



IFPR disclosures for the year ending 31 December 2022

Rothschild & Co Equity Markets Solutions Limited

May 2023

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1. Overview

This disclosure is in relation to Rothschild & Co Equity Markets Solutions Limited (“**R&Co EMS**” or the “**Firm**”), a firm incorporated in the United Kingdom and authorised and regulated by the Financial Conduct Authority (“FCA”) under Firm reference number 950811. R&Co EMS undertakes the following primary activities, in accordance with its FCA permissions:

- Advising on investments;
- Arranging deals in investments;
- Dealing in investments as agent;
- Dealing in investments as principal;
- Making arrangements with a view to transactions in investments; and
- Underwriting of equity issuance.

R&Co EMS is a subsidiary of Rothschild & Co Continuation Holdings AG, a holding company wholly owned by Rothschild & Co SCA (“**Rothschild & Co**”). Rothschild & Co is registered in the list of financial holding companies supervised by the French Prudential Control Authority (Autorité de Contrôle Prudentiel et de Résolution or “ACPR”).

This document sets out the public disclosures for R&Co EMS as at 31 December 2022, which represents the end of the financial accounting period. This document is available on Rothschild & Co’s website (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**”), R&Co EMS 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, R&Co EMS is categorised as a non-small non-interconnected (“**non-SNI**”) MIFIDPRU investment firm.

R&Co EMS 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 R&Co EMS 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 R&Co EMS’s business activities.

Policy, Validation and Sign-Off

These disclosures have been agreed by the Board of Directors (the “**Board**”) of R&Co EMS.

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 R&Co EMS 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 R&Co EMS.

2. Risk management and governance arrangements

Categories of risk

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

Risk category	Potential for harm (non-exhaustive)
Own funds requirements	This is the level of own funds required to be held by R&Co EMS to reflect the potential harm that might be incurred by R&Co EMS, 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 R&Co EMS 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 R&Co EMS 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 R&Co EMS has enough liquidity to meet obligations to counterparties and clients.

Approach to managing risk

R&Co EMS 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 R&Co EMS 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. R&Co EMS 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

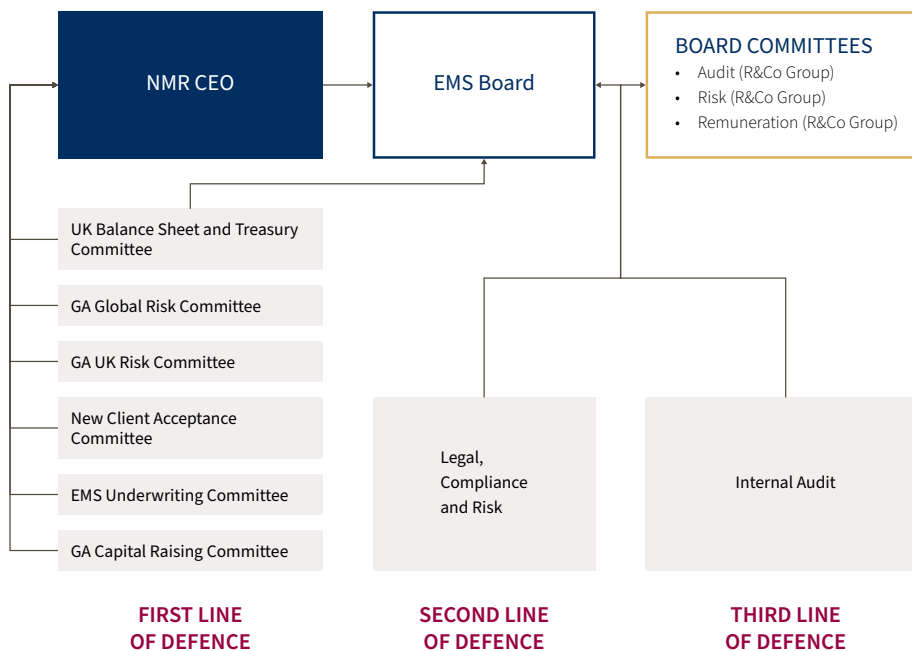
The 'three lines of defence' model distinguishes between functions owning and managing risks, functions overseeing risks and functions providing independent assurance. It is in the first instance the responsibility of senior management within R&Co EMS to implement risk management systems and controls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

R&Co EMS 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 R&CO EMS'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"> advice to management; assistance in the identification, assessment, management, measurement, monitoring and reporting of financial and non-financial risks; independent challenge to the businesses; technical guidance; risk policies for approval; and provide objective oversight and co-ordination of risk activities in conjunction with other specialist risk-related functions within the operating entities themselves. 	<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 R&Co EMS seeks to comply with these obligations.



Governance arrangements

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
- and the Firm's culture, values and standards.

The Board comprises executive directors who are appointed by the Board and 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 responsible for overseeing the establishment and maintenance of systems and controls for R&Co EMS in respect of compliance, risk, business continuity, record keeping and remuneration. 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.

Under MIFIDPRU 7.1.4, the Firm is not required to establish remuneration, nomination or risk committees; however, given the nature of the Firm, the Board has opted to establish an Underwriting Committee which reports to the Board on their activities:

- Proactively considers the commercial aspects of underwriting take-on, not limited to timing, structure, pricing, reputational impact, allocation of resource; and
- Monitors key milestones in underwriting mandates through to launch conducted by R&Co EMS and any other suitably permissioned Rothschild & Co entity on a global basis.

