

GAM – UK GROUP INVESTMENT FIRM PRUDENTIAL REGIME (IFPR) DISCLOSURE

31 December 2022



GAM
Investments

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Summary

Introduction

The Investment Firm Prudential Regime (**IFPR**) is the prudential regime introduced by the UK financial services regulator, the Financial Conduct Authority (**FCA**) for MIFID Investment firms (**MIFIDPRU**) and came into force on 1 January 2022.

Under the IFPR a MIFIDPRU investment firm is required to publish disclosures in accordance with the rules set out in MIFIDPRU 8.

GAM (U.K) Limited, GAM International Management Limited, GAM London Limited, GAM Systematic LLP, and GAM Unit Trust Management Company Limited*, hereby the UK Group, are incorporated in England, authorised and regulated by the FCA.

This document sets out GAM's public disclosures as prescribed under IFPR in relation to:

- Risk Management objectives and policies (MIFIDPRU 8.2)
- Governance arrangements (MIFIDPRU 8.3)
- Own Funds (MIFIDPRU 8.4)
- Own Funds Requirements (MIFIDPRU 8.5)
- Remuneration Policy and Practices (MIFIDPRU 8.6)
- Investment Policy (MIFIDPRU 8.7)

Basis of Disclosures

The UK Group companies are classified as a non-small non-interconnected ('non-SNI') MIFIDPRU investment firm and as such will apply the rules applicable as set out in the FCA handbook. The rules in MIFIDPRU 8 apply to a MIFIDPRU investment firm on an individual basis, therefore these disclosures are prepared for each of the UK Group companies.

This document has been prepared as of 31 December 2022 and is aligned to the financial positions as at its 2022-year end (unless stated otherwise). It has been approved by the Board on 10 October 2024.

Frequency of Disclosures

These disclosures are published on an annual basis or in the event of a significant change to the business.

Means of Disclosures

These disclosures are not subject to Audit and have been prepared in line with the requirements described in MIFIDPRU 8. They have been published on GAM's website www.gam.com

*Permissions revoked 1 March 2024

Company Information

The UK Group consists of the UK registered holding company, GAM (U.K.) Limited, and its wholly owned direct and indirect subsidiaries. Under the UK Group's corporate structure, there are 5 wholly-owned UK regulated entities – GAM International Management Limited ("GIML"), GAM London Limited ("GLL"), GAM Sterling Management Limited ("GSM"), GAM Systematic LLP ("GAM Systematic") and GAM Unit Trust Management Company Limited ("GAMUT"). GAMUT, however, has ceased to be an active trading entity (March 2024)

Risk Management Objectives and Policies

GAM recognises that risk management is essential to support the achievement of our business and strategic objectives. The UK Group companies, which utilise the group-wide risk management processes and framework, recognise that effective risk management is fundamental to all stakeholders of GAM, including our clients, shareholders, employees, regulators and business partners and is of interest to the wider financial services sector.

The GAM Group Board of Directors is ultimately responsible for the stewardship of the Group's risk management systems and processes, the establishment of its risk appetite and mitigating and monitoring risk within that appetite, and their governance and control.

Risk Strategy

Our risk strategy is based on the belief that risk management is the responsibility of everyone every day and that it must be integrated into the Group's strategy formulation, capital allocation and decision making, as well as into routine operations.

Risk awareness is at the heart of our strategic planning process, supporting organisational decision making. The formulation and delivery of plans enable the management of business performance against business and strategic objectives.

Each employee is charged with protecting our clients' interests by upholding GAM's standards of conduct, including as expressed in our Group Code of Conduct and maintaining an effective control environment, since risk management is not the responsibility of one single individual or department but the duty of all employees within the Group.

As an organisation, GAM seeks to manage its risks effectively in order to:

- provide that the risks in our business are identified, assessed, mitigated, monitored and reported in a timely manner;
- provide that the overall risk profile of our business is understood, as well as the impact on it of internal and external factors;
- support confident and informed decision making, thereby realising opportunities;
- take appropriate risks that are within our risk appetite; and
- preserve the confidence of our stakeholders (including our clients, shareholders, employees, regulators and business partners) and ensure that their interests are appropriately and adequately safeguarded.

Risk Management Framework

GAM's approach to risk management, governance, and controls (the "Risk Management Framework", or "RMF") is a structured set of arrangements and processes applied across all firms within the GAM group that seek to identify, assess, mitigate, monitor, and report risks across the Group. GAM's Risk Appetite Framework, embedded within the Risk Management Framework, guides the business on the total amount of risk that GAM is willing to accept in pursuit of our business and strategic objectives. The UK Group and the regulated entities maintain adequate risk management processes proportionate to the nature and complexity of the business which are fully aligned with the Risk Management Framework.

