

# Investment Firm Prudential Regulation (‘IFPR’) disclosure

As at 30 September 2023

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## Overview

The Investment Firm Prudential Regime (‘IFPR’) is the regulatory regime which applies to investment management firms in the UK who are subject to the Markets in Financial Instruments Directive (‘MiFID’). The IFPR introduces a requirement for firms to make an IFPR Disclosure available to investors and stakeholders providing an insight into how the firm operates to increase transparency and confidence in the market. This document forms the disclosure for Premier Fund Managers Limited (‘PFM’) and has been prepared following the disclosure requirements set out in MIFIDPRU 8. PFM is a non-SNI MIFIDPRU investment firm.

The disclosure has been prepared as at 30 September 2023, the firm’s financial year end, and has been published on the Premier Miton Investors website at the same time as the Statutory Accounts have been made available.

## 1 Governance arrangements (MIFIDPRU 8.3)

Premier Miton Group plc is the AIM listed parent entity of a UK registered asset management group, which comprises a number of wholly owned subsidiaries (‘Group’). The Board of Directors of Premier Miton Group plc is responsible for the strategic direction of the Group. The Group’s Board sits at the apex of a structure through which authority is delegated to ensure that the business as a whole is run smoothly and in accordance with an agreed governance framework.

The Group reports its governance arrangements against the principles set out in the Quoted Companies Alliance Corporate Governance Code (‘QCA Code’) and disclosures against each of the ten principles can be found on pages 66 to 71 of the Consolidated Annual Report and Accounts for the year to 30 September 2023 (‘Annual Report & Accounts’), and a formal statement of compliance on page 89. An extract can also be found on the corporate website.

The Group’s Board comprises two Executive Directors and four Non-Executive Directors, three of whom are male and three of whom are female. Their biographies, which detail the experience, skills and competencies that each Director brings to Board deliberations, as well as any external appointments, are set out at pages 60 to 61 of the Consolidated Annual Report and Accounts.

The Board delegates certain duties to its standing committees which are:

- Audit & Risk Committee;
- Remuneration Committee; and
- Nomination Committee.

Each standing committee is formally constituted and operates under agreed Terms of Reference which are reviewed annually. The details of the activities of these committees are described in their respective reports which can be found on pages 65 to 66 of the Consolidated Annual Report and Accounts.

The Group maintains a diversity equity and inclusion policy and is committed to developing a diverse workforce by facilitating an environment where all individuals feel comfortable to excel and speak freely. Everyone who works for Premier Miton is expected to hold high levels of respect for co-workers and discrimination is not tolerated on any ground, including age, race, ethnic origin, colour, mental or physical condition, disability, pregnancy, gender expression, gender identity, sexual orientation, marital status, domestic circumstances, employment status, working hours, flexible working arrangements, religion, or beliefs.

Given the size and relative simplicity of the structure of the Group, PFM places reliance upon the standing committees of the listed parent entity to support (i) oversight of the control environment (Audit & Risk Committee), and (ii) compensation arrangements for fund managers providing investment management services on behalf of PFM (Remuneration Committee).

The Audit & Risk Committee members are all non-executive directors (MIFIDPRU 7.3.1).

Changes to the board Composition of PFM require approval from the listed parent entity in accordance with its Matters Reserved.

In discharging its regulatory duties, the Board of PFM places reliance upon the following committees:

- Funds Risk Committee;
- Operational Risk Committee;
- Valuation Committee;
- CASS Committee;
- Financial Crime Committee;
- Product Governance Committee;
- Conduct and Policies Committee;
- Outsourcing Oversight Committee;
- Responsible Investment Oversight Committee; and
- Pricing Committee.

Each of these committees has been formally constituted and its duties are set out in their respective Terms of Reference. The consolidated Terms of Reference, as well as the Matters Reserved for Premier Miton Group plc and its own standing committees, are set out in the SYSC III Manual.

Any conflicts of interest that arise are managed appropriately. Situational and transactional conflicts are provided for in the Articles of Association of PFM. A Register of conflicts of interest is maintained and suitable mitigation agreed and managed.

## 2 Risk Management Objectives and Policies (MIFIDPRU 8.2)

### Own Funds Requirement, Concentration and Liquidity (MIFIDPRU 8.2.1)

Under IFPR, the Own Funds Requirement is derived from the ICARA assessment; the firm ensures that PFM and the Group have an on-going surplus of regulatory capital to the requirement. Own Funds Requirements are monitored by the Finance Department with monthly reporting to the regulated Board's and inclusion against KPIs on the quarterly ICARA & Risk Appetite Dashboard which is reviewed by the Operational Risk Committee, PFM board and the Audit & Risk Committee on behalf of the main PM Group plc board. Group capital resources are considered quarterly by the PM Group plc board.

