IFPR Disclosures

For the Year End 31 March 2023

Tatton Investment Management Limited

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1. Overview

Background

From 1 January 2022, the UK financial services regulator, the Financial Conduct Authority (FCA) introduced the Investment Firms Prudential Regime (IFPR), which is the regulatory framework for governing the amount and nature of capital that investment firms must hold. The new prudential requirements for investment firms are now set out in the FCA Prudential sourcebook for MIFID investment firms (MIFIDPRU). Under MIFIDPRU, a new framework for regulatory disclosures was introduced. These disclosures cover:

- Risk management objectives and policies (MIFIDPRU 8.2);
- Governance arrangements (MIFIDPRU 8.3);
- Own funds (MIFIDPRU 8.4);
- Own funds requirements (MIFIDPRU 8.5); and
- Remuneration policy and practices (MIFIDPRU 8.6).

This disclosure is in relation to Tatton Investment Management Limited ("the Firm"), a private limited company, incorporated in the United Kingdom, authorised and regulated by the FCA. Under the IFPR's firm categorisation, the firm is categorised as a non-small non-interconnected (non-SNI) MIFIDPRU investment firm. The Firm's reference number is 733471.

The Firm is a wholly owned subsidiary of Tatton Asset Management plc. Tatton Asset Management plc and its subsidiaries are defined as "TAM" or the "Group". TAM consists of two main operating segments: Tatton – an investment manager providing a range of discretionary investment services through on-platform model portfolios and funds to the clients of IFAs; and Paradigm – which provides a wide range of membership-based operational support solutions for IFAs. The Firm is part of the Tatton Operating Segment.

The Firm's disclosure under MIFIDPRU is made annually following the publication of its financial statements. Additional disclosure may be made where appropriate, for example, in the event of a major change in business model.

2. Governance

Board and Committees

The TAM Board is responsible for setting the Group's values and standards and promotes these values throughout the organisation. The Board is responsible for ensuring that its obligations to its shareholders and other stakeholders, including employees, suppliers, customers and the community, are understood and met.

The Board has a duty to act in accordance with its powers and the directors must:

- Act in accordance with the company's constitution, and
- Only exercise powers for the purposes for which they are conferred.

The TAM Board and Group Executive Committee

TAM has an established board which meets on at least quarterly and consists of:

- Paul Hogarth (CEO)
- Lothar Mental (CIO)

- Paul Edwards (CFO)
- Roger Cornick (Chairman, Non-Executive)
- Christoper Poil (Non-Executive)
- Lesley Watt (Non-Executive)

To meet its responsibilities, the TAM Board has delegated the day-to-day running of the Firm to the CEO and the senior management team through the following committees:

- Risk and Compliance Committee
- Tatton Investment Management Ltd Board
- Tatton Investment Management Investment Committee
- Tatton Investment Management Ethicial Investment Committee

The Tatton Investment Management Ltd Board

The Tatton Investment Management Ltd Board consists of Executive and Non-Executive directors of the Firm. The members of the Tatton Investment Management Ltd Board for the period were as follows:

- Lothar Mental (CEO and CEO of Tatton Investment Management Ltd)
- Paul Edwards (CFO of TAM and Tatton Investment Management Ltd)
- Helen O'Neill (COO of Tatton Investment Management Ltd)
- Justine Randall (Sales Director of Tatton Investment Management Ltd)
- Grant Dempster (Non-Executive)
- Bruce Russell (Non-Executive, Resigned 31 August 2022)

The purpose of the Tatton Investment Management Ltd Board is to review ongoing matters that arise from day to day, and reports and presentations across a range of topics from the business as determined appropriate by the Firms Board. Additional individuals are invited to attend meetings of the Firms Board at the discretion of the Chairman to address planned agenda items pertaining to their particular areas of expertise.

The Tatton Investment Management Risk and Compliance Committee

The Firm is not required to establish a risk committee under MIFIDPRU 7.3 as it meets the conditions set out under MIFIDPRU 7.1.4R, however the Firm has chosen to establish one regardless.

The Firm holds at least quarterly the Risk and Compliance Committees (RCC). The role and scope of the RCC is decided by the Tatton Investment Management Ltd Board. The RCC has delegated responsibility from the Executive Committee and assists the Board in fulfilling its oversight responsibilities.

