
[Ardea Investment Management (UK) Ltd] (the “Firm”)

POLICY ON REMUNERATION AND REMUNERATION CODE PRINCIPLES

Covering the remuneration period [01/07/2021] to [30/06/2022] (“Remuneration Period”)

06/05/2021

1. INTRODUCTION

The Firm is subject to the Remuneration Code for BIPRU Firms as codified in Section 19C of the SYSC Handbook. The Firm must establish, implement and maintain remuneration policies, procedures and practices that are consistent with and promote effective risk management and do not encourage excessive risk taking.

The Remuneration Code includes various Principles that Firms are expected to consider and apply as appropriate. The Remuneration Code covers all aspects of remuneration that could have a bearing on effective risk management, including salaries, bonuses, long term incentive plans, options, hiring bonuses, severance packages and pension arrangements. The Remuneration Code is principally concerned with the risks created by the manner by which remuneration arrangements are structured.

The Firm's 'Code Staff', to which this Policy applies, comprises senior management, risk takers, staff engaged in control functions and employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the Firm's risk profile. The Code Staff for the Remuneration Period are detailed in [Error! Reference source not found.](#); this takes into account FCA Guidance detailed in SYSC 19C.3.6G, in determining which staff members should be deemed 'Code Staff'.

2. GENERAL STATEMENT ON THE REMUNERATION CODE

The Firm is confident that the Firm's business is already structured in compliance with the Principles of the Remuneration Code.

The following describes the Firm's Policy on the Principles of the Remuneration Code.

Principle 1: Risk Management (SYSC 19C.3.7)

A Firm must ensure that its Remuneration Policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Firm.

[The Firm's Remuneration Policy is consistent with the Firm's risk management objectives and does not encourage risk taking and promotes a risk averse culture. The Firm has set detailed risk limits, which are strictly adhered to.]

Principle 2: Supporting Business Strategy, objectives, values and interests and avoiding conflicts of interest (SYSC 19C.3.8)

A Firm must ensure that its Remuneration Policy is in line with the business strategy, objectives, values and interests of the Firm.

The firm operates a relative value strategy. Through a collaborative approach across all our risk takers investment decisions are made. Salaries for all roles are determined with reference to relevant market rates and are not determined by performance fees.

The firm's revenue depends upon the long term retention of, and growth of, it's client base. This remuneration policy is in line with these values.

Principle 3: Avoiding Conflicts of Interest (SYSC 19C.3.9)

A Firm must ensure that its remuneration policy includes measures to avoid conflicts of interest.

Material conflicts that other Firms face – dealing as principal, custody of assets, dealing through affiliated brokers – do not apply to the Firm.

[The Firm has a documented Conflicts of Interest Policy and Inventory in order to identify, manage and monitor the Firm's conflicts.

After taking into account the Firm's current controls as described above, the Firm has concluded that remuneration does not present a significant conflict of interest to the Firm's clients.]

Principle 4: Governance (SYSC 19C.3.10)

A Firm must ensure that its governing body, in its supervisory function adopts and periodically reviews the general principles of the Remuneration Policy and is responsible for its implementation.

A Firm must ensure the implementation of the remuneration is, at least annually, subject to central and independent internal review for compliance with policies and procedures for remuneration adopted by the governing body in its supervisory function.

A Firm that is significant in terms of its size, internal organisation and the nature, the scope and the complexity of its activities must establish a remuneration committee.

The remuneration committee must be constituted in a way that enables it to exercise competent and independent judgment on remuneration policies and practices, and the incentives created for managing risk, capital and liquidity.

The chairman and the members of the remuneration committee must be members of the governing body who do not perform any executive function in the Firm.

The remuneration committee must be responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk and risk management of the Firm and which are taken by the governing body in its supervisory function.

[The Firm's governing body has reviewed and adopted this Remuneration Policy, pursuant to consulting and taking advice from the Compliance Officer. It is the Firm's policy to review and assess the Firm's Remuneration Policy and procedures on an annual basis or sooner should the business change or other need arises.

It is the Firm's policy that its Compliance Officer will review the Firm's compliance with the Firm's current Remuneration Policy, as part of a risk based compliance monitoring programme.

Taking into account the size, nature, scope and complexity of its activities, The Firm has concluded that as the firm is a wholly owned subsidiary of Ardea Investment Management Pty Ltd, that a remuneration committee will be established at the parent company level.

Principle 5: Control Functions (SYSC 19C.3.14)

A Firm must ensure that employees engaged in control functions:

- Are independent from the business units they oversee*
- Have appropriate authority and*
- Are remunerated according to the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.*

A Firm must ensure the remuneration of the senior officers in the risk management and compliance functions is directly overseen by the remuneration committee, or, if such a committee has not been established, by the governing body in its supervisory function.