The Group does not deal on own account or have a trading book, although it may invest relatively small amounts in seed capital for a newly launched fund. Concentration risk arising from the Group's liquid assets deposited with major banks is managed by diversifying deposits across a range of banking groups, **performing** a credit analysis based on the audited account of each bank annually and monitoring market risk indicators such as credit default spreads weekly. The alignment of credit analysis and monitoring with credit risk exposure is described in the Credit Analysis Policy. Concentration risk may also arise if there is a disproportionate reliance on a large investor in the Premier Miton funds, in assets under management within a single fund or in multiple funds managed by a single fund management team. Concentration metrics have KPIs set and are monitored on the quarterly ICARA & Risk Appetite Dashboard. Concentration arising from the placing of client monies and custody assets are monitored and reported through the CASS processes with a quarterly review by the CASS Committee.

The Group holds the majority of its assets as cash; it therefore has a highly liquid asset profile. The Liquid Asset Threshold requirement is derived from the ICARA assessment; the firm ensures that PFM and the Group have an on-going surplus of liquid assets to the requirement. The Liquidity Risk Management Framework describes the processes, systems and controls applied in the management of liquidity for the Group. Liquidity is monitored daily by the Finance Department with monthly reporting to the PFM board, quarterly reporting against KPI's on the ICARA & Risk Appetite Dashboard to the Operational Risk Committee, PFM board and the Audit & Risk Committee and quarterly reporting to the PM Group plc board.

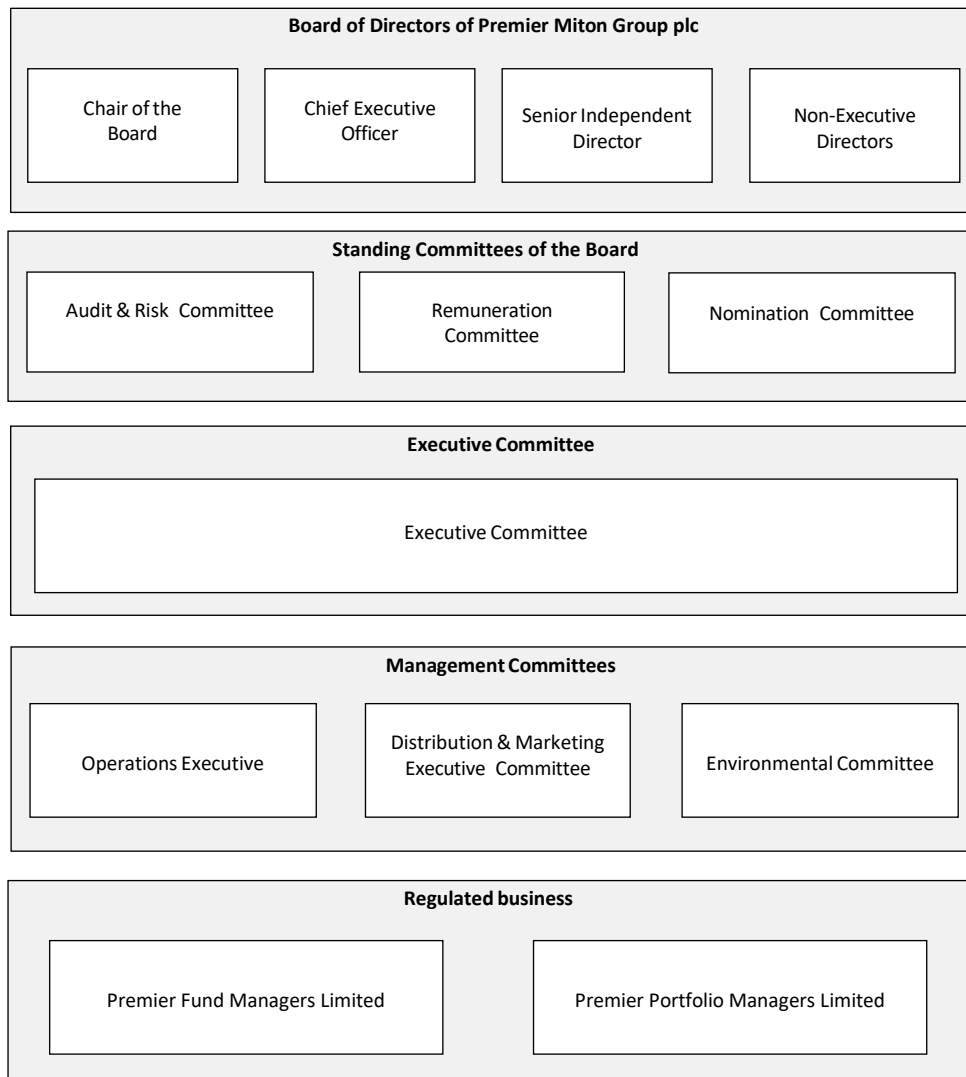
### Potential for Harm from the firm's business strategy and operations (MIFIDPRU 8.2.2 & 8.2.3)