Its primary role is to monitor the integrity of the financial statements, review internal financial controls, compliance with the regulations, system of controls and risk management. RCC attendees during the period were as follows:

- Paul Edwards (CFO)
- Helen O'Neill (COO)
- Justine Randall (Sales Director)
- Gill Aukett (Head of Compliance)

- Karnvir Cheema (Compliance & Risk Manager)
- Grant Dempster (Non-Executive)

The Tatton Investment Management Investment Committee

The Tatton Investment Management Ltd Board delegates the authority for the day to day management of the Firms portfolio services and fund offering to the Tatton Investment Management Investment Committee which is responsible for delivering core business objectives, implementation and monitoring of effective risk and compliance policies, approval of new or changed products and regular review of existing products.

Conflicts of Interest

Information for dealing with conflicts of interest is set out in the Conflicts of Interest Policy document which is approved by the Board. The policy sets out how the firm seeks to prevent and deal with conflicts of interest if they arise.

Directors are required to disclose any business interests that may result in actual or potential conflicts of interest with those of the Group or Firm. If a conflict or potential conflict situation arises, the directors must seek authorisation from the Board.

Directorships

The following directors have held office in executive and non-executive functions throughout the financial year ending 31 March 2023:

Name	Group Directorships	Other Directorships in scope of MIFIDPRU 8.3.1R(2)
Lothar Mental	6	0
Paul Edwards	9	0
Helen O'Neill	1	0
Justine Randall	1	1
Grant Dempster	1	0

Diversity

The Group is committed to fostering a diverse and inclusive culture across the organisation, supporting employees, customers, and suppliers, regardless of their background. We recognise the importance of promoting diversity and inclusion across our organisation and believe that a diverse workforce brings a variety of perspectives and ideas that enhance our ability to provide innovative solutions to our clients. To ensure that we attract, develop, and retain a diverse workforce, we are committed to creating a workplace culture that is inclusive and welcoming to all. Our diversity and inclusion policy reflects our commitment to providing a work environment that respects the dignity and worth of all individuals.

TAM is actively involved in industry initiatives aimed at promoting diversity and inclusion in the financial services sector. As a member of The Diversity & Inclusivity Finance Forum and became a signatory of the Women in Finance Charter in February 2022.

Tatton
Investment Management

3. Own Funds

Composition of Regulatory Own Funds

The table below summarises the composition of regulatory own funds for the Firm as at 31 March 2023, including audited profits for the year to 31 March 2023. The Firm's own funds are exclusively CET1 capital. Tier 1 capital consisted of fully issued ordinary shares and audited reserves, satisfying all the criteria for a Tier 1 instrument as outlined under IFPR. As at 31 March 2023 and during the year, the Firm complied with all externally imposed capital requirements in accordance with the rules set out under IFPR.

	Item	Amount (£'000)	Financial Statements Reference
1	**OWN FUNDS**	**16,801**	
2	**TIER 1 CAPITAL**	**16,801**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**16,801**	
4	Fully paid-up capital instruments	1,100	Note 11
5	Share premium	-	
6	Retained earnings	16,119	Statement of changes in equity
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	-	
10	Other funds	-	
11	TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(418)	
19	CET1: Other capital elements, deductions & adjustments	-	
20	**ADDITIONAL TIER 1 CAPITAL**	**-**	
21	Fully paid-up, directly issued capital instruments	-	
22	Share premium	-	
23	TOTAL DEDUCTIONS FROM ADDITIONAL EQUITY TIER 1	-	
24	Additional Tier 1: Other capital elements, deductions & adj	-	
25	**TIER 2 CAPITAL**	**-**	
26	Fully paid up, directly issued capital instruments	-	
27	Share premium	-	
28	TOTAL DEDUCTIONS FROM TIER 2	-	
29	Tier 2: Other capital elements	-	

Own Funds: reconciliation of regulatory own funds to balance sheet in audited financial statements

The table below shows the breakdown of the total available regulatory capital reconciled to the capital shown on the balance sheet in the Firm's audited financial statements:

