

# Investcorp Credit Management EU Limited

Public Disclosure

For the Financial Year Ended 30 June 2024

## 1. Firm Profile

Investcorp Credit Management EU Limited (“ICMEU” or “the Firm”) is a private, UK incorporated company, authorised and regulated by the Financial Conduct Authority (“FCA”) under firm reference number: 446483.

Effective from 01 January 2022, as a UK investment firm undertaking activities within the scope of the UK Markets in Financial Instruments Directive (“MIFID”), ICMEU was classified as a Non - Small Non-Interconnected (“non-SNI”) MIFIDPRU firm under the Investment Firms Prudential Regime (“IFPR”).

ICMEU is a wholly owned subsidiary of Investcorp S.A. The ultimate parent company of ICMEU is Investcorp Holdings B.S.C.(c).

ICMEU is a UK based global credit manager with business lines comprised of:

- Sourcing European credit investments to be part of actively managed collateralized loan obligation (“CLO”) vehicles and other actively managed portfolios;
- Managing portfolios of credit investments for the alternative investment fund managers (“AIFMs”) of certain alternative investment funds (“AIFs”) and for other collective investment undertakings, via investment management and sub-investment management agreements;
- Promoting investments in CLO securities in compliance with exemptions under the Prospectus Directive and in AIFs in compliance with the EU Alternative Investment Fund Managers’ Directive (“AIFMD”);
- Managing credit investments in managed accounts; and
- Acting as portfolio manager in certain CLO vehicles and, in connection therewith, holding retained risk positions in the CLO securities issued by those vehicles as required by applicable law.

## **2. Risk Management Objectives and Policies**

This section describes ICMEU's risk management objectives and policies for the categories of risk addressed by the requirements of the Firm in the following areas:

- Own funds.
- Concentration risk.
- Liquidity.

### **Business Model**

The primary source of income for ICMEU is management fees from the CLOs and AIFs. These are payable to ICMEU quarterly for CLOS and monthly for AIFs and are based on the average fund value during the respective period. In the case of CLOs, senior management fees are typically paid at the top of the waterfall while subordinated fees are contingent upon the achievement of set fund performance criteria and/or coverage tests. If subordinated fees are not paid they remain due and payable on subsequent payment dates provided that the coverage/performance test is back in compliance, and there is sufficient cash available to settle the liability.

In addition, ICMEU also receives distributions from its retention holdings in various tranches of the CLOs (mainly subordinated tranches) that it manages. ICMEU's cash flow profile is considered to be satisfactory with senior fee income broadly sufficient to cover fixed operating costs (in the unlikely scenario that all subordinated fees become deferred).

ICMEU's clients are the CLOs and AIFs themselves, with the underlying investors typically being institutional or clients, such as pension funds and insurance companies, or professional investors. The Firm does not carry discretionary or advisory accounts for retail clients.

ICMEU primarily seeks to grow its revenues by growing its underlying asset base on which it charges a management fee. This is achieved through the prudent growth of its client's assets and through the seeking additional asset inflows from prospective customers.

Costs are controlled carefully to ensure long-term profitability. The business seeks to make investments to expand its business and product lines and to continuously improve its control environment.

Given the Firm's business model, controls, and controls assessment, it is the conclusion of the Firm that its overall potential for harm is low.

## Own Funds Requirement

ICMEU is required to maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the higher of the Firm's:

- **Permanent minimum capital requirement ("PMR"):** The level of own funds required to operate at all times. Based on the MiFID investment services and activities that the Firm currently has permission to undertake this is set at £75,000;
- **Fixed overhead requirement ("FOR"):** The minimum amount of capital that ICMEU would need to have to absorb losses if the Firm has cause to wind down exit the market. This is equal to one quarter of the Firm's relevant expenditure; and
- **K-factor requirement ("KFR"):** The KFR is intended to calculate a minimum amount of capital that ICMEU would need for the ongoing operation of its business. The K-factors that apply to the Firm's business are K-AUM (calculated on the basis of the Firm's assets under management ("AUM")) and K-COH (calculated on the basis of the client orders handled by the Firm).