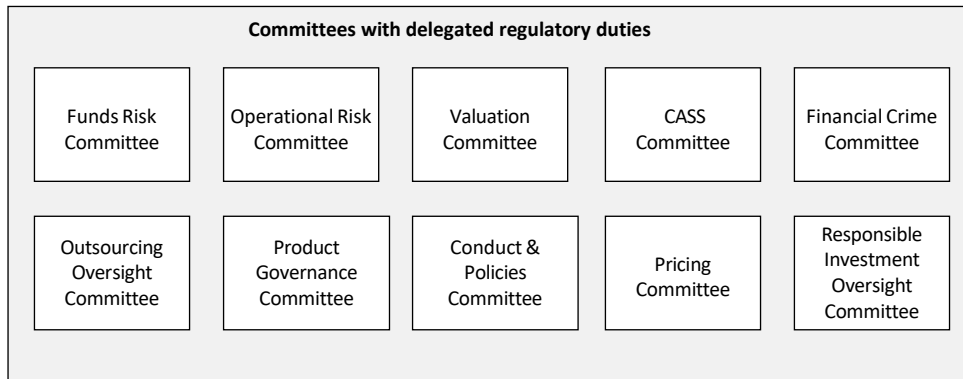
1. Harm to Clients. Operational incidents, fund management oversight failures or errors impacting on investment management activities may prevent the Group from paying regular income or the cash equivalent of a unit redemption to an investor within the contracted timeframe. The Operational Risk Management Framework describes the processes, systems and controls in place to reduce the risk of such failures. The Group maintains sufficient financial resources, as calculated under the Own Funds Requirement, and liquid assets, as calculated under the Liquid Asset Threshold Requirement, to manage the risk of it being unable to pay income due to investors or redemptions due to investors as contracted. A concentration of risk exposure is managed through a combination of diversification and monitoring of risk factors such as the credit strength of banks holding investor, fund or group cash.
2. Harm to financial markets. The Group does not trade on its own behalf or have any loan agreements therefore no direct material loss should be suffered by a financial counterparty. Disruption may be caused to entities to which the Group outsources functions. PFM transacts on behalf of the Premier Miton funds; failure to complete a contracted trade on time would inconvenience a counterparty. The Group maintains sufficient financial resources as calculated under the Own Funds Requirement, and liquid assets as calculated under the Liquid Asset Threshold Requirement, to manage the risk of it being unable to complete on a contract within the allotted timeframe.

- Risk concentrations are managed through a combination of diversification and monitoring of risk factors such as the credit strength of banks holding Group cash.
3. Harm to Firm. The Group could suffer a harm should it need to compensate clients following a control lapse, experience an operational disruption or have losses following the failure of a banking counterparty. The Group maintains sufficient financial resources, as calculated under the Own Funds Requirement, and liquid assets, as calculated under the Liquid Asset Threshold Requirement, to manage the risk of it being unable to respond to an unexpected compensation payment, operational disruption or loss of Group assets. Concentration of risk exposure is managed through a combination of strong governance procedures and policies, operational oversight, diversification and monitoring of risk factors.

The Group has a comprehensive and documented Risk Management Framework overseen and approved by the relevant Boards and Committees.

### Premier Miton Governance Structure





### Risk Management Framework

The Risk Management Framework outlines the policies, systems, processes and controls in place to identify, monitor, report on and manage risks across the Group and the funds it manages. This is a high-level framework of which the below frameworks and policies form part. All risk policies are reviewed and re-approved at least annually.

### Risk Appetite Policy

The risk appetite of the Group is set by the Board, documented and disseminated. It defines the level and type of risk that the Group is prepared to accept in pursuit of its strategic objectives and business strategy taking into account the interests of its clients, shareholders and other stakeholders, as well as capital, liquidity and other regulatory requirements.

