

PICTET ASSET MANAGEMENT LIMITED

MIFIDPRU 8 Disclosure

SEPTEMBER 2023

1. INTRODUCTION	3
2. SCOPE OF APPLICATION	4
3. RISK MANAGEMENT OBJECTIVES AND POLICIES	5
4. DIVERSITY MANAGEMENT PRINCIPLES	12
5. OWN FUNDS	13
6. OWN FUNDS REQUIREMENTS	15
7. ADEQUACY OF OWN FUNDS ASSESSMENT	15
8. ADDITIONAL OWN FUNDS	17
9. REMUNERATION	18
10. INVESTMENT POLICY	23

1. INTRODUCTION

Pictet Asset Management Limited (“Pictet AM Ltd.”) provides discretionary investment management services globally to a wide range of international institutional clients including retirement plan assets for corporate and government entities, foundations, and other institutions. Furthermore, Pictet AM Ltd. acts as the investment adviser or sub-adviser to a wide range of US, European and Japanese collective investment schemes.

Pictet AM Ltd. is only permitted to conduct investment business with institutional investors that are classified as Professional Customers and Eligible Counterparties, and therefore has no retail clients.

Pictet AM Ltd. does not undertake principal trading, which is anyway not permitted by its Financial Conduct Authority (“FCA”) permissions. Additionally, it does not provide seed capital for products managed or operated by the Pictet Group.

Ultimately, Pictet AM Ltd. is owned by the Partners of the Pictet Group.

The disclosures in this document relate solely to Pictet AM Ltd. and summarise the detailed assessment which was reviewed and approved by the Pictet AM Ltd. Board of Directors on 20th June 2023.

This disclosure is published on Pictet Asset Management’s (“Pictet AM”) website:

<https://www.am.pictet/en/uk/>

1.1 Purpose of the MiFIDPRU Disclosure

The Investment Firms Prudential Regime (“IFPR”) is the FCA’s prudential regime for MiFID Investment firms. IFPR came into force on 1st January 2022 with the aim of simplifying the prudential requirements for regulated investment firms. Pictet AM Ltd. is regulated by the FCA and is therefore subject to IFPR, part of which requires the annual disclosure of the information in this document.

The MiFIDPRU Disclosure is required to include the following:

1. Risk management objectives and policies (MIFIDPRU 8.2)
2. Governance arrangements (MIFIDPRU 8.3)
3. Own funds (MIFIDPRU 8.4)
4. Own funds requirements (MIFIDPRU 8.5)
5. Remuneration policies and practices (MIFIDPRU 8.6)
6. Investment policy (MIFIDPRU 8.7)

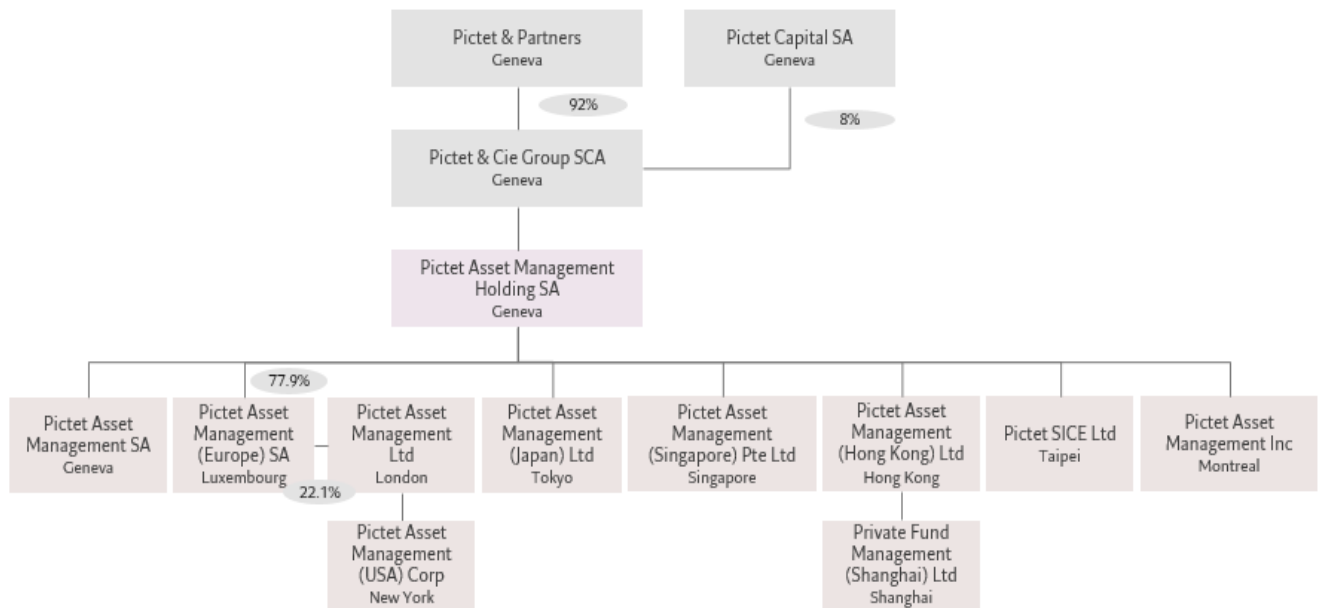
The information in this disclosure is as of 31st December 2022 (unless otherwise stated) and is the date of Pictet AM Ltd.’s latest financial accounting year end.

2. SCOPE OF APPLICATION

The regulatory requirements contained in the Prudential sourcebook for MiFID Investment firms (“MiFIDPRU”) apply to Pictet AM Ltd., which is authorised and regulated by the FCA.

