



# IFPR disclosures for the year ending 31 December 2023

N.M. Rothschild & Sons Limited

May 2024

# Contents

1. Overview	3
2. Risk Management and Governance Arrangements	4
3. Own Funds	8
4. Own Funds Requirements	11
5. Remuneration Policy and Practices	12

# 1. Overview

This disclosure is in relation to N.M. Rothschild & Sons Limited (“**NMR**” or the “**Firm**”), a firm incorporated in the United Kingdom, and authorised and regulated by the by the Financial Conduct Authority (“**FCA**”) under Firm reference number 124451. NMR undertakes the following primary activities, in accordance with its FCA permissions:

- Advising on investments;
- Arranging deals in investments; and
- Making arrangements with a view to transactions in investments.

NMR is a subsidiary of Rothschild & Co Continuation Limited, a holding company wholly owned by Rothschild & Co SCA (“**Rothschild & Co**”). Rothschild & Co is registered on the list of financial holding companies supervised by the French Prudential Control Authority (Autorité de Contrôle Prudentiel et de Résolution).

This document sets out the public disclosures for NMR as at 31 December 2023, which represents the end of the financial accounting period. This document is available on Rothschild & Co’s website ([www.rothschildandco.com](http://www.rothschildandco.com)).

## Basis and Frequency of Disclosure

As a UK investment firm undertaking activities within the scope of the UK Markets in Financial Instruments Directive (“**MIFID**”), NMR is subject to the prudential requirements of the Investment Firms Prudential Regime (“**IFPR**”) contained in the MIFIDPRU Prudential sourcebook for MIFID Investment Firms of the FCA Handbook. Under the IFPR’s firm categorisation, NMR is categorised as a non-small non-interconnected MIFIDPRU investment firm.

NMR is required to publish disclosures in accordance with the provisions outlined in MIFIDPRU 8 of the IFPR. These requirements are supplemented by the guidance set out in MIFIDPRU 8 published by the FCA. The objective of these disclosures is to increase the transparency of the risk, governance, remuneration and investment management practices of the Firm.

The disclosure for NMR is prepared annually on an individual basis and is proportionate to the size, organisation, nature, scope and complexity of the Firm’s activities.

In accordance with IFPR, investment firms are required to publicly disclose information on the firm’s own funds (financial strength), behaviour (investment policy) and culture (risk management, governance, and remuneration). This document provides transparency and accountability regarding NMR’s business activities.

## Policy, Validation and Sign-Off

These disclosures have been agreed by the Board of Directors (the “**Board**”) of NMR.

Unless otherwise indicated, information contained within this document has not been subject to external audit. The disclosures have been prepared purely for the purpose of explaining the basis on which NMR has prepared and disclosed certain own funds requirements and information about the management of certain risks, and for no other purpose. They do not constitute any form of financial statement and must not be relied upon in making any judgement on the financial position of the NMR.

## 2. Risk management and governance arrangements

### Categories of risk

NMR has established processes for identifying, evaluating and managing the material risks faced by NMR. Per MIFIDPRU 8.2.1, the potential for harm from NMR's activities by risk category is summarised below.

<b>Risk category</b>	<b>Potential for harm (non-exhaustive)</b>
Own funds requirements	This is the level of own funds required to be held by NMR to reflect the potential harm that might be incurred by NMR, its clients, and the markets it operates in from advising on investments, arranging deals in investments, arrangements with a view to transactions in investments, credit risk, operational risk, market risk, cyber risk, legal regulatory and compliance risk, and group risk.
Concentration	Concentration risk is monitored to reduce the risk of NMR being exposed to too much risk from a single client or group of connected clients. This is important to protect investors, as it reduces the risk of NMR being unable to meet obligations if a counterparty defaults.
Liquidity	The MIFIDPRU basic liquid assets requirement is for investment firms to hold a certain amount of liquid assets in order to cover commitments as they become due. This is to ensure that NMR has enough liquidity to meet obligations to counterparties and clients.

### Approach to managing risk

NMR manages its risks by applying the below framework to ensure alignment and robustness with respect to compliance with relevant regulations, law, corporate governance and industry best practice.

