

# **MIFIDPRU 8 DISCLOSURES**

## **2022**



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## 1. INTRODUCTION

This document sets out the public disclosures required under the Investment Firms Prudential Regime ('IFPR') for Sarasin & Partners LLP (S&P) and Sarasin Asset Management Limited (SAM) for the financial year ending 31<sup>st</sup> December 2022.

## 2. SCOPE AND BASIS OF DISCLOSURE

The Investment Firms Prudential Regime was introduced in the UK with effect from the 1st January 2022. The Financial Conduct Authority's (FCA) Prudential sourcebook for MiFID Investment Firms (MIFIDPRU) includes rules requiring the disclosures made in this document.

The Sarasin UK Group comprises a UK prudentially consolidated group including Sarasin (U.K.) Ltd ("SUK"), S.I.M. Partnership (London) Ltd ("SIMPL"), Sarasin & Partners LLP ("S&P"), Sarasin Investment Funds Limited, Sarasin Asset Management Limited ("SAM") and Sarasin U.S. Services Limited.

SUK is owned by the Swiss bank, Bank J. Safra Sarasin Ltd ("BJSS"). SUK holds 72.51% of the voting rights in SIMPL while 27.49% is held by its London directors. SIMPL holds 60% of the voting rights in S&P and 40% are held by the London members of S&P.

SUK is, on a consolidated basis, classified as a non-SNI MIFIDPRU Investment Firm. Both S&P and SAM are also non-SNI MIFIDPRU Investment Firms and are required to make disclosures on an individual entity basis.

The basis of consolidation for financial accounting under International Financial Reporting Standards ("IFRS") is described in the SUK consolidated financial statements. It is based on the inclusion of all entities controlled by SUK at the 31<sup>st</sup> December each year. This is the accounting reference date for the Sarasin UK Group, which uses the same basis for its prudential and accounting consolidations.

S&P owns SAM, which does not employ staff directly and has entered into a Participating Affiliate Memorandum of Understanding ("MOU") with S&P for its staff to provide services to clients of SAM.

S&P and SAM are governed by their own Boards, which are responsible for oversight of their activities. To the extent that S&P provides services to SAM's clients pursuant to the MOU, S&P is subject to the supervision of the SAM Board.

In complying with the rules, MIFIDPRU investment firms must provide a level of detail in their qualitative disclosures that are appropriate to their size and internal organisation, and to the nature, scope, and complexity of their activities. As noted, SAM does not have staff and its operations are managed together with those for S&P. Where appropriate the qualitative disclosures made in this document are on behalf of both S&P and SAM.

## 3. GOVERNANCE ARRANGEMENTS

### 3.1 BOARD GOVERNANCE

The Board of S&P, the controlling body under S&P's Partnership Agreement, has responsibility for the overall management of the business including the appropriate segregation of duties and the management of potential conflicts of interest. The S&P Board sets out the strategic direction and parameters for the executive management team, the risk appetite and provides oversight and guidance to senior management.

The S&P Board consists of two representatives from BJSS, two independent Non-Executive Directors, and all of S&P's voting partners. It sets the overall strategy of the business but delegates day-to-day management duties to the Executive Committee.

The committees that have received delegated authority from the S&P Board include:

The Strategic Management Committee – considers and proposes strategic recommendations to the Board. It reviews strategic initiatives and has responsibility for considering the mid to long term multi-year strategic vision for S&P together with any other commercial opportunities and budgets.

The Remuneration Committee – makes recommendations regarding remuneration which must be separately approved by the Board. The Committee determines the overall framework of the Partnership's Remuneration Policy.

The Audit and Risk Committee – has oversight of the Risk Management Framework, the risk appetite of each entity, and both the internal and external audit processes and findings.

The Nominations Committee – identifies and develops the criteria for the selection, assessment and recommendation of Non-Executive Directors to the LLP Board and its subsidiaries.

The SAM Board comprises one independent Non-Executive Director and four Executive Directors. It is the controlling body with responsibility for the overall management and oversight of the business of SAM. The SAM Board sets the overall strategy of SAM and oversees its activities including for client outcomes, financial performance, regulatory compliance, operations, people and governance, and legal.

S&P and SAM are required to disclose the number of external directorships (executive and non-executive) held by each member of their management body.

An S&P Board member who is an independent non-executive director holds one external non-executive directorship. Two S&P Board members who are partners hold one external executive directorship while another holds one non-executive external directorship.

A SAM Board member who is an independent non-executive director holds two external non-executive directorships. Two SAM Board members who are executive directors hold one external executive directorship.

### **3.2 EXECUTIVE GOVERNANCE**

The S&P Executive Committee is responsible for S&P's day to day management in line with the budget and the strategy as delegated from the S&P Board. As noted in the previous section, the SAM Board oversees the business of SAM.