Pictet AM Ltd. is part of the group of companies collectively referred to as Pictet AM that provides investment management and advisory services to segregated institutional clients and mutual funds. As set out in the structure chart below, Pictet AM Ltd. is part of the Pictet Group, which is ultimately owned and wholly controlled by the Managing Partners of the Pictet Group:

Pictet AM Group



100% ownership, if not specified. No individual holds directly or indirectly more than 25% voting rights or control over the Company.

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

3.1 Introduction

The Board of Pictet AM Ltd. (“the Board”) is committed to a robust control environment throughout the organisation, is accountable for risk and is responsible for oversight of the risk management process for Pictet AM Ltd. The Board regularly reviews the key risks that Pictet AM Ltd. faces, and by fully understanding each risk, the associated mitigating actions and the overall control environment, the Board can be comfortable with the management of those risks.

3.2 Business Risk Strategy and Processes

Pictet AM Ltd. has a dedicated team responsible for business risk management and clearly defined policies, procedures and framework.

Pictet AM Ltd. has established an organisational structure, which reflects the nature of the risks across the business. Responsibilities are then allocated to the various functions according to the three lines model, which are described in the following diagrams:



Pictet AM Ltd.’s Risk Policy details the requirements for business risk management and the Business Risk Management Framework document sets out the means to achieve these requirements.

Pictet AM Ltd.'s risk management processes include:

- **Risk Identification and Assessment:** The Business Risk Map includes the key strategic, business and operational risks that Pictet AM Ltd. faces. These risks are assessed on a six-monthly basis;
- **Risk Quantification:** Each key material risk is quantified to determine the amount of capital that may be required, after taking account of actions taken to mitigate each risk; and
- **Risk Mitigation:** Through the quantification of risks, it is possible to establish whether controls bring the risk to within the risk tolerance of the Board or not. Where controls do not, actions are taken to further mitigate the risk.

In addition, Pictet AM Ltd. conducts a formal capital adequacy assessment based on the Business Risk Map and current market conditions via the Internal Capital and Risk Assessment process ("ICARA"). Stress tests are performed to ensure that Pictet AM Ltd. has sufficient own funds to withstand the loss of revenue and profitability that could arise from a severe market downturn, and also to determine in a worst-case scenario the capital required to deal with an orderly wind down of the business.

3.3 Governance

The corporate governance structure supports the overall approach to risk management. The main roles of the key governance bodies / committees are as follows:

Pictet & Cie Group SCA

Pictet & Cie Group SCA is responsible for the oversight of all the business lines of the Pictet Group, and wholly owns Pictet Asset Management Holding SA. The objectives of Pictet & Cie Group SCA include:

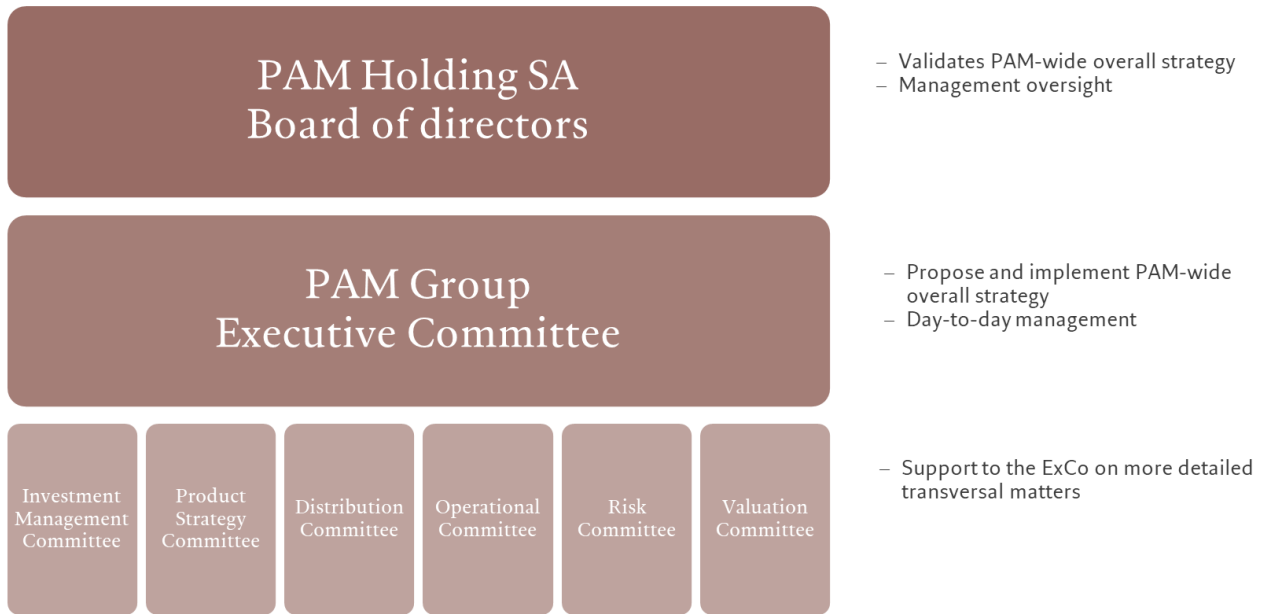
1. Setting, approving and reviewing the Pictet Group's long-term strategy and business plans, including any material changes. This includes ensuring that each individual business line's strategy is consistent with that of the Pictet Group as a whole;
2. Receiving and reviewing up to date management information for each business line, covering items such as investment performance and financial information; and
3. Reviewing and approving annual budgets, including headcount, for all business lines, and for the Pictet Group as a whole.