### Operational Risk Management Framework

The Operational Risk Management Framework outlines the processes, systems, controls and reporting in place to identify, measure and manage operational risks across the Premier Miton Group of companies and funds.

### Liquidity Risk Management Framework

The Group's Liquidity Risk Management Framework addresses the systems and processes surrounding the monitoring and management of the asset liability profile of PFM, and the Premier Miton group of companies, with a focus on the monitoring of projected cash flows.

### Funds Risk Management Policy, Derivatives Risk Management Policy, Funds Liquidity Risk Management Policy

These policies address the processes, systems and controls surrounding the management of business, operational and regulatory risk arising from the Premier Miton funds. These policies incorporate a series of limits specified for each fund to facilitate the monitoring of risk.

### Financial Crime Framework

The Financial Crime Framework is overseen by the Money Laundering Reporting Officer and the Premier Miton Financial Crime Committee. It includes a suite of policies covering, inter alia, anti-bribery and corruption, anti-fraud, ethical and professional conduct, data security and anti-money laundering. The risks are monitored by the Premier Miton Financial Crime Committee and under the Compliance Monitoring Programme. There are regular reviews of the findings of the monitoring programmes to ensure that new risks identified are correctly logged and addressed and monitoring resources are allocated efficiently.

#### Assessment of risk management processes

The adequacy and effectiveness of the Group's risk management processes, systems and controls are formally considered annually in a report prepared for the regulated boards and the Audit & Risk Committee. This report draws attention to any areas where it is considered that additional work, changes to arrangement, procedures or techniques is required and makes recommendations. Work that is subsequently undertaken is evaluated in the next report.

### 3 Regulatory capital and requirements (MIFIDPRU 8.4, 8.5)

The primary objective of the Group's capital management is to maintain a strong capital base in order to maintain investor, creditor and market confidence and to provide a suitable base to sustain the future development of the business, while ensuring compliance with regulatory capital requirements.

In accordance with IFPR, PFM is in scope and both PFM and the Group, on a consolidated basis, maintain regulatory capital as prescribed by the FCA.

The FCA requires PFM and the Group to hold more regulatory capital resources than the regulatory minimum (the 'Own Funds Requirement'). The total capital requirement consists of the Own Funds Requirement and any Additional Own Funds Requirement identified through the Internal Capital Adequacy and Risk Assessment ('ICARA') process. Throughout the year, the Group and the regulated entities, PFM and PPM held surplus capital over their regulatory capital requirements.

PFM is subject to the MIFIDPRU regulations. MIFIDPRU 8.4 prescribes the disclosure of information on the calculation of the Own Funds Requirement and the composition of capital held ('Own Funds').

<b>Own Funds Requirement for Premier Fund Managers Limited</b>	<b>£000</b>
(A) <b>K-Factor Requirement</b>	<b>131</b>
- Risk to Client (sum of K-AUM, K-CMH, K-ASA)	62
- Risk to Firm (sum of K-DTF, K-COH)	69
- Risk to Market (sum of K-NPR, K-CMG, K-TCD, K-CON)	-
(B) <b>Fixed Overhead Requirement ('FOR')</b>	<b>5,854</b>
<b>Own Funds Requirement - higher of (A) or (B)</b>	<b>5,854</b>

## Composition of regulatory own funds – Premier Fund Managers Limited

Item	Amount (GBP thousands)	Source based on reference numbers of the balance sheet (below)
<b>1 OWN FUNDS</b>	<b>27,030</b>	Line 4
<b>2 TIER 1 CAPITAL</b>	<b>27,030</b>	Line 4
<b>3 COMMON EQUITY TIER 1 CAPITAL</b>	<b>27,030</b>	Line 4
4 Fully paid-up capital instruments	138	Line 1
5 Share premium	240	Line 2
6 Retained earnings	26,652	Line 3
7 Accumulated other comprehensive income	-	
8 Other reserves	-	
9 Adjustments to CET1 due to prudential filters	-	
10 Other funds	-	
<b>11 (-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1</b>	<b>-</b>	
19 CET1: Other capital elements, deductions and adjustments	-	
<b>20 ADDITIONAL TIER 1 CAPITAL</b>	<b>-</b>	
21 Fully paid up, directly issued capital instruments	-	
22 Share premium	-	
<b>23 (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1</b>	<b>-</b>	
24 Additional Tier 1: Other capital elements, deductions and adjustments	-	
<b>25 TIER 2 CAPITAL</b>	<b>-</b>	
26 Fully paid up, directly issued capital instruments	-	
27 Share premium	-	
<b>28 (-) TOTAL DEDUCTIONS FROM TIER 2</b>	<b>-</b>	
29 Tier 2: Other capital elements, deductions and adjustments	-	

The table below reconciles the composition of regulatory capital in the table above to the audited balance sheet of Premier Fund Managers Limited as at 30 September 2023

**Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements.**

Flexible template – rows to be reported in line with the balance sheet included in the audited financial statements of the investment firm.