[The Firm's governing body, the members of which collectively have a significant amount of experience in the industry, is responsible for ensuring that the remuneration of those persons in control functions is linked to their performance and achievements of the business areas they control.]

Principle 6: Remuneration and Capital (SYSC 19C.3.18)

A Firm must ensure that total variable remuneration does not limit the Firm's ability to strengthen its capital base.

Where a Firm needs to strengthen its capital base, its variable remuneration arrangements should be sufficiently flexible to allow it to direct the necessary resources towards capital building.

[The Firm's remuneration arrangements are discretionary and therefore have the flexibility to allow the Firm to direct resources towards capital building if this is deemed appropriate.]

Principle 7: Exceptional Government Intervention (SYSC 19C.3.20)

A Firm that benefits from exceptional government intervention must ensure that remuneration is strictly limited as a percentage of net revenues when it is inconsistent with the maintenance of a sound capital base and timely exit

from government support, it restructures remuneration in alignment with sound management and long term growth and no variable remuneration is paid to senior personnel unless justified.

[This Principle does not apply to The Firm.]

Principle 8: Profit-based measurement and risk adjustment (SYSC 19C.3.22)

A Firm must ensure the measurement of performance used to calculate variable remuneration components or pools of variable remuneration components, includes a comprehensive adjustment mechanism to integrate all relevant types of current and future risks.

[The Firm's variable remuneration will be in the main be based on the performance of the funds over a period of time. If the performance is poor, the variable remuneration pool will be considerably smaller.]

Principle 9: Pension Policy (SYSC 19C.3.29)

A Firm must ensure that:

- (1) its pension policy is in line with its business strategy, objectives, values and long term interests;
- (2) when an employee leaves the Firm before retirement, any discretionary pension benefits are held by the Firm for a period of five years in the form of instruments referred to in SYSC 19.C.3.47R and
- (3) when employees reach retirement, discretionary pension benefits are paid to the employee in the form of instruments in SYSC 19.C.4.47R (1).

Any remuneration by the firm is not focused through pensions. Staff can salary sacrifice part of their remuneration into their pensions but rem awards are not paid through pensions aside from salary sacrifice.

Principle 10: Personal Investment Strategies (SYSC 19C.3.30)

A Firm must ensure that its employees undertake not to use personal hedging strategies or remuneration and liability related insurance to undermine the risk alignment effects embedded in their remuneration arrangements.

[The Firm's policy is not to remunerate individuals based on share awards.]

Principle 11: Avoidance of the Remuneration Code (SYSC 19C.3.32)

A Firm must ensure variable remuneration is not paid through vehicles or methods that facilitate avoidance of the Remuneration Code.

[The Firm pays variable remuneration to individuals, in a manner that does not facilitate avoidance with the Remuneration Code.]

Principle 12: Remuneration Structures – (SYSC 19C.3.33)

Introduction

- (1) Taking account of the BIPRU remuneration principles proportionality rule, the FCA does not generally consider it necessary for a Firm to the rules referred to in (2) below where, in relation to an individual ("X"), both of the following conditions are satisfied:
 - (a) Condition 1 is that X's variable remuneration is no more than 33% of total remuneration; and
 - (b) Condition 2 is that X's total remuneration is no more than £500,000.
- (2) The rules referred to above relate to:
 - (a) guaranteed variable remuneration (SYSC 19.C.3.40R);
 - (b) retained units, shares or other instruments (SYSC 19.C.3.47R)
 - (c) deferral (SYSC 19.C.3.49R); and
 - (d) performance adjustment (SYSC 19.C.3.51R).

[The Firm's performance related remuneration is based on the assessment of the individual's performance and competence in his/her role within the business during a defined period.]

[This process takes into account the proportionality guidance for individuals not meeting the variable and total remuneration criteria as described above.]

Principle 12(a): Remuneration Structures – (SYSC 19C.3.35)

A Firm must ensure that the structure of an employee's remuneration is consistent with and promotes effective risk management.

[The Firm's Remuneration structure has been designed to be consistent with and promotes effective risk management.]

Principle 12(b): Remuneration structures – assessment of performance (SYSC 19C.3.36)

A Firm must ensure that where the remuneration is performance related: (1) the total amount of remuneration is based on a combination of assessment of the performance of the individual, the business unit and the overall results of the Firm and (2) when assessing individual performance, financial as well as non-financial criteria are taken into account.

[The Firm's performance related remuneration is based on the assessment of the individual's performance and competence in his/her role within the business during a defined period.]

Principle 12(c): Remuneration structures – guaranteed variable remuneration (SYSC 19C.3.40)

A Firm must not award, pay or provide guaranteed variable remuneration unless it;

- (1) is exceptional;
- (2) occurs only in the context of hiring new staff; and
- (3) is limited to the first year of service.

