



Redmayne Bentley

2020 PILLAR 3 DISCLOSURES

CONTENTS

Overview	3
Corporate Structure	5
Governance and Management Structure	6
Risk Management and Oversight	8
Risk Appetite	11
Risk Appetite Statements	12
Own Funds	14
Capital Requirement	15
Credit Risk	17
Market Risk	20
ICAAP Governance	21
Remuneration Policy	22
Coded Staff	23

OVERVIEW

Redmayne Bentley LLP (The Firm) is an investment management and execution-only stockbroking firm. Its clients are predominantly private retail and its main source of revenue is derived from the provision of services, either through commission charged for the placing of trades or through fees levied for the ongoing advisory, discretionary or dealing with advice services.

In April 2019, the Firm started the second year of its five-year plan and, while some interim targets were altered to reflect the uncertainty brought about by the COVID-19 pandemic, the underlying theme is an improvement in operating profits. The Firm remains committed to the five-year plan; the key themes focus on:

- Business Growth (primarily increasing funds under investment management)
- Excellent Client Service
- Streamlining Processes
- Developing People

On 1st January 2014, the European Union established a revised framework governing the amount and nature of capital that credit institutions and investment firms must maintain. The Directive is commonly known as CRD IV and is directly binding on firms in the UK. The applicable resulting regulations are:

- The Capital Requirements Regulation – (CRR)
- Prudential Sourcebook for Investment Firms – (IFPRU)

The framework consists of three pillars, which are aimed at promoting the safety and soundness of the financial system:

- **PILLAR 1** - The minimum capital requirements of firms to cover credit, market and operational risk
- **PILLAR 2** - Designed to complement the existing Pillar 1 requirements by assessing the need to hold additional capital under a more risk-based assessment
- **PILLAR 3** - A set of disclosure requirements which enable the market to assess information on firms' risks, capital and risk management procedures

The detailed assessment of the requirements under Pillars 1 and 2 are carried out within the Internal Capital Adequacy Assessment Process (ICAAP).

This is the Pillar 3 disclosure for the Firm as at 31st March 2020, made in accordance with the CRR, Financial Conduct Authority (FCA) and IFPRU which is required to be made on an annual basis.

As a significant IFPRU Firm, the Firm is required to hold regulatory capital equal to the highest of:

- Pillar 1 Capital requirements
- Pillar 2 Capital Requirements

Including FCA Internal Capital Guidance (ICG), which is currently 169%

Based on the Financial Statements for the year ended 31st March 2020, the financial performance is considered to have been encouraging with an increase in profitability which was in part driven by the higher stock market activity at the financial year end. Results at the start of 2020/21 are also encouraging, although the Firm continues to monitor the volatility in stock markets which have lost value to some extent compared with previous years following the impact of the coronavirus pandemic and therefore impacting on the level of revenues.

As part of the preparation of the Financial Statements, the Firm needs to consider the Going Concern status of the Firm. This was particularly pertinent this year owing to the onset of the coronavirus pandemic. A number of scenarios were modelled to understand the implications of the pandemic on operations and revenue streams. The Main Board was comforted that the Firm was more than adequately placed to deal with any of the adverse implications of the virus. Further to this, the Firm has thus far been performing positively in the new financial year despite the market conditions and significant changes to working practices.

The Firm conducted the ICAAP incorporating the Firm's Financial Statements for the year ended 31st March 2020, the Risk Management Framework, the Firm's Risk Appetite Statements and the results of the stress tests conducted within this report. Overall, it is considered that regulatory capital of £7.804m is appropriate based on the Firm's Pillar 1 Capital Requirements multiplied by the appropriate ICG requirement of 169%.

CORPORATE STRUCTURE

The Firm has nine associated entities which are either dormant or Nominee companies; the Firm does not need to apply regulatory consolidation. The Firm is the only FCA-regulated entity in the structure.

At the tax-year end (31st March 2020), the Firm consisted of five equity members (one is a limited company - Redmayne Capital Limited) and three fixed-profit share members who form part of the Firm's Executive Board. Please note that as of October 2020 the Firm consists of six equity members and two fixed-profit share members.