The S&P Executive Committee sets objectives, defines the business targets, allocates resources and establishes organisational structures and processes to mitigate risks.

It is chaired by the Managing Partner and has representatives from key functional groups including the Chief Operating Officer. The S&P Executive Committee has established a number of Committees to which authority has been delegated, including:

- The Operations Committee – oversees all operational issues;

- The Product Strategy Group – reviews and assesses all proposed new product and service offerings, all proposed fundamental modifications to an existing product or service offerings and to consider regulatory changes and the impact on product and service offerings;
- The Local Remuneration Committee – reviews, amends and approves individual Remuneration for members of Staff who are not classified as Material Risk Takers;
- The Conflicts Management Group – responsible for assessing the implied and actual conflicts arising in the day to day running of the business;
- The Asset Management Committee – responsible for the management and oversight of the Asset Management department, ensuring that the department has the appropriate framework and the right resources to deliver strong long-term investment performance;
- The Investment Strategy Group – defines the long-term thematic backdrop that will influence the firm’s investment decisions. The Committee is expected to drive the selection of asset classes in strategic benchmarks, define the long-term strategy that will influence the tactical asset allocation of portfolios and the thematic opportunities that will drive stock selection;
- The Investment Risk Committee – considers issues of investment risk and performance and escalates key issues for management attention;
- The Pricing Committee – acts in all matters regarding fees charged, when and how they are charged and ensuring a consistency of application across the client base. Responsible for approving all non-standard commercial business to ensure it can be operationally supported and is commercially viable;
- The Senior Managers & Certification Regime Committee – oversight of the implementation and ongoing monitoring of SMCR;
- The Diversity & Inclusion Committee – promoting a culture where all stakeholders are accepted as individuals and treated fairly and respectfully and aiming to improve diversity both within the Sarasin UK Group and across the asset management industry;
- The Corporate Responsibility Committee – monitors, oversees and enacts where necessary, the policies and processes with regards to Corporate Responsibility reporting requirements.

### 3.3 APPROACH TO PROMOTING DIVERSITY ON THE MANAGEMENT BODY

The objectives of S&P’s Equal Opportunities Policy include the active promotion of diversity and equal opportunities in the provision of all S&P’s services and that S&P is opposed to all forms of unlawful and unfair discrimination. All applicants, employees, Partners, ex-employees, interns and those who work for, or perform duties for S&P will be treated fairly and with respect.

S&P has established a Nominations Committee, which is tasked with identifying and developing the criteria for the selection, assessment and recommendation of Independent Non-Executive Directors (“INEDs”) to the S&P Board and its subsidiaries. The overall procedure in relation to the selection, assessment and appointment of INEDs includes that the principles of equal opportunity and diversity and inclusion will be followed throughout the selection process to ensure that fair, equitable and non-discriminatory consideration is given to all candidates.

The Partnership Election Committee (“PEC”) is responsible for co-ordinating the nomination and election process for new partners to S&P and the promotion to ‘Business Partner’. The PEC will be responsible for assessing the merits of each nominated Partnership candidate using a fair and consistent process which incorporates all of the principles of the S&P’s Equal Opportunities policies.

The executive Diversity and Inclusion Committee is responsible for promoting a culture where all stakeholders are accepted as individuals and treated fairly and respectfully. Though no specific targets

have been established in respect of the S&P Board's diversity, the Committee aims to improve diversity both within S&P and across the asset management industry.

### **3.4 RISK COMMITTEE**

SUK does not meet the MIFIDPRU quantitative criteria to be considered a "large" non-SNI firm and, accordingly, S&P and SAM are not required to establish Risk, Remuneration and Nomination Committees.

Notwithstanding, the S&P Board has established an Audit and Risk Committee, a Nominations Committee and a Remuneration Committee for good governance.

The Audit and Risk Committee has oversight of the Risk Management Framework, the risk appetite of each of the Sarasin UK Group's regulated entities, and internal and external audit processes and findings.

## 4. RISK MANAGEMENT OBJECTIVES AND POLICIES

### 4.1 INTRODUCTION

S&P and SAM must assess compliance with the Overall Financial Adequacy Rule (see 6.1), which requires that they must at all times hold own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

- they are able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from their ongoing activities; and
- they can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

### 4.2 RISK MANAGEMENT

Identifying, assessing and responding to risks are an integral part of an asset management business. The Sarasin UK Group employs a clearly-defined, transparent and integrated system of risk management, as set out in the Risk Management Framework (“RMF”), covering all of the Sarasin UK Group’s business segments. The RMF is underpinned by a three line of defence model, risk management principles and a defined risk appetite which is articulated both in terms of qualitative statements of appetite and linked quantitative statements of appetite in the form of Key Risk Indicators (“KRIs”) or Key Performance Indicators (“KPIs”).

