



First Sentier Investors (UK)  
IM Limited and First Sentier  
Investors International IM  
Limited

Risk, Prudential and  
Remuneration Disclosures  
Under MIFIDPRU 8

14th August 2023



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# 1. Introduction

At First Sentier Investors (“**FSI**” and “**FSI Group**”), our vision is to be a provider of world-leading investment expertise and client solutions, led by our responsible investment principles. Our purpose is to deliver sustainable investment success for the benefit of our clients, employees, society and the shareholder. As of 31 December 2022, we are stewards of AU\$ 215.5 billion / US\$ 146.2 billion assets under management, on behalf of institutional investors, pension funds, wholesale distributors and platforms, financial advisers and their clients. We work together across multiple global markets, with over 1,000 employees collaborating to achieve our vision. Our independently branded investment teams include:

- Igneo Infrastructure Partners
- FSSA Investment Managers
- Stewart Investors
- Realindex Investments

FSI is required to disclose the information contained in this document, in line with prudential rules issued by the Financial Conduct Authority (the “**FCA**”).

This disclosure relates to First Sentier Investors (UK) IM Limited (“**FSI UKIM**”) and First Sentier Investors International IM Limited (“**FSI IIM**”), which are both private limited companies incorporated in Scotland (together, the “**Companies**” and each a “**Company**”). Each of FSI UKIM and FSI IIM is authorised and regulated by the FCA, and is subject to the FCA’s Investment Firms Prudential Regime (“**IFPR**”).

The Companies are wholly owned subsidiaries of the FSI Group, which is in turn wholly owned by Mitsubishi UFJ Trust and Banking Corporation (“**MUTB**”), and ultimately wholly owned by Mitsubishi UFJ Financial Group (“**MUFG**”).

This document sets out the Companies’ public disclosures as at 31 December 2022, being their financial year end.

# 2. Risk management

## 2.1 Overview

- To minimise the risk of harm to the Companies, its clients and the markets, FSI implements and maintains appropriate risk management policies and procedures, including effective procedures for risk assessment. These identify risks relating to the Companies and the wider FSI Group’s activities, processes, and systems.
- The Companies also adopt effective arrangements, controls and mechanisms to manage the risk relating to their activities, processes and systems, considering the level of risk tolerance.
- These arrangements are described in the Group’s Risk Management Strategy, Risk Management Framework and Risk Appetite Statement (“**RAS**”) as summarised below.

## 2.2 Risk management strategy

The purpose of the Group Risk Management Strategy (“**RMS**”) is to:

- articulate how risk is to be effectively managed within the Risk Management Framework; and
- detail responsibilities and accountabilities in relation to the identification, management, monitoring and reporting of risks.

- The RMS applies to all business units within the FSI Group and to all employees.
- The management body of each of the Companies (each a “**Board**” and together, the “**Boards**”), and FSI’s senior management and employees are expected to be risk-aware, understand FSI’s risk appetite, and understand their role in managing risk and the value that effective risk management adds to the organisation.

## 2.3 Risk appetite

- The RAS articulates the risk appetite for the FSI Group - the degree of risk that the FSI Group is willing to accept to achieve its business and strategic objectives.
- FSI’s Strategy, Business Plan and Vision states what FSI wants to achieve as a business, why it wants to achieve it and how. The RAS outlines the degree of risk that the Companies and the wider FSI Group are willing to take, and the risks they are not willing to take to achieve the Vision, Strategic and Business objectives.

The development of the RAS plays a key role in promoting risk culture by:

- providing the Boards and FSI’s employees with a clear understanding of the key risks for the business, the tolerance for those risks and parameters for the management of those risks.
- establishing key risk indicators (“**KRIs**”) which set limits and tolerances for certain risk types. These are used to measure and track risk within defined boundaries, to determine if further action is required to remain within tolerance and if escalation to senior management is required;
- scheduling periodic review of KRIs and tolerances for ongoing suitability and for any material changes to the business; and
- defining governance processes and disciplines to ensure adherence to all boundaries and underlying limits.

The RAS sets out the Companies’ risk appetite for each of the material risk categories and contains qualitative statements of risk appetite and tolerances.

One of the material risk categories relates to strategic risk where a balanced and informed approach to risk-taking is adopted.

Another material risk category is Financial, of which Regulatory Capital and Liquidity are two core sections. Liquidity and Regulatory Capital are managed by FSI Finance and are reviewed by the Boards. Each Company holds sufficient liquid assets to fund its operations and capital to protect itself against unexpected risk outcomes and meet all regulatory capital adequacy, cash flow and internal target surplus requirements.

## 2.4 Risk governance

- Each Board has approved and adopted the RAS issued by the board of directors of First Sentier Investors Holdings Pty Limited (the “**FSIH Board**”). The FSIH Board is responsible for reviewing, ratifying and monitoring the Companies’ risk management, legal, compliance and internal controls systems.
- The FSIH Board has established an Audit and Risk Committee (“**ARC**”) and a People and Remuneration Committee (“**PRC**”)

FSI’s Chief Executive Officer (the “**Group CEO**”) has established the following management committees & forums:

- Executive Leadership Team
- Global Investment Committee
- Strategic Product Forum
- Global Responsible Investment Executive Committee
- Global Risk Committee



- Day to day management is overseen by the FSI Executive Leadership Team and is augmented by these key governance committees, with responsibilities to monitor and manage specific risks and obligations. For example, the Global Risk Committee is responsible for overseeing and monitoring the risk environment, and the Global Investment Committee is responsible for oversight of investment risk.