- **Identification**

This identifies risks through regular business monitoring, reviews, or changes in services offered. The likelihood and severity of the risks are also assessed.
- **Risk appetite**

This sets the amount of risk that the NMR Board is prepared to accept in order to deliver its business objectives. Risk appetite reflects culture, strategic goals and the existing operating and control environment.
- **Controls assessment**

Controls are measures that are taken to mitigate risks. They can be preventive, detective, or corrective in nature. NMR assesses the effectiveness of controls in place to reduce the probability of a risk occurring or, should it materialise, mitigating its impact.
- **Monitoring and reporting**

Ongoing monitoring by the risk management function and reporting of risks to senior management provides insight to inform decision-making and allocation of resources to achieve business objectives.

## Risk governance - three lines of defence

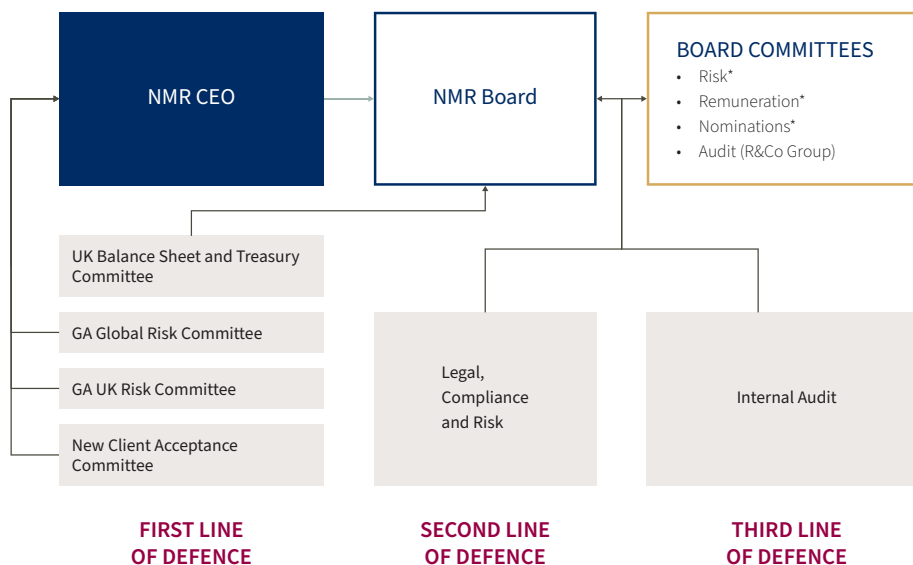
The 'three lines of defence' model distinguishes between functions owning and managing risks, functions overseeing risks and functions providing independent assurance. It is in the first instance the responsibility of senior management within NMR to implement risk management systems and controls which comply with the NMR Risk Framework.

### NMR Risk Framework

The Three Lines of Defence for identifying, evaluating and managing risks

First Line of Defence	Second Line of Defence	Third Line of Defence
<p>It is the responsibility of senior management in each of NMR's business lines and functions to establish and maintain effective risk management systems and to support risk management best practice.</p>	<p>Comprises specialist support functions including: Legal, Compliance and Risk, and in some cases Finance and Human Resources.</p> <p>These functions provide</p> <ul style="list-style-type: none"> <li>advice to management;</li> <li>assistance in the identification, assessment, management, measurement, monitoring and reporting of financial and non-financial risks;</li> <li>independent challenge to the businesses;</li> <li>technical guidance;</li> <li>risk policies for approval; and</li> <li>objective oversight and co-ordination of risk activities in conjunction with other specialist risk-related functions within the operating entities themselves.</li> </ul>	<p>Provides independent objective assurance on the effectiveness of the management of risks.</p> <p>This is provided by the Group's Internal Audit function.</p>

The chart below shows the internal control governance structure through which NMR seeks to comply with these obligations.



\* These committees were established with effect from 1 January 2022 following the implementation of the MIFIDPRU rules.