	Balance Sheet as in audited financial statements (£'000)		Cross reference to own funds
Assets			
1	Tangible fixed assets	117	
2	Intangible fixed assets	328	Item 11
3	Debtors	9,504	
4	Financial assets	123	
5	Corporation tax assets	174	
6	Deferred tax assets	90	Item 11
7	Cash at bank and in hand	8,334	
	Total Assets	**18,670**	
Liabilities			
1	Trade and other liabilities	1,451	
	Total Liabilities	**1,451**	
Shareholders Equity			
1	Called up share capital	1,100	Item 4
2	Retained earnings	16,119	Item 6
	Total Shareholders Equity	**17,219**	

4. Own Funds Requirements

Own Funds Requirement

Under IFPR the Firm's capital requirement is calculated as the higher of:

1. Own Funds Requirement which is the higher of:
    a. Permanent Minimum Capital Requirement of £75,000 (PMR);
    b. Fixed Overhead Requirement (FOR); and
    c. K-Factor Requirement (KFR).
2. Own Funds Threshold Requirement (OFTR).

Own Funds Requirements	£'000
Permanent Minimum Requirement	75
Fixed Overhead Requirement	1,633
K-Factor Requirement	2,237
Own Funds Requirement	**2,237**

Own Funds Threshold Requirement

The OFTR supplements the own funds requirement via the Internal Capital Adequacy and Risk Assessment (ICARA), which is the means by which the Firm assesses the level of capital that adequately supports all of the relevant current and future risks in its business, taking into account potential periods of financial stress during the economic cycle as well as a potential wind-down scenario; the OFTR is the higher of the two.

The Firm reviews the adequacy of the ICARA process at least once every 12 months and following any material change in the firm's business or operating model.

The ICARA process document and associated external disclosures have been reviewed in detail by senior management and therefore has had senior management input throughout the document's development.

The ICARA process has been developed from a risk review of the Firm and its annual budget exercise. It is therefore already integrated into the firm's procedures and has been approved by the Board.

To ensure the Firm meets its ongoing capital needs and liquidity requirements, these are reviewed each month in the management accounts which are distributed to the management team and the Board.

On this basis the Board are satisfied that the Firm has sufficient own funds and liquid assets to meet its Overall Financial Adequacy Rule (OFAR) both as to amount and quality to ensure that:

a) it is able to remain financially viable throughout the economic cycle, with the ability to address material potential harm that may result from its ongoing activities; and

b) its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

5. Remuneration Policy

The Firm's remuneration policy is set by Tatton Asset Management plc and its Board of Directors, and covers Tatton Asset Management Plc (TAM) and its subsidiaries (The Group). The purpose of this remuneration policy is to contribute towards achieving strategic objectives by attracting, appointing, motivating and retaining key talent while meeting our regulatory and legal requirements. The Group believes an effective framework for remuneration establishes a direct relationship between the long-term evaluation of performance and an appropriately matched incentive structure. It seeks therefore to ensure its remuneration practices are transparent and structured to reward long-term performance and sound risk management in a way which is consistent with the Group's culture. Achieving this outcome aligns the long-term interest of our stakeholders with those of our personnel and helps ensure the sustainable long-term success of the Group.

Responsibility

The Group's Boards adopt and annually review this Remuneration Policy and have overall responsibility for overseeing its implementation.

The Remuneration Committee is responsible for approving the Group's remuneration policy and decisions generally, including its compliance with the Remuneration Code, subject to any applicable exemptions. This will include approving the overall remuneration budgets for salary increases and bonus payments.

The Remuneration Committee is also responsible for agreeing levels of remuneration awarded to:

- CEO and direct reports;
- Executive Directors;
- Directors of Subsidiaries; and
- Any employee with a salary exceeding £100,000

In particular, the Remuneration Committee is responsible for directly overseeing the remuneration of the senior officers in risk management and compliance functions in the Firm and across the wider Group.

Material Risk Takers

All organisations within the scope of the Remuneration Code are required to identify and maintain a record of their Material Risk Takers (MRTs). The Remuneration Committee will assess which of its members of staff are MRTs on an annual basis, and it will update its assessment as necessary throughout the year.

MRTs are identified in line with the criteria included within relevant guidance, but broadly, they include the Firm's Senior Management, and those individuals whose role means they can expose the Firm, or the funds it manages for clients, to material risk.