## 2.5 Risk management structure and operations

The Risk Management team is an independent function reporting directly to the Group Chief Risk Officer (the “**Group CRO**”). Risk Management supports the business to design and implement appropriate risk management processes and provide assurance to key stakeholders as to the integrity of the risk framework and its outputs.

Responsibilities for managing risk are reflected in our “Three Lines of Defence” model:

**Line 1 – First line functions (including Investment, Distribution, Marketing and Operations teams):**

Responsible for identifying and managing risk, and ensuring their activities are compliant with legal, regulatory, and organisational requirements.

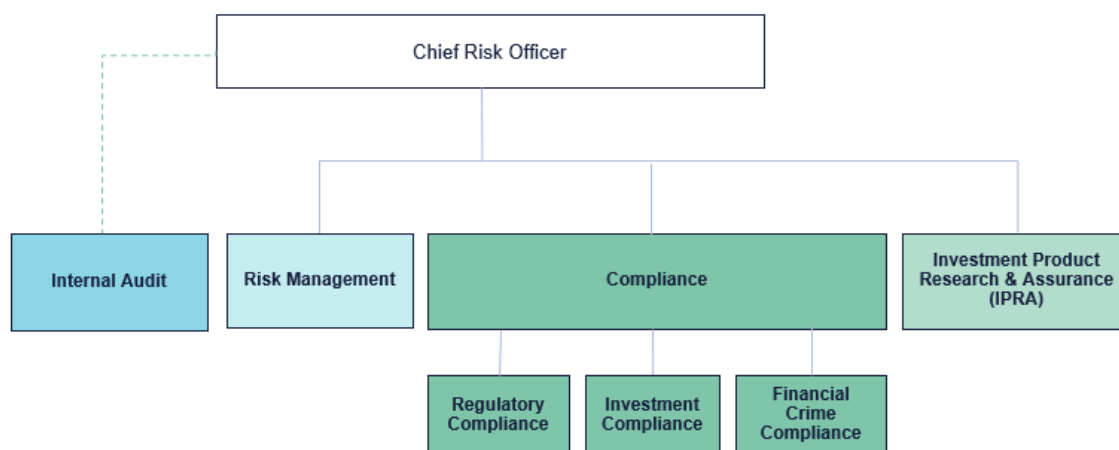
**Line 2 – Support functions (Risk Management, Compliance and Investment Assurance):**

Support the business in managing risk and achieving compliance, monitoring risk and compliance levels in the business and reporting on risk and compliance matters to management and governance forums.

**Line 3 – Internal and External Audit:**

Provide independent assurance on the control framework and the quality of implementation.

Within FSI the following functions form the second and third lines of defence. Internal Audit as the third line of defence has an independent reporting line to the chair of the ARC as well as, for day-to-day matters, to the Group CRO.



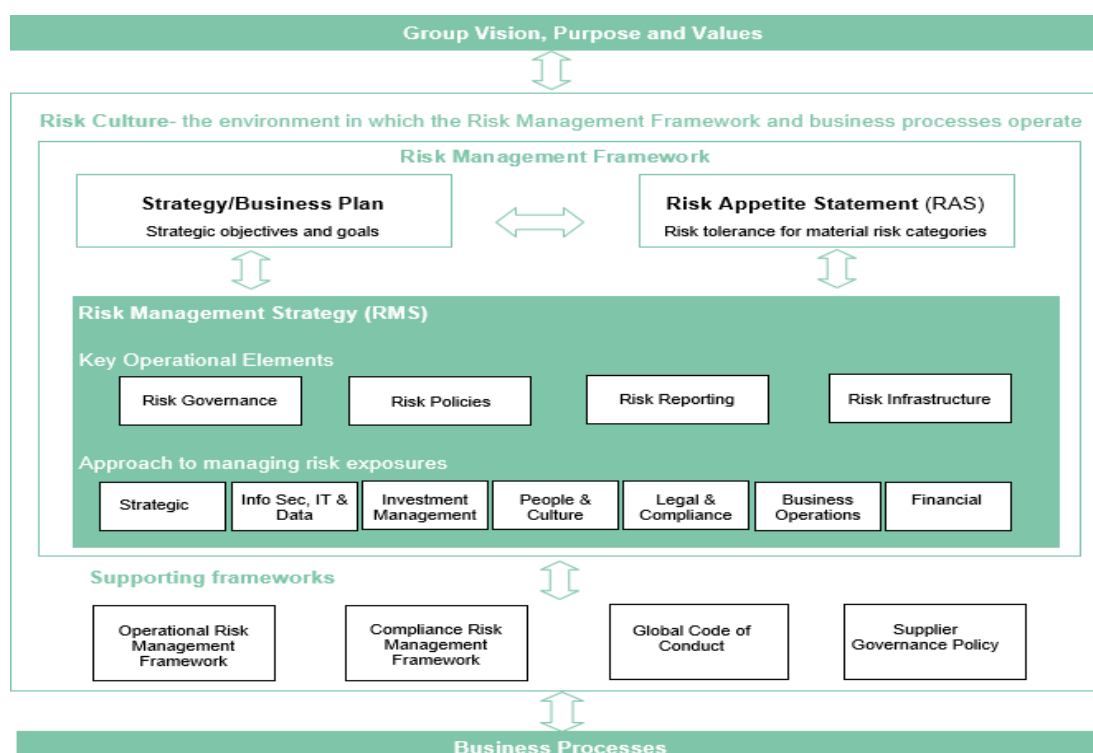
The first and second lines of defence use an established Risk Management Framework to assess and monitor the Companies’ respective risk and control environments.