Pictet Asset Management Holding SA

Within the framework laid down by Pictet & Cie Group SCA, Pictet AM Holding SA defines the strategy, governance, organisation, structure and general policy of all its direct and indirect subsidiary companies that comprise the Pictet AM business line, including Pictet AM Ltd.

Pictet AM Holding SA has delegated the day-to-day management of all Pictet AM entities to the Pictet AM Executive Committee, although the Board of Directors of Pictet AM Ltd. are ultimately responsible for the governance of the firm.

The Pictet AM Governance Structure



The Roles of the Pictet AM Governance Committees

The main roles of the key governance bodies / committees are as follows:

Executive committee					
Provides leadership to implement overall strategy and ensure necessary financial, organisational and human resources Day-to-day functional management body for all PAM with a focus on transversal matters					
Investment Management Committee	Product Strategy Committee	Distribution Committee	Operational Committee	Risk Committee	Valuation Committee
Oversees the day to day functional management of the investment management and trading activities of PAM with a focus on transversal matters relevant to PAM.	Makes strategic decisions regarding the product offering of PAM. Reviews product analysis results and decides to add, reposition or close products. Conducts strategic discussions about specific strategies or parts of an offering.	Coordinates global management of marketing and distribution activities. Coordinates with finance and control functions as needed. Escalation point for distribution and client matters (e.g. high risk relationships).	Ensures transversal coordination across PAM of all subjects related to operational set-up monitoring, focused on funds. Acts as approval body for new relationships and day-to-day distribution related questions.	Ensure the adequacy of the risk management framework for PAM's activities. Review PAM's risk profile, from both an activity and legal entity perspective. Review key risk trends in the context of PAM's risk appetite.	Defines the pricing policies for assets managed by PAM and ensure policies are upheld and respected. Assess the adequacy of the valuation of investments and makes decisions/recommendations to adjust the valuation itself or the methodology if deemed necessary.

The corporate governance structure as set out above supports the overall approach to risk management.

Board of Directors of Pictet AM Ltd.

The role of the Board of Pictet AM Ltd. is to:

- Define the overall structure, strategy, objectives, general policy and implementing principles of Pictet AM Ltd.;
- Ensure the maintenance of a sound system of risk management and internal controls; and
- Ensure that an appropriate compliance and risk management system is implemented.

In order to assist the Board in discharging its wider responsibilities, it has established an organisational structure, which reflects the nature of the risks across the business. Responsibilities are then allocated to the various functions according to the 'three lines' model as follows:

- Primary responsibility for managing risks rests with the business functions (e.g. Investment teams, Business Development and Client Relationship teams, Operational teams, etc.);
- Risk and Control functions (Business Risk & Investment Tax Advisory, Investment Risk, Legal and Compliance) are responsible for ensuring that the risk policies and practices are consistent with the risk tolerance of the Board and are maintained on an on-going basis; and
- Audit functions have the responsibility for providing the Board with assurance that the business operates effectively in managing its risks.

Directors of Pictet AM Ltd.

As of September 2023, the Board of directors is comprised of three Executive Directors and one Non-Executive Director:

NAME	ROLE AT PICTET AM LTD.	NUMBER OF EXTERNAL DIRECTORSHIPS*
Raymond Sagayam	Executive Director	None
Niall Quinn	Executive Director	None
Mary-Therese Barton	Executive Director	None
Richard Heelis	Non-Executive Director	None

* Excluding appointments for Non-profit organisations e.g., Charitable organisations & Group Pictet entities

Risk Committee

The key committee for risk management is the Risk Committee, which is supported by the Business Risk & Compliance Committee and the Regulatory Committee. Key responsibilities of the Risk Committee include:

- Monitoring the efficiency, effectiveness and traceability of the internal control system through a review of risk policies, significant Risk Events and internal audit recommendations;
- Issuing recommendations to the relevant boards of directors and senior management committees on the risk profile of Pictet AM Ltd.'s activities and associated risk tolerance;
- Reviewing exception reporting escalated by the Risk and Control functions; review risk maps, and internal audit plans; and
- Reviewing the implementation of the internal control system.

Risks are assessed using a top-down and bottom-up approach to ensure all relevant business and compliance risks are identified. The Risk Committee assesses, analyses, investigates and escalates all matters, which may expose Pictet AM to unacceptable risk. Risk mitigation is achieved through strong governance, a risk aware culture and effective controls, implementing preventative action where required.

3.4 Risk Management by Risk Category

Pictet AM Ltd. is responsible for ensuring that it has appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms, which may result from the ongoing operations of its business or from winding down the business and to hold adequate financial resources for the business it undertakes.

To ensure the above, Pictet AM Ltd. actively identifies and assesses the risks and potential harms associated with its key business strategy, ongoing operations, business changes or external threats, as well as identifying and assessing the quality of controls in place to mitigate the associated risks and reduce the potential material harms.

These assessments are completed using various components of Pictet AM Ltd.'s risk framework, including the ICARA, the Firm's Risk and Control Self Assessment ("RCSA") process, Risk Events, and Key Risk Indicators ("KRIs"), as well as through the various risk reporting components of the Risk and Executive committees.

Pictet AM Ltd.'s risk management focuses on the main areas of credit, market and operational risk (including Regulatory and Financial risks). Pictet AM Ltd. has clear risk management objectives and policies to mitigate each category of risk likely to harm clients or Pictet AM Ltd. These include processes to identify, measure, monitor, manage and ultimately mitigate risk.

