

Pillar 3 Disclosure Statement

Policy // September 2020

Group Overview

This document sets out the Pillar 3 disclosures of Seven Investment Management LLP consolidated group ('7IM').

7IM is a financial services business focusing on investment management, headquartered in London with additional offices in Scotland and Jersey. All 7IM regulated activities are covered by the Internal Capital Adequacy Assessment Process (ICAAP).

The consolidated group includes three regulated entities:

- Seven Investment Management LLP
- 7IM Financial Solutions Limited
- 7IM Investment & Retirement Solutions Ltd

7IM is classified as a BIPRU limited licence 125k firm. Being authorised and regulated by the FCA, 7IM is subject to minimum regulatory capital requirements. The capital and risk disclosures required under Pillar 3 are produced annually. These disclosures are made as at 31 December 2018. The Pillar 3 disclosures are not subject to audit and are provided solely in satisfaction of 7IM's regulatory requirements.

The major risks to 7IM were agreed by the Audit Risk and Compliance Committee and the ICAAP was subsequently approved and adopted by the board.

Regulatory Requirements

The Basel framework consists of a three "Pillar" approach:

Pillar 1 establishes the minimum capital requirement and is determined by the size and nature of a firm. The FCA's Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU) provides that firms, such as 7IM that do not have permission to deal in investments on their own account or do not underwrite or place financial instruments on firm commitment basis, are limited license firms subject to a minimum base capital requirement of €125k.

Pillar 2 is the level of capital 7IM considers adequate to cover all of the risks to which it is exposed within the context of the risk management framework. This is achieved through the Internal Capital Adequacy Assessment Process (ICAAP).

Pillar 3 is the disclosure element of the CRD. Pillar 3 complements the minimum capital requirements (Pillar 1) and the supervisory review process (Pillar 2). Its aim is to encourage market discipline by developing a set of disclosure requirements which will allow market participants to assess key pieces of information on the firm's capital, risk exposures, and risk assessment process.

www.7IM.co.uk

Seven Investment Management LLP is authorised and regulated by the Financial Conduct Authority. Member of the London Stock Exchange. Registered office: 55 Bishopsgate, London EC2N 3AS. Registered in England and Wales number OC378740.

Risk Management

7IM operates a three lines of defence model.

- 1st line of defence is management with responsibility for assessment, mitigation and management of business risks and controls within 7IM. This is supported through an appropriate governance structure and overseen by 7IM's Business Risk and Controls Committee.
- 2nd line of defence is the risk management and compliance function. This comprises of an Investment Risk Team, Compliance, and Operational Risk Team. These functions report into the CFO.
- 3rd line of defence is an outsourced Internal Audit function reporting to the Chair of the Audit Risk and Compliance Committee. Internal Audit have an annual risk based plan focusing on critical risks to the business.

Capital Adequacy

Capital Adequacy is assessed formally and on a regular basis.

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 Requirements ("FOR")

7IM's capital requirement for 2019 is based on the FOR of £8,375,121

7IM's Consolidated Regulatory Capital position at 31 December 2018 is summarised as follows:

| Consolidated Regulatory Capital as at 31 December 2018 | | £'000 |
|---|--|---------------|
| Tier 1 Capital Resources | | |
| Ordinary Share Capital | | 50,513 |
| Members' Capital Contributions | | 2,375 |
| Non-cumulative preference shares | | 700 |
| Audited Reserves | | 4,849 |
| Total Tier 1 Capital before deductions | | 58,437 |
| Less: Intangible Assets | | 44,750 |
| Total Tier 1 Capital after deductions | | 13,687 |
| Tier 2 and Tier 3 Capital Resources | | - |
| Total Capital Resources | | 13,687 |

| The results of the ICAAP analysis are summarised as | | £'000 |
|--|--|--------------|
| Pillar 1 Total | | 8,375 |
| Pillar 2 Total | | 10,055 |
| Wind-down Requirement | | 9,579 |
| Total Capital Requirement (CRR) | | 10,055 |
| Surplus Capital | | 3,632 |

BIPRU 11.5.18R

Disclosure on Remuneration

7IM has adopted a remuneration policy that complies with Senior Management Arrangements, Systems and Controls Sourcebook (SYSC), as interpreted in accordance with the FCA's guidance on disclosure of remuneration and BIPRU 11.5.20R.

As a "not significant" BIPRU firm 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:

- Determine the remuneration policy for the Chairman, CEO, Executive Committee members, individual members and employees with regard to market practice and comparable businesses
- Determine the terms of membership for proposed new members
- Approve discretionary bonus targets and termination payments
- Approve individual remuneration packages for Management Committee members
- Approve allotment of A shares in Caledonia Thames Holdings (Jersey) Limited
- Ensure that staff, management and executive remuneration is appropriately aligned to business and individual performance, and is consistent with the Corporate Member's 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 41 code staff comprising those fulfilling controlled functions, deemed risk takers and senior management.

No staff have aggregate remuneration of over £400,000 pa. The aggregate remuneration awarded to the code staff during the financial year ending 31 December 2018 was £5.8m, consisting of fixed remuneration of £4.1m, variable remuneration of £1.7m, 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.