## 2.6 Risk Management Framework

- The Risk Management Framework (“**RMF**”) covers the totality of systems, structures, policies, processes, and people within FSI that identify, measure, evaluate, monitor, report and control or mitigate all internal and external sources of material risks.
- This Framework is founded on the RMS and FSI’s Strategy/Business plan.

- FSI has implemented a RMF that brings together the various component parts of the individual risk category frameworks.

The RMF and its components parts are illustrated below:



- The RMF is supported by a policy framework. The policies define how various aspects of the business are to be managed and articulate managerial responsibilities and requirements for policy review. Compliance with the policies is monitored periodically by Risk Management, Compliance, Internal Audit and the external auditor.
- Supporting this is the practical or operational application of the strategies, policies and controls. Senior management seeks to establish a sound system of internal controls around key business processes thereby avoiding or minimising the occurrence and/or impact of adverse risk events materialising.
- When incidents do occur, the business is committed to responding in an appropriate and timely manner, ensuring that clients are not disadvantaged and learning from these events to prevent reoccurrence. A rigorous incident management process facilitates this, which includes root cause analysis and the implementation of remedial and preventative actions.
- The tone set by senior management, which is supported by the staff performance mechanisms (such as key performance indicators) in place across FSI, is conducive to openness and transparency, to encourage the reporting of incidents.

## 2.7 Risk identification and assessment

Within the RMF, this process is followed for the identification, assessment, management and assurance of risk relevant to the Companies:

### Identification:

Potential risk events that could affect the business's ability to successfully implement its strategies and achieve its objectives, or its ability to comply with its associated obligations, are captured and regularly reviewed.

**Assessment:**

Risk assessment allows the business to consider the extent to which potential events might have an impact on the achievement of its objectives. Risk exposures are quantified, taking into account the likely consequences (impact) and probability (frequency) of occurrence. This is quantified both on an inherent (pre-controls) and residual (post-controls) risk basis. Where the residual risk is outside the risk appetite / tolerance levels outlined in the RAS, additional risk treatment is required, to reduce the level of risk to an acceptable level. Alternatively, the level of residual risk must be formally accepted by the business. Scenario (or 'harms') analysis is another form of risk assessment performed to assess the internal capital allocation required (see section 2.8 for more detail).

**Risk Register:**

Each business unit is required to maintain a Risk Register of the business risks it faces in its day-to-day operations and the control framework that is in place to mitigate risks. Risks are reviewed annually via the Risk and Control Self-Assessment process.

**Management:**

In addition to the establishment of an effective controls framework to mitigate the risks, it is recognised that the capture and analysis of risk data provides valuable information from which action can be taken to better manage risk and minimise losses due to control failures. This is accomplished through a combination of techniques, including risk profile maintenance, issue and incident management, management information and key risk indicators.

**Assurance:**

This involves the testing of the business's risk profile and associated risks, obligations and controls. This may be through, or a combination of, self, peer or independent testing / assessment. A comprehensive Controls Assurance Program is in place, ensuring all risk-based key controls are independently tested on a rolling basis.

**2.8****Key harms identification and assessment**

- Existing and emerging risks facing the Companies are identified and assessed continually via the RMF as outlined above. These are used as the basis for the internal capital and risk assessment ("ICARA") process.
- Part of the ICARA process requires an internal assessment of risk (including in respect of each Company) to be carried out at least annually. Once the key risks are identified, they are evaluated and used as the basis for assessing the internal capital adequacy requirement for each Company. This assessment process involves discussion between Risk Management, senior managers and business subject matter experts ("SMEs").
- Under the ICARA, the residual risk remaining, post-controls, is assessed to determine harm to the consumer, harm to the firm (in this instance, the Companies) and harm to the markets. Where appropriate, the capital and liquidity requirements of each Company are increased, to reflect the residual risks. Further information on the calculations can be found in section 4.
- The Companies are expected to hold adequate Own Funds to ensure they remain financially viable and can be wound down, if necessary, in an orderly manner.
- An analysis of potential material harms is undertaken, which considers the level of Own Funds necessary for the ongoing operation of the Companies.
- The principal harms identified are shown below and the form the basis for the capital adequacy assessment:

Key Risk	Risk Short Description	Assessment
People	Key person dependencies (particularly in significant roles) and ability to attract, motivate and retain quality staff could affect FSI's ability to meet client and regulatory expectations	<p><b>Harm to client:</b> client requirements may not be met if quality staff are not retained, particularly in key client facing roles (such as investment managers / client relationship managers).</p> <p><b>Harm to firm:</b> failure to retain key staff such as investment managers could be detrimental to reputation and fund performance, leading to reduced assets under management ("AUM"). It could also result in loss of clients.</p> <p><b>Harm to market:</b> activities carried out at FSI are not deemed significant enough to have a market impact.</p> <p><b>Wind-down:</b> key personnel will leave the firm within the specified wind-down period with standard key risk controls in place.</p>
Ability to safely deliver change	Focus on safely delivering internal and regulatory change in line with strategic and regulatory expectations could overwhelm business areas	<p><b>Harm to client:</b> whilst change errors could indirectly affect a client, FSI would make good any damage so the actual client impact would be minimal</p> <p><b>Harm to firm:</b> failure to implement change, in particular regulatory change, could lead to regulatory censure and reputational damage. Failure to carry out changes to key systems could affect the firm's ability to service its clients, leading to client dissatisfaction.</p> <p><b>Harm to market:</b> activities carried out at FSI are not deemed significant enough to have a market impact.</p> <p><b>Wind-down:</b> no specific additional risk noted.</p>
Environmental, social and governance matters ("ESG")	Due to the increasing importance of ESG and Responsible Investment, there is a risk that FSI fails to provide relevant ESG products, to promote ESG within the firm and externally through its partners, and has inadequate arrangements to meet regulatory obligations.	<p><b>Harm to client:</b> inability to provide stated ESG products will fail to meet client expectations, leading to client dissatisfaction</p> <p><b>Harm to firm:</b> failure to meet the expected standards could lead to regulatory scrutiny or fines, and reputational damage. Any fall in investment income has a direct impact on fees and ultimately AUM.</p> <p><b>Harm to market:</b> holdings at FSI not significant enough to impact markets</p> <p><b>Wind-down:</b> no specific additional risk noted</p>
Cyber & data security	Cyber and data security arrangements to protect FSI from information security threats are not yet fully implemented	<p><b>Harm to client:</b> a cyber breach could result in client data being compromised, which would directly impact clients and could lead to actual client loss. Due to the various outsourced arrangements there is limited personal data held internally within FSI for pooled clients (e.g. financial info such as client bank details).</p> <p><b>Harm to firm:</b> a cyber breach could result in an inability to trade, resulting in loss of revenue, significant reputational damage / loss of client confidence and regulatory fines.</p> <p><b>Harm to market:</b> it is unlikely that a cyber breach of FSI data would have a market impact</p> <p><b>Wind-down:</b> no specific additional risk noted.</p>
Investment performance	FSI fails to deliver stated investment objectives, thereby not meeting investor expectations	<p><b>Harm to client:</b> poor performance by the investment teams would have an impact on client investments and lead to client dissatisfaction</p> <p><b>Harm to firm:</b> any fall in investment performance has a direct impact on fees and ultimately AUM</p> <p><b>Harm to market:</b> holdings at FSI not significant enough to impact markets</p> <p><b>Wind-down:</b> performance of funds will be affected due to liquidity issues of forced sales, pricing of trades due to market knowledge of forced sales and other factors based on loss of reputation.</p>



Key Risk	Risk Short Description	Assessment
Operational errors	Material or systemic operational errors (including execution errors), particularly in relation to clients, could result in operational losses and regulatory breaches	<p><b>Harm to client:</b> whilst errors such as execution errors could cause client detriment, FSI would make good any damage so actual monetary client impact would be minimal. An operational error could result in a breach of an investment mandate resulting in clients being exposed to risks outside of their tolerance or objectives (e.g. compromising clients' ethical / moral stance)</p> <p><b>Harm to firm:</b> operational errors could result in significant regulatory, financial and reputational damage or loss to the firm</p> <p><b>Harm to market:</b> activities carried out at FSI are not deemed significant enough to have a market impact.</p> <p><b>Wind-down:</b> no specific additional risk noted.</p>

## 2.9 Concentration risk

- Concentration risk is concerned with the possible lack of diversification of clients or distributors, leading to the amplification of various other risk effects.
- The largest asset strategies are the Asia Pacific Leaders strategies managed by the Stewart Investors team through the Companies. These are complemented by infrastructure and a range of other equity strategies managed within the FSI Group
- FSI has a wide client base across its products ranging from private investors investing directly and those investing through fund platforms and other intermediaries, to large institutional clients. The client base is also geographically diverse. The Boards do not believe there is any significant concentration risk to the Companies associated with location or type of client.
- The Companies also have relationships with a large number of intermediaries and asset consultants, mitigating concentration risk within the FSI Group.
- The Companies have credit concentration risk in respect of the cash that they hold with their main pan-European banking service provider, Barclays Bank plc. This risk is actively managed through cash flow forecasts and daily monitoring of all balances. In addition, the creditworthiness of Barclays Bank plc is monitored by regular review of its credit ratings.

## 2.10 Liquidity risk

- Liquidity risk is the risk that the Companies will not have access to sufficient liquid assets (in the form of cash or readily tradeable financial instruments) to fund their liabilities as they fall due.
- Liquidity risk management takes place through the active monitoring and control of liquidity risk exposures and funding needs of the Companies, taking into account limitations to the transferability of liquidity across the FSI Group. The primary goal of these processes is to ensure that the Companies maintain sufficient cash and liquid assets to meet their current and future financial obligations at all times.
- Liquidity is managed across the FSI Group using a number of cash flow forecasting and targeting tools and techniques. Cash flow forecasting and targeting is conducted at a legal entity level and involves actively managing operational cash flow requirements.
- FSI has a very low tolerance for liquidity risk. The liquidity risk management framework ensures that the Companies maintain sufficient buffers above regulatory requirements in the event of reasonably foreseeable stress scenarios.

# 3. Own Funds

- FSI calculates Own Funds under the IFPR at both an individual firm level in respect of each Company, and on a prudential consolidation basis.

- To ensure uniformity and granularity across the industry, the IFPR disclosure is required to be made on an individual company basis.
- The Own Funds of the Companies consist of common equity tier 1 capital only. As of 31 December 2022, each Company complied with all the relevant capital and liquidity requirements stipulated in the IFPR.
- The FCA's Prudential Sourcebook for MiFID Investment Firms ("**MIFIDPRU**", section 8.4.1R) places further requirements on investment firms to make certain disclosures. These have been provided below. Refer to the Tables 3.1, 3.2 and 3.3 for an analysis of the composition of regulatory Own Funds, a reconciliation of the regulatory Own Funds to the balance sheet included in the audited financial statements of each Company, and a description of the Own Funds instruments issued as of 31 December 2022.

### 3.1 Composition of regulatory Own Funds (Table 3.1)

This table provides a breakdown of how the regulatory Own Funds of the Companies is calculated. It also provides a reference for how the components of regulatory Own Funds can be traced to the audited financial statements.