Risk / Harm to Clients

Pictet AM Ltd. will compensate any client impacted by a Risk Event where the outcome was not what was intended or where the outcome was detrimental to the client involved. Ultimately, the firm's objective is to put the client in the position that they would have been in had the Risk Event not occurred.

Risk / Harm to Firm

Similarly, Pictet AM Ltd. would investigate and remediate any Risk Event where the outcome was not what was intended or where the outcome was detrimental to the Firm. Ultimately, the firm's objective is to minimise any potential fine and/or remediation costs caused by Risk Events.

Risk / Harm to Market

No direct market impacts have been identified for Pictet AM Ltd. It is considered that the impacts of Risk Events would have minimal or no impact on markets per se and have therefore been considered under Risk to Firm & Risk to Clients.

A summary of the key risks assessed during Pictet AM Ltd.'s ICARA process is outlined in the table below:

RISK	DESCRIPTION
Credit Risk	<p>Pictet AM Ltd.'s credit risk is its exposure to a counterparty or a group of connected counterparties failing to meet their obligations, including third-party debtors (fee income and other debtors) and intercompany debtors. There is no history of losses in respect of third-party debtors, as they are carefully monitored and are low risk in nature and intercompany debtors, these amounts are generally settled as they arise. The key credit risk facing Pictet AM Ltd. is the failure of a counterparty where Pictet AM Ltd.'s operating cash or surplus cash is held.</p>
Market Risk	<p>Pictet AM Ltd. does not carry out any principal trading as this is not permitted under its FCA Regulated Activities. In addition, it does not provide any seed capital for products managed or operated by the Pictet Group.</p> <p>Pictet AM Ltd. has exposure to foreign exchange risk on its foreign currency cash deposits held and management fee accruals that are denominated in foreign currencies.</p> <p>The Pictet AM Ltd. policy with regards to foreign currency cash balances is to maintain sufficient balances to be able to pay foreign currency invoices as they fall due but to otherwise convert all foreign currency receipts back into local currency. This is consistent with the Pictet Group requirement not to hold non-local currency balances for speculative purposes.</p>
Operational Risk	<p>Pictet AM Ltd.'s operational risk is its exposure resulting from inadequate or failed internal processes, people and systems or from external events. Although operational risk is inherent in Pictet AM Ltd.'s investment management activities, Pictet AM Ltd. has a low tolerance for it. This is managed through a proactive approach to identifying operational risks and closely monitoring the effectiveness of the controls designed to mitigate and monitor those risks.</p>
Concentration Risk	<p>Pictet AM Ltd. is exposed to the following potential sources of Concentration Risk:</p> <ul style="list-style-type: none"> • Exposures to a single counterparty or a group of connected counterparties; • Key / Single clients; • Over-exposure to a single broker leading to Trading exposures / Market Risk; and • Limited fees, revenue and funding sources.

RISK	DESCRIPTION
Liquidity Risk	<p data-bbox="416 255 1484 365">Liquidity impacts are considered in the context of the stress tests performed, which take into account the company's liquid assets and the extreme impact events to ensure potential obligations can be met as they fall due.</p> <p data-bbox="416 412 1374 441">No additional Own Funds are considered necessary in respect of Liquidity risk.</p> <p data-bbox="416 488 1484 598">In accordance with MIFIDPRU 7.7.6 R (2), a firm can only meet its Basic Liquid Assets Requirements with core liquid assets, which per MIFIDPRU 6.3.1 R (2), can only include cash held with UK-authorised credit institutions when denominated in GBP.</p> <p data-bbox="416 645 1484 712">Per MIFIDPRU 7.7.8 R (1)(a) and (2), Non-Core Liquid Assets can include cash held with non-UK credit institutions.</p> <p data-bbox="416 759 1246 788">Common Equity Tier 1 capital, was £77.4m in 2023 vs. 80.2m in 2022.</p>

4. DIVERSITY MANAGEMENT PRINCIPLES

Pictet Am Ltd.'s purpose as a firm is to build responsible partnerships with its clients, colleagues, communities, and the companies in which it invests. Pictet AM Ltd. aspires to have a highly diverse workforce with a unique range of skills, distinctive talent and varied perspectives. Bringing together professionals from different backgrounds and with different ways of thinking enables it to build an inclusive culture, strengthen its teams, and enrich its insights into client needs and investment strategies. Pictet AM Ltd.'s corporate values of long-term thinking and responsibility foster a culture of collaboration. Pictet AM Ltd.'s leadership team and organisation are fully committed to making Diversity, Equity & Inclusion (DEI) an integral part of that culture.

Pictet AM Ltd.'s overarching approach for achieving its DEI objectives are centred on key principles:

- Talent – Advancing inclusive and equitable policies and practices to attract, develop and retain a diverse pipeline of talent;
- Measurement – Measuring and reporting on progress to drive better results and improve transparency and accountability;
- Culture – Cultivating and promoting an inclusive company culture where all employees feel heard, respected and valued; and
- Community – Promoting diversity, equity and inclusion beyond the business, in the wider industry and the communities in which it operates.

Pictet AM Ltd. believes that it is the collective responsibility of everyone in the organisation to promote DEI and engage regularly with employees on how to incorporate DEI into everyday activities. Pictet AM Ltd.'s key principle of measuring and reporting to improve transparency and accountability applies across all levels of leadership. Pictet AM Ltd. regularly reviews representation, hiring, promotion, attrition and other key data metrics to evaluate its progress and identify areas for improvement on the way to achieving its DEI goals. As part of the annual performance review process, all leaders and managers also have DEI assessed as part of their people objective. Furthermore, these employees receive training on how unconscious bias can influence decision making, as well as the ways in which employee development and progression must be kept free from bias. DEI is also considered in career development, promotion, and succession planning processes.