The Firm has principal offices in Leeds, Locksbottom and London, employing 261 individuals. Leeds continues to be the largest office with 178 individuals. There are also 117 non-employed individuals throughout the network of offices in the UK who work under one of the following agreements: franchise, franchise associate or associate agreements.

All of the Equity Members (except Redmayne Capital Limited) continue to be involved in the business. They are assisted by a team of Directors who oversee departments throughout the Firm.

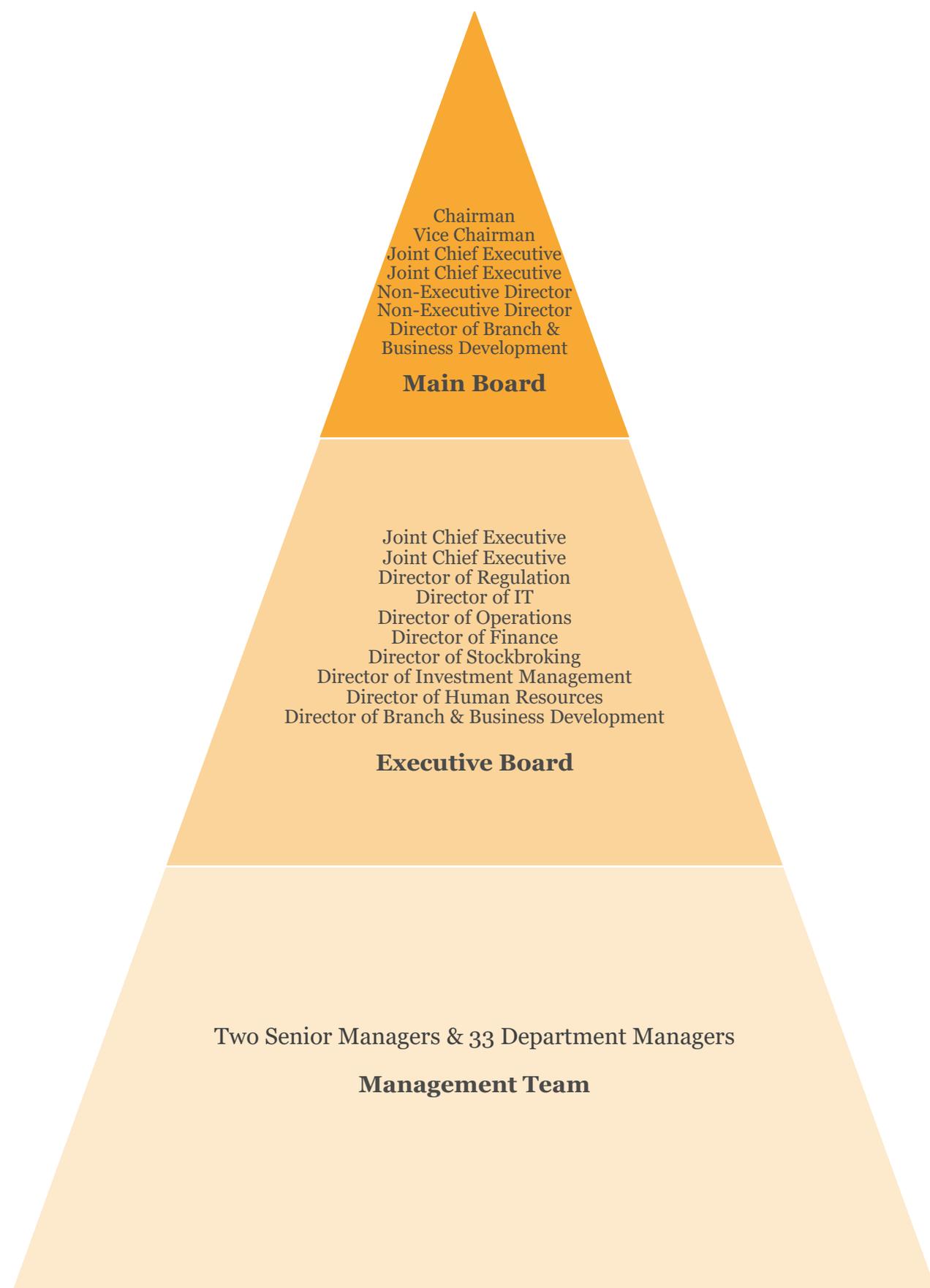
GOVERNANCE AND MANAGEMENT STRUCTURE

The Firm is required by the EU Capital Requirements Directive to make public disclosure of its risk management objectives and policies in accordance with the requirements of Pillar 3 of the Directive and ICAAP as prescribed by the FCA.