The RMF is a summary of the process, procedures, arrangements and principles that together function to enable the pursuit of effective risk management and compliance with regulatory requirements. As part of the RMF, Sarasin undertakes an Internal Capital Adequacy and Risk Assessment (“ICARA”) process. The ICARA identifies and monitors material risks identified, their likelihood of occurrence and mitigating factors that Management have put in place, such as internal control processes and insurance arrangements. The ICARA is produced annually or more often should there be material change to the business model, activities or wider market circumstances.

Active risk management minimises undesirable risks and allows the capital of the Sarasin UK Group to be employed as efficiently as possible to the benefit of shareholders and other stakeholders. Risk management is therefore a vital link in the value creation chain, as it identifies real and potential risks for the Sarasin UK Group’s decision-makers.

### 4.3 RISK CULTURE

Risk awareness is as important to the quality of risk management in a business as the requirement to adhere to formalised internal and external regulations. One of the central elements of an effective risk culture is the discipline and diligence of those responsible in performing their duties. The Sarasin UK Group requires integrity and risk-aware conduct from employees at every level and stresses the importance of clearly defined responsibilities.

### 4.4 RISK MANAGEMENT ORGANISATION

The three-line of defence model underpins the RMF and is based on the following key principles:

- Risk is primarily owned and managed by the first line of defence, i.e. the business. Departments identify and manage risks in all their activities in accordance with the RMF, policies and

procedures. They manage risks within the risk appetite set by the S&P Board, and identify, report and escalate incidents in a timely manner;

- The Risk and Compliance departments act as the second line of defence, providing oversight and challenge of departmental risk management arrangements, overseeing the implementation of the RMF and directing or advising departments on actions to reduce risk exposures;
- The Internal Audit department acts as the third line of defence, providing independent assurance to the S&P Board around the effectiveness of risk management, controls and governance in respect of key risk types across the business;
- There is a clear separation of duties between the first, second and third lines of defence;
- The S&P Board has oversight of the lines of defence and carries responsibility for implementing risk management principles, setting strategy and formulating and implementing policy. It defines risk management parameters (such as limits and systems), risk appetite and responsibilities for monitoring;
- The SAM Board has responsibility for the overall management and oversight of the business of SAM and oversees the activities performed on its behalf, including for the management of risk; and
- External assurance is provided by external auditors.

The Risk department reports to the Chief Operating Officer and presents reports quarterly to the Audit & Risk Committee (“ARC”), a sub-committee of the S&P Board. The ARC has oversight of the RMF, the risk appetite of each Sarasin UK Group entity, and both the internal and external audit processes and findings.

The Compliance department advises the Boards and management in meeting the Sarasin UK Group’s regulatory responsibilities, and the department ensures that business activities in the UK and overseas comply with applicable legal and regulatory frameworks, together with generally accepted market standards and codes of conduct. An appropriate system of policies and procedure ensures that the Sarasin UK Group’s structure and business processes adhere to an acceptable format, especially in the areas of service provision to clients and product marketing.

#### **4.5 OWN FUNDS REQUIREMENTS**

A MIFIDPRU Investment Firm must at all times maintain own funds that are at least equal to its own funds requirement. The own funds requirement for S&P and SAM is the highest of their respective:

- Permanent minimum capital requirement;
- Fixed overheads requirement; or
- K-factor requirement.

The quantitative disclosure for Own Funds Requirements is set out in section 6.

#### **4.6 CONCENTRATION RISK**

S&P and SAM do not deal on own account and are therefore not subject to the concentration risk requirements for dealing on own account. Generally, concentration risk from outstanding fee exposure is limited due to the diversification of the client base and exposures are spread over a large number of counterparties. Credit risk exposure is regularly reviewed and is managed in accordance with the risk appetite of the business via the application of policy set in relation to the type of counterparty used, the level of concentration allowed and, in the case of cash deposits, counterparty limits set.



## 4.7 LIQUIDITY RISK

S&P and SAM's exposure to liquidity risk primarily arises from the potential failure to receive management fees in a timely manner. The current business model ensures that high levels of liquidity are maintained across the Sarasin UK Group. Management fees are received monthly or quarterly in arrears. Collection is mostly direct from clients' custodians or from regulated entities or fund companies. A failure to receive a particular payment or number of payments is considered to be an unlikely event.

Should MIFIDPRU investment firms require additional funding in excess of surplus cash maintained on balance sheet, defined liquidity can be provided via subordinated loan arrangements in place between (a) BJSS and SUK, (b) SUK and S&P, and (c) S&P and SAM.

The effect of operational losses and external stresses on liquidity has been considered. Where insurance is used as a mitigation, there may be some delay settling any loss and receipt of insurance proceeds.