Components of Remuneration

The Group sets remuneration to enable it to attract, motivate and retain the people it needs for each phase of its growth.

All employees are entitled to certain contractual benefits which include salary and various benefits which are reviewed from time to time.

There are specific Bonus Schemes related to specific employees. All eligible employees are entitled to participate in the Bonus Schemes. Variable remuneration (e.g. corporate bonus, long term incentive plans, sales incentive schemes) reflects performance and may be subject to performance adjustment. Any variable remuneration, including any deferred portion, is paid or vests only if it is sustainable according to the financial situation of the Group as a whole, and is based on the performance of the Firm and the Group, the business unit and the individual concerned.

In taking any remuneration decisions the Group seeks to ensure an appropriate ratio between the fixed and variable components of total remuneration and to ensure that:

- fixed and variable components of total remuneration are appropriately balanced; and
- the level of the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component.

Pay levels across gender are reviewed periodically and the Group / Remuneration Committee is confident that men and women are paid fairly for the same and similar jobs. Nevertheless, where gender pay gaps are identified, the Group will take steps to identify factors contributing to the gap and shall take mitigating action.

Variable Remuneration

The Group has a number of separate bonus schemes which separately incentivise the delivering of the Group strategic objectives. The list is as follows:

- Company general bonus scheme;
- Business Unit Sales Incentive Scheme;
- EMI Plan; and
- SAYE Scheme.

The "Company General Bonus Scheme" is made available to all employees of the Firm and a range of other employees within the wider Group. It is set through the annual budgetary process and is based on delivering the strategic aims of the business.

The Group's Bonus Schemes are set as to guard against having incentive schemes in place which encourage employees to take inappropriate risks. For example, making decisions which increase the likelihood of a Bonus Award without due regard to the longer-term interests of the Group.

The main objective of this scheme is to retain, recognise and reward individual employee performance. Performance is considered in the context of both non-financial and financial factors.

The Group EMI Plan grants options to a range of employees and new hires, the share options follow a standard vesting schedule over a three-year period. The EMI Options vest at the end of a three-year performance period and vesting is dependent on the Group achieving the vesting criteria which is reviewed and set by the remuneration committee. Participation is available to open to all Executive Directors, the Firm employees and a range of other employees within the wider Group.

Total variable remuneration, as per the Bonus Schemes is discretionary. All Bonus Awards including any deferred portion, is paid or vests only if it is sustainable according to the financial situation of the Firm and the wider Group as a whole, and justified on the basis of the performance of the Firm and the wider Group, the relevant business unit and the individual employee concerned. The total variable remuneration will be reduced including through malus or claw back arrangements where the financial performance of the Firm or the wider Group is subdued or negative.

The Bonus Award relating to the EMI scheme is payable against specific vesting criteria and is subject to malus or clawback arrangements as set out in the rules of the EMI scheme.

The Group ensures that any measurement of performance used to calculate variable remuneration components or pools of variable remuneration components:

- takes into consideration all types of current and future risks and takes into account the cost and quantity of the capital and the liquidity required; and
- takes into account the need for consistency with the timing and likelihood of Firm and the wider Group receiving potential future revenues incorporated into current earnings.

The Group must ensure that the allocation of variable remuneration components within the Firm and the wider Group also takes into account all types of current and future risks.

Quantitative Remuneration Disclosure

The tables below provide an overview of the aggregate total remuneration paid by the Firm to staff identified as Senior Management, Other Material Risk Takers (MRTs) and to its other staff.

	Senior Management	Other MRTS	Other Staff
Permanent Minimum Requirement	7	7	32
Fixed Remuneration	£1,008,793	£477,220	£1,752,744
Variable Remuneration	£322,669	£70,390	£620,115
Total	**£1,331,462**	**£547,610**	**£2,372,860**

No severance payments were made during the year to 31 March 2023. The exemption set out in MIFIDPRU 8.6.8R(7)(b) was relied upon for obligation 8.6.8R(5)(a) (the disclosure of the total amount of guaranteed variable remuneration awards made during the financial year and the number of MRTs receiving those awards) to prevent individual identification of a MRT.