The Firm's strategy and overall direction is provided by the Main Board. The Main Board consists of the equity members and a non-Executive Director, and from Q4 2020 an additional non-Executive Director. It meets formally monthly and is responsible for the overall direction of the Firm and its financial performance. As well as receiving reports from the Executive Board, it receives reports from the main Control Committees – Client Assets (CASS), Risk Oversight, Audit, Remuneration, and IT Strategy. The Main Board reviews the effectiveness of the Firm's system of internal control each year, assisted by an annual assurance report from the Audit Committee and also receives regular reports from the Risk Oversight Committee of the material risks which the Firm faces.

The Executive Board consists of eight Directors and two Joint Chief Executives. The members of the Executive Board continue to work closely with the rest of the Management Team. The Executive Board has responsibility for the formulation and delivery of the Firm's Business Plan. The Executive Board meets monthly and reports to the Main Board.

The Firm's reporting lines are flat. This allows for prompt responses to issues, risk events, and regulatory breaches, with rapid but orderly levels of escalation as necessary. The Main Board is confident that the Firm's structure, together with the internal controls and policies which are in place are sufficient to contain losses from risk events.



RISK MANAGEMENT AND OVERSIGHT

To assist with the achievement of the business plan, consideration is given to what issues and/or events, both internal and external, could impact the achievement of each strategic theme, focus, and goal of the business plan. Identified risks are categorised accordingly in line with IFPRU guidance, with controls identified and assessed on both an inherent and residual basis. This process and the associated risks form the basis of the Firm's risk management framework, Risk Appetite, and how risk is managed from the 'top-down' throughout the Firm.

The Firm's overall risk and control oversight is provided by the Main Board and the Firm's committees (primarily, audit and risk committees). The Main Board determines the Firm's long-term strategic direction within the Firm's Risk Appetite and the Executive Board implements it in operations and monitors progress through the Business Plan. Risk Management recommends risk strategy and measures derived from the strategic themes determined by the Main Board to provide independent oversight and to support a comprehensive and proactive risk management approach.

RISK STRATEGY

The Firm's risk management framework is intended to strengthen and improve the Firm's ability to manage existing and emerging risks.

During 2019/20, the Firm continued to evolve the risk management framework developing monitoring and understanding to better manage the potential exposure of clients and the Firm. As the Firm drives towards a mature risk management framework, throughout 2020/21 there are continual improvements planned.

RISK MONITORING AND REPORTING

The Firm's risk management framework and governance structures aim to facilitate comprehensive monitoring, with the first Line of Defence having primary responsibility and risk owners providing regular and ad-hoc reports on material risks to the relevant Executive and Control Committees.

To ensure that the crystallisation of risks are captured and managed, a business incident and near-miss reporting process is hosted on the intranet. Thresholds are in place to provide guidance around what constitutes a formal risk event based on financial exposure, client exposure, regulatory breaches, and infrastructure impact. Each incident is linked to a risk on the Firm's Enterprise or Operational Risk Register where possible, which will have been identified with the achievement of the business plan in mind.

RISK MANAGEMENT RESPONSIBILITIES

The Main Board

The Main Board oversees the Firm's strategic direction, the implementation of an effective risk management culture, determines the Risk Appetite of the Firm, and challenges the risk management framework. The Main Board receives and challenges any of the Firm's risk information, directing where action should be taken to mitigate any risk exposures. On an annual basis, the Main Board reviews and approves The Firm's Risk Appetite Statement to ensure alignment with the Firm's strategy and business plan.