## 5. OWN FUNDS

### 5.1 COMPOSITION OF REGULATORY OWN FUNDS

Under MIFIDPRU 8.4.1R, S&P and SAM are required to disclose:

- (a) a reconciliation of common equity tier 1 items, additional tier 1 items, tier 2 items, and the applicable filters and deductions applied in order to calculate the own funds of both firms;
- (b) a reconciliation of (a) with the capital in the balance sheet (for S&P and SAM, 'Statement of Financial Position') in the audited financial statements of both firms; and
- (c) a description of the main features of the common equity tier 1 instruments, additional tier 1 instruments and tier 2 instruments issued by both firms.

Own funds for both S&P and SAM comprise exclusively common equity tier 1, calculated in accordance with MIFIDPRU 3.

### 5.2 OWN FUNDS QUANTITATIVE DISCLOSURES

Table 1: Composition of regulatory own funds as at 31 December 2022 (S&P and SAM)

Item no.	Item description	S&P		SAM	
		Amount (£'000s)	Source based on reference to the Statement of Financial Position in the audited financial statements	Amount (£'000s)	Source based on reference to the Statement of Financial Position in the audited financial statements
1	OWN FUNDS	21,413		4,092	
2	TIER 1 CAPITAL	21,413		4,092	
3	COMMON EQUITY TIER 1 CAPITAL	21,413		4,092	
4	Fully paid up capital instruments	21,001	Members' other interests – Members' capital classified as equity	250	Note 15
5	Share premium	-		-	
6	Retained earnings	-		3,842	Retained Earnings
7	Accumulated other comprehensive income	-		-	
8	Other reserves	412	Members' other interests – Other reserves classified as equity	-	
9	Adjustments to CET1 due to prudential filters	-		-	
10	Other funds	-		-	
11	(-) TOTAL DEDUCTIONS FROM COMMON TIER 1	-		-	
19	Other capital elements, deductions and adj.	-		-	
20	ADDITIONAL TIER 1 CAPITAL	-		-	
21	Fully paid up, directly issued capital instruments	-		-	
22	Share premium	-		-	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-		-	
24	Other capital elements, deductions and adj.	-		-	
25	TIER 2 CAPITAL	-		-	
26	Fully paid up, directly issued capital instruments	-		-	
27	Share premium	-		-	

28	(-) TOTAL DEDUCTIONS FROM TIER 2	-	-
29	Other capital elements, deductions and adj.	-	-

Table 2: Reconciliation of regulatory own funds to the Statement of Financial Position in the audited financial statements as at the 31<sup>st</sup> December 2022 (S&P and SAM)

S&P				
Item no.	Item description	a	b	c
		Statement of Financial Position in audited financial statements (£'000s)	Under regulatory scope of consolidation (£'000s)	Cross-reference to Table 1 above (item no.)
		As at 31/12/2022	As at 31/12/2022	
<i>Assets – Breakdown by asset classes to the Statement of Financial Position in the audited financial statements</i>				
Non-current assets				
1	Property, plant and equipment	1,177	-	
2	Investment in parent	3,545	-	
3	Investment in subsidiaries	1,473	-	
4	Right-of-use assets	4,017	-	
5	Investments	372	-	
Current assets				
6	Investments	355	-	
7	Trade and other receivables	928	-	
8	Accrued income and prepaid expenses	18,971	-	
9	Amounts due from Members	1,193	-	
10	Cash and cash equivalents	28,091	-	
	Total Assets	60,122	-	
<i>Liabilities – Breakdown by liability classes according to the Statement of Financial Position in the audited financial statements</i>				
Non-current liabilities				
1	Lease liabilities	2,513	-	
2	Deferred equity liability	871	-	
Current liabilities				
3	Trade and other payables	3,288	-	
4	Lease liabilities	2,057	-	
5	Accrued expenses	13,803	-	
6	Deferred remuneration liability	213	-	
7	Provisions	372	-	
	Total Liabilities	23,117	-	
Members' Interests				
Loans and other debts due to Members				
1	Members' capital classified as a liability	725	-	
2	Other amounts	17,206	-	
	Total Loans and other debts due to Members	17,931	-	
Members' other interests				
3	Members' capital classified as equity	21,001	-	4
4	Other reserves classified as equity	412	-	8
5	Own units reserve	(2,810)	-	
4	Revaluation reserve	150	-	
5	Deferred equity reserve	236	-	
6	Share option reserve	85	-	

	Total Members' other interests	19,074	-	
	Total Liabilities and Members' Interests	60,122	-	