## NMR Board

In accordance with applicable requirements under UK regulation and company law, the Board is accountable to shareholders for:

- the creation and delivery of strong, sustainable financial performance and long-term shareholder value;
- the overall leadership of the Firm; and
- the Firm's culture, values and standards.

The Board comprises of executive and non-executive directors who are appointed by the Board, and in the case of executive directors, are also subject to FCA approval. The Board approves the Firm's strategy which is set within the context of the overall Rothschild & Co strategy. The Board monitors the execution of that strategy, oversees the Firm's operations and maintains a sound system of internal control and risk management.

The Board has delegated the executive management of the Firm's business to the Chief Executive Officer ("CEO"). The CEO is empowered to delegate responsibility for the day-to-day management of the Firm to suitable individuals, with the exception of the matters which are reserved for the Board, and any matter which is the subject of a delegation to a Board committee.

## Specialised Committees of the NMR Board

The Board is supported by a number of Board and Group committees.

### **Risk Committee**

The Committee has been established by the NMR Board to:

- advise the Board on the Firm's overall current and future risk appetite and strategy;
- assist the Board in overseeing the implementation of that strategy by senior management; and
- without prejudice to the tasks of the NMR Remuneration Committee, examine whether incentives provided by the remuneration system take into consideration risk, capital, liquidity and the likelihood and timing of earnings.

### **Remuneration Committee**

The Committee has been established by the NMR Board to:

- exercise competent and independent judgment on remuneration policies and practices and the incentives created for managing risk, capital and liquidity; and
- be responsible for preparing decisions regarding remuneration, including decisions which have implications for the risk and risk management of the firm and which are to be taken by the NMR Board.

### **Nominations Committee**

The Committee has been established by the NMR Board to:

- lead the review process for appointments to the Board; and
- oversee the development of a diverse pipeline for succession to both the Board and wider senior management within NMR.

### **Rothschild & Co Audit Committee**

The NMR Board has delegated responsibility for certain matters to the Rothschild & Co Audit Committee which has been established to review the following Group matters:

- the process of drawing up financial information and accounting methods;
- the statutory audit process;
- the independence and objectivity of the statutory auditors;
- the effectiveness of the internal control systems at the Group level; and
- the Group's internal audit and external auditors' arrangements.

## Directorships

The following information relates to the appointments of directors held in both executive and/or non-executive functions, including any directorships held at external, commercial organisations as at 31 December 2023

Table: Overview of directorships within scope of MIFIDPRU 8.3.1R(2)

Senior Management Function/Role	Name	Number of other directorships
SMF 9 – Chair	Nicholas Wrigley	3
SMF 1 – CEO	Robert Leitão	2
SMF 3 – Executive Director	John King	0
SMF 3 – Executive Director	Jessica Reoch	0
SMF 3 – Executive Director	Nicholas Tassell	0
Non-Executive Director	Anthony de Rothschild	2
Non-Executive Director	Sir Peter Estlin	1
Non-Executive Director	Emma Griffin	4

*Note: in accordance with MIFIDPRU 8.3.2R the following directorships are not within scope of MIFIDPRU 8.3.1R(2): (1) executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives; and (2) executive and non-executive directorships held within the same group or within an undertaking (including a non-financial sector entity) in which the firm holds a qualifying holding.*

## Approach to diversity

The Policy for promoting diversity on the management bodies of UK regulated entities is designed to promote sound governance outcomes, ensure optimal decision-making for the benefit of the Group's shareholders and reduce the propensity for group-think. The policy aims to ensure that diversity aspects will be promoted when appointing candidates to UK boards. The Firm recognises that successful businesses embrace diversity at all levels, including the Board and senior management.

NMR aims to ensure that the Board is comprised of directors with an appropriate balance of skills and experience relative to the Firm's business strategy and risks therein. The Board aims to comply with the UK Regulated Entities' Diversity Policy and the wider Group balance and inclusion aspirations. Female representation on the Board currently stands at 25%.

In addition, the Rothschild & Co Group is a proud signatory to the Women in Finance Charter, an HM Treasury initiative which aims to achieve gender balance at all levels across financial services.