[It is not the Firm's policy to pay guaranteed variable remuneration.]

Principle 12(d): Remuneration structures – ratios between fixed and variable components of total remuneration (SYSC 19C.3.44)

A Firm must set appropriate ratios between the fixed and variable components of total remuneration and ensure that:

- (1) fixed and variable components of total remuneration are appropriately balanced; and
- (2) the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.

[The fixed remuneration is determined by market rates. The Firm has a flexible approach on the variable remuneration component which varies depending on the following; the individual's performance, the Firm's performance and the performance of the business unit the individual is in.]

Principle 12(e): Remuneration structure – payments related to early termination (SYSC19C.3.45)

A Firm must ensure that payments related to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure.

[It is the Firm's policy that remuneration of early termination of contracts reflect the performance and competence of the individual during the time employed at the Firm.]

Principle 12(f): Remuneration structures – retained units, shares or other instruments (SYSC 19C.3.47)

- (1) A Firm ensure that a substantial portion, least 50% of any variable remuneration, consists an appropriate balance of:
 - (a) shares or equivalent ownership interests, subject to the legal structure of the Firm concerned or share linked instruments or equivalent non-cash instruments for a non-listed Firm; and
 - (b) where

appropriate, capital instruments which are eligible for inclusion at stage B1 of the calculation in the capital resources table, where applicable, adequately reflect the credit quality of the Firm as a going concern.

[The Firm has disapplied this Principle on the grounds of proportionality. Refer to [Error! Reference source not found.](#)]

Principle 12(g): Remuneration structures – deferral (SYSC 19C.3.49)

- (1) A Firm must not award, pay or provide a variable remuneration component unless a substantial portion of it, which is at least 40%, is deferred over a period of not less than three to five years.*
- (2) Remuneration payable under (1) must vest no faster than on a pro-rata basis.*
- (3) In the case of a variable remuneration component of a particularly high amount, or payable to a director of a Firm that is significant in size, internal organisation and the nature and scope and complexity of its activities, at least 60% of the amount must be deferred.*
- (4) paragraph 3b is not applicable to a non-executive director.*
- (5) the length of the deferral period must be established in line with the business cycle, the nature of the business, its risks and the activities of the employee in question.*
- (6) £500,000 is a particularly high amount for the purpose of 3 above.*
- (7) paragraph 6 is without prejudice to the possibility of lower sums being considered a particularly high amount.*

[The Firm has disapplied this Principle on the grounds of proportionality. Refer to [Error! Reference source not found.](#)]

Principle 12(h): Remuneration structures – performance adjustment, etc. (SYSC 19C.3.51)

A Firm must ensure that any variable remuneration, including a deferred portion, is paid or vests only if it is sustainable according to the financial situation of the Firm as a whole and justified according to the performance of the Firm, the business unit and the individual concerned.

[The Firm has disapplied this Principle on the grounds of proportionality. Refer to [Error! Reference source not found.](#)]

Appendix A: PROPORTIONALITY

The FCA expects Firms to apply the Principles in a manner that is proportionate to the size, nature and complexity of a Firm's business.

On 1 July 2015, the FCA published 'General Guidance on Proportionality: The BIPRU Remuneration Code (SYSC 19C) and Pillar 3 disclosures on Remuneration'.¹ Amongst other things, the guidance states:

QUOTE

In our view, it will normally be appropriate for a BIPRU Firm to disapply under the BIPRU remuneration principles proportionality rule the following rules:

1. retained shares or other instruments (SYSC 19C.3.47R);
2. deferral (SYSC 19C.3.49R);
3. performance adjustment (SYSC 19C.3.51R); and
4. the ratios between fixed and variable components of total remuneration (SYSC 19C.3.44R).

UNQUOTE

The firm is a wholly owned subsidiary of Ardea Investment Management Pty Ltd and currently has only one staff member.

The Firm is a private company that does not have any external shareholders. With respect to FCA regulated activities, it has a limited range of products. All FCA regulated activities can be described as 'agency' activities i.e. The Firm

¹ <http://www.fca.org.uk/static/documents/finalised-guidance/guidance-on-proportionality-bipru-firms-sysc-19c.pdf>

manages, advises on, or arranges deals in, investments where the third parties retain ownership of the assets and where The Firm does not hold client money or safeguard client assets. Clients are 'sophisticated' in nature and classified as a 'Professional Client' or 'Eligible Counterparty'. Controls are in place to ensure alignment of the clients' and The Firm's best interests.

Taking the foregoing into account, The Firm has concluded that it is appropriate for it to apply the principle of proportionality to the aforementioned rules.