Composition of regulatory Own Funds					
	Item	FSI UKIM	Audited FS	FSI IIM	Audited FS
		GBP'000	Ref *	GBP'000	Ref *
1	<b>OWN FUNDS</b>	102,442		72,400	
2	<b>TIER 1 CAPITAL</b>	102,442		72,400	
3	<b>COMMON EQUITY TIER 1 CAPITAL</b>	102,442		72,400	
4	Fully paid up capital instruments	74,759	Note 11	28,192	Note 10
5	Share premium	-			
6	Retained earnings	27,683	Note 12	44,208	Note 11
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	-		-	
19	CET1: Other capital elements, deductions and adjustments	-		-	
20	<b>ADDITIONAL TIER 1 CAPITAL</b>	-		-	
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	<b>TIER 2 CAPITAL</b>	-		-	
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	-		-	
* These Note references are to the audited financial statements of the Company					
Notes 10, 11 and 12 are references to the audited financial statements of each Company.					

### 3.2 Reconciliation of regulatory Own Funds to balance sheet in the audited financial statements (Table 3.2)

This table shows how the regulatory Own Funds reconcile to the audited balance sheets of each Company while cross-referenced through Column C to Table 3.1 (Composition of regulatory Own Funds).

Own Funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements		FSI UKIM			FSI IIM		
		A	B	C	A	B	C
		Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to template OF1	Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to template OF1
Amounts in GBP'000							
		As at 31/12/22	As at 31/12/22		As at 31/12/22	As at 31/12/22	
	<b>Assets</b> - Breakdown by asset classes according to the balance sheet in the audited financial statements						
1	Investments	28,192			-		
2	Debtors	24,663			81,922		
3	Cash at bank and in hand	59,344			58,212		
	Total Assets	112,199			140,134		
	<b>Liabilities</b> - Breakdown by liability classes according to the balance sheet in the audited financial statements						
1	Creditors: amounts falling due within one year	-9,757			-67,734		
	Total Liabilities	-9,757			-67,734		
	<b>Shareholders' Equity</b>						
1	Called up share capital	74,759		Item 4	28,192		Item 4
2	Retained earnings	27,683		Item 6	44,208		Item 6
	Total Shareholders' equity	102,442			72,400		

### 3.3 Main features of own instruments issued by the Companies (Table 3.3)

The table below shows the principal characteristics of the capital instruments issued by each of the Companies.

Own funds: main features of own instruments issued by the Companies			
	Issuer	FSI UKIM	FSI IIM
1	Public or private placement	Private	Private
2	Instrument type	Ordinary share	Ordinary share
3	Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)	74,759	28,192
4	Nominal amount of instrument (in Thousands)	74,759	28,192
5	Issue price in GBP	1	1
6	Redemption price	N/A	N/A
7	Accounting classification	Called up share capital	Called up share capital
8	Original date of issuance	03/07/1970	10/06/1982
9	Perpetual or dated	Perpetual	Perpetual
10	Maturity date	N/A	N/A
11	Issuer call subject to prior supervisory approval	N/A	N/A
12	Optional call date, contingent call dates and redemption amount	N/A	N/A
13	Subsequent call dates, if applicable	N/A	N/A
14	Coupons/dividends	N/A	N/A
15	Fixed or floating dividend/coupon	N/A	N/A
16	Coupon rate and any related index	N/A	N/A
17	Existence of a dividend stopper	N/A	N/A
18	Convertible or non-convertible	N/A	N/A
19	Write-down features	N/A	N/A
20	Link to the terms and conditions of the instrument	N/A	N/A

## 4. Own Funds requirements

FSI is required to disclose its compliance with the Own Funds requirements mandated by MIFIDPRU 4.3. This rule specifies that each Company must always maintain Own Funds (Row 1 of Table 3.1) that are at least equal to its Own Funds requirements (Row 2 of Table 4.1). FSI calculates its Own Funds requirements as presented in the table below.

### 4.1 Own Funds requirements (Table 4.1)

Highest of 1, 2, or 3					
		FSI UKIM		FSI IIM	
		£'000	£'000	£'000	£'000
1	Permanent minimum capital requirement		75		75
2	<b>Fixed overheads requirement</b>		<b>19,499</b>		<b>19,533</b>
3	K-Factor requirement		753		1,206
	Of which:				
	K-AUM plus K-CMH plus K-ASA	534		1,195	
	K-COH K-DTF	219		11	
	K-NPR K-CMG K-TCD K-CON	0		0	

In addition to ensuring that Own Funds held are at least equal to the Own Funds requirements (detailed above), each Company is also required to disclose its compliance with the overall financial adequacy rule (“**OFAR**”).

The OFAR is contained in MIFIDPRU 7.4.7R and states that firms must always hold Own Funds and liquid assets that are adequate in amount and quality to ensure:

- that the firm can remain financially viable throughout the economic cycle – being able to address material potential harm that may result from on-going activities, and
- that the firm’s business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

FSI uses the ICARA process to identify, monitor and, if proportionate, reduce all material potential harms that may result from the ongoing, or winding down, activities of each Company. The ICARA process is carried out on an IFPR consolidated group basis. FSI also uses this process to assess whether the Companies should hold additional Own Funds and / or liquid assets to address material potential harms.

### 4.2 Own Funds assessment

For every material residual key risk of harm that is identified and assessed, FSI determines the level of Own Funds each Company needs to hold to cover these risks. This is achieved through scenario modelling that consumes input data from multiple sources, such as historical precedents, observable market data and management judgement. The expected loss amount that could result from these residual key risks of harm are considered alongside the total K-Factor requirements to arrive at Assessment A: Own Funds requirements for on-going operations.