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

Rothschild & Co Audit Committee

The Committee has been established to review:

- 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.

Rothschild & Co Risk Committee

The Committee has been established to:

- advise on the overall current and future risk appetite and strategy at a Group level (including R&Co EMS) and oversee the implementation of that strategy;
- review material risks and total Group exposures to such risks; and
- review the effectiveness of the Group's internal control and risk management systems and significant changes to Group policies.

Rothschild & Co Remuneration & Nomination Committee

The Committee has been established to:

- set the principles and parameters of remuneration policy for the Group (including R&Co EMS);
- supervise the principles of the remuneration policy applicable to the R&Co EMS's senior management and Material Risk Takers;

- oversee the annual remuneration review; and
- review proposals for remuneration, including the total bonus pool and short and long term incentive performance 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 2022.

Table 1: Overview of directorships within scope of MIFIDPRU 8.3.1R(2)

Senior Management Function/Role	Name	Number of other directorships
SMF 9 – Chair and SMF 1 - CEO	Richard Wyatt	3
SMF 3 – Executive Director	Adam Greenbury	0
SMF 3 – Executive Director	Aisling Meany	1
SMF 3 – Executive Director	Paul O’Leary	0
SMF 3 – Executive Director	Jonathan Westcott	0

*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.

R&Co EMS 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 20%.

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**'). R&Co EMS's own funds consist of fully paid up capital instruments, share premium and accumulated retained earnings.

Table 2: 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
1	OWN FUNDS	5,388	
2	TIER 1 CAPITAL	5,388	
3	COMMON EQUITY TIER 1 CAPITAL	5,388	
4	Fully paid up capital instruments	6,500	Page 10
5	Share premium	0	
6	Retained earnings	(1,112)	Page 10
7	Accumulated other comprehensive income	0	
8	Other reserves	4,093	
9	Adjustments to CET1 due to prudential filters	0	
10	Other funds	0	Page 10
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(4,093)	
19	CET1: Other capital elements, deductions and adjustments	0	
20	ADDITIONAL TIER 1 CAPITAL	0	
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	
25	TIER 2 CAPITAL	0	
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	

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 R&Co EMS as at 31 December 2022. 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
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
1	Cash and cash equivalents	6,500	
2	Loans and advances to Group entities	8,603	
3	Other Assets	9,513	
4	Goodwill	4,093	
5	Current and deferred tax assets	294	
	Total assets	29,003	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
1	Loans and advances from Group entities	2,930	
2	Other liabilities	16,592	
	Total liabilities	19,522	
Shareholders' Equity			
1	Share Capital	6,500	OF 1 (4)
2	Contribution reserve	4,093	OF 1 (8)
3	Retained earnings	(1,112)	OF 1 (6)
	Total Shareholders' equity	9,481	

Main features of own instruments issued by the firm

The table below provides information on the CET1 Instruments used by R&Co EMS.

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)	6,500
Nominal amount of instrument	6,500
Issue price	£1
Redemption price	N/A
Accounting classification	Called Up share capital
Original date of issuance	£1 during 2021 and £6,499,999 during 2022
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 R&Co EMS’s KFR at 31 December 2022, 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	0
	The sum of the K-COH requirement and the K-DTF requirement	0
	The sum of the K-NPR requirement, the K-CMG requirement, the K-TCO requirement and the K-CON requirement	0
b. Fixed Overheads Requirement		3,300
c. Permanent Minimum Requirement		75
Basic own funds requirement (highest of a, b, c)		3,300

Approach to Assessing the Adequacy of Own Funds

At all times, R&Co EMS 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, R&Co EMS 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

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. This includes an annex for the R&Co Group's UK firms that are subject to the IFPR, including R&Co EMS as well as Five Arrows Managers LLP, N.M. Rothschild & Sons Limited and Rothschild & Co Wealth Management UK Limited ("**UK IFPR Firms**").

The Remuneration Policy includes an IFPR Annex 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 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.

The Board of directors of R&Co EMS is responsible for:

- Adopting and reviewing at least annually the general principles of the IFPR Annex as relevant to each R&Co EMS, 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 R&Co EMS;
 - include measures to avoid conflicts of interests; and
 - do not encourage risk-taking which is inconsistent with the risk profile of R&Co EMS.

- Reviewing annually the methodology for identifying MRTs to the extent there have been any changes and overseeing the annual review of employees working for R&Co EMS 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 R&Co EMS; 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 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 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 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 Committee directly oversees the remuneration of senior officers in control functions in respect of R&Co EMS.

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.

2022 IFPR quantitative disclosures

Total number of material risk takers (“MRTs”)	14			
	Senior management GBP’k	Other MRTs GBP’k	Other staff GBP’k	Total (all staff) GBP’k
Total remuneration	5,857	15,762	16,788	38,407
Of which: Fixed remuneration	1,522	6,513	7,144	15,180
Of which: Variable remuneration	4,335	9,249	9,643	23,227
Total guaranteed variable remuneration awarded to MRTs (and the number of individuals receiving such awards)			0 (0)	0 (0)
Total severance payments awarded to MRTs (and the number of individuals receiving such awards)			0 (0)	0 (0)
Highest severance payment awarded			0	0