## 3. Own Funds

### Composition of regulatory own funds

The own funds of a firm are the sum of its common equity tier 1 capital ('**CET1**'), additional tier 1 capital ('**AT1**') and tier 2 capital ('**T2**'). NMR's own funds consist of fully paid up capital instruments, share premium and accumulated retained earnings.

Table: OF1 - Composition of Regulatory Own Funds

Ref	Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
<b>1</b>	<b>OWN FUNDS</b>	<b>306,111</b>	
<b>2</b>	<b>TIER 1 CAPITAL</b>	<b>306,111</b>	
<b>3</b>	<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>306,111</b>	
4	Fully paid up capital instruments	57,655	Page 21
5	Share premium	97,936	Page 21
6	Retained earnings	322,332	Page 21
7	Accumulated other comprehensive income	0	
8	Other reserves	127,008	Page 21
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(298,820)	
19	CET1: Other capital elements, deductions and adjustments	0	
<b>20</b>	<b>ADDITIONAL TIER 1 CAPITAL</b>	<b>0</b>	
21	Fully paid up, directly issued capital instruments	0	
22	Share premium	0	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0	
24	Additional Tier 1: Other capital elements, deductions and adjustments	0	
<b>25</b>	<b>TIER 2 CAPITAL</b>	<b>0</b>	
26	Fully paid up, directly issued capital instruments	0	
27	Share premium	0	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	0	
29	Tier 2: Other capital elements, deductions and adjustments	0	



## Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

The table below shows the reconciliation of own funds to the balance sheet of NMR as at 31 December 2023. The balance sheet below is as per the audited financial statements.

Table: reconciliation of regulatory own funds to balance sheet in the audited financial statements

Amount in GBP (thousands)	a. Balance sheet as in published/ audited financial statements	b. Under regulatory scope of consolidation	c. Cross reference to template OF1
<b>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements</b>			
1	Loans and advances	350,582	
2	Investment Securities	279,870	
3	Other Assets	243,371	
4	Right of Use assets	156,882	
5	Defined Benefit Pension Surplus	161,165	
	<b>Total assets</b>	<b>1,191,870</b>	
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements</b>			
1	Due to Group Companies	47,948	
2	Lease Liabilities	193,531	
3	Other Liabilities	56,918	
4	Accruals and deferred income	164,207	
	<b>Total liabilities</b>	<b>462,604</b>	
<b>Shareholders' Equity</b>			
1	Share Capital	57,655	QF 1 (4)
2	Share Premium	97,936	QF 1 (5)
3	Retained earnings	322,332	QF1 (6)
4	Fair value reserve	127,008	QF1 (8)
5	Perpetual Instruments	124,335	
	<b>Total Shareholders' equity</b>	<b>729,266</b>	

## Own funds: main features of own instruments issued by the firm

The table below provides information on the CET1 Instruments used by NMR.

Table: main features of own instruments issued by the firm

Public or private placement	Private
Instrument type	Ordinary share
Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)	57,655
Nominal amount of instrument	57,655
Issue price	£1
Redemption price	N/A
Accounting classification	Called up share capital
Original date of issuance	1968 – following restructuring full 57,655 recognised in the 2009 financial year
Perpetual or dated	Perpetual
Maturity date	N/A
Issuer call subject to prior supervisory approval	N/A
Optional call date, contingent call dates and redemption amount	N/A
Subsequent call dates, if applicable	N/A
Coupons/dividends	N/A
Fixed or floating dividend/coupon	N/A
Coupon rate and any related index	N/A
Existence of a dividend stopper	N/A
Convertible or non-convertible	N/A
Write-down features	N/A
Link to the terms and conditions of the instrument	N/A

## 4. Own Funds Requirements

### K-Factor Requirement and Fixed Overheads Requirement

For non-SNI (non-small and non-interconnected) investment firms, the own funds requirement is the higher of the Permanent Minimum Requirement (“**PMR**”), the Fixed Overhead Requirement (“**FOR**”) and the K-Factor Requirement (“**KFR**”). The table below shows NMR’s KFR at 31 December 2023, broken down into three groupings and the amount of the fixed overhead requirement FOR in comparison to the PMR.