SAM				
		a	b	c
Item no.	Item description	Statement of Financial Position in audited financial statements (£'000s)	Under regulatory scope of consolidation (GBP 000's)	Cross-reference to Table 1 above (item no.)
		As at 31/12/2022	As at 31/12/2022	
<i>Assets – Breakdown by asset classes to the Statement of Financial Position in the audited financial statements</i>				
Non-current assets				
1	Investment in subsidiaries	0	-	
Current assets				
2	Trade and other receivables	863	-	
3	Current tax receivable	8	-	
4	Cash and cash equivalents	4,922	-	
	Total Assets	5,793	-	
<i>Liabilities – Breakdown by liability classes according to the Statement of Financial Position in the audited financial statements</i>				
Current liabilities				
1	Trade and other payables	134	-	
	Total Liabilities	134	-	
Shareholders' Equity				
1	Share capital	250	-	4
2	Retained earnings	5,409	-	6
	Total Shareholders' equity	5,659	-	
	Total Liabilities and Shareholders' equity	5,793	-	
Note: SAM Shareholders' Equity, Item no. 2, Retained earnings: Audited financial statements include 2022 profit of £1,567k, which is excluded from Retained earnings in regulatory capital per Table 1 above. Under MIFIDPRU regulation, current year profits are not eligible for inclusion in capital resources until audited therefore are excluded from regulatory own funds as at 31 <sup>st</sup> December 2022.				

Table 3: Main features of own instruments issued by S&P and SAM

	S&P	SAM
Issuer	Sarasin & Partners LLP	Sarasin Asset Management Limited
FRN	475111	163584
Governing law(s) of the instrument	England	England
Public or private placement	Private	Private
Instrument type	Members' unit capital *	Ordinary share capital
Amount recognised in regulatory capital (£'000s, as of most recent reporting date)	21,001	250
Nominal amount of instrument (£)	N/A	1
Issue price (£)	Various	1
Redemption price (£)	N/A	N/A
Accounting classification	Members' capital classified as equity	Allotted, called up and fully paid share capital
Original date of issuance	Various	Various
Perpetual or dated	Perpetual	Perpetual
Maturity date	N/A	N/A
Issuer call subject to prior supervisory approval	N/A	N/A
Optional call date, contingent call dates and redemption amount	N/A	N/A
Subsequent call dates, if applicable	N/A	N/A
Coupons/dividends	N/A	N/A
Write-down features	N/A	N/A
* Unit designation as set out in the Members' Agreement		

## 6. FINANCIAL ADEQUACY REQUIREMENTS

### 6.1 APPROACH TO ASSESSING FINANCIAL ADEQUACY

The Overall Financial Adequacy Rule (“OFAR”) requires that an investment firm must, at all times, hold own funds and liquid assets, which are adequate as to both their amount and their quality, to ensure that:

- they are able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
- they can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

### 6.2 OWN FUNDS REQUIREMENTS

Under MIFIDPRU 4.3, as non-SNI firms, S&P and SAM are required as a minimum at all times to maintain own funds that are at least equal to their Own Funds Requirement (“OFR”). The OFR is the higher of their respective:

- Permanent minimum capital requirement (PMR) - a fixed requirement determined by a firm’s regulatory permission profile and the activities they undertake;
- Fixed overheads requirement (FOR) - an amount equal to one quarter of a firm’s expenditure, net of certain non-fixed expenditure items, from the firm’s most recent annual financial statements; or
- K-factor requirement (KFR) - proxy measures for the operational risk of the MIFIDPRU activities undertaken by a firm, which are business model specific.

S&P and SAM own funds requirements are summarised in Table 4 below, being the higher of PMR, FOR or KFR.

Table 4: Own Funds Requirement as at the 31<sup>st</sup> December 2022 (S&P and SAM)

Table 4	S&P (£'000s)	SAM (£'000s)
Permanent Minimum Requirement (“PMR”)	150	75
Fixed Overheads Requirement (“FOR”)	9,943	432
K-Factors		
(a) $\sum$ K-AUM, K-CMH and C-ASA	9,370	90
(b) $\sum$ K-COH and K-DTF	-	-
(c) $\sum$ K-NPR, K-CMG, K-TCD and K-CON	-	-
K-Factor Requirement (“KFR”)	9,370	90
Own Funds Requirement (higher of FOR, PMR and KFR)	9,943	432

In addition to MIFIDPRU 4.3 requirements, S&P and SAM are required to perform an internal assessment through their ICARA (as described in section 4.2) to establish if additional own funds are required in excess of their OFR to support ongoing operations and/or an orderly wind-down (per MIFIDPRU 7). The sum of additional own funds identified through the ICARA process and the OFR is a firm’s Own Funds Threshold Requirement (“OFTR”). The OFTR is the total amount of own funds required to comply with the OFAR. The ICARA process ensures that a firm holds financial resources adequate for the business that it undertakes, ensuring that capital is held in proportion to the harm it may cause to both clients and the markets in which it operates.

S&P and SAM have assessed the adequacy of own funds in accordance with the prescribed PMR, FOR and KFR requirements. In addition, they have undertaken assessments through the ICARA process to identify if additional own funds should be held, to (a) mitigate any potential material harms that may result from ongoing activities and (b) to enable them to conduct an orderly wind-down.