The Risk Oversight Committee

The Risk Oversight Committee (ROC) is responsible for reviewing and challenging the Firm's Risk Management Policy, Risk Appetite Statement, Risk profile, and ICAAP and Capital Adequacy calculations, prior to recommending them to the Main Board for approval. The Committee also has oversight of the Risk Management Committees to review and challenge where necessary.

The Risk Management Committees

The Risk Management Committees are actively involved in the management and review of their assigned risks, risk events or near misses and propose actions to mitigate risks further to improve or bring into Risk Appetite, escalating where required. The Risk Management Committees oversee the Firm's operational processes, controls, and the development of The Firm's risk management framework, reviewing any deviations away from Risk Appetite and making recommendations for an enhanced control environment and provide assurance to the Main Board.

The Audit Committee

The Audit Committee, in addition to overseeing financial reporting and effectiveness of Internal Audit, assesses the adequacy and effectiveness of internal controls, including the risk management framework. The Audit Committee monitors compliance with internal policies and procedures as determined in department manuals.

REMUNERATION COMMITTEE

The Firm has a remuneration policy which ensures that the Firm is fully compliant with the FCA remuneration code for the Firm's level 3 category. This has no implications for the Firm's capital resources. The Remuneration Committee meets to review the implementation of the policy and makes recommendations to the Main Board for changes to the policy and other remuneration decisions. The Committee is chaired by a Non-Executive Director and also includes the Chairman, both Joint Chief Executives and the Director of Human Resources. The Director of Regulation attends meetings as a non-voting member. As a result of the move to Enhanced status the Committee will change in December 2020 to become the Remuneration Nominations and Corporate Governance Committee and that members will not be Executive Directors.

The Executive Board

The Executive Board takes the Strategic Themes determined by the Main Board and formulates and recommends the Business Plan in line with these and through interaction with other members of the management team. As the year progresses, the Executive Board monitors progress with the Business Plan and its associated risks, reporting quarterly to the Main Board. It also considers the impact of emerging risks on the Firm's strategy and Business Plan. This includes identifying and reporting significant risks to ROC.

The Risk Manager

The Risk Manager provides oversight of firm-wide risk management and control and is responsible for liaising with the Executive Board to establish the risk management framework, strategy, policy and practices. The Risk Manager's primary objective is to support a comprehensive and proactive approach to risk management that promotes a strong risk management culture. The Risk Manager works with all departments and the Risk Oversight and Audit Committees to establish policies, standards and limits that align with The Firm's Risk Appetite and monitors and reports on existing and emerging risks.

The Department Managers

In addition to building a risk-aware culture and ensuring implementation of risk management processes, all departmental managers are responsible for the identification, monitoring and management of risks within their respective area. Where risks are measured as being outside of the Firm’s Risk Appetite, action is to be taken to mitigate them, driven by the manager.

Risk Champions

In addition to supporting risk owners, a Risk Champion Framework has been established to enhance the Enterprise & Operational Risk Framework, embedding a firmwide risk-aware culture. The Framework provides further assurance to the Risk Management Committees, the Risk Oversight Committee, the Executive Board and the Main Board that risks are being managed throughout the Firm.

Outsourced Internal Audit

The Firm’s Outsourced Internal Audit function provides independent assurance to the Main Board regarding the effectiveness of risk management, control and internal procedures employed to ensure compliance with The Firm’s Risk Appetite. Internal Audit reports its evaluations to management, the Audit Committee and the Main Board. Internal Audit includes periodic reviews undertaken by BDO, the Firm’s outsourced Internal Auditors, reporting to the Audit Committee.

Compliance

The mandate of the Firm’s Compliance Department is to manage regulatory risk across the business to align with the policies, processes and controls established and approved by the Audit and Risk Committees. To facilitate this, the Compliance Department is split into two functions: Compliance Monitoring and Compliance Policy.

THREE LINES OF DEFENCE



RISK APPETITE

The Firm aims to be the most trusted independent provider of personal investment services, providing professional, personal and client-focused access to investment management and stockbroking expertise.

