UCITS V – disclosure of Remuneration Policy

Background

Under the UCITS Directive[1] in the EU and as applied under UK law, management companies and self-managed investment companies must establish and apply remuneration policies and practices that are consistent with and promote sound and effective risk management and do not encourage risk taking which is inconsistent with the risk profile or constitution of the funds managed. Variable remuneration paid to certain identified senior staff, risk-takers and employees whose professional activities have a material impact on the risk profile of the management company or self-managed investment company (Code Staff) must be structured so as to align the interests of those staff with the interests of investors. The requirements include, among other things, the retention and deferral of a proportion of the variable remuneration over appropriate periods and the payment of part in non-cash instruments (known as the pay-out process rules).

These requirements, which came into effect on 18 March 2016, apply to our UK UCITS management company in respect of our UK UCITS fund, First Sentier Investors ICVC, and also directly in respect of First Sentier Investors Global Umbrella Fund Plc, our Irish self-managed UCITS fund.

First Sentier Investors ICVC

First Sentier Investors ICVC (OEIC) is structured as an umbrella company authorised as a UK UCITS scheme. The management company of the OEIC is First Sentier Investors (UK) Funds Limited (FSI UKF). FSI UKF is part of First Sentier Investors a member of MUFG, a global financial group. First Sentier Investors includes a number of entities in different jurisdictions.

Remuneration policy

The remuneration of FSI UKF staff within the scope of the UCITS V remuneration requirements is governed by the First Sentier Investors group Remuneration Policy which is reviewed and adopted by the Board of Directors of FSI UKF (the Board).

The Remuneration Policy is designed to ensure employees are rewarded for behaviour that upholds a culture that aligns with the interests of our clients and shareholders. The Remuneration Policy motivates employees to achieve individual and corporate performance outcomes that deliver long-term sustainable results, enhance the client experience, adhere to legal and regulatory requirements, promote sound and effective risk management (including sustainability risks[2] for investment professionals through the Performance Framework) and avoid conflicts of interest.

[1] Undertakings for Collective Investment in Transferable Securities (UCITS) - Directive 2014/91/EU of the European Parliament and of the Council of 23 July 2014.

[2] "sustainability risk" means an environmental, social or governance event or condition that, if it occurs, could cause and actual or potential material negative impact on the value of the investment. As per EU Regulation 2019/2088.

Specifically, the Remuneration Policy outlines a remuneration framework that:

- meets all applicable regulatory and legal requirements;
- aligns with our vision, values and strategy;
- aligns with the interests of our clients, employees, and the community;
- encourages responsible behaviour that supports long-term sustainability;
- avoids conflicts of interest; and
- supports a diverse and inclusive workforce.

We actively manage risks associated with measuring and delivering short-term and long-term performance, with a bias towards the longer-term. All activities are carefully managed within our risk framework, and individual Variable Remuneration outcomes are reviewed and may be reduced in the light of any associated risk outcomes. For investment professionals, the risk framework includes an assessment of sustainability risks.

Performance and risk management is built into our remuneration framework by ensuring that employees are assessed against risk and behavioural standards, which are considered upon allocation of short-term and long-term incentives. Upon payment or vesting of deferred incentives, a further assessment is conducted to confirm they have adhered to our risk framework. Our philosophy ensures that Variable Remuneration outcomes are based on both what was achieved (goals) and how it was achieved (values), with adjustments for risk outcomes applied where required. Our values incorporate adherence to the firm's RI and Stewardship Principles.

An integral part of our annual remuneration governance process also includes reviewing remuneration decisions through the lens of gender equity, with approvals dependent on demonstrated equitable outcomes.

Remuneration practices

Employees are remunerated through the payment of an annual salary and through various bonus schemes. Salaries are benchmarked on an annual basis to ensure that remuneration packages are competitive. Through the short-term bonus system, employees are rewarded for exceeding their objectives up to a percentage multiple of their base salary.

With respect to most investment professionals, the firm rewards outcomes on both investment performance and behaviours. The general criteria used to assess the calculation of overall bonus payments for investment professionals is performance versus benchmark and competitor outcomes. Additionally, other factors such as achievement of broader corporate objectives and achievement of individual objectives including demonstration of our values also may be a consideration.

Long-term incentives are structured through co-investment instruments aligned to the underlying team funds or structured as performance fee sharing arrangements. Both arrangements facilitate long-term alignment with clients' interests and incentivises investment professionals to the team's investment philosophies and processes, which include sustainability risks which may impact investment.

All long-term incentive plans contain malus provisions to allow awards to be reduced, including to zero, for unsatisfactory levels of risk management or compliance relevant to their role.

Governance

The Remuneration Policy is adopted by the Board, which adopts, and reviews at least annually, the general principles of the Remuneration Policy and is responsible for, and oversees, their implementation. The Board is responsible for decision-making in relation to remuneration practices, processes and risk-adjustments as required by the applicable Remuneration Codes for Code Staff. Due to the size and internal organisation of FSI UKF and the nature, scope and complexity of its activities, a remuneration committee has not been established by it. Individual awards are approved under the authority of the CEO of First Sentier Investors Holdings Pty Ltd in accordance with the group's Remuneration Policy.

Where investment management functions are delegated, FSI UKF has ensured that the delegates are subject to regulatory requirements on remuneration that are equally effective as those that apply under the guidelines on sound remuneration policies under the UCITS Directive produced by the European Securities and Markets Authority (ESMA) as applicable under UK law, or that appropriate contractual arrangements are in place with these entities to ensure there is no circumvention of the remuneration rules in the ESMA guidelines.

First Sentier Investors Global Umbrella Fund Plc

First Sentier Investors Global Umbrella Fund Plc (VCC) is an umbrella investment company with variable capital incorporated with limited liability under the laws of Ireland and is authorised as a UCITS. The VCC is a self-managed investment company. The VCC operates on a delegated basis and so it has no employees. The VCC's remuneration policy applies to those categories of staff whose professional activities have a material impact on the risk profile of the VCC and who currently comprise the directors. While certain directors are paid a fixed annual fee for their services to the VCC, directors that are employees of the investment manager or an affiliate are not paid any fees for their services as directors. Due to the size and internal organisation of the VCC and the nature, scope and complexity of its activities, a remuneration committee has not been established by it. Any fee arrangements with directors shall be subject to the approval of the directors. Accordingly, the pay-out process rules relating to remuneration provisions of UCITS V have no direct application to the VCC. The remuneration policy requires that the VCC must ensure that, where investment management functions are delegated, the delegates are subject to regulatory requirements on remuneration that are equally effective as those that apply under the ESMA guidelines on sound remuneration policies under the UCITS Directive or that appropriate contractual arrangements are in place with these entities to ensure there is no circumvention of the remuneration rules in the ESMA guidelines.

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