

POLICY // DECEMBER 2017

BIPRU 11.5.1 R **- DISCLOSURE ON RISK MANAGEMENT OBJECTIVES AND POLICIES**

Seven Investment Management LLP's ('7IM') operations expose it to certain financial risks. These include market, liquidity, operational, credit and regulatory risk. As a general risk management objective, 7IM seeks to limit any adverse effects of these risks by developing appropriate policies and monitors operations to ensure that adequate capital resources are held at all times.

During 2017, 7IM established an Audit, Risk and Compliance Committee ('ARCC'), expanding the role of the previous Audit Committee. The Executive Committee has formally delegated the responsibility of monitoring financial risk management to the ARCC. 7IM also has an Investment Risk Committee. The policies set by the Executive Committee are implemented by the risk committees and the Finance department.

The Executive Committee has management and oversight responsibility. It meets monthly or more frequently if required. At 31 December 2017 it was composed of:

- Chief Executive Officer and Executive Member – T Sheridan
- Chief Financial Officer and Executive Member – C Sparrow
- Chairman and Non-Executive – I Owen
- Non-Executive – D Johnson
- Non-Executive – C Edwards

The Executive Committee decides 7IM's risk appetite and ensures that 7IM has implemented an effective, ongoing process to identify risks, to measure potential impact and to ensure that those risks are actively managed.

- 7IM has a conservative attitude to risk and accepts certain risks inherent to the business model.
- These risks are mitigated and managed through systems and controls.
- 7IM has identified material risks and has undertaken scenario analysis and stress tests on these risks as detailed in the ICAAP.
- Overall, the level of risk is low and the Executive Committee therefore formally reviews the ICAAP on an annual basis.

The main risks to which 7IM is exposed are set out below, together with any mitigating actions taken to minimise the risks:

- **Market Risk**
As 7IM's revenues are predominantly based on assets under management, the most significant risk is a reduction in the market value of assets under management. These positions are monitored on a daily basis against specific limits and any breaches are reported to the relevant risk committee.
- **Liquidity risk**
This is the risk that 7IM will be unable to meet its payment obligations. In response to this risk, the Finance department monitors the cash flow position of 7IM on a regular basis.
- **Operational risk**
This is the risk of loss as a result of inadequate or failed processes or systems, human errors or external events. To monitor and control operational risk, 7IM maintains a comprehensive system of policies and procedures, and a control framework designed to provide a well-controlled operational environment, and to monitor and record any control failures.
- **Credit risk**
This is the risk of losses due to failure on the part of 7IM's debtors to meet their payment obligations. This risk is mitigated by taking client fees direct from portfolios and by assessing the custodians and administrators of 7IM's funds before entering into agreements.

- **Regulatory risk**
This is the risk of changes in the regulatory environment having an adverse impact on the business of 7IM. In response to this risk, 7IM monitors regulatory changes and makes changes to the business model as appropriate.
- **Investment performance risk**
Investment performance risk is the risk that funds or portfolios underperform. Underperformance could result in reduced revenue and redemptions by clients and could also adversely affect the growth of the business. 7IM mitigates this risk by having a robust investment process, experienced fund management personnel and the involvement of risk and performance personnel in the investment process.
- **Key personnel risk**
This is the risk of the potential absence of members of the Management Committee. Key personnel risk has been mitigated by hiring a second tier of management in all areas that could cover in the event of any absence.

BIPRU 11.5.2 R

- DISCLOSURE ON THE SCOPE OF THE APPLICATION OF DIRECTIVE REQUIREMENTS

7IM submitted reports for accounting and prudential purposes to the FCA on an unconsolidated basis. It is a BIPRU €125k limited licence UCITS investment firm and is therefore required to calculate a fixed overhead requirement in accordance with GENPRU 2.1.53 R.

BIPRU 11.5.3 R

- DISCLOSURE ON CAPITAL RESOURCES

REGULATORY CAPITAL

Tier 1 capital comprises members' capital contributions less intangible assets.

7IM's capital requirements are the greater of:

- Base capital requirement of €125,000
- Sum of market and credit risk requirements
- Fixed Overhead Requirement ("FOR")

7IM's capital requirement for 2017 is based on the FOR of £6,318m.

7IM's capital position at 31 December 2017 is summarised as follows:

Regulatory Capital as at 31 December 2017	£'000
Tier 1 capital resources:	
Members' capital contributions	15,729
Total tier 1 capital before deductions	15,729
Less: Intangible assets	(5,965)
Total tier 1 capital after deductions	9,764
Tier 2 and Tier 3 capital resources	-
Total capital resources	9,764
Total Capital Requirement (CRR)	6,318
Surplus Capital	3,446
Solvency Ratio	154.54%

BIPRU 11.5.18 R

- DISCLOSURE ON REMUNERATION

7IM has adopted a remuneration policy that complies with SYC19C which is available on our website. As a BIPRU firm falling within proportionality level 4 there is no requirement to appoint a remuneration committee but 7IM has chosen to appoint one.

The Remuneration Committee is authorised by the Executive Committee to examine any activity within its terms of reference. The members of the committee are two non-executives, the chairman and the CEO and it meets at least once a year.

The responsibilities of the committee are:

- Determines the remuneration policy for the Chairman, CEO, Executive Committee members, individual members and employees having regard to market practice and comparable businesses
- Determines the terms of membership for proposed new members
- Approves discretionary bonus targets and termination payments
- Approves individual remuneration packages for Management Committee members
- Approves allotment of A shares in Caledonia Thames Holdings Limited

The Committee ensures that staff, management and executive remuneration is appropriately aligned to business and individual performance, and is consistent with corporate member interests.

7IM maintains a compensation program designed to attract and retain highly skilled, qualified employees. Compensation for employees typically includes a salary, benefits and a discretionary bonus. When determining compensation for its employees, 7IM considers several factors, including, but not limited to, the individual's performance, qualifications and experience, the relative value of each position within the Firm, and the state of the compensation marketplace for each role. 7IM's compensation program is designed to promote integrity with a focus on developing a long term business.

7IM has identified 34 code staff comprising those fulfilling controlled functions, deemed risk takers and senior management. No staff have aggregate remuneration of over £500,000 pa. The aggregate remuneration awarded to the code staff during the financial year ending 31 December 2017 was £5.9m, consisting of fixed remuneration of £4.1m, variable remuneration of £1.8m, of which there was no deferred remuneration.

7IM has not disclosed code staff remuneration by business area as this information is confidential and disclosure would result in an individual's identification.