**Introduction**

KW Investment Management Ltd ('the Company') is authorised and regulated by the Financial Conduct Authority ('FCA') and as such is subject to minimum capital requirements.

The following disclosures have been prepared in accordance with the Capital Requirements Directive (“CRD”) and the Capital Requirements Regulation (“CRR”), together known as the CRD IV. The Company therefore refers directly to the CRR, supplemented by the European Banking Authority (“EBA”) technical standards and the UK Financial Conduct Authority (“FCA”) Prudential Sourcebook for Banks, Building Societies and Investment Firms (“IFPRU”). The regulatory aim of the disclosures is to improve market discipline through additional transparency.

**Regulatory Context**

The following disclosures are provided pursuant to the Pillar 3 disclosure rules in accordance with the Capital Requirements Directive (“CRD”) and the Capital Requirements Regulation (“CRR”), together known as the CRD IV.as implemented through the FCA IFPRU sourcebook. The regulatory aim of the disclosures is to improve market discipline through additional transparency.

The framework consists of the following three pillars:

- Pillar 1 : sets out the minimum capital requirements firms are required to meet for credit, market and operational risk;
- Pillar 2 : requires firms to consider whether they should hold additional capital against risks not covered in Pillar 1. This is implemented through the Internal Capital Adequacy Assessment Process (“ICAAP”) undertaken by the company and the Supervisory Review and Evaluation Process performed by the FCA through which the Company and the regulator satisfy themselves as to the adequacy of capital; and
- Pillar 3 : requires the Company to publish their arrangements in relation to risk management, and information on its risk exposures and capital resources.

The disclosures below are the required Pillar 3 disclosures and apply solely to KW Investment Management Limited (the “Company”) in accordance with the requirements under CRD IV as laid out in Part 8 of the CRR (articles 431-455).Unless otherwise defined, capitalised terms used herein have the meanings given to them in IFPRU. The disclosures reflect the arrangements and financials of the Company as at 31 December 2019 unless otherwise indicated.

**Background to the Company**

The Company is an investment manager based in London, United Kingdom, and is incorporated in England and Wales as a Limited Liability Company. The Company is a solo UK entity authorised and regulated by the FCA to conduct investment management business. The Company is an IFPRU 125K Limited License Firm.

**Verification**

The information contained in this document has not been audited by the Company’s external auditors and does not constitute any form of financial statement and must not be relied upon in making any judgment on the Company.

**Materiality**

Pillar 3 disclosures are only required where the information would be considered material to a user relying on that information to make economic decisions. The Company regards information as material in disclosures if its omission or misstatement would change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions.

**Proprietary and confidential information**

Pillar 3 rules provide that firms may omit information where the information is regarded as proprietary or confidential. The Company does not seek any exemptions from disclosure on the basis of materiality or on the basis of proprietary or confidential information.

## Pillar 3 Disclosures

**Risk Management Objectives and Policies**

**Governance framework**

The Company's governance arrangements are headed by the Board of Directors (the "Board").

The Board operates as the governing body of the Company. It meets on a quarterly basis and on an ad hoc basis if circumstances so require, and is responsible for the day to day running and oversight of the Company. At least annually the Board reviews, amongst other things, the Company's financial information (such as monthly accounts, regulatory returns, and audited year end accounts), marketing activity, HR matters, the information technology environment, the ICAAP, internal and external audit reports and related recommendations, operational risk and compliance reports and oversees any relevant outsourcing that has been undertaken by the Company.

A number of representative of the Board sit on the Company's Executive Committee which reports into the Board. This provides assurance to the Board that relevant items are being identified and reviewed and that items which are material in light of the Board's risk appetite are reported to the Board. Individual Board members also provide positive assurance at the meetings that there are no other material items to report or escalate from their respective departments or from their reporting lines.

**Risk management objective and framework**

The Company has implemented a '3 lines of defence' model to manage risk and obtain assurance with regards to the effectiveness of the control environment.

- 1st Line - Heads of Department and relevant staff of the respective front office and supporting infrastructure areas have primary responsibility for managing and mitigating the risks specific to their area on a day to day basis.
- 2nd Line– The Risk and Compliance function which is responsible for implementing and monitoring the regulatory and risk management framework the Executive Committee which is responsible for oversight and monitoring of the overall key risks facing the Company.
- 3rd Line - Board review which includes a number of non-executive directors.

The Board is responsible for determining the risk appetite for the Company. The Company has established a risk management framework to identify, measure, monitor, report and mitigate risks. Risks identified through the operation of the risk management framework are assessed as part of the Company's ICAAP and Pillar 2 processes.