To ensure that the business can be wound down in an orderly manner, FSI has developed a wind down plan for each Company by collating inputs from Risk Management, senior managers and SMEs. From the wind down plan, FSI is able to estimate the level of capital required to liquidate the relevant Company’s business, while making an allowance for revenues that could be generated during the wind down process. The output of the wind down process was compared to the fixed overhead requirement, and the higher amount was determined to be Assessment B: Own Funds requirements for wind down operations.

The highest of Assessment A, Assessment B and the Permanent Minimum Requirement is the Own Funds Threshold Requirement (“**OFTR**”) needed to comply with OFAR.

FSI ensures that the Own Funds held by the Companies always exceed the relevant OFTR.



### 4.3 Liquid assets assessment

The amount of liquid assets required to support the OFAR is termed Liquid Assets Threshold Requirement (“**LATR**”).

The LATR is calculated over 2 measures:

1. the basic liquid asset requirement being the sum of one third of the fixed overhead requirement and 1.6% of any client guarantees (MIFIDPRU 6.2), plus
2. the higher of the amounts determined by the following assessments:
  - Assessment A – the maximum amount of liquid assets required to fund ongoing operations, or
  - Assessment B – total amount of liquid assets required to meet funding needs as part of the wind down process

#### Liquid assets required to fund ongoing operations (Assessment A)

- Liquid assets required to fund ongoing operations for each Company are determined by preparing liquid assets forecasts for at least 12 months from the reporting date. This forecast is then divided into quarters and the quarter requiring the greatest amount of liquid assets is taken as the amount for Assessment A.

#### Liquid assets required to meet funding needs for wind down (Assessment B)

- Liquid assets required to meet the funding needs for an orderly wind down are determined by SMEs (as outlined above). This amount is then compared to the basic liquid assets requirement explained in 1. above (referencing MIFIDPRU 6.2), and any additional liquid assets required become the amount for Assessment B.
- FSI ensures that the amount of liquid assets held by the Companies always exceeds the relevant LATR.

## 5. Governance arrangements

FSI has established a governance structure, which oversees the management of the Companies’ business operations, in line with the systems and controls in place to ensure that such operations are undertaken in accordance with relevant regulatory requirements and the expectations of each of:

- the Boards
- the FSIH Board, the ARC and the PRC
- the Group CEO and the management committees / forums that he has established (see section 2.4)
- the committees established by FSI’s Managing Director, Europe, Middle East and Africa (the “**MD**”), which include an operational committee on remuneration (see section 6.1), and an incident management committee.

The governance structure aims to ensure independent oversight and challenge to the executive.

- Each Board retains overall responsibility for the relevant Company’s operations and has not established any committees.
- Each Board has delegated overall responsibility for the management of the Companies to the MD, who holds senior management function (“**SMF**”) 1 and is supported by a leadership team.
- The governance and oversight frameworks in place aim to ensure that each Board has defined, oversees and is accountable for the implementation of processes to support the effective and prudent management of the relevant Company, including the management of conflicts of interest and relevant arrangements to ensure the appropriate segregation of

duties to the SMFs in accordance with the FCA's Senior Managers and Certification Regime ("SMCR").

- Each Board has adopted a Conflicts of Interest Policy, which aims to prevent and manage any potential and actual conflicts, should they arise in the course of the directors' individual appointments and their responsibilities as members of the Boards.
- The Board of each Company currently comprises the same four executive directors (the MD, the Group CEO, the FSI Group Chief Financial and Strategy Officer and the Group CRO, who was appointed with effect from 2 May 2023) and the same two independent, non-executive directors. The permanent chair of each Board (the "Chair") is the MD.
- The composition and performance of each Board is reviewed on at least an annual basis.
- Proposals to appoint additional directors to the Boards are subject to an internal review process involving the Group CEO, MUTB and, where appropriate, the PRC. The process takes into account a skills matrix and also covers matters of experience and diversity. The FCA's approval of each proposal is sought and all directors are registered and listed on the FCA's register.
- All directors undergo induction training upon their appointment and periodic training on relevant matters, as the need arises. The Chair ensures that the directors have the appropriate knowledge, skill and experience to understand the relevant Company's activities and risks on both an individual and collective basis.
- The table below sets out the directors of each Company, their role within FSI and their SMF where applicable, and the number of directorships each held as of 31 December 2022. Note that directorships within the FSI Group have been aggregated as a single directorship in accordance with MIFIDPRU 8.3.2R(2). Members of the FSIH Board are marked with \*.

Director	Role at FSI UKIM and FSI IIM	SMF	Appointments held at 31 December 2022, save where otherwise indicated
Gary Cotton	MD	SMF 1 – Chief Executive SMF 3 – Executive Director SMF 9 – Chair of the Governing Body	1
Suzanne Evans *	Group Chief Financial and Strategy Officer	SMF 3 – Executive Director	1
Christine Johnson	Independent Non-Executive Director	n/a	6
Vicky Kubitscheck	Independent Non-Executive Director	n/a	6
Mark Steinberg *	Group CEO	SMF 3 – Executive Director	1
Jane Daniel	Group CRO	SMF 3 – Executive Director	n/a appointed 2 May 2023

- Each Board has approved the ICARA document and the ICARA process, which is updated to reflect any changes to the Companies' business profile and in any case at least annually.
- Each Board meets at least once a quarter.

Each Board is committed to fostering an equitable and inclusive culture, in which diversity can thrive and believes that this will deliver better outcomes for FSI's people, clients and society, and that this is the right thing to do.

In line with FSI's overall approach to diversity, equity and inclusion, each Company is committed to ensuring that all nomination processes to its Board are fair and equitable. This includes applying an appropriate diversity lens to its composition.

