery of the Firm’s business strategy, whilst ensuring adherence to its risk culture, risk framework and risk appetite.

Characteristics of the Firm's Remuneration Policy

The Remuneration Policy applies to all staff. Each employee is eligible to receive all or part of the Firm's remuneration package depending upon their responsibilities and job-grading. The Firm does not provide remuneration to the non-executive directors.

The Firm offers the types of remuneration listed below. No staff member is entitled to any other form of remuneration. The types of remuneration offered and the way in which the remuneration is award are appropriate and proportionate having regard to a number of factors including the Firm's conservative attitude to risk:

- Fixed Remuneration: This refers to a basic salary, reflecting an employee's professional experience and organisational responsibility as set out in the employee's job description and terms of employment.
- Variable Remuneration: Bonus payments paid in December and June. These payments reflect performance. Variable remuneration is never guaranteed.
- Benefit and pension contributions

Fixed Remuneration

Salaries across the Firm are reviewed annually in accordance with a process set down in the Remuneration Policy. Salary levels are assessed against metrics relevant to a range of objective financial and non-financial performance criteria (except in the case of compliance or internal audit staff). These metrics relate not only to specific aspects of job-performance but also to the employee's adherence to factors such as effective risk management and adherence to the Firm's culture.

Variable Remuneration

Bonus schemes and payments are non-contractual and are paid at the discretion of the Firm's Board acting as a remuneration committee and operating in accordance with the Remuneration Policy. The variable remuneration available to any member of staff is a comparatively low proportion of total remuneration to promote flexibility on the Firm's part, including in some cases, paying none at all. No staff member is entitled to receive only variable remuneration.

In no individual case does a bonus constitute more than 33% of that person's total annual fixed remuneration.

The assessment of performance and the payment of bonuses is determined in a rolling annual cycle to ensure that the actual payment of performance-based components of remuneration are spread over this period and successive bonus review periods to take account of the underlying annual business cycle/business plan of the Firm and its longer-term assessment of business risks.

Bonuses are determined by metrics including business, departmental and staff performance (as measured against qualitative targets agreed between the business and the staff member). The process is calibrated to take account of the longer-term performance of the individual and the business in order to encourage forward-looking risk management and to foster accountability, including factors such as:

- professional and market knowledge;
- adherence to the Firm's internal policies and procedures;
- management skills;
- interpersonal skills;
- how the individual demonstrates the Firm's values, including integrity, transparency, quality ethos, expertise and fairness.

Material risk takers (MRTs)

MRTs are staff whose professional activities have a material impact on the Firm's risk profile. The Firm has a documented process, calibrated against SYSC 19G.5, for identifying MRTs. The Firm's compliance function reviews all new hires and, on a quarterly basis, existing staff members, to identify MRTs.

Broadly speaking staff engaged in the following activities are likely to be classified as MRTs:

- members of the Board undertaking a managerial or supervisory function;
- senior management;
- persons having management responsibilities (e.g. heads of business units having responsibility for regulated business);
- persons managing material risk within the Firm;
- persons having authority for approving or vetoing new products or services;
- persons responsible for key strategic decisions;
- persons responsible for significant revenue or material assets under management;
- persons having responsibility for information technology, information security or outsourcing arrangements of critical or important functions.

The Firm has at the date of this disclosure identified 10 MRTs who include all members of the Board (including the Chair and the Non-Executive Directors), the Managing Director, the Deputy Managing Director, the Head of the Investment Management Department (IMD), the Directors of the IMD, the Compliance Manager and the Financial Controller.

The Remuneration Policy defines the approach to remuneration for MRTs. This approach, which is summarised in more detail above, ensures that the remuneration of MRTs is appropriate, proportionate and in line with the overall objectives of the Remuneration Policy and the wider business.

Risk Adjustment

Any variable remuneration awarded to MRTs is subject to the application of in-year performance adjustment and clawback. This takes place via the application of criteria set out in the Remuneration Policy and, in the case of clawback, can occur during a period which will run from the date on which the variable remuneration is awarded until the date which is three years following the date of award.

Clawback can occur in response to a variety of circumstances, including:

- engagement in misconduct and/or failure to take expected actions which contributed to significant reputational harm to the Firm;
- that person is the subject of disciplinary measures and initiatives under the terms of that person's employment

contract;

- failure to meet appropriate standards of fitness or propriety;
- in any other circumstances where the MRT participated in or was responsible for conduct which resulted in the Firm incurring significant financial losses, including fraud or severe negligence.

Severance

There is no formal redundancy/severance scheme. Where redundancy payments are made in addition to the statutory entitlements these are based on a multiple of years of service determined by reference to the prevailing market practice at the particular time. These payments reflect performance achieved over time and are designed not to reward failure.

Quantitative disclosures of remuneration

Staff numbers and classification

The quantitative data shown below relates to the annual performance period to 31 March 2023, which is the annual performance period ended in the annual financial reporting period to 31 December 2023.

The 'Other MRTs' who are non-executive directors (NEDs) do not receive any remuneration from the Firm; there are four NEDs for the performance year. They receive their remuneration from the parent company for their work as senior managers of the parent company and they are not separately remunerated for their service to the Firm, which forms a relatively small proportion of the work for which they are paid. Consequently, their remuneration is not shown in the table below.

The relevant staff numbers for the quantitative disclosure shown in the table below are two senior management, six other MRTs and ten non-MRTs.

Remuneration for the annual performance period ended 31 March 2023 (shown in GBP thousands)

Description	Senior management	Other MRTs	Other staff	Total remuneration
Fixed remuneration	535	742	702	1,979
Variable remuneration	60	71	84	215
Total remuneration	595	813	786	2,194

No guaranteed variable remuneration awards were made to MRTs during the period.

No severance payments were made to MRTs during the period.