The risk management framework sets out the responsibilities and escalation procedures for the identification, monitoring, and management of risks. Specific personnel are assigned responsibility for the risks across the Company's business units. The Board takes overall responsibility, with the assistance of Risk, Compliance and control functions, for identifying material risks to the Company and implementing appropriate mitigating controls.

Risks and mitigating controls are periodically reassessed, taking into account the Company's risk appetite. Actions are taken to improve the control framework when risks are identified which fall outside of the Company's risk appetite, or when weaknesses are identified in the Company's mitigating controls.

**Internal Capital Adequacy Assessment Process**

The Company's ICAAP includes an assessment of the design and performance of the internal controls in place to mitigate risks, the probability of the risk occurring, the potential financial and reputational impact, and the adequacy of the Company's capital base.

The Board formally reviews and approves a finalised ICAAP document on at least an annual basis (or more frequently if there are material changes to the Company's business model and risk exposures). The Board, as part of its review of the ICAAP, sets the Company's risk appetite, validates that the Company's key material risks have been considered and assessed, and validates the stress testing scenarios.

The Pillar 2 capital requirements of the Company are determined through a range of methods including scenario analysis of extreme events and stress testing within the ICAAP.

**Capital Resources**

As an IFPRU firm, the Company maintains sufficient capital to meet its regulatory capital requirements and takes a prudent approach to the management of its capital base. The amount and type of capital resources of the Company's as at 31 December 2019 are set out in the table below:

*Table 1: Capital Resources as at 31 December 2019*

| | **£m** |
|---|---|
| Tier One Capital | 1.88 |
| Tier Two Capital | 0.00 |
| Tier Three Capital | 0.00 |
| **Total Capital** | **1.88** |

The adequacy of the capital held by Company is assessed regularly, and at least annually, as part of the ICAAP framework and is subject to approval by the Board. The most recent capital adequacy and Pillar 2 review was completed in March 2020.

In accordance with GENPRU 2.1.45R, the Company is required to calculate its variable regulatory capital requirements as the higher of:

- the sum of the market and credit risk requirement, and
- the Fixed Overhead Requirement ("FOR").

The Company has calculated its FOR in accordance with the rules and guidance set out in GENPRU 2.1.53R to GENPRU 2.1.59G, which amounts to £0.84 million. The credit and market risk capital requirements of the Company amount to less than the FOR. Therefore, the overall Pillar 1 capital requirement of the Company is the FOR of £0.84 million.

*Table 2: Fixed Overhead Requirement*

| | **Fixed Overhead £m** | **Risk Weight** | **FOR £m** |
|---|---|---|---|
| Non-variable annual expenses | 3.370 | 25% | **0.843** |

As at 31st December 2019, the Company used its Pillar 1 requirement as the regulatory capital requirement to monitor capital levels against internal risk appetite measures across a number of criteria. During the financial year ended 31 December 2019, the Company maintained surplus capital resources at all times to satisfy minimum capital resources.

## FCA Remuneration Code

Remuneration

The Company has adopted a remuneration policy that complies with the requirements of the FCA's Senior Management Arrangements, Systems and Controls Sourcebook ("SYSC"). Of particular relevance, chapters SYSC 19B and C sets out the IFPRU Remuneration Code and related guidance on proportionality.

The Company has concluded that, on the basis of its size and the nature, scale and complexity of its legal structure and business, it does not need to appoint a distinct remuneration committee for the Company. Instead, the Board sets and oversees compliance with the Group's remuneration policy, including reviewing the terms of the policy on at least an annual basis.

The Company currently sets the variable remuneration of its staff in a manner which takes into account individual performance, performance of the individual's business unit and the overall results of the Company. The Company takes into account the specific nature of its own activities (including the fee-based nature of its revenues) in conducting any ex-ante risk adjustments to awards of variable remuneration and, given the nature of its business, has dis-applied the requirement under the IFPRU Remuneration Code to make ex-post risk adjustments.

The Company only has one "business area", which is its investment management business. All of the Company's Code Staff fall into the "senior management" category of Code Staff (rather than the "risk taker" category) for the purposes of the IFPRU Remuneration Code. During the reporting year 2019 the Company's Code Staff totaled 16 all of whom were deemed to be performing a 'Significant Influence Function'.

The aggregate remuneration awarded to the Company's Code Staff during the financial year ending on 31 December 2019 in respect of the 2019 performance year was £2.13 million.