Columns should be kept fixed, unless the investment firm has the same accounting and regulatory scope of consolidation, in which case the volumes should be entered in column (a) only.

Figures should be given in GBP thousands unless noted otherwise.

Item	a Balance sheet as in published/audited financial statements As at 30 September 2023	c Cross- reference to template OF1
<b>Assets</b> - Breakdown by asset classes according to the balance sheet in the audited financial statements		
1 Debtors	10,208	
2 Deferred tax	-	
3 Cash and cash equivalents	18,807	
<b>Total Assets</b>	<b>29,015</b>	
<b>Liabilities</b> - Breakdown by liability classes according to the balance sheet in the audited financial statements		
1 Creditors: amounts falling due within one year	-1,985	
<b>Total Liabilities</b>	<b>-1,985</b>	
<b>Shareholders' Equity</b>		
1 Share capital	138	Line 4
2 Share premium	240	Line 5
3 Profit and loss account	26,652	Line 6
4 <b>Total Shareholders' equity</b>	<b>27,030</b>	Line 3



### Assessing the adequacy of Own Funds in accordance with the Overall Financial Adequacy Rule

PFM and the Group maintain the ICARA process to ensure that all companies within the Group:

1. have appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms that may result from the ongoing operation of its business or winding down its business, with reference to the harm that the business may cause to:
  - the firm's clients and counterparties,
  - the markets in which the firm operates,
  - the firm itself; and
2. hold financial resources (capital and liquidity) that are adequate for the business they undertake such that they:
  - remain financially viable throughout the economic cycle, with the ability to address any potential material harms that may result from their ongoing activities (including both regulated activities and unregulated activities), and
  - can conduct an orderly wind-down while minimising harm to consumers or to other market participants, and without threatening the integrity of the wider UK financial system.

The requirement in 2 above is defined as the 'Overall Financial Adequacy Rule'.

The ICARA considers the business of the Group, assesses its complexity and identifies the material harms that could result from the firm's business, including all those that can be appropriately mitigated. This assessment is carried out both top-down starting with the business strategy and objective and bottom up by identifying potential failures which might cause harm to customer, market or firm. The Group has defined a qualitative internal scale (where 1 is low and 5 high) to categorise the impact of a potential harm in addition to quantifying the potential monetary impact of the harm. Harms which are qualitatively rated 4 or 5 and those with a potential monetary impact greater than the upper bound of the high-risk appetite band are classified as 'material harms' subject to further consideration.

Next, the ICARA considers how the material harms identified are reduced by the systems, controls, governance and oversight processes currently in place. The Group governance process and the role of oversight functions in monitoring for and managing a material harm incident are outlined. Included within mitigants is the existence of insurance contracts, where an offset will only be applied following advice from the insurance broker as to how the specified harm incident would be considered under the insurance contract.

The aggregate sterling impact of the potential material harms identified post mitigation is used to derive the additional capital Own Funds Threshold Requirement ('OFTR') and liquidity Liquid Assets Threshold Requirement ('LATR'). Potential harms are further classified as to whether they are likely to impact on capital and/or liquidity in an on-going situation or specifically in a wind-down situation.

## 4 Remuneration Policy and Practices (MIFIDPRU 8.6)

### Premier Miton's Remuneration Committee

The Board of Premier Miton Group plc has established the Remuneration Committee to set the remuneration policy and ensure that the firms' remuneration policies are aligned with our purpose, business strategy and values, and incentivise the right behaviours.

The Remuneration Committee operate under formal terms of reference and are responsible, amongst other things, for periodically reviewing the principles of the remuneration policies and reviewing their implementation. The Committee is also responsible for determining those individuals who have a material impact on the risk profile of the firm, and approving remuneration for these individuals.

The Remuneration Policy is reviewed annually by the Committee to ensure that it remains fit for purpose; that the policy is aligned with the risk appetite and risk management framework and to ensure fair and responsible reward in return for high levels of individual and business performance.

