UCITS V – Disclosure of Remuneration Policy

September 2019

Background

Under the UCITS Directive[1], management companies and self-managed investment companies must establish and apply remuneration policies and practices that are consistent with and promote sound and effective risk management and do not encourage risk taking which is inconsistent with the risk profile or constitution of the funds managed. Variable remuneration paid to certain identified senior staff, risk-takers and employees whose professional activities have a material impact on the risk profile of the management company or self-managed investment company (Code Staff) must be structured so as to align the interests of those staff with the interests of investors. The requirements include, among other things, the retention and deferral of a proportion of the variable remuneration over appropriate periods and the payment of part in non-cash instruments (known as the pay-out process rules).

These requirements, which came into effect on 18 March 2016, apply to our UK UCITS management company in respect of our UK UCITS fund, First State Investments ICVC, and also directly in respect of First State Global Umbrella Fund Plc, our Irish self-managed UCITS fund.

First State Investments ICVC

First State Investments ICVC (OEIC) is structured as an umbrella company authorised as a UCITS scheme. The management company of the OEIC is First State Investments (UK) Limited (FSI UK). FSI UK is part of Colonial First State Global Asset Management (CFSGAM) a member of MUFG, a global financial group. CFSGAM includes a number of entities in different jurisdictions, operating in Australia as CFSGAM and as First State Investments elsewhere.

The remuneration of FSI UK staff within the scope of the UCITS V remuneration requirements is governed by the CFSGAM Remuneration Policy which is reviewed and adopted by the Board of Directors of FSI UK (the Board).

Linkage between pay and performance, and performance criteria

Remuneration is made up of fixed pay (i.e. salary and benefits) and performance-related pay (short and long-term incentives). Annual incentives are designed to reward performance in line with the business strategy, objectives, values and long term interests of FSI UK and its group. The annual incentive earned by an individual is dependent on the achievement of financial and non-financial objectives, including adherence to effective risk management practices. FSI UK provides long-term incentives which are designed to link reward with long-term success and recognise the responsibility participants have in driving future success and delivering value. Long-term incentive awards are conditional on the satisfaction of corporate performance measures. The structure of remuneration packages is such that the fixed element is sufficiently large to enable a flexible bonus policy to be operated.

Remuneration arrangements are designed to:

- reflect the role remuneration can play in the overall risk management framework;
- align rewards to the interests of shareholders and our clients
- support the sustainable growth of revenue relative to costs;

[1] Undertakings for Collective Investment in Transferable Securities (UCITS) - Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014.

- be cost responsible and consider each component of remuneration as part of the totality of the arrangements, including non-financial rewards;
- be market competitive, with reference to internal relativities;
- align the proportion of fixed versus at risk remuneration to the job category, impact and accountability of the role;
- be simple to understand and administer;
- be approved at an appropriate management level within a framework of delegations; and
- ensure employees do not receive excessive benefits on termination.

Employees are eligible for short term incentives based on their individual performance, and depending on their role, the performance of their business unit and/or the group. These incentives are managed within a strict governance framework, and the FSI UK Board retains ultimate discretion to reduce short term incentive outcomes where appropriate. Where there is insufficient deferral in place to meet regulatory requirements, there may be a requirement to defer a portion of an employee's award, subject to ongoing risk assessments. Long term incentives are awarded to key individuals within the business. These awards are deferred for up to three years and are subject to a range of terms and conditions. The majority of awards are aligned with either the business performance or the performance of the investment funds being managed by the relevant team.

Performance measurement and risk adjustment

FSI UK actively manages risks associated with delivering and measuring short term performance. All our activities are carefully managed within our risk appetite, and individual incentive outcomes are reviewed and may be reduced in light of any associated risk management issues. Risk management is also built into our remuneration framework. Risk is managed through the deferral of a substantial and meaningful portion of the variable remuneration of the employees with significant performance based remuneration. This deferral serves as an important retention mechanism which helps manage the risk of losing key executive talent. It also provides a mechanism to reduce or cancel the deferred component of an award. Risk and compliance issues are monitored in relation to the vesting of deferred awards for all employees throughout the vesting period. Any risk or performance issues may impact the vesting of deferred awards and lead to the reduction or cancelation of any deferred awards (as appropriate).

Governance

The Remuneration Policy of FSI UK is adopted by the Board, which adopts, and reviews at least annually, the general principles of the Remuneration Policy and is responsible for, and oversees, their implementation. The Board is responsible for decision-making in relation to remuneration practices, processes and risk-adjustments as required by the applicable Remuneration Codes for Code Staff. Due to the size and internal organisation of FSI UK and the nature, scope and complexity of its activities, a remuneration committee has not been established by it. Individual awards are approved by the CEO of CFSGAM in accordance with the group's Remuneration Policy.

Where investment management functions are delegated, FSI UK has ensured that the delegates are subject to regulatory requirements on remuneration that are equally effective as those that apply under the guidelines on sound remuneration policies under the UCITS Directive produced by the European Securities and Markets Authority (ESMA) or that appropriate contractual arrangements are in place with these entities to ensure there is no circumvention of the remuneration rules in the ESMA guidelines.

First State Global Umbrella Fund Plc

First State Global Umbrella Fund Plc (VCC) is an umbrella investment company with variable capital incorporated with limited liability under the laws of Ireland and is authorised as a UCITS. The VCC is a self-managed investment company. The VCC operates on a delegated basis and so it has no employees. The VCC's remuneration policy applies to those categories of staff whose professional activities have a material impact on the risk profile of the VCC and who currently comprise the directors. While certain directors are paid a fixed annual fee for their services to the VCC, directors that are employees of the investment manager or an affiliate are not paid any fees for their services as directors. Due to the size and internal organisation of the VCC and the nature, scope and complexity of its activities, a remuneration committee has not been established by it. Any fee arrangements with directors shall be subject to the approval of the directors. Accordingly, the pay-out process rules relating to remuneration provisions of UCITS V have no direct application to the VCC. The remuneration policy requires that the VCC must ensure that, where investment management functions are delegated, the delegates are subject to regulatory requirements on remuneration that are equally effective as those that apply under the ESMA guidelines on sound remuneration policies under the UCITS Directive or that appropriate contractual arrangements are in place with these entities to ensure there is no circumvention of the remuneration rules in the ESMA guidelines.