In order to achieve its aim, the Firm will take risks needed to fulfil its goals, but only if those risks:

- Complement its strategy and can be understood and managed
- Do not risk harm to its brand
- Do not expose it to any one-off big losses; it will not 'bet the bank'

The Firm's Risk Appetite Statement is the primary means used to communicate how the Firm defines risk and determines the acceptable level of risk exposure for each major risk category/type. In defining its risk appetite, the Firm takes into account its vision, mission, strategy, values, risk philosophy (e.g. cautious) and capacity to bear risk.

The Firm considers current conditions, identified risks, and the prospect of emerging risks in developing and applying its Risk Appetite. Adherence to overall Risk Appetite is managed and monitored across the Firm, and is informed by the Risk Appetite Statement, Risk Reporting and a broad spectrum of principles, policies, processes, and tools. The Firm's Risk Appetite Statements describe the Firm's risk principles and monitors its appetite for risk and the actual risks it faces through risk reporting.

The Firm's Risk Appetite articulates the type and quantum of risk that the Firm is willing to accept in pursuit of achieving its strategic objectives. The Executive Board is responsible for setting Risk Appetite, with Main Board approval. Risk Appetite is based on qualitative statements which articulate the risk-taking intent of the Firm. The primary objective of the Risk Appetite is to protect the Firm from an unacceptable level of financial performance volatility, conduct and compliance failures and subsequent adverse reputational impact in pursuit of the strategic objectives.

In 2019 the Firm commenced a new Five-Year Strategic Plan, which resulted in a full refresh of the Risk Appetite in 2020.

RISK APPETITE STATEMENTS

STRATEGIC RISK

The Firm aims to minimise the potential for financial loss or reputational damage arising from ineffective business strategies, improper implementation of business strategies or a lack of responsiveness to changes in the business environment. The Firm will at all times maintain financial strength to ensure stability and sustainability to support its strategic themes that support the Firm's mission and Vision, while not compromising its core values and behaviours.

CONDUCT RISK

The Firm has zero appetite for conduct risks and seeks to minimise the opportunity for them to arise by aligning strategy, process and operations. The Firm's tolerance to conduct risk is informed by the fact that crystallised conduct risks can result in client, financial, brand reputation or regulatory detriment. The Firm's priority is to deliver excellent client outcomes, as client service is central to its business culture. The Firm's vision prioritises its reputation above profitability alone by being a trusted provider of personal investment services.

OPERATIONAL RISK

The Firm accepts that operational risk is present in the course of achieving its strategic objectives and pursues robust processes and controls in accordance with FCA rules in order to mitigate and minimise these risks within set thresholds, but it has zero appetite for poor client outcomes. Identified issues are investigated with the appropriate remedial action taken

MARKET RISK

Market risk provides strategic opportunity for the Firm and the nature of its investment management and stockbroking services mean it needs to have exposure to markets. However, the Firm seeks a balanced approach to market risk to maximise profit for both clients and the Firm, while mitigating away from the extremes of market volatility. Market Risk operates within predefined thresholds that are set in the interests of clients and the Firm. The Firm has zero tolerance to undertake any proprietary trading.

Much of the Firm's client money is kept in sterling, with limited foreign currency held to facilitate settlement and dealing activity on behalf of clients and/or to mirror those client deposit accounts held in a foreign currency.

Market risk incorporates Interest risk where a similarly balanced approach between maximising returns while ensuring suitable institutions are utilised and adequate client money protections are maintained.

FINANCIAL RISK

The Firm will at all times maintain financial strength and business performance to ensure financial stability and sustainability to support its strategic themes. In addition to meeting its regulatory capital requirements the Firm will not undertake activities that would jeopardise this financial stability and will ensure risks taken are proportionate with its risk profile and strategic ambitions. The Firm aims to retain the confidence of its clients, to fulfil regulatory requirements and to maintain a capital surplus to protect against unexpected losses.

LIQUIDITY RISK

The Firm accepts that an appetite for liquidity risk is required in order to achieve its business objectives, while having zero appetite for risks that would result in not meeting client money requirements, regulatory financial obligations and/or having insufficient resources to meet current and future financial commitments. The Firm holds above the minimum regulatory capital requirement, defined by annually reviewed Risk Appetite metrics, to ensure it is able to meet these obligations under possible liquidity stress scenarios and maintains a Contingency Funding Plan in case such conditions arise.