Pictet AM Ltd. is committed to improving gender equality and increasing its representation of females at every level of the organisation. Pictet AM Ltd. continues to make concerted efforts to attract, develop and retain female talent and believe this is essential to eventually reach true gender equality across the organisation. Pictet AM Ltd. equally recognises the importance of intersectional equity and other diversity representation including ethnicity, age, LGBTQ+, socio economic background, disability, and neurodiversity. Pictet AM Ltd. wants to reflect the societies and clients it serves, with a diverse mix of people at all levels of the organisation.

Pictet AM Ltd. understands that a broad range of perspectives, skills and experience supports sound decision making in all management committees and boards across the firm. These differences, including diversity representation, are considered when determining their composition and the firm works towards having these being balanced appropriately. Having diverse leaderships team enables an open and inclusive culture and the leadership teams must set the tone for DEI across the business.

As of 31 December 22, females represented 34% of the employees in Pictet AM Ltd. The Board currently consists of five directors, of which the composition is 20% female and 20% from an ethnic minority.

5. OWN FUNDS

This disclosure has been made in accordance with the requirements of MiFIDPRU 8.4 using the MiFIDPRU 8 Annex 1R template. The information presented within the table is as of 31st December 2022.

Composition of regulatory own funds

Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1 OWN FUNDS	81,080	
2 TIER 1 CAPITAL	81,080	
3 COMMON EQUITY TIER 1 CAPITAL	81,080	
4 Fully paid-up capital instruments	45,000	Note 15
5 Share premium	-	
6 Retained earnings	82,454	Note 16
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	-46,374	
19 CET1: Other capital elements, deductions and adjustments	-46,374	
20 ADDITIONAL TIER 1 CAPITAL	-	
21 Fully paid up, directly issued capital instruments	-	
22 Share premium	-	
23 (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
24 Additional Tier 1: Other capital elements, deductions and adjustments	-	
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, deductions and adjustments	-	

Own funds: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

	a	b	c
	Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to table above
	31/12/2022 (GBP thousands)	31/12/2022 (GBP thousands)	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
1 Tangible assets	2,062	-	
2 Investments	37,547	-	
3 Debtors	59,648	-	
4 Cash at bank and in hand	131,025	-	
Total Assets	230,282	-	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
Creditors - Amounts falling due within one year			
1	73,895	-	
Creditors - Amounts falling due more than one year			
2	28,933	-	
Total Liabilities	102,828	-	
Shareholders' Equity			
1 Called Up share capital	45,000	-	Box 4
2 Retained earnings	82,454	-	Box 6
Total Share-holders equity	127,454	-	

Own funds: main features of own instruments issued by the firm

Called up ordinary share capital 45,000,000 share at £1 each

6. OWN FUNDS REQUIREMENTS

A MiFIDPRU investment firm such as Pictet AM Ltd. is required to maintain a minimum level of own funds as specified in MiFIDPRU 4.3 of the FCA Handbook. As a non-small and non-inter-connected (“non-SNI”) firm, Pictet AM Ltd. is required to hold own funds to cover the highest of:

- Permanent minimum capital requirement (“PMR”) under MiFIDPRU 4.4
- Fixed Overhead Requirement (“FOR”) under MiFIDPRU 4.5
- K-factor requirement under MiFIDPRU 4.6
- Any other requirement as prescribed or specified by the FCA

Pictet AM Ltd. has complied with its own funds requirement throughout the period covered by this report. The table below sets out Pictet AM Ltd.’s own funds requirement as of 31 December 2022:

Own Funds Requirements GBP (thousands)	
PMR	75
FOR	29,135
<i>K-factor requirement - K-AUM</i>	<i>4,564</i>
<i>- K-COH</i>	<i>341</i>
Total K-factor requirement	4,905
Own Funds Requirement (highest of the above)	29,135

Due to the nature / scope of Pictet AM Ltd’s business model, K-AUM (Assets under Management) & K-COH (Client Orders Handled) only apply.

7. Adequacy of Own Funds Assessment

A firm must disclose its approach to assessing the adequacy of its own fund in accordance with the overall financial adequacy rule in MiFIDPRU 7.4.7R. MiFIDPRU 8.4.1R on own funds.

MiFIDPRU 7.4.16 defines the ICARA process as an internal risk management process that MiFIDPRU investment firms must operate on an ongoing basis. As part of this process, a firm should consider whether the risk of material potential harms can be reduced through proportionate measures (other than holding additional capital) and, if so, whether it is appropriate to implement the measures. The nature of any potential measures will vary depending on the firm’s business and operating model, and may include implementing additional internal systems and controls, strengthening governance and oversight processes or changing the manner in which the firm conducts certain business. A firm will need to judge what is appropriate and proportionate for its particular circumstances. That judgement will be informed by the firm’s risk tolerance.

A firm must assess whether it should hold additional own funds or additional liquid assets to mitigate any material potential harms that it has identified. This may be the case where the firm cannot identify other appropriate, proportionate measures to mitigate harms, or where it has applied these measures, but a

residual risk of material harm remains. Any assessment must be realistic and based on severe but plausible assumptions.

As part of its ICARA process Pictet AM Ltd. must produce a reasonable estimate of the maximum amount of liquid assets that it would require to:

- Fund its ongoing business operations during each quarter over the next 12 months; and
- Ensure that it could be wound down in an orderly manner.