Burges Salmon LLP, Stephenson Harwood LLP and McLean Partnership have provided advice on matters relating to remuneration and employee share plans.

### **Remuneration Philosophy**

The firm's remuneration philosophy supports the long-term success of the Group, aiming to ensure that the firm is able to attract, motivate and retain qualified and experienced staff who can deliver sustained performance consistent with strategic goals, appropriate risk management in line with the Group's core values, and to reward them for enhancing value for shareholders, investors and other stakeholders in the firm.

### **Remuneration approach and link between pay and performance**

Remuneration is comprised of an appropriate balance of fixed and variable reward, at a level that is aligned to the market for each individual role whilst also rewarding the overall performance of the business and performance of the individual. Remuneration for all employees includes fixed remuneration, pension contributions and other employee benefits such as private medical cover and life assurance. Remuneration may also include the following elements:

- Annual discretionary variable remuneration which may comprise both cash and deferred elements;
- Staff shares may also be awarded on an exceptional basis (such awards are typically retention-related).

### **Variable Remuneration**

Annual variable remuneration is determined primarily by the level of adjusted profit before tax generated by the Group, taking into account a number of factors including individual and team performance and non-financial metrics such as compliance and risk awareness. Executive directors, Remuneration Code staff and other staff are able to participate in certain performance-based annual schemes.

In operating the performance-based schemes, the Remuneration Committee is mindful of promoting sound risk management (within the Group's stated risk appetite) and ensuring it does not induce excessive risk taking. The schemes serve to motivate and reward staff for delivering sustained results, adherence to effective risk management and compliance with the internal policies and requirements.

Variable remuneration for members of the Controlled Functions are determined with primary reference to functional performance and not the financial performance of the Group. The Committee oversees the remuneration outcomes for senior staff in these functions.

### **Staff Share Schemes**

Premier Miton operates a number of staff share schemes. Share awards are subject to appropriate deferral periods.

The Group also operates an HMRC approved share incentive plan, which allows UK employees to purchase shares in Premier Miton, subject to annual limits.

#### Performance Adjustments – Clawback and Malus

Premier Miton has in place performance adjustments for all MRTs. In the event of poor performance (including poor risk management or other behaviour contrary to the Group's values) this can result in awards of variable remuneration being substantially reduced or removed and will override any financial performance where appropriate.

Awards are subject to the Group's right to cancel or reduce an unvested or unexercised award ("Malus") and require the repayment of the value of certain shares distributed under awards already vested ("Clawback") in certain circumstances.

#### Identification of code / identified staff and material risk takers

In accordance with the relevant regulations, Premier Miton is required to identify certain staff including senior management, risk takers and staff engaged in control functions whose professional activities have a material impact on the firm's risk profile and/or risk profile of the funds that are managed. Specific remuneration policies are applied to those identified staff.

'Material Risk Takers' are identified in line with the criteria outlined in the relevant guidance, but broadly they include the Company's senior management and those individuals whose role means they can expose the Company, or the Funds it manages for clients, to material risk. The methodology and the register are subject to approval by the Remuneration Committee on an annual basis.

#### Quantitative remuneration disclosures

The total amount of remuneration awarded to senior management, material risk takers and all other staff, split by fixed and variable remuneration is as follows:

Year ended 30 Sept 23	Senior Management	Other MRT's	All other staff	Total
Fixed remuneration	£1,293,901	£6,154,965	£4,242,102	£11,690,969
Variable remuneration	£164,740	£3,882,786	£683,815	£4,731,341
<b>Total remuneration</b>	<b>£1,458,641</b>	<b>£10,037,751</b>	<b>£4,925,918</b>	<b>£16,422,310</b>

For the year ended 30 September 2023, 35 individuals were identified as material risk takers ('MRT').

In line with the exemption under MIFIDPRU 8.6.8R(7), the total amount of guaranteed variable remuneration awards and severance payments made during the financial year, including the number of MRTs receiving those awards, has not been disclosed.

## 5 Investment Policy (MIFIDPRU 8.7)

The group holdings of seed investment do not meet the threshold of £100 million, therefore no disclosures are required.

Issued by Premier Fund Managers Limited, (registered in England no. 02274227), authorised and regulated by the Financial Conduct Authority, a member of the Premier Miton Investors marketing group and a subsidiary of Premier Miton Group plc (registered in England no. 06306664). Registered office: Eastgate Court, High Street, Guildford, Surrey GU1 3DE.