As at 31<sup>st</sup> December 2022, S&P and SAM each maintained own funds that were adequate, both in amount and quality, to ensure compliance with the OFAR.

### **6.3 LIQUID ASSETS REQUIREMENTS**

In addition to own funds requirements, S&P and SAM are required to hold liquid assets sufficient to comply with the OFAR. As a minimum, in accordance with MIFIDPRU 6.2, S&P and SAM are required to maintain core liquid assets in excess of their Basic Liquid Assets Requirement ("BLAR"). The BLAR is based on a proportion of a firm's FOR and any guarantees provided to clients.

In addition to MIFIDPRU 6.2 requirements, S&P and SAM are required to perform an internal assessment through their ICARA (as described in section 4.2) to establish if additional liquid assets are required in excess of their BLAR to support ongoing operations and/or an orderly wind-down (per MIFIDPRU 7).

The sum of additional liquid assets identified through the ICARA process and the BLAR is a firm's Liquid Assets Threshold Requirement ("LATR"). The LATR is the total amount of liquid assets required to comply with the OFAR.

As at 31<sup>st</sup> December 2022, S&P and SAM each maintained liquid assets that were adequate, both in amount and quality, to ensure compliance with the OFAR.

## 7. REMUNERATION POLICY AND PRACTICES

The disclosures in respect of remuneration are made with reference to the S&P Remuneration Policy and practices.

### 7.1 OBJECTIVES OF REMUNERATION AND FINANCIAL INCENTIVES

S&P has established financial incentives for its Staff with the objective to:

- Recognise and reward individual contribution in a fair, equitable and appropriate manner determined by role, level, individual, departmental, firm and group performance and market conditions, free from bias including gender, race, ethnic origin, sexual orientation, age or other discriminatory factors; and which complies fully with the policy on Equal Opportunities;
- Provide a performance-based structure, which rewards in a balanced way for sustainable long-term individual performance, whilst also rewarding for the attainment of departmental, entity level and group wide goals; and
- Reward for overall contribution, teamwork, collegiality and malus-adjusted for poor conduct.

The general principles of S&P's Remuneration Policy include:

- Ensuring that remuneration practices are risk focused, consistent with and promote effective risk management that does not expose S&P to excessive risk or encourage undue risk taking;
- Ensuring that S&P provides equality in all of its remuneration practices, including the Discretionary Incentive Bonus Scheme, and operates a fair remuneration system that upholds the principles of diversity and inclusion, is free from bias, complies fully with the Equal Opportunities Policy, and ensures that practices do not discriminate on the basis of protected characteristics of individuals in accordance with the Equality Act 2010;
- Aligning the interests of S&P, clients and Staff in promoting and delivering sustainable out-performance, which meets the needs and requirements of clients and principles of 'Treating Customers Fairly';
- Aligning with and supporting S&P's Core Values, which together set out the basis for the framework for conduct set out in the Code of Ethics;
- Appropriately reflecting and supporting the attainment of good investment performance with the application of risk assessment and mitigation strategies that consider environmental, social or governance events or conditions that could cause a material negative impact on the value of investments and with appropriate consideration and integration of sustainability risks in line with relevant policies;
- Appropriately reflecting and supporting the attainment of high service standards and achieving departmental and business goals in a positive, professional and responsible way;
- Ensuring that there is an appropriate balance between the fixed and variable components of total remuneration with the fixed component representing a sufficiently high proportion of total remuneration to enable a fully flexible policy on variable remuneration; and
- Ensuring that total remuneration is aligned with the strategic business plans and consideration is given to competitiveness against the external market with regular review of benefits packages to try to reduce against unnecessary employee turnover.



## 7.2 GOVERNANCE

The Remuneration Committee is a subcommittee of the S&P Board, which is responsible for overseeing and approving the overall framework for S&P's Remuneration Policy, and associated remuneration and reward processes and practices.

The other responsibilities delegated to it include:

- Determining, reviewing, amending and approving individual Remuneration packages for individuals who have been classified as Material Risk Takers (MRTs) ensuring they are in line with the provisions of this Remuneration Policy;
- Reviewing, amending and recommending to the S&P Board for approval the annual overall remuneration spend, (to include salary and discretionary Incentive Scheme spend);
- The application of performance adjustment, Malus and Claw back for Material Risk Takers, ensuring adequate records are maintained of material decisions to operate adjustments;
- Suggesting improvements and amendments to the Remuneration Policy, and associated reward processes and practices where necessary, with any material changes requiring approval/ratification by the S&P Board;
- Overseeing the implementation of the Remuneration Policies and Procedures; and
- Reviewing output from independent reviews performed on S&P's remuneration process and prompting action to remedy any findings.