The overall financial adequacy rule (MIFIDPRU 7.7.3) requires a firm to hold adequate liquid assets to ensure that:

- The firm is able to remain financially viable throughout the economic cycle, with the ability to address any potential harm that may result from its ongoing activities; and
- The firm's business can be wound down in an orderly manner.

This assessment also serves the following purposes:

- To update the Board of the on-going assessment of the key risks / impacts applicable to Pictet AM Ltd.;
- To identify how those key risks / impacts are mitigated;
- To provide an overview of how the ICARA process is used within the business and the linkage to the underlying risk management framework activities;
- To identify how much current and future capital is required based on the underlying risk framework information and the projected risk profile over the coming period;
- To identify appropriate scenarios to stress the capital requirements, factoring in the uncertainty of future impacts and the ability of Pictet AM Ltd. to survive such impacts; and
- To inform Senior Management how the stress test scenario impact Pictet AM Ltd.'s Liquid Assets and Own Funds and when Management Actions and/or an orderly Wind-Down are required.

8. ADDITIONAL OWN FUNDS

The ICARA is incorporated in the normal risk assessment process of the company and is reviewed and approved by the Board at least annually.

The potential impact on Pictet AM Ltd. from severe but plausible risk impacts and all potential material harms for each impact category / area (Risk to Client, Risk to Firm & Risk to Market) is assessed and combined with key mitigating actions to provide the Additional Own Funds (AOF) risk impact requirement. This is then challenged as follows:

- Idiosyncratic scenarios with severe but plausible impact are refreshed for each ICARA iteration;
- Stress testing is applied, over a 4 year period, to key assumptions;
- Management actions are factored into the modelling of minimum and Additional Own Fund Requirements (AOF);
- Minimum capital resources are compared to the Fixed Overhead Requirement (FOR); and
- Minimum capital resources i.e. minimum Own Funds requirements are compared to an estimation of the capital that would be required to undertake an orderly wind down (WD) or transfer of the management of client assets in the event of business failure.

The Board defines and refreshes a Wind-Down Trigger (WDT) to assess the level of Own Funds. This WDT is determined and reviewed based on prior assessments, including scenario stress-testing. WDT is used to gauge if, after Management Actions have been implemented, Pictet AM Ltd.'s level of Own Funds remain at risk and there is no other choice but to trigger an orderly Wind-Down.

9. REMUNERATION

Pictet AM Ltd. is a non-SNI and was therefore subject to the FCA's MIFIDPRU Remuneration Code ("the Code") for the 2022 performance year.

Pictet AM Ltd. is therefore subject to the 'standard' remuneration requirements of the Code and this disclosure has been prepared in line with the provisions for non-SNI firms.

9.1 Remuneration Approach

Pictet AM Ltd.'s remuneration procedures and practices align individuals' pay with the interests of clients and the long-term performance of the business. The Remuneration Policy ("the Policy") aims to motivate senior management and all employees in delivering Pictet AM Ltd.'s strategy while ensuring that the business performance is sustainable over the long-term and aligned with effective risk strategy and appetite, not encouraging excessive risk-taking.

The key principles that underpin Pictet AM Ltd.'s overall approach to remuneration are:

- a. Remuneration decisions are based on a sound and effective risk management approach that protects investors, Pictet AM Ltd. and employees;
- b. Incentives are designed to encourage behaviour focused on long-term strategic performance and ensure compliance with regulatory and legal frameworks;
- c. Incentives are aligned with Pictet AM Ltd.'s strategy, culture, and objectives, including quantitative and qualitative performance measures;
- d. Fairness and equity in remuneration decisions that are based on a rigorous performance assessment;
- e. Individuals are valued and rewarded competitively against external market peers;
- f. Remuneration practices must not encourage excessive risk-taking; and
- g. Managing conflicts of interests to encourage responsible business conduct.

9.2 Governance

Pictet AM has a Remuneration Committee ("the Committee") which is delegated responsibility for remuneration matters by the Pictet AM's Executive Committee. This includes remuneration matters related to Pictet AM Ltd. The Committee is guided by its Terms of Reference, approved by the Board.

The Committee meets to consider matters relating to remuneration policy and structures, including approval of individual remuneration decisions for senior management and those considered to have a material impact on the risk profile of Pictet AM Ltd. The Committee aims to meet three times per year. The Committee is currently comprised of the Pictet AM Co-CEOs and the Pictet AM HR Director.

The Committee ensures that remuneration policies and outcomes take appropriate account of all relevant current and future risks. In setting policy and reaching its decisions, the Committee will take input from Human Resources ("HR"), Finance, and Risk and Compliance. It will also have regard to Pictet AM Ltd.'s business strategy, the Remuneration Policy of the Pictet Group, the external competitive markets and relevant legislation, regulation, and corporate governance. Independent oversight is provided by the Partners of the Pictet Group, who oversee remuneration policies and procedures across the Pictet Group and provide oversight of remuneration decisions.

To manage any potential conflicts of interest arising, the Committee ensures that no individual is involved in discussions on their own remuneration arrangements.

Pictet AM Ltd.'s Remuneration Policy is reviewed on at least an annual basis, or whenever there has been a significant change to the business activities of Pictet AM Ltd., which may require an amendment to its ICARA Process. Responsibility for ensuring the Remuneration Policy is implemented appropriately lies with the Pictet AM Executive Committee.

An independent remuneration consultant, Korn Ferry (UK) Limited, is appointed to advise on matters relating to remuneration regulation, including the practical application of regulations and support in developing compliant policies and practices. In addition, Deloitte were engaged to undertake an annual independent review for compliance with remuneration policies and practices.