ICMEU's own funds requirement is currently set by its FOR, as this is the highest of the three metrics. The potential for harm associated with ICMEU's business strategy, based on the Firm's own funds requirement, is low. This is due to the Firm's substantial net assets position and free cash flow generation after costs and expenses.

A method adopted by the Firm to manage the risk of breach of the Firm's own funds requirement is the maintenance of a healthy own funds surplus above the own funds requirement. In the event that the Firm's own funds drop to an amount equal to 110% of the Firm's own funds threshold requirement, the Firm will immediately notify its Board, as well as the regulator. The ICMEU Board will consider the necessary steps required in order to increase the own funds buffer; this may include injecting more own funds into the Firm.

## Concentration Risk

The Firm's earnings are well diversified given that the Firm's client base counts 22 CLOs, 2 CLO retention vehicles and 3 AIFs. Underlying investors typically being institutional investors, such as pension funds, insurance companies and other professional investors. The Firm therefore considers that its asset base is 'sticky' and not prone to substantial fluctuations, including during stressed market conditions.

The Firm does not have permission to hold client money and assets.

The Firm's own cash positions are well diversified between a bank cash deposit, and short-term Money Market Fund.

The Firm has no off-balance sheet items.

The potential for harm associated with ICMEU's business strategy, based on the Firm's concentration risk, is low.

## **Liquidity**

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due and to ensure that it has appropriate (liquid) resources in the event of a stress scenario.

The potential for harm associated with ICMEU's business strategy, based on the Firm's basic liquid assets requirement, is low. Given that relatively stable and consistent growth in its revenues, the Firm is able to maintain a healthy core liquid assets surplus above the basic liquid assets requirement. The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under various conditions. ICMEU has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the core liquid assets surplus held in cash deposits and short-term money market funds. Additionally, it has historically been the case that all debtors are settled promptly, thus ensuring further liquidity resources are available to the Firm on a timely basis. The cash position of the Firm is monitored by the Group Treasury and Finance team and the Firm may be able to call on its parent undertaking for further capital as required.

## **Risk Management Structure**

The risk management process is overseen by the Chief Operating Officer, with the ICMEU Board taking overall responsibility for this process and the fundamental risk appetite of the Firm. The Compliance Officer has responsibility for the implementation and enforcement of the Firm's risk principles.

The ICMEU Board meets on a regular basis and discusses current projections for profitability, cash flow, regulatory capital management, business planning and risk management. The Governing Body engages in ICMEU's risks through a framework of policy and procedures having regard to the relevant laws, standards, principles, and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

Annually, the Firm formally reviews its risks, controls, and other risk mitigation arrangements and assesses their effectiveness; the conclusions to this review inform the overall risk appetite of the Firm.

A formal update on operational matters is provided to the ICMEU Board on a quarterly basis. Management accounts demonstrating the continued adequacy of ICMEU's regulatory capital are reviewed on a regular basis.

Appropriate action is taken where risks are identified that fall outside of the Firm's tolerance levels or where the need for remedial action is required in respect of identified weaknesses in ICMEU's mitigating controls.

### **3. Governance Arrangements**

#### **Governance Structure**

ICMEU has a formalised governance structure which is designed to provide oversight of the risk management of the Firm's business operations in line with systems and controls that ICMEU has in place to operate appropriately and in accordance with the necessary regulatory requirements and expectations. The ultimate responsibility for the management of ICMEU falls within the scope of the role and responsibilities of the ICMEU Board.

Due to its size, nature and complexity of the business activities, ICMEU does not have a Risk Committee, a Remuneration Committee or a Nomination Committee as part of its governance arrangements nor is it required to establish these committees as set out in MIFIDPRU 7.1.4R.

#### **Board Oversight Arrangements & Composition**

The ICMEU Board has delegated the overall responsibilities for the management of ICMEU's operational activities to the Executive Directors who conduct their roles in line with their assigned responsibilities and allocated senior management functions ("SMF").