The Remuneration Committee comprises two Independent Non-Executive Directors ('INEDs') and two representatives from BJSS, with a quorum requiring at least one INED and one BJSS representative to be present.

S&P has also established the Local Remuneration Committee (the "Local RemCo"), which is an executive committee responsible for reviewing, amending and approving individual remuneration for members of Staff who are not classified as Material Risk Takers.

As part of the review process, the Local RemCo is responsible for assessing remuneration with regards to diversity, with specific focus on gender and ethnicity, and making recommendations to the S&P Executive Committee for any corrective measures, in particular relating to issues of fair and equal pay and diversity across S&P. At the request of the Remuneration Committee, the Local RemCo can review the remuneration of Material Risk Takers who are not considered part of the Senior Executive team. The Local RemCo can also suggest improvements and amendments to the Remuneration Policy, and associated reward processes and practices where it considers it appropriate.

In developing its Remuneration Policy, S&P received advice from an external legal firm.

## 7.3 COMPONENTS OF REMUNERATION

The Remuneration Policy seeks to ensure that there is an appropriate balance between fixed and variable components of total remuneration, with the fixed component paid in cash representing a sufficiently high proportion of total remuneration to enable a fully flexible policy on variable remuneration.

### 7.3.1 FIXED REMUNERATION

Where appropriate, it is S&P's intention to provide all Staff with a salary that:

- Is competitive when reviewed against the external market and takes into account total remuneration (salary and Bonus) and benefits; and
- Represents an appropriate proportion of an individual's overall total remuneration so as to allow S&P to operate a fully flexible policy on variable remuneration;

S&P also provides a Personal Pension Scheme for the benefit of its Staff and a range of other benefits subject to eligibility criteria and the needs of Staff.

### 7.3.2 VARIABLE REMUNERATION

S&P operates a discretionary Incentive Bonus Scheme (the "Incentive Scheme"), which is not contractual or guaranteed. All members of Staff are eligible to participate in the Incentive Scheme, with any payments made being subject to the terms of the Remuneration Policy and S&P's Members Agreement when relevant. Awards not subject to deferral are generally made in cash. Awards may also include options over S&P equity.

The Incentive Scheme model differentiates between the divisions of Asset Management, Client Affairs (Distribution), and Operations & Management.

The Incentive Scheme aims to:

- Be appropriately risk adjusted and not to encourage excessive risk-taking;
- Reward 'out-performance' and the achievement of business goals in line with S&P's Core Values;
- Reward sustainable, long-term performance;
- Reward both financial and non-financial performance, for example consideration of ESG and D&I criteria;
- Avoid conflicts of interest;
- Ensure that allocations under the Incentive Scheme do not adversely impact on S&P's ability to strengthen its capital base;
- Ensure that all allocations are determined by a Staff member's role, level, individual, departmental, firm and group performance and market conditions, and assessed to ensure they are free from bias including gender, race, ethnic origin, sexual orientation, age or other discriminatory factors, which comply fully with S&P's equal opportunities and diversity policies and all other legislative and applicable regulatory requirements (including relevant overseas regulatory requirements).

## 7.4 FINANCIAL AND NON-FINANCIAL PERFORMANCE CRITERIA

Individual variable remuneration allocations are based on both quantitative and qualitative criteria, including appraisal information and external market benchmarking data.

The Asset Management model's criteria include:

- Multi-year performance;
- Increases in assets under management for each product;
- The ability to generate Alpha performance while taking into consideration and integrating S&P's approach to sustainability risk and the application of risk assessments and mitigation strategies that consider environmental, social or governance events or conditions that could cause a material negative impact on the value of investments; and
- Conduct.

The Client Affairs (Distribution) model's criteria include:

- Department profitability;
- New business acquired and retained business;
- Margin enhancements and cost control; and
- Conduct.

The Operations & Management model's criteria include:

- Role and personal performance;
- S&P's profitability and the ability to influence profitability; and
- Conduct.

## 7.5 RISK ADJUSTMENT FRAMEWORK

Under the terms of the Remuneration Policy, variable remuneration, including a deferred portion, will be paid or vested only if it is sustainable according to the financial situation of S&P, and justified on the basis of the performance of S&P, the business unit and the member of Staff concerned. S&P has the right, if it so determines at its sole discretion, to reduce current year awards in respect of all variable remuneration.

Malus refers to the reduction or cancellation of any unvested deferred element of variable remuneration before the remuneration vests. S&P has the right in respect of all deferred variable remuneration, if it so determines at its sole discretion, to apply malus to reduce any unvested deferred variable remuneration amounts or to require Material Risk Takers or Deferred Staff to forfeit deferred variable remuneration entirely (including by reducing or cancelling altogether the amount of any unvested awards).

Clawback is the repayment of variable remuneration after it has been paid. S&P has the right in respect of all variable remuneration, if it so determines at its sole discretion, to apply Clawback provided that notification of the circumstances of the potential Clawback is made to the member of Staff within a period of five years of the award of variable remuneration.