CREDIT RISK

The Firm will only engage with counterparties who are creditworthy and manage exposure by setting appropriate credit limits and monitoring collateral positions.

The Firm only transacts with counterparties authorised by the FCA (or an equivalent regulatory body) and regular credit and trading checks are carried out.

LEGAL & REGULATORY RISK

The Firm has zero appetite for regulatory breaches and legal issues. While it is not possible to eliminate all legal and regulatory risk, the Compliance department works closely with all other departments to ensure that any legal and regulatory risks are identified and reduced to a minimum. This ensures compliance with legal and regulatory requirements and industry best practice to protect the Firm's clients, the market, and the Firm's reputation. The Firm strives to maintain an open and transparent relationship with the regulator.

OWN FUNDS

TIER ONE CAPITAL RESOURCES

Tier one capital consists of Partnership Capital, divided between Members' capital classified as equity, Members' current accounts and other reserves. Intangible assets and other intangibles are deducted in full in accordance with FCA requirements. The Firm's Total Capital, which is comprised entirely of 'Common Equity Tier 1' capital, is set out in the table below.

AS AT 31st MARCH 2020 TIER ONE CAPITAL WAS MADE UP AS FOLLOWS:	£000'S
Fixed Members capital	7,850
Retained Earnings (undrawn members capital)	7,164
Other Reserves (revaluation)	956
Disallowable Intangible Assets and Goodwill	(1,409)
Disallowable Investments	(956)
Other Adjustments	(76)
Total tier 1 capital / Total Capital	13,530

The retained earnings figure in the table above includes the audited figure from the March 2020 year end. These are only permitted for inclusion as capital once the audit has been completed

CAPITAL REQUIREMENT

The Firm's overall regulatory capital requirements are determined after performing Pillar 1 capital calculations, taking into account any Individual Capital Guidance ("ICG") or fixed add-ons issued by the FCA and also assessing Pillar 2 capital requirements.

This allows the Firm to determine, and subsequently monitor, the appropriate amount of capital to be held based on its risk profile. The Firm's capital requirement is determined by taking the sum of, the higher of Pillar 1 and Pillar 2 capital requirements plus an additional ICG proposed by the FCA.

During the financial year ended 31st March 2020, the Firm maintained surplus capital resources at all times to satisfy minimum capital resources.

PILLAR 1 CAPITAL REQUIREMENT

The Pillar 1 requirement is calculated by taking the higher of:

- i) the sum of credit, counterparty and market risk; and
- ii) the Fixed Overhead Requirement ("FOR") (as defined in the FCA handbook under GENPRU 2.2).

The Firm's FOR is calculated at £4,618k based on prior year and is higher than the calculated credit, counterparty and market risk requirements of £667k, these being the exposures identified as part of the regulatory reporting cycle and applied at the 8% risk weighting.

A summary of these figures can be seen below:

Pillar 1 Capital Requirement (£000's, as at 31st March 2020)

A) Fixed Overhead Requirement ('FOR')	£4,618
Credit and Counterparty Risk	£618
Market Risk	£29
B) Sum of Credit, Counterparty and Market Risk	£647
PILLAR 1 CAPITAL REQUIREMENT (higher of A and B)	£4,618

PILLAR 2 REGULATORY CAPITAL REQUIREMENT

Pillar 2 requires firms to calculate the internal capital they consider necessary to cover all risks that they are, or are likely to be, exposed to. It also requires firms to consider the costs associated with winding the Group down (Orderly Wind Down) and various stress scenarios (market-wide, firm-specific and combinations). The Pillar 2 capital requirements are outside the scope of this disclosure document.

CAPITAL RATIOS

As per CRR Article 92, the Firm must at all times satisfy the following own fund requirements:

- Common Equity Tier 1 capital ratio of 4.5%
- Tier 1 capital ratio of 6%
- Total capital ratio of 8%

These ratios are applied to the total risk exposure amount, being £57.7m for the Firm. As at 31st March 2020, the Firm's total capital ratio was over the minimum requirement at 21.5%. Further details are shown below.