The governance and oversight frameworks in place ensure that the Board defines, oversees and is accountable for the implementation of arrangements to ensure effective and prudent management of the firm, including appropriate segregation of duties of the Senior Management in accordance with the UK's Senior Management and Certification Regime ("SMCR") and management of conflicts of interest.

The Board is the main decision-making body of ICMEU and is formed by two Executive Directors and three non-Executive Directors, as at 30 June 2024.

ICMEU seeks regulatory approval prior to appointments to the Board under the SMCR. All Board members are registered and listed on the FCA Register.

The roles, duties, responsibilities and membership composition of the Board is formalised in the ICMEU Board Charter. Overall, the Board is responsible for approval and oversight of the strategic objectives, the risk strategy, risk management and governance of ICMEU in compliance with its regulatory obligations and providing effective oversight of senior management.

The following information relates to the appointments of directors held in both, executive and/or non-executive functions, including directorships held at external, commercial organisations as at 30 June 2024:

<b>Name</b>	<b>SMF Function/Role</b>	<b>Number of other external directorships</b>
Jeremy Ghose	SMF1 Chief Executive Officer SMF3 Executive Director	0
Kieran Carmody	SMF3 Executive Director	0
Neil Rickard	Non-Executive Director	0
Rishi Kapoor	Non-Executive Director	1
Craig Lawrence Sinfield-Hain	Non-Executive Director	0

## **Board Diversity**

At Investcorp, we believe that diversity leads to better outcomes for everyone, from our investors and our investment partners to our employees and our recruits. As we continue to grow and expand, people, policy and practice are the three key pillars in our Diversity, equity and inclusion (DE&I) strategy which are pivotal to building a future-proof firm.

We bring these three pillars to life by engaging with both our internal and external audiences. Internally, we conduct an inclusive hiring process that promotes diversity across all levels and teams, and we encourage inclusion through our employee resource groups, mental health initiatives and global opportunities for all employees.

### **People**

Our primary goal is not only to attract individuals of different backgrounds & experiences, but also to provide them an opportunity to feel safe, grow and feel a sense of belonging within Investcorp. A values-grounded and diverse set of talent helps us become better leaders for tomorrow. Through an open, inclusive, and diverse culture, we are able to bridge gaps through mutual understanding, transparency, and dialogue.

### **Policy**

We are creating and evolving industry-competitive policies that support our employees' well-being with healthcare, wellness, and flexibility. More comprehensive and clearer policy makes us more accountable to our goals over the long-term and creates a healthier culture.



Our recruitment policy seeks to treat all employees of the firm fairly, inclusively and avoid harassment or discrimination. We encourage diversity of gender, sexual orientation, gender identity, race, colour, national or ethnic origins, religious belief, disability, age, and educational background for each business line.

**Practice**

Employees undergo all types of training – teamwork, leadership, communication, networking, and DEI inclusion - on an annual basis. Workshops are held internally to strengthen awareness and inform better DEI tactics. Expanding an employee’s skillsets will aid their career growth.

#### 4. Own Funds

ICMEU's own funds (i.e. capital resources) comprise exclusively of CET 1 capital. CET 1 capital consists of fully issued ordinary shares, satisfying all criteria for a CET 1 instrument in accordance with IFPR.

ICMEU complied with the relevant IFPR capital regulatory obligations, as at 30 June 2024.

<b>Table OF1 - Composition of Regulatory Own Funds</b>			
	<b>Item</b>	<b>Amount (GBP thousands)</b>	<b>Source based on reference numbers/letters of the balance sheet in the audited financial statements</b>
<b>1</b>	<b>OWN FUNDS</b>	<b>219,488</b>	
<b>2</b>	<b>TIER 1 CAPITAL</b>	<b>219,488</b>	
<b>3</b>	<b>COMMON EQUITY TIER 1 CAPITAL</b>	<b>219,488</b>	
4	Fully paid-up capital instruments	123,238	Issued share capital
5	Share premium		
6	Retained earnings	95,807	Other distributable reserves
7	Accumulated other comprehensive income	443	Fair value of financial assets at FVOCI
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-	
19	CET1: Other capital elements, deductions and adjustments	-	
<b>20</b>	<b>ADDITIONAL TIER 1 CAPITAL</b>		
21	Fully paid up, directly issued capital instruments	N/A	
22	Share premium	N/A	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL	N/A	
24	Additional Tier 1: Other capital elements, deductions and adjustments	N/A	
<b>25</b>	<b>TIER 2 CAPITAL</b>	<b>N/A</b>	
26	Fully paid up, directly issued capital instruments	N/A	
27	Share premium	N/A	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	N/A	
29	Tier 2: Other capital elements, deductions and adjustments	N/A	