In accordance with the Diversity, Equity & Inclusion Policy adopted by the Boards:

- the Chair leads a selection process for the appointment of independent non-executive directors, by sourcing and developing a shortlist of qualified candidates, together with the FSI Group's People and Culture team, and where appropriate, the PRC. A similar process is followed for the appointment of executive directors. Proposals detailing the process undertaken are then put to the relevant Board; and
- each Board intends to ensure that its composition comprises a minimum of 40% women.

Each Board currently comprises four women and two men. As a result, each of the Companies is currently exceeding its diversity target.

## 6. Remuneration – qualitative disclosures

This remuneration disclosure has been prepared in order to satisfy the requirements of the FCA's Handbook, and specifically MIFIDPRU 8.6 Remuneration Policy and Practices.

FSI is subject to the 'standard' remuneration requirements of the MIFIDPRU Remuneration Code and therefore this disclosure has been undertaken in line with the provisions for small and non-interconnected FCA investment ("SNI") firms.

### 6.1 Remuneration governance

The FSIH Board has an established Remuneration Policy (the "**Remuneration Policy**") to ensure that an appropriate remuneration framework exists to support its vision, purpose and strategy. The Remuneration Policy has been adopted by each of the Companies.

The FSIH Board holds ultimate responsibility for oversight, approval and decision-making regarding its Remuneration Policy and practices. The PRC assists the FSIH Board in fulfilling its responsibilities in relation to people policies, the Remuneration Policy and succession planning processes.

The PRC reviews the Remuneration Policy annually to ensure that it continues to promote sound and effective risk management and does not encourage risk taking in excess of levels of tolerated risk in line with FSI's risk appetite statements.

Annual awards are subject to receipt by the PRC of a report from the Chief People and Culture Officer.

The PRC receives input from an operational committee established by FSI in the Europe, Middle East and Africa region ("**EMEA**"), which assists in the decision-making process in respect of EMEA remuneration arrangements. The operational committee reports to the PRC on any decisions taken during the year in respect of individuals falling under its remit.

The Boards are comprised of independent non-executive and executive directors, who review the application of the Remuneration Policy, and approve any supplemental practices for staff within the scope of remuneration laws and regulations across EMEA.

The operations of the PRC and operational committee in accordance with their terms of reference and engagement with the Boards ensure that there is appropriate independent oversight of FSI's compliance with the Remuneration Policy by the Companies and of any conflicts of interest that may arise from the FSI Group's remuneration practices.

## 6.2 Remuneration policy and practice

The Remuneration Policy is applicable to all employees across FSI and is built around key principles designed to ensure that remuneration is fair, recognises performance, is competitive within our market, and rewards appropriately against risk appetite, promoting the right culture, values and behaviours, including a strong focus on our customers and sound risk management. The remuneration principles aim to strengthen the link between reward, exceptional performance, and balanced risk-taking, as well as to emphasise the importance of collaboration for the benefit of the Companies' clients, employees, society and our shareholder.

- The Remuneration Policy is designed to ensure that employees are rewarded for role modelling FSI's values and desired behaviours. The Remuneration Policy enhances FSI's focus on talent management and development, whereby people feel valued and supported to succeed and to uphold a culture that aligns with the interests of FSI's clients, our shareholder and society.
- FSI's Remuneration Policy and framework aim to motivate a diverse and inclusive workforce to achieve individual and corporate performance outcomes that deliver long-term sustainable results within risk appetite. A number of regulatory regimes impact FSI, all of which are taken into account in the Remuneration Policy. In particular, the Remuneration Policy is consistent with the way that FSI integrates risks, including sustainability risks under applicable regulation and, wherever possible, seeks to avoid or manage conflicts of interest.
- The approach used to determine remuneration also takes into account the availability of talent, competitor practices, and talent succession requirements, whilst recognising FSI's overall business performance and the available pools for distribution, which are set at the FSI Group level by the Group CEO.
- Remuneration arrangements reflect the measurable value of performance, with a clear link between performance and reward for all employees. At the core of FSI's approach to pay is the aim to provide market competitive pay for employees, ensuring outstanding performance is recognised in a fair and equitable manner.

## 6.3 Remuneration composition

Compensation at FSI includes fixed remuneration, comprising base salary which is set at market competitive levels, and employer pension contributions. Compensation also includes variable remuneration, which is differentiated in line with performance. FSI provides various forms of variable remuneration - short term incentives ("**STIs**") and long term incentives ("**LTIs**"), depending on the role and seniority level of the employee. STIs are typically paid in cash and some plans defer part of the award for up to three years based on the role level or award value. LTIs are deferred over three years or earned as a share of long-term performance fees paid by managed funds. For some plans, awards are deferred as cash or as instruments. All LTI awards once vested are settled and paid as cash. Employees also receive a range of other variable benefits, including income protection and life assurance. Employees can also self-select a range of other benefits, which include purchased leave above normal entitlements and private medical insurance.

FSI operates a fully flexible policy on variable remuneration, which would enable it to award no variable remuneration should an individual, business unit / team and / or company performance warrant this (by reference to both financial and non-financial performance, including risk management, controls and conduct).

When setting and reviewing variable remuneration, consideration is given to the following financial and non-financial criteria: the responsibilities of the role and individual competencies required; the individual contribution to business performance, sound and effective risk management (including the monitoring and management of sustainability risks for investment professionals); other internal relativities, including behaviours and impact on risk; external competitiveness; and business affordability.

All staff receive a base remuneration, which reflects the responsibilities of their role and individual competencies required, and their individual contribution to business performance and sound and effective risk management.