Table: main features of own instruments issued by the firm

Item	K-factor breakdown	Total amount in GBP’k
a. K-Factor Requirement	The sum of the K-AUM requirement, the K-CMH requirement and the K-ASA requirement	N/A
	The sum of the K-COH requirement and the K-DTF requirement	N/A
	The sum of the K-NPR requirement, the K-CMG requirement, the K-TCD requirement and the K-CON requirement	N/A
b. Fixed Overhead Requirement		56,156
c. Permanent Minimum Requirement		75
<b>Basic own funds requirement (highest of a, b, c)</b>		<b>56,156</b>

### Approach to Assessing the Adequacy of Own Funds

At all times, NMR must hold adequate financial resources, both in amount and quality, to ensure that it remains financially viable throughout the economic cycle with the ability to address and mitigate any potential harms to itself, customers or to other market participants.

In addition, NMR is required to perform an ICARA annually, which is an internal risk management process. The focus is on assessment of the firm’s business model and identifying, assessing, and estimating the potential ‘Risks of Harm’ to clients, to markets, and to the firm itself – and includes Own Funds quantifications, stress testing and wind down planning. The following are the key components of the ICARA process:

- **Business model assessment:** An assessment of how the firm generates returns and the vulnerabilities that may affect its ability to generate acceptable and sustainable profits, covering, e.g. details of business lines and activities, details of external factors that influence success of the business model and strategy, competitive environment, reliance on wider franchise etc.
- **Assessing Risks of Harm:** Identification of the potential harms by considering plausible hypothetical scenarios that may occur in relation to the firm’s activities. A failure to provide an appropriate level of service which results in a legal claim; significant operational events, such as failure of key systems or internal fraud.
- **Stress testing:** A ‘severe but plausible’ assessment, based on forward-looking hypothetical events, that covers all material risks and vulnerabilities identified and estimate the effects on a firm’s profits and losses and its financial position before and after taking into account realistic management / recovery actions.
- **Wind down planning:** An assessment of the steps and resources to ensure orderly wind-down and termination of its regulated business in a realistic timescale, and evaluate the potential harms (and associated mitigants) arising from winding down, as well as identifying the levels of Own Funds and Liquid Assets that the firm considers, if reached, may indicate that there is a credible risk that the firm will breach its threshold requirements.
- **Capital & Liquidity assessment:** An assessment of the levels of Own Funds and Liquid Asset resources (based on prescribed methodologies) and requirements (based on business plans, as well as capital/liquidity required to mitigate risks of harm and wind-down).

## 5. Remuneration Policy and Practices

### Remuneration policy, principles, practices and procedures

Rothschild & Co Group's ("**R&Co Group's**") remuneration policies, practices and procedures are documented in a Remuneration Policy, which applies to all entities in the R&Co Group.

The Remuneration Policy includes an IFPR Annex for the R&Co Group's UK firms that are subject to the IFPR, including N.M. Rothschild & Sons Limited, which is part of a sub-group headed by Rothschild & Co Continuation Limited; Redburn (Europe) Limited, as well as Five Arrows Managers LLP, Rothschild & Co Equity Markets Solutions Limited and Rothschild & Co Wealth Management UK Limited ("**UK IFPR Firms**"). containing additional principles of remuneration relevant to the UK IFPR Firms to the extent there are principles that differ from or supplement the principles set out in the Remuneration Policy ("**IFPR Annex**"). The IFPR Annex has been developed to take into account the specific remuneration requirements of the MIFIDPRU Remuneration Code at SYSC19G of the FCA Handbook, as amended from time to time, together with any other applicable remuneration rules, guidance and regulator expectations from time to time (together the "**UK Remuneration Rules**").

The Remuneration Policy outlines, among other things, the governance framework for remuneration matters, the way in which Material Risk Takers ("**MRTs**") are identified and remunerated, the definition of fixed and variable remuneration and the appropriate ratios between the two, the performance measures used in determining variable remuneration including adjustments for current and potential risks and R&Co Group's approach to guaranteed bonuses, retention awards and severance pay. It applies to remuneration for all employees providing services to the UK IFPR Firms.