9.3 Elements of remuneration

Pictet AM Ltd. endeavours to make the most appropriate use of and strike the proper balance between the different elements of fixed and variable remuneration for every employee in the form of a total compensation package, which should be proportionate to the individual's function, profile, contribution, and results. Individual compensation packages are adapted over time, both upwards and, potentially downwards, reflecting the development of external markets, results, and the role, profile, and performance of the employee.

Set out below is a brief overview of the eligibility, purpose, and operation of the different elements of remuneration operated by Pictet AM Ltd.:

Fixed remuneration

Base Salary

All employees receive a base salary which rewards employees for performing day-to-day responsibilities reflecting their function's characteristics, their unique set of competencies and geographic location. Base salary is reviewed annually and benchmarked against external market data.

Benefits and pension

A number of benefits are offered to employees influenced by local market practice and regulations. Pictet AM Ltd. strives to ensure that benefits are part of an overall philosophy on retirement and risk insurance in line with the business values, strategy, objectives, and long-term interests of Pictet AM Ltd.

No enhanced pension benefits are provided to employees.

Variable remuneration

Performance bonus

Pictet AM Ltd. operates a number of performance bonus schemes that are discretionary in nature. All permanent Pictet AM Ltd. employees are eligible for a performance bonus. A full account of relevant financial and non-financial objectives is taken into account which ensures that individual performance is not only measured on what they are achieving but also how this is achieved. Such non-financial objectives are considered in line with the Pictet Group guiding principles and expectations of individuals from a risk and control perspective. Remuneration outcomes can be adjusted to take account of any risk and compliance concerns or an individual's involvement in a material risk event.

For employees in quantifiable functions (i.e., investment and sales professionals), a Balanced Scorecard approach is taken that consists of both quantitative and qualitative objectives that are linked to the individual's role. Quantitative objectives include metrics such as investment performance over a multi-year period, commercial performance (e.g., Net Revenue Growth, Asset Growth) and sales performance (e.g., Net New Revenue and Gross New Revenue at a Pictet AM, team, market, and individual level) as relevant to the individual's business unit and role. Qualitative objectives include people and culture related objectives (such as diversity, equality and inclusion objectives, management and leadership, collaboration, and teamwork), process and innovation (including environmental, social and governance objectives) and other individual objectives.

Employees in non-quantifiable functions are rewarded on a discretionary basis, considering qualitative/ non-financial factors as appropriate to their business unit and role.

All bonus awards above a certain level are subject to mandatory deferral. Depending on the team, the deferred bonus is either notionally invested in funds or held as cash. Deferred awards vest in three equal instalments, over the subsequent three years from the date the award is granted, unless specific regulatory requirements apply.

The ability of Pictet AM Ltd. to pay bonuses, is based on the performance of Pictet AM Ltd. overall and the respective business unit, as well as that of the Pictet Group. Before any variable remuneration is awarded, the Pictet AM Chief Financial Officer reviews the total cost of compensation outcomes and confirms to the Committee that they are appropriate in the context of the company's performance and financial results and that the outcomes do not limit Pictet AM, including Pictet AM Ltd.'s, ability to strengthen its capital base.

Performance fees

For employees running portfolios that are managed against a total return objective rather than a relative benchmark, an incentive structure more aligned to the alternatives fund industry is operated. In order to create a clear alignment between the investment team and the client, the investment teams on single strategy products are eligible to share in a portion of the management fee and the performance fee, if any, of the relevant product(s). Any fee sharing bonus is calculated over the performance year. Performance fees are subject to hurdle rates and high watermarks appropriate to the type of product.

For investment managers managing a segment of the multi-strategy products, there is no sharing of the management fee. Managers are eligible for a share of any investment return they generate subject to a minimum hurdle.

Allocations are made on a discretionary basis by management and will take into account qualitative/ non-financial factors (including risk and compliance behaviours), which could result in reduction or withholding of any awards.

Pictet "Parts" profit sharing scheme

As part of the Pictet Group's long-term strategy, the "Parts" system is based on a partnership philosophy that enables the majority of employees to have a share in the Pictet Group's profits, while at the same time helping to align their interests with those of the Pictet Group and its owners. Under the "Parts" system, an employee is allocated a number of units or "Parts". Participants receive a share of the Pictet Group profit pool value based on their unit allocation.

Admission to the "Parts" system and the number of "Parts" attributed to an individual participant is based on the role of the individual, their functional responsibilities, the activities that they undertake and their level of experience that they bring to the organisation. The number of "Parts" is not automatically renewed each year and may be adjusted (upwards or downwards) to recognise significant changes in role, function, or responsibilities or to reflect the performance of an individual (against both financial and non-financial criteria).

Taking part in the "Parts" system in no way guarantees the effective payment of "Parts", neither in principle nor in amount. Payment is made on the condition that the Pictet Group has generated a sufficiently high annual net profit or that the undistributed profits constitute a sufficient amount. Given the value of a "Part" is based on the Pictet Group's financial results, Pictet AM Ltd.'s financial performance is included. A significant downturn in Pictet AM Ltd.'s financial performance would have a negative impact on the value of a "Part".

Long-term incentive plan

For a select number of senior employees who have a material impact on the future success and sustainable growth of Pictet AM, an additional long-term incentive plan award (“LTIP”) is granted to align employee reward with the strategic long-term interests of Pictet AM. Awards are determined with consideration of the individual’s role and ongoing level of contribution and performance. Awards are made on an annual basis at the discretion of the Committee, vesting in full four-years after the date of grant, subject to malus and/or clawback provisions.