The table below describes the reconciliation with own funds in the balance sheet as at 30 June 2024, where the assets and liabilities have been identified by their respective classes. The information in the table below reflects the balance sheet in the audited financial statements.

<b>Table OF2 - Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements</b>			
<b>Amount in GBP (thousands)</b>	<b>a</b>	<b>b</b>	<b>c</b>
	<b>Balance sheet as in published/audited financial statements</b>	<b>Under regulatory scope of consolidation</b>	<b>Cross- reference to template OF1</b>
<b>As at period end</b>	<b>30 June 2024</b>		
<b>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements</b>			
1	Investments	173,874	
2	Tangible assets	225	
3	Deferred tax assets	68	
4	Trade and other receivables	75,946	
5	Cash & cash equivalent	8,388	
	<b>Total Assets</b>	<b>258,501</b>	
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements</b>			
1	Non-current trade and other	26,026	
2	Current trade and other payables	12,987	
	<b>Total Liabilities</b>	<b>39,013</b>	
<b>Shareholders' Equity</b>			
1	Issued capital	123,238	4 - Fully paid-up capital instruments
2	Fair value reserve	443	7- Accumulated other comprehensive income
3	Other distributable reserves	95,807	6 - Retained earnings
	<b>Total Shareholders' equity</b>	<b>219,488</b>	

The table below provides information on the CET1 instruments issued by ICMEU.

<b>Main features of Own Instruments</b>	
Issuer	ICMEU
Public or private placement	Private
Instrument type	Ordinary Shares
Amount recognised in regulatory capital (GBP thousands, as of most recent	123,238
Nominal amount of instrument	123,238
Issue price (GBP whole number)	1
Redemption price	n/a
Accounting classification	Share Capital (Equity)
Original date of issuance	20/03/2017
Perpetual or dated	Perpetual
Maturity date	n/a
Issuer call subject to prior supervisory approval	n/a
Optional call date, contingent call	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

## 5. Own Funds requirements

ICMEU is required to disclose the K-factor requirement (“KFR”) and the fixed overhead requirement (“FOR”) amounts in relation to its compliance with the own funds requirements (“OFR”) set out in MIFIDPRU 4.3. The amounts are presented in the table below. For the definition of each K-factor, please refer to the Appendix.

Item	Total amount in GBP (thousands)
Sum {K-AUM, K-CMH, K-ASA}	1,461
Sum {K-COH, K-DTF}	0
Sum {K-NPR, K-CMG, K-TCD, K-CON}	n/a
FOR	4,046

ICMEU is further required to disclose its approach to assessing the adequacy of its own funds in accordance with the Overall Financial Adequacy Rule (“OFAR”) as outlined in MIFIDPRU 7.4.7R.

### **ICARA Process**

The Internal Capital Adequacy and Risk Assessment (“ICARA”) process serves as the means of assessing key risks to which ICMEU is exposed. Further, it assists ICMEU with identifying and managing material harms that it may cause through its regulated and unregulated activities. The process further seeks to determine the level of own funds and liquidity ICMEU needs to hold.

The following are the key ICARA elements that are assessed as part of the process:

- Business strategy and growth plans.
- Comprehensive key risk and harms assessment.
- Internal assessment of own funds adequacy.
- Internal assessment of liquidity adequacy.
- Capital and liquidity planning (i.e., financial, own funds and liquidity).
- Stress testing.
- Recovery actions.
- Wind-down Plan (“WDP”).