R&Co Group's reward programmes are designed to attract, motivate and retain high quality staff and support the R&Co Group in attaining its strategic goals whilst ensuring that they do not provide any incentives for excessive risk taking.

The R&Co Group's approach to the Remuneration Policy and remuneration practices is guided by its business strategy, objectives, values and long-term interests. The Remuneration Policy incorporates consideration of the R&Co Group's risk appetite and strategy (including environmental, social and governance risk factors), culture and values, the long-term effects of investment decisions taken and, where applicable, the interests of the managed funds and investors in those funds.

The approach encourages responsible business conduct and effective management of conflicts of interests. The R&Co Group ensures that there is a clear distinction and independence between its business functions and control functions, and that appropriate safeguards are in place to prevent conflicts of interest. No staff members are involved in the decision-making process regarding their own remuneration. The Remuneration Policy and remuneration practices are also guided by the promotion of sound and effective risk management, risk awareness and prudent risk taking so as not to encourage risk taking which is inconsistent with the risk profile of the R&Co Group, the UK IFPR Firms and other firms within the R&Co Group and/or the risk profile, rules or instruments of incorporation of the managed funds.

### Remuneration Policy governance and decision making

The Rothschild & Co SCA Supervisory Board (the "**R&Co Board**") is responsible for the Remuneration Policy and remuneration practices of the R&Co Group. The IFPR Annex has been approved by the Board of directors of each UK IFPR Firm.

Rothschild & Co has a Remuneration and Nomination Committee ("**Committee**") which reports to the R&Co Board to assist with its remuneration related duties and the preparation of decisions aimed at deciding R&Co Group's remuneration policy principles. There is also separate Remuneration and Nomination Committees for NMR and Redburn ("**NMR Committee and Redburn Committee**") which report into their respective boards.

The Board of NMR is responsible for:

- Adopting and reviewing at least annually the general principles of the IFPR Annex as relevant to NMR, including to ensure that they:
  - comply with the UK Remuneration Rules;
  - are consistent with and promote sound and effective risk management;
  - are in line with the business strategy, objectives, values and interests of NMR;
  - include measures to avoid conflicts of interests; and
  - do not encourage risk – taking which is inconsistent with the risk profile of NMR.
- Reviewing annually the methodology for identifying MRTs to the extent there have been any changes and overseeing the annual review of employees working for NMR to identify those roles which could potentially have a material impact on the risk profile of the Firm;
- Reviewing annually the proportionality assessment for the application of the UK Remuneration Rules as they apply to NMR; and
- Overseeing implementation of relevant Remuneration Policy general principles, including those in the IFPR Annex.

The Committee will recommend changes to the Remuneration Policy, taking input from the R&Co Group's risk and compliance functions, as well as other functions as appropriate. Any material change to the Remuneration Policy must be approved by the R&Co Board. Any material change to the IFPR Annex must be approved by the Board of directors of the relevant UK IFPR Firm. The Board of directors of each UK IFPR Firm will be notified of any material changes to the Remuneration Policy or any of the policies referred to therein and will arrange for any necessary updates to the IFPR Annex to be made, as necessary, to ensure compliance with the UK Remuneration Rules.

The Committee periodically (and at least annually) assists the R&Co Board to review the Remuneration Policy, with input as required from relevant control and support functions within the R&Co Group. The Board of directors of each UK IFPR Firm is responsible for ensuring that the implementation of the IFPR Annex is, at least annually, subject to central and independent internal review by internal audit staff for compliance with the policies and procedures for remuneration that it has adopted.

## Use of external consultants

The Committee's work during the year was informed by independent professional advice on remuneration issues from external consultants, in particular PwC and Linklaters. The external consultants provided advice on the interpretation and application to the Group of new remuneration regulations as well as updates to and the application of the Remuneration Policy, which informed the management decisions reviewed by the Committee.