Base remuneration is set at market competitive levels, while variable remuneration outcomes are differentiated in line with performance.

FSI provides various forms of variable remuneration, depending on the role and seniority level of staff. Variable remuneration arrangements are governed by the respective plan rules. These plan rules provide details of the practical application of the arrangements. All permanent and fixed term contract employees in the United Kingdom ("UK") are eligible to receive variable remuneration, apart from independent non-executive directors.

Senior leaders, as well as employees in support functions, participate in a discretionary STI plan, reflecting individual performance during the year, and where appropriate, an LTI scheme, which is deferred over a three-year period.

The purpose of deferral is to promote the sustainable long-term performance of FSI, to align the interests of our senior management with our clients and shareholder, and to comply with applicable regulatory requirements.

For investment professionals, variable remuneration is provided, to ensure both the short term and long term stability of the investment team and performance. The STI structure for investment professionals is based on performance benchmarks over 1, 3 and 5 year performance, achieving broader corporate objectives and individual performance, including demonstrating FSI's values and meeting the risk requirements of the role.

The LTI for most of FSI's investment professionals is structured through co-investment instruments aligned to the underlying funds managed by the relevant team. This arrangement encourages long-term alignment with clients' interests. It also incentivises investment professionals to reinforce the team's investment philosophies and processes, which include assessing the sustainability risks (ESG-related) that may affect investment performance.

Guaranteed variable remuneration is only offered in exceptional circumstances, typically where a prospective hire would forfeit an award by leaving their current firm. The value and payment schedule typically matches that of the forfeited amount, although payment may be delayed until after the successful completion of a probation period, or until after six months from joining. Conditions are applied to the payment of the award, such as not having given notice of termination and performance conditions having been met.

In line with FCA requirements, ratios of fixed to variable pay have been approved and are in place for all staff identified as material risk takers ("**MRTs**").

#### **6.4 Severance pay**

FSI has a number of redundancy policies across regions. The policy that operates for employees in the UK is based upon a multiplier relating to age, years of service and salary, and enhances the statutory redundancy payment. Typically, where an employee has left FSI under the redundancy policy, any deferred variable remuneration will vest in line with the usual schedule.

Where employment has been terminated for a cause, all unvested awards will lapse.

#### **6.5 Control function remuneration**

Staff engaged in control functions are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the relevant business area they control; the remuneration of senior officers in the risk management, internal audit and compliance functions is directly overseen by the operational committee, which governs the decision-making process, and the Boards.

#### **6.6 Risk adjustment**

FSI retains the ultimate discretion to reduce unvested variable remuneration (malus) and to clawback vested variable remuneration (clawback) in specific circumstances without limit. The circumstances include but are not limited to conduct that resulted in significant loss, the performance or financial outcomes upon which the award



was determined not being realised, FSI becoming aware of a material error in assessing an employee's performance against the relevant performance conditions at the time that the award was made, a material downturn in the financial performance of FSI or the relevant business unit, or a material failure of risk management.

## 6.7 Material Risk Takers

MRTs are individuals carrying out roles that can materially affect the risk profile of the Companies or their respective AUM.

The MRT population is identified in accordance with the MIFIDPRU Remuneration Code (SYSC 19G.5.3R of the FCA Handbook) which establishes qualitative criteria to identify categories of staff whose professional activities have a material impact on the firm's risk profile and / or AUM. These categories broadly include the relevant Board, senior management, senior control function staff and other key risk takers.

In addition, FSI also takes into account additional factors when identifying MRTs, such as consideration of heads of key areas in respect of portfolio management, whether the individual heads a business line that is accountable for a material portion of annual revenue, specific authority to carry out decisions, any limits placed on that authority and the employee's status under SMCR.

The operational committee approves the identification and remuneration outcomes of MRTs on an annual basis.

## 7. Remuneration – quantitative disclosures

The quantitative disclosures in this section are given on a consolidated basis. MRTs can be based in the UK or, depending on an individual's role and responsibilities, can be based in one of FSI's global offices.

In aggregate, the Companies have identified 67 individuals as MRTs in accordance with SYSC 19G.5 in respect of the 2022 performance year.

### Total amount of remuneration awarded to MRTs and other staff

FSI UKIM and FSI IIM	Senior Management (£m)	Other MRTs (£m)	Other Staff (£m)	Total (All Staff) (£m)
Fixed Remuneration	3.3	11.2	25.1	39.6
Variable Remuneration	17.2	70.1	21.7	109.0
Total Remuneration	20.5	81.3	46.8	148.6

## Guaranteed awards and severance pay

FSI UKIM and FSI IIM	Senior Management (£m)	Other MRTs (£m)	Total (£m)
<b>Guaranteed variable remuneration awards</b>			
Guaranteed variable remuneration awards made during financial year – number of MRTs	0	0	0
Guaranteed variable remuneration awards made during financial year – total amount (£m)	0	0	0
<b>Severance payments</b>			
Severance payments awarded during the financial year – number of MRTs	0	6	6
Severance payments awarded during the financial year – total amount (£m)	0	0.6	0.6
The amount of the highest severance payment awarded to an individual MRT (£m)	0	0.3	0.3

The remuneration disclosed above includes:

- independent non-executive director fees for 2022;
- annual base salaries as at 31 December 2022 (or at the date of leaving employment);
- allowances including pension and benefits paid in 2022;
- discretionary variable remuneration awards relating to the 2022 performance year; and
- severance amounts paid to leavers in 2022.

### **Important Information**

This document is intended to be for information purposes only and it is not intended as promotional material in any respect. The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The material is not intended to provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations.

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