The adequacy of the ICARA process will be reviewed at least annually or more frequently, should there be any material changes to ICMEU’s risk profile, business strategy or if requested by the ICMEU Board.

## **Overall OFAR Compliance**

At all times, ICMEU 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 that may be caused, arising from its ongoing business activities, and that it is prepared for an orderly wind-down while minimising harm to customers or to other market participants, without threatening the integrity of the UK financial system.

As a minimum to meet the OFAR, an FCA standard of determining the adequacy of its financial resources through the internal assessment of its capital and liquidity adequacy, ICMEU must meet the OFR and basic liquid assets requirement (“BLAR”).

As a non-SNI firm, ICMEU has to comply with the provisions of the OFR contained within MIFIDPRU 4.3.2R by holding the highest of:

1. Its Permanent Minimum Capital Requirement (“PMR”). (Per MIFIDPRU 4.4).
2. Its FOR (per MIFIDPRU 4.5); or
3. Its KFR (per MIFIDPRU 4.6).

ICMEU complies with its PMR of £75,000 being a fixed requirement based on the permissions ICMEU has to undertake its regulated activities. The FOR, which is an amount equal to one quarter of ICMEU’s expenditure from the preceding year after the distribution of its profits and deduction of certain non-fixed expenditure items, is calculated from ICMEU’s audited annual financial statements.

The IFPR KFR methodology for calculating own funds requirements provides for K-Factors to be applied as relevant, based on a firm’s permissions. The relevant K-Factors applicable to ICMEU is the K-AUM and K-COH. This is referred to as ICMEU’s KFR.

Further, ICMEU performs an internal assessment of the own funds and liquid assets required to support its ongoing operations and to support an orderly wind-down. ICMEU also undertakes stress testing and scenario analysis as key inputs in these internal assessments of the adequacy of its financial resources. These internal assessments, alongside the OFR and BLAR, help inform the adequate level of financial resources required to be maintained by ICMEU in compliance with the OFAR.

## **Own Funds Adequacy and Monitoring**

ICMEU’s approach to ensuring that it has appropriate own funds is its alignment with the Firm’s strategy and risk appetite. All identified key risks are individually assessed.

## **Liquid Assets Adequacy and Monitoring**

ICMEU has an established liquidity RMF based on the Firm’s approved liquidity risk appetite in order to ensure that:

- The regulatory BLAR is met; and
- The liquid assets threshold requirement is determined.

The Firm further assesses its compliance with liquid assets threshold requirement, which is based on the sum of BLAR and an additional liquid asset requirement

determined during the ICARA process, to ensure liquidity adequacy in stressed conditions and during an orderly wind-down as part of its OFAR compliance from a liquidity perspective.

Liquidity risks at ICMEU are identified through ongoing liquidity management and monitoring, which contribute to the development of ICMEU's Liquidity RMF and formulating stress testing, scenario design and key assumptions.

## **6. Remuneration Policy and Practices**

### **Overview and approach to remuneration**

As a non-SNI MIFIDPRU investment firm, the Firm is subject to the 'basic' and 'standard' requirements of the MIFIDPRU Remuneration Code (the "**Code**"). The purpose of the Code requirements on remuneration, as adopted by the Firm in its remuneration policy and practices, are to:

- promote effective risk management in the long-term interests of the Firm and its clients;
- ensure alignment between risk and individual reward;
- support positive behaviours and healthy firm cultures; and
- discourage behaviours that can lead to misconduct and poor customer outcomes.

The objective of the Firm's remuneration policies and practices are to establish, implement and maintain a culture that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the Firm and the services that it provides to its clients.

In addition, the Firm recognises that remuneration is a key component in how the Firm attracts, motivates and retains staff and sustains consistently high levels of performance, productivity and results. As such, the Firm's remuneration philosophy is consistent with the belief that its people are the most important asset and greatest competitive advantage.