## The link between pay and performance

R&Co Group awards variable remuneration to its employees contingent on performance. All employees of the UK IFPR Firms are eligible to be considered for a variable remuneration award, other than those under notice of termination of employment, or under investigation, a disciplinary sanction, or on suspension/leave pending a disciplinary investigation.

The performance measures used to set discretionary bonus pools are at the absolute discretion of the R&Co Group and include both financial and non-financial metrics. These include revenues, pre-compensation profit and appropriate levels of shareholder return and bearing in mind market conditions, general economic conditions, the risk profile of, and risk taken by the R&Co Group, market remuneration trends and staff retention.

The measurement of performance takes account of the return to shareholders and return on capital as well as liquidity requirements. It also includes adjustment for current and potential risks by considering:

- The full impairment of financial instruments and other assets where under the business unit's control;
- Full provision for all remuneration costs whether deferred or current in the management accounts;
- Any significant contingencies;
- The collectability of advisory fees, if the fees were material in the determination of the variable remuneration pool; and
- Any risk positions which the Committee should take into account when setting variable remuneration pools (as highlighted by the Group's Chief Finance Officer, Group Chief Risk Officer, and Group Head of Legal and Compliance).

Individual variable remuneration awards reflect individual performance, which is assessed through the R&Co Group's annual performance process. The award of variable remuneration is at the discretion of the R&Co Group and is based on the performance of the R&Co Group, relevant UK IFPR Firm, and the relevant business unit, as well as the employee's individual performance over a multi-year period. Where applicable, performance assessment also considers the performance of the managed funds over the relevant financial year.

Individual performance assessment takes into account financial measures and non-financial measures such as contribution measured against pre-set personal and technical competencies, effective risk management, compliance with the regulatory system and behaviours that support the R&Co Group's values and guiding principles.

There is strong central oversight of variable remuneration pools and individual awards. Overall annual remuneration expense is reviewed every year by the relevant Committee. There is clear individual differentiation to ensure that the best performers are rewarded.

## Design and structure of remuneration for Material Risk Takers

Employees of the UK IFPR firms that could potentially have a material impact on the risk profile of the relevant UK IFPR Firm are identified as IFPR MRTs.

Executives and staff receive fixed compensation and non-executives receive fees. These amounts primarily reflect their role, market value and level of responsibility. The structure of the remuneration package is such that the fixed element is set at an appropriate level to enable the R&Co Group to operate a truly flexible variable remuneration policy.

The variable component of remuneration is based on performance and includes long-term incentive awards and discretionary annual performance bonuses. All MRTs, except for non-executive directors, are eligible to participate in the discretionary annual bonus scheme. Annual variable remuneration awards are designed to reward performance in line with the business strategy, objectives, values and long-term interests of the R&Co Group and each UK IFPR Firm while taking account of the R&Co Group's risk appetite.

## Other payments

Guaranteed bonuses are only awarded in exceptional circumstances. These include when a new employee is offered a sign-on award as an inducement to join. Guaranteed variable remuneration is limited to the staff member's first year of service.

Buy-out awards are made following the R&Co Group undertaking reasonable steps to ensure that the buy-out award aligns with the long-term interests of the R&Co Group and/or the relevant entity. Buy-outs will only be awarded where the R&Co Group is confident that the terms and amount is no more generous than the variable remuneration offered by the individual's previous employer, including ensuring it is subject to the same periods of deferral, retention, vesting and clawback.

Retention awards are only made after a defined event or at a specified point in time. Retention awards are rare and not common practice. Retention awards may be made (i) in the context of a major reorganisation, restructuring or wind down where the services of the individual are required for a defined period while the risks of the business are being managed; (ii) where the Executive Body, in consultation with the Committee, considers that this is compatible with the requirement for remuneration policies to be consistent with and promote sound and effective risk management; and (iii) where local regulations permits the grant of retention awards.

Each UK IFPR Firm may also make payments to employees on termination (“**severance payments**”). These payments reflect performance achieved over time and do not reward failure or misconduct. They also consider any impact that their actions may have had on the R&Co Group’s financial position or reputation. Severance payments to MRTs are subject to the approval of the NMR Committee, Redburn Committee or Committee as applicable and are categorised as variable remuneration unless specific criteria are met.