The value of the Pictet AM LTIP is determined by achieved profits and profit growth measures over a four-year performance cycle. Any payment is dependent on achieving the plan’s specified return on equity and profit performance hurdles.

Guaranteed variable remuneration

Pictet AM Ltd. offers guaranteed bonuses in exceptional cases to newly recruited employees and only for a period of up to the first 12 months of employment. All guaranteed variable remuneration is subject to performance adjustment and deferral under the standard deferral policy. Guaranteed bonuses are reliant on Pictet AM Ltd. having a sound capital base.

Other remuneration

Severance pay

Pictet AM Ltd. rewards sustained performance over time and decisions on pay are strongly based on differentiation both for sustained performance and appropriate behaviour. Therefore, any payments related to early terminations are designed to ensure compliance with regulatory practice and do not reward failure. There is no contractual right for any individual to receive a termination payment.

9.4 Managing Risk

The Chief Risk Officer annually reports to the Committee on matters in relation to Pictet AM, including Pictet AM Ltd.’s remuneration policy, incentive scheme design and operation in the context of Pictet AM’s risk tolerance and the year-end compensation review process. This includes issues to be taken into account when assessing remuneration decisions. This results from the rigorous assessment of current and future risks and whether there has been any risk related incidents that require adjustment of remuneration outcomes (at a Pictet AM wide, business unit, entity, team, or individual level).

The Pictet AM Malus Policy applies to all variable remuneration arrangements (including guaranteed variable remuneration, performance fees, Pictet “Parts” and Pictet AM LTIP). To the extent permitted by the applicable laws and regulations, the Committee may reduce, cancel and/or forfeit any variable remuneration awards prior to payment where there is reasonable evidence of certain circumstances.

In addition, clawback applies to Material Risk Takers (“MRTs”). Clawback is where Pictet AM Ltd. may reduce, cancel and/or forfeit an individual’s variable remuneration award in the same circumstances, but in this case, after amounts have been paid.

The circumstances under which malus and clawback provisions may apply include (but are not limited to):

- Materially adverse restatement of Pictet AM Ltd., Pictet AM or the Pictet Group accounts;
- Significant downturn in financial performance of Pictet AM Ltd., Pictet AM or the Pictet Group;
- A significant failure of risk management for which the employee had significant responsibility;
- The employee has failed to meet appropriate standards of fitness and propriety;
- Misbehaviour, gross misconduct, fraud, material dishonesty, material wrongdoing, breach of fiduciary duty or serious error by an employee (including, but not limited to, a breach of law, regulation or code of practice, if any, and any code of ethics or internal rules);

- Conduct that is likely to bring Pictet AM Ltd., Pictet AM or the Pictet Group into material disrepute or is likely to materially affect the interests and/or reputation of Pictet AM Ltd., Pictet AM or the Pictet Group (which may include a material financial effect);
- A matter has occurred which has led to the censure of Pictet AM Ltd., Pictet AM or the Pictet Group or the Participant, by a regulatory authority; and/or
- Any other matter has arisen that is sufficiently serious to warrant an adjustment to an award.

9.5 Material Risk Takers

In accordance with the Code, MRTs are identified based on the impact of their professional activities on the risk profile of Pictet AM Ltd. The categories for identification include:

- Members of the management body (this includes anyone with a management or oversight role of Pictet AM Ltd.);
- Managerial responsibility for business units managing investments;
- Managerial responsibility for a control function;
- Managerial responsibility for information technology, information security and/or outsourcing arrangements of critical or important functions;
- Responsible for managing a material risk within the firm (includes heads of trading and individuals responsible for a high proportion of revenue); and
- Authority to take decisions approving or vetoing the introduction of new products.

For the 2022 performance year, 22 employees were identified as MRTs.

MRTs are notified annually of their status and the implications of this.

The list of MRTs is maintained by HR and is reviewed at least annually with the input of HR, Risk and Compliance. The Committee approves the list of MRTs and their compensation outcomes on an annual basis. The Board will also approve the list of MRTs on an annual basis.

9.6 Quantitative remuneration disclosure 2022

The aggregate remuneration for the financial year ended 31 December 2022 is as follows:

Total remuneration awarded (£ MILLION)			
	SENIOR MANAGEMENT	OTHER MRTS	OTHER STAFF
Fixed remuneration	5.4	2.8	38.4
Variable remuneration	11.7	8.2	35.8
Total remuneration	17.1	11.0	74.2

Total remuneration includes:

- Base salary paid in 2022;
- Allowances, employer pension contribution and benefits paid in 2022;
- Annual bonus (cash and deferred) awarded for the 2022 performance year, including guaranteed variable remuneration or forfeited awards awarded in relation to the 2022 performance year;
- Pictet “Parts” awarded for the 2022 performance year;
- LTIP granted during the 2022 performance year; and
- Severance payments made in 2022.

Guaranteed variable remuneration (£ MILLION)

	SENIOR MANAGEMENT	OTHER MRTS
Amount awarded	0	0
Number of recipients	0	0

Severance payments (£ MILLION)

	SENIOR MANAGEMENT	OTHER MRTS
Amount awarded	0	0
Number of recipients	0	0
Highest award	0	0

10. INVESTMENT POLICY

Pictet AM Ltd. does not satisfy the criteria requiring it to disclose its Investment Policy under MiFIDPRU 8.7 Investment policy.

Pictet AM Ltd. does not undertake principal trading, which is anyway not permitted by its FCA permissions. Additionally, it does not provide seed capital for products managed or operated by the Pictet Group.