The Firm has adopted a remuneration policy which sets out ICMEU's general approach to remuneration and the key objectives which ICMEU's remuneration structures and practices have been designed to achieve. These include attracting and retaining top talent; delivering pay for sustainable long-term performance on a risk-adjusted basis; aligning executive remuneration with shareholders' and clients' interests; mitigating excessive risk taking and incentivising top-quartile risk-adjusted returns; and ensuring compliance with applicable regulations in each country in which Investcorp Group has a regulated presence.

### **Characteristics of the remuneration policy and practices**

Remuneration at the Firm is made up of fixed and variable components. The fixed component is set in line with market competitiveness at a level to attract and retain skilled staff and reflects a staff member's professional experience and organisational responsibilities as set out in their job description and terms of employment. It is permanent, pre-determined, non-discretionary, non-revocable and not dependent on performance.

Variable remuneration is generally defined as remuneration that is based on performance or, in exceptional cases, other conditions. Variable remuneration is paid on a discretionary basis and takes into account the Investcorp Group's performance,



the Firm's financial performance (including the performance of the business in which the individual staff member works) as well as the individual's financial performance and non-financial contribution to management, leadership, culture and values of the Investcorp Group.

The Firm's remuneration policy and practices are part of a multi-year framework which ensures that the assessment of performance is based on longer-term performance that takes into account the business cycle of the Firm and its current and future business risks. In addition, assessment of the level of remuneration paid to Material Risk Takers includes both ex-ante and ex-post risk adjustment criteria (see below for more details).

The Firm has set a ratio between the variable and fixed components of the total remuneration for its Material Risk Takers and generally ensures for all its staff that the components are appropriately balanced, and that the fixed component represents a sufficiently high proportion of the total remuneration. This allows for a fully flexible policy on variable remuneration and the possibility of paying no variable remuneration where the Firm's profitability and/or performance is particularly constrained, or where there is a risk that the Firm may not be able to meet its regulatory capital or liquidity requirements.

## **Governance and oversight**

The Board of Directors of Investcorp Holdings B.S.C. (c) ("**Investcorp Holdings**") is ultimately responsible for actively overseeing the design and operation of the Investcorp Group's remuneration arrangements. However, the Nomination & Remuneration Committee of Investcorp Holdings (the "**N&RC**"), which comprises a majority of independent non-executive directors, is responsible for:

- reviewing and approving the Investcorp Group's remuneration policy;
- approving, monitoring and reviewing the Investcorp Group's remuneration arrangements to ensure that they operate as intended; and
- recommending remuneration to members of the Board of Directors of Investcorp Holdings based on their attendance of meetings and performance and in compliance with the Bahrain Commercial Companies Law.

The N&RC also reviews annually all proposed individual variable remuneration awards to staff of ICMEU, including to Material Risk Takers of ICMEU.

The setting of the fixed to variable ratio as noted above is done by Investcorp's HR Committee ("**HRC**") comprising the Executive Committee, Co-CEO, CFO and COO of Investcorp.

The Firm's remuneration policy and practices are reviewed periodically by the ICMEU Board.

## Material Risk Takers

Under the Code, the Firm is required to identify its Material Risk Takers which category comprises those members of staff whose professional activities have a material impact on the risk profile of the Firm and of the assets that the Firm manages. The types of staff that have been identified as Material Risk Takers at the Firm are:

- members of ICMEU's governing body (in their management and supervisory function);
- members of senior management;
- those with authority to take decisions approving or vetoing the introduction of new products;
- those with managerial responsibilities for: ICMEU's regulated activities; ICMEU's control function; ICMEU's money laundering prevention; managing a material risk within ICMEU; managing IT, information security and/or outsourcing critical or important functions.

## Performance adjustment (malus and clawback)

The Code requires that ICMEU's remuneration arrangements provide for performance adjustment, in the form of malus and clawback, to all elements of variable remuneration awarded to Material Risk Takers. These provisions which may result in adjustments to variable remuneration awarded or paid to Material Risk Takers are set out in ICMEU's remuneration policy and are governed by the HRC. A summary is set out below.

Malus is the downward adjustment of any portion of variable remuneration which has not been awarded, vested or been paid to any Material Risk Taker in the event that a Performance Adjustment Matter (see below) occurs or comes to light.