Total Capital Ratio (£000's, as at 31st March 2020)

i)	Own Funds	£13,530
ii)	Total Risk Exposure Amount	£57,724
	Total Capital Ratio (i/ii)	23.4%

Credit Risk Exposure Classes (£000's)					
	Balance Sheet	Adjustments	Net	Risk Weighting	Cap Requirement
Institutions	£12,662	£0	£12,662	2%	£203
Equity	£1,162	(£956)	£207	8%	£17
Other items	£37,274	(£32,416)	£4,859	8%	£398
					£618
Counterparty Credit Risk			£358	8%	£29
					£647
					Total Credit Risk Capital Requirement

COUNTERPARTY CREDIT RISK (BANKING)

Counterparty credit risk refers to the risk associated to a counterparty, that being a party engaged with for trading purposes. The largest counterparty risks, therefore, relate to custodians and banking institutions, with the latter posing the largest potential impact in the event of a counterparty default.

Banking relationships are for two purposes: First, for the Firm's cash, that being required to operate the business which is assessed in the credit risk section. Second, for Client cash, where far larger balances are held with banks on the Firm's clients behalf.

A client money policy is operated and maintained by the CASS committee which determines which institutions can be used based primarily on credit rating and geographical location. It also determines the diversification requirements of the Firm to ensure that client money is deposited amongst a number of institutions to mitigate concentration risk

The Firm has a Treasury Management function, a CASS Committee and Executive Board and Main Boards who all review the Firm's client money balance, via a monthly report. This includes, amongst other things, the latest balances and credit ratings, allowing action to be taken swiftly were the Firm's policy breached.

TRADE AND OTHER RECEIVABLES

Trade receivables result from various services provided, including investment management services. In addition, these receivables may include client overdue positions which may be recoverable from the originating stockbroker or investment manager. The credit risk is that the debtor may default on the payment owed to the Firm.

When the Firm's debtors fall overdue, they are classified as past due and reviewed for any signs of impairment. Bad debt levels are historically very low due to the ability to offset client debts against their client account, the sale of other holdings to cover any debts arising and charging overdue amounts on to the stockbroker or investment manager.

Outstanding debts are monitored daily by investment managers, stockbrokers and the Finance function. Discussions are held to determine the recoverability of the debt. If necessary, the outstanding debt is escalated to management.

The levels of other debtors, such as accrued fee income, are reviewed monthly by the Finance department as part of the management accounts process. Income expectations are calculated using current market prices and fee rates set on client portfolios. There are no bad debts to write off for accrued income as expectations are adjusted on a monthly basis.

DEFERED TAX

Under the IFPRU rules, deferred tax assets are deducted from capital resources in full when the asset is dependent on future profitability. Accordingly, £76,000 has been deducted in full.

OTHER ASSETS

Although other balance sheet assets do not have a “counterparty credit” as such, there is a future potential risk that the value of these balances would have to be written down (e.g. non-recoverability of the asset or obsolescence of fixed assets), which would in turn lead to a charge to the P&L reserve and hence a reduction in regulatory capital resources.

This risk is covered by the Pillar 1 credit risk capital requirement attached to these items and, therefore, the Firm does not consider these could lead to a material future loss.

MARKET RISK

The Firm's Market Risk is defined as the impact on the Firm's revenue or assets due to fluctuations in stock markets, interest rates or exchange rates and their impact on client portfolios.

The Firm's exposure to Market Risk in relation its own funds is limited, with only one notable asset affected by exchange rate movements (this is adjusted and removed from the CET1 calculation and so has no impact).

The Firm maintains low levels of currency exposures, with foreign currency balances offset by client money requirements in those currencies, so the risk of adverse currency movements for settlement of non-GBP trades on behalf of clients is not borne by the Firm. However, for operational benefits, the Firm must maintain some foreign currency balances and as such there is a limited capital which is captured within the Pillar 1 Risk calculation with a total risk exposure amount of £285,000.