The policies regarding Other payments apply regardless of whether an employee is classified as an MRT.

## Control functions

Employees engaged in control functions are independent from the business units they oversee and have appropriate authority.

The remuneration of employees in control functions is determined with reference to objectives that relate to their respective functions and not to the performance of the business units they oversee.

The NMR and Redburn Committees directly oversee the remuneration of senior officers in control functions in NMR and Redburn respectively. The Committee directly oversees the remuneration of senior officers in control functions in respect of other IFPR Firms.

## Malus and clawback

The R&Co Group has developed a Malus and Clawback Policy governing the application of malus and clawback to variable remuneration paid to MRTs and selected other employees. The R&Co Group has the power to reduce variable remuneration, including portions that are deferred, if it considers that to pay or vest it would not be sustainable according to the financial situation of the R&Co Group, the relevant entity within the R&Co Group (as applicable), and justified on the basis of the performance of the R&Co Group, the relevant IFPR Firm, the business unit or the MRT concerned.

Any variable remuneration awarded to MRTs may be reduced (i.e., subject to “malus”) or be subject to in-year adjustments up until the date of vesting or may be subject to clawback for a period of 24 months from vesting. The circumstances where malus or clawback may be applied include when there is reasonable evidence of misbehaviour or of conduct that resulted in significant losses or where the MRT failed to meet appropriate standards of fitness and propriety.

## Deferral, retention and holdings in non-cash instruments (applicable to NMR MRTs)

MRTs in NMR and Redburn must have 50% of their total variable remuneration delivered in non-cash instruments unless their variable remuneration is no more than £167,000 and one third of their total annual remuneration. At least 40% (and up to a maximum of 60%) of variable remuneration is subject to deferral. An MRT’s deferred bonus will usually vest over three years unless subject to malus and clawback. Non-cash instruments will usually be subject to a twelve month retention period which applies after vesting.

**Total number of material risk takers (“MRTs”)** 20

	<b>Senior management GBP’k</b>	<b>Other MRTs GBP’k</b>	<b>Other staff GBP’k</b>	<b>Total (all staff) GBP’k</b>
<b>Total remuneration</b>	13,550	4,879	199,021	217,450
<b>Of which: Fixed remuneration</b>	7,170	2,981	95,292	105,443
<b>Of which: Variable remuneration</b>	6,380	1,898	103,729	112,006
▪ Of which: cash-based	3,190	970		
▫ Of which: non-deferred	1,399	599		
▫ Of which: deferred	1,791	371		
▪ Of which: shares	0	0		
▫ Of which: non-deferred	0	0		
▫ Of which: deferred	0	0		
▪ Of which: share-linked instruments	3,190	928		
▫ Of which: non-deferred	1,399	557		
▫ Of which: deferred	1,791	371		

	<b>Senior management GBP’k</b>	<b>Other MRTs GBP’k</b>
<b>Total guaranteed variable remuneration awarded to MRTs (and the number of individuals receiving such awards)</b>	0	0
<b>Total severance payments awarded to MRTs (and the number of individuals receiving such awards)</b>	0	0
<b>Highest severance payment awarded</b>	0	0
<b>Total amount of deferred remuneration awarded for previous performance periods</b>	18,527	2,476
▪ Of which: due to vest in the financial year in which the disclosure is made	4,563	531
▪ Of which: due to vest in subsequent financial years	9,446	1,618
▪ Of which: due to vest in the financial year in respect of which the disclosure is made	4,518	327
▫ Of which: withheld as a result of performance adjustment	0	0

Information on whether the firm uses the MRTs’ de-minimis exemption together with details of: (i) the provisions in SYSC 19G.5.9R(2) in respect of which the firm relies on the exemption (i.e. payment in instruments; retention; deferral and discretionary pension benefits) (ii) the total number of MRTs who benefit from an exemption from each provision referred to in (i); and (iii) the total remuneration of those MRTs who benefit from an exemption, split into fixed and variable remuneration.

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