The criteria for the application of In-Year Adjustments, Malus and Clawback includes, but is not limited to:

- financial mis-statement used in the calculation of any variable remuneration payment;
- a material error in the calculation of and / or amount paid for variable remuneration;
- misbehavior, misconduct including gross misconduct, failing to meet appropriate standards of fitness and propriety, fraud or other conduct with intent, a material error and / or severe negligence on the part of a member of Staff;
- serious reputational damage and / or material loss caused by a member of Staff's actions;
- S&P and / or a relevant business unit suffering a material downturn in its financial situation and/or performance;
- S&P and / or a relevant business unit suffering a material failure of risk management;
- S&P and / or a relevant business unit suffering a corporate failure; and
- S&P and / or a relevant business unit having to restate its accounts to a material extent.

## 7.6 GUARANTEED VARIABLE REMUNERATION

S&P does not generally award guaranteed variable remuneration. It may rarely and not as common practice award guaranteed variable remuneration in the context of hiring new members of Staff where they have lost the opportunity to receive variable remuneration by leaving their previous employment during the performance period.

## 7.7 SEVERANCE PAY

S&P may choose to make severance payments to members of Staff for early termination of employment contracts or, in the case of Partners, retirement from S&P. Severance payments to Material Risk Takers will reflect the individual's performance over time and will not reward failure or misconduct.

## 7.8 DEFERRAL

S&P and SAM are subject to the remuneration principles of the MIFIDPRU Remuneration Code, except for certain requirements that only apply to large non-SNI firms. One such requirement that does not apply is in respect of deferral of variable remuneration.

Notwithstanding the regulatory position, S&P operates a deferral scheme for Material Risk Takers and for certain staff identified as "Deferred Staff" that is designed to contribute to sound risk management practices and to promote a healthy culture.

The amount of variable remuneration deferred for Material Risk Takers is 40% of variable remuneration in excess of £50,000, while Partners whose equity interests are equal to or greater than their target equity holding in S&P equity are not subject to deferral as they are deemed to have sufficient individual alignment with client and stakeholder interests.

The percentage of deferred variable remuneration applied to Deferred Staff is based on their internal categorisation and is applied in bands of 20%, 30% and 40% of bonuses in excess of £50,000.

For employees subject to deferral, a minimum of 50% of deferred remuneration shall be invested in S&P equity with any balance invested in Sarasin Managed Funds. For S&P Partners, the deferred remuneration is used either to exercise options to purchase S&P equity, to repay any debt owed to S&P in relation to the purchase of S&P equity, or to purchase S&P equity.

Deferred variable remuneration vests in equal parts over a 3-year period, starting on the first anniversary of the award of the relevant bonus and subject to:

- S&P being satisfied that the member of staff has met all qualifying criteria during the relevant deferral period and providing written notification from S&P that vesting has occurred; and
- S&P's rights of forfeiture and/or Malus adjustment.

Deferred bonus amounts which are unvested at the time an individual ceases employment or membership with S&P may be subject to forfeiture.

## 7.9 MATERIAL RISK TAKERS

S&P assesses at least annually which members of Staff are Material Risk Takers (MRTs) and updates its assessment as necessary through the year. It follows the criteria in the MIFIDPU Remuneration code together with additional internal criteria.

The types of staff identified and the criteria to identify them as Material Risk Takers are:

- Members of the Executive Committee;
- Partners;
- Directors of regulated entity Boards who have executive roles;
- Heads of Departments undertaking regulated activities in respect of investments and portfolio management;
- Heads of Control Departments;
- Staff with managerial responsibility for the prevention of money laundering and terrorist financing;
- Staff holding FCA-designated senior management functions under the Senior Management Certification Regime;
- Staff who manage funds or client relationships in excess of a specified value;
- The Chief Operating Officer;
- The Head of Equity Research;
- The Chief Market Strategist;
- The Head of Trading;
- Heads of Departments where their roles are deemed to have significant influence.

## 7.10 QUANTITATIVE REMUNERATION DISCLOSURES

S&P identified 54 Material Risk Takers (MRTs) at the end of 2022.

Table 5: Total amount of remuneration awarded to Senior Management (considered to be members of the Executive Committee) and Other MRTs (collectively, 'MRTs') and Other Staff in 2022

Total amount of remuneration awarded to senior managers, other MRTs and other staff				
	Senior Management £'000s	Other MRTs £'000s	Other Staff £'000s	Total (All Staff) £'000s
Fixed Remuneration	1,385	8,788	15,296	25,469
Variable Remuneration	1,728	8,843	2,198	12,769
Total Remuneration	3,113	17,631	17,494	38,238

No guaranteed variable remuneration awards or severance payments were made during the financial year to MRTs.