INTEREST RATE RISK

As per BIPRU 2.3, the Firm modelled both a 200 basis points increase in base rate and a 200-point reduction in base rate for the purpose of the ICAAP. The Firm does not hold liquid assets with the intention of trading for itself and/or hedging against another part of the trading book. The Firm has not placed a capital requirement on the movements as they have no effect on existing assets, although they would impact on future profits as the Firm does hold significant balances of client money deposits which are placed with a number of banking institutions and from which the Firm generates some interest.

ICAAP GOVERNANCE

As required under FCA rules, the Firm maintains an ICAAP, which includes performing a range of stress tests to determine the appropriate level of regulatory capital and liquidity that the Firm needs to hold to provide reasonable assurance that it is sufficiently capitalised to withstand the material risks to which it is exposed. The current basis of calculation of capital requirement has been adopted in the stress tests, including the FCA ICG requirement of 169% of pillar one capital set in December 2009.

The 2020 ICAAP report was reviewed by the Risk Oversight Committee and was approved by the Main Board at its meeting held in September 2020.

REMUNERATION POLICY

As the Firm is regulated by the Financial Conduct Authority (FCA), it is subject to the FCA Remuneration Code. The obligations under the code are proportionate to the size, nature, scope and complexity of a firm as a firm with limited activity has been categorised as Level 3.

Level 3 firms can dis-apply the requirement:

- to establish a remuneration committee
- for variable remuneration to be paid partly in shares
- to defer variable remuneration
- for performance adjustments
- on leverage (ratios between fixed and variable remuneration); and on multi-year frameworks for remuneration

The Firm reviews the Remuneration Policy annually as part of governance arrangements. The following are the key elements of its approach to ensuring that it meets good governance principles and to ensure that any potential conflicts of interest which could arise from remuneration schemes are minimised.

- Although not strictly under level 3, the Firm does have a Remuneration Committee which is responsible for ensuring there is a greater alignment between risk and individual reward to discourage excessive risk taking and to deliver the objective of the Remuneration Policy. The committee reports to the Main Board. The policies are reviewed annually or if there is a significant change to the business requiring an update to its internal capital adequacy assessment.
- Salaries are reviewed by reference to salary bands which are updated through regular job evaluation. Recommendations on salary reviews are made by Directors and considered by the Remuneration Committee. The Firm's remuneration arrangements represent a combination of fixed salaries and variable remuneration including bonus payments, commission and shares of management fees. The process is designed to align the interest of the Firm and its employees with those of its clients and other stakeholders to ensure the Firm's long-term profitability.
- Bonus payments to employees are made on a fully discretionary basis, determined by a fixed formula linked directly to the overall profits of the Firm each half year and based on performance against core competencies. Commission and fee shares are also based on a pre-determined formula.
- Franchisees and their associates are rewarded by a fixed rate share of revenue with no target thresholds. These are agreed contractually.

CODED STAFF

The remuneration code principles apply to 'Coded Staff'. Coded staff are defined by the FCA as individuals who have a material impact on the risk profile of the Firm which includes senior management and individuals with significant influence, any employee whose professional activities have a material impact on the Firm's risk profile, or whose total reward is equal to or greater than the lowest-paid Director.

The Firm considers each Directorate as a Material Business Unit (MBU) for the following reasons:

- The Firm's approach to allocation of capital under ICAAP was considered which is primarily based on the Fixed Overhead Requirement. Each directorate accounts for at least 2% of the Firm's capital under ICAAP.
- A directorate could properly be classified as a business unit within the meaning defined in SYSC 19A by reference to the criteria in Regulation (EU) 604/2014 on Regulatory Technical Standards (RTS) articles 3 and 4 for identifying material risk takers as directorates are part of the Firm's organisational structure.
- As such, each directorate meets the definition of an MBU.

The Firm has taken account of the EU Delegated regulation in defining Remuneration Code staff. While many Investment Managers (IMs) have responsibility for significant values of client assets, the Firm has concluded that all IMs follow guidelines and parameters in managing portfolios which are set by the Main and Executive Boards. While there is scope for individual decision making on stock selection, the investment guidelines reduce the risk that can be adopted by individual IMs and is closely monitored by Compliance and first line supervision.