For variable remuneration which has not yet been awarded, such adjustment may be made on an "in year" basis (or ex ante risk adjustment basis) whereas, for variable remuneration which has been awarded but not yet vested or been paid, an adjustment may be made to any amount prior to vesting or payment on an ex-post risk adjustment basis.

Malus may be applied, as determined by the HRC, in its absolute discretion, to take account of certain events, crystallised risks or matters of an adverse nature which occur or come to light (each a "**Performance Adjustment Matter**"). The Performance Adjustment Matters include where:

- the relevant individual participated in or was responsible for conduct which resulted in significant losses to ICMEU;
- the relevant individual failed to meet appropriate standards of fitness and propriety (as set out in the FIT sourcebook of the FCA Handbook);
- there is reasonable evidence of misbehaviour or material error by the individual;
- ICMEU, or business unit for which the relevant individual is responsible, suffers a material downturn in its financial performance; and/or

- ICMEU, or business unit in which the relevant individual works, suffers a material failure of risk management.

Clawback is the recovery or recoupment of any variable remuneration which has been awarded and paid to any member of staff. Clawback may be applied, as determined by the HRC, in its absolute discretion, during the period of three years commencing on the date of award of variable remuneration where one or more of the following matters occur or come to light:

- the relevant individual participated in or was responsible for conduct which resulted in significant losses to ICMEU; and/or
- the relevant individual failed to meet appropriate standards of fitness and propriety (as set out in the FIT sourcebook of the FCA Handbook).

Clawback may apply even if the relevant matter occurs or comes to light after an individual has ceased to be an employee or otherwise connected with ICMEU.

The HRC's determination on the application of malus and/or clawback will always take into account the seriousness of the event, risk or matter and the role and proximity of any staff member in scope. Any affected Material Risk Taker will be informed and be given an opportunity to make representations before any final decision is made.

### **Guaranteed variable remuneration**

ICMEU can, in exceptional circumstances, provide guaranteed variable remuneration to Material Risk Takers (for example, in the form of a sign-on bonus, buy-out of award forfeited in previous employment or as retention award). Any guaranteed variable remuneration awarded will generally (but subject to exceptions) be subject to the same deferral and performance adjustment terms as set out in ICMEU's remuneration policy.

### **Severance pay**

Payments of variable remuneration to a Material Risk Taker in connection with their termination of employment or services may only be made where such payment reflects performance achieved over time and it does not reward failure or misconduct. In determining termination payments, ICMEU will have regard to the performance of the Material Risk Taker over an appropriate period and ICMEU will ensure that any payment does not impact materially on ICMEU's capital or liquidity requirements.

## Quantitative remuneration disclosures

The below table quantifies the remuneration paid to staff in the financial year 1 July 2022 to 30 June 2023.

Period: 1 July 2022 to 30 June 2023				
Disclosure item		Senior Management	Other Material Risk Takers	Other Staff
Total number of Material Risk Takers		8	13	
Remuneration awarded	Fixed (£)	1,206,706	1,231,317	1,610,130
	Variable (£)	2,789,763	2,283,471	1,551,101
	Total (£)	3,996,468	3,514,788	3,161,231
Guaranteed variable remuneration	Amount (£)	0	0	
	# Staff Awarded	0	0	
Severance payments	Amount (£)	0	0	
	# Staff Awarded	0	0	
Highest severance payment awarded to an individual Material Risk Taker (£)		0	0	

## 7. Appendix

The Prudential sourcebook for MIFID investment firms (i.e. MIFIDPRU) of the FCA Handbook, sets out the KFR methodology for calculating own funds requirements effective from 01 January 2022. The IFPR introduced nine K-factors. The application of each K-factor is determined by a firm's regulatory permissions.

<b>K-factor</b>	<b>Description</b>
K-AUM	Assets under management
K-CMH	Client money held
K-ASA	Assets safeguarded and administered
K-COH	Client orders handled
K-NPR	Net position risk
K-CMG	Clearing margin given
K-TCD	Trading counterparty default
K-DTF	Daily trading flow
K-CON	Concentration risk