Risk Appetite Framework

The GAM Group Board and the Group Management Board ("GMB") seek to ensure that the Group's strategy and its ambitions are aligned with its capacity and appetite for risk. They foster a strong risk conscious culture by creating an environment where risks can be openly discussed at all levels of the organisation. They provide guidance regarding the appetite for risk and instil a risk culture throughout the organisation by aligning risk appetite and capacity with business planning and execution, performance measurement and remuneration and reward decisions.

Our Group Risk Appetite Framework comprises tangible risk appetite statements and associated thresholds/limits that define the level of risk GAM is willing to accept in pursuit of the achievement of our business and strategic objectives. As such, appetite refers to our attitude towards risk taking and to the extent GAM is willing and able to tolerate the exposure to specific risks ("Risk Appetite"). The UK Boards' risk appetite statements and measures are stated in line with the Group Risk Appetite Framework. The risk reports presented to each of the UK Boards are structured on these risk appetite statements and measures and highlight deviations from risk appetite.

Key risks are monitored regularly through the use of quarterly Key Risk Indicators ("KRIs").

Risk Governance – Responsibilities

The firm has adopted a "three lines of defence/control" model which can be summarised as follows:

First Line of Defence/Control

The overall management of risk is delegated to the Group CEO, the Group Management Board (GMB) members and their functions/teams who define the structures and processes to manage the risks for which they are accountable. The GMB is responsible for implementing the Group's Risk Management Framework ("RMF"), as determined by the Group Board.

The first line's functional/line management owns all the risks assumed through their day-to-day activity and decision making. They are responsible for establishing and maintaining an appropriate management of risk and active management of all their risk exposures, as well as for ensuring that their functions are organised in a manner that provides appropriate segregation of duties and adequate, effective controls, and that we comply with all applicable contracts, laws and regulations.

Second Line of Defence/Control

Second line risk challenge and oversight is undertaken, among others, by the Risk and Compliance functions. These teams, have independent reporting lines and seek to provide objective oversight of the efficiency and effectiveness of how risks are managed across the firm. The second line independently monitors the effectiveness of the first line's risk management and oversees their risk-taking activities.

Third Line of Defence/Control

The Internal Audit function provides independent, objective assurance and advisory services to the UK Group, the GMB, and the Group Board including its Audit Committee. It carries out operational and system audits in accordance with a risk-based internal audit plan. The UK Boards review the internal audit plan and receive quarterly reports from Internal Audit.

Risk Identification, Monitoring and Control

The Group utilises a number of approaches to monitor, report and manage risks in respect of its Risk Appetite. These include:

- Key Risk Indicators (KRIs) thresholds or limits are set as measures and are assigned to each risk appetite statement to alert management to the possibility of change in the assessment of 'Key' or 'Material' risks/harms that the firm is managing at both Group level as well standalone basis. This effectively sets tolerance limits (used to monitor adherence to risk appetite) to which the business needs to manage.
- Operational Risk and Control Self-Assessments performed by business teams which consider the potential impact (both direct and indirect) that internal and external events might have on GAM. This process starts with the identification of significant inherent (gross) risks and is followed by an assessment of the effectiveness of existing controls and/or other mitigating measures that could be taken, resulting in an assessment of residual risks.
- Risk meetings between the Risk team and business function heads incorporating the collation of operational risk framework adherence indicators and dashboards
- Items appearing within the Group internal and external audit reporting
- Identification, recording, resolution and analysis of incidents arising due to a lack of, or failure of a process or control. This includes where appropriate control enhancements.
- A Group Counterparty Risk Committee is established with the responsibility to oversee counterparty exposure and identify and monitor possible concentrations.
- The Internal Capital Adequacy and Risk Assessment process (ICARA) which is performed to understand our exposure to risks and manage potential harms that may arise from business operations.

Risk Universe

The Group's risk universe is the range of risks faced by our business.

As an asset manager we are exposed to proprietary / enterprise risks like any other business, and we are actively managing investments and the associated risks as an agent on behalf of our clients, being direct clients or fund investors. These investments are associated with market, credit, and liquidity risks (investment risks) which are borne by our clients. However, it is our duty to manage these investment risks conscientiously and carefully, in accordance with relevant obligations, laws and regulations, and thus we are exposed to agency risks. We also recognise and manage Risks to protect the orderly functioning of the financial service market(s).

The Group regards the risk of damage to its reputation – "Reputation Risk" – as more likely to result from one of the risks described below in this section materialising rather than as a standalone risk.

The risk universe can be grouped into five high level risk categories. The risk universe identifies the following five main risk categories covering:

Strategic and Business Risk – which represent external or internal events that could lead to an erosion in our market position, compromise the future profitability of the Group or impair the sustainability of our business

Market Risk – The risk of loss arising as a result of adverse market conditions

Credit/Counterparty Risk – The risk of default on a financial obligation. The principal source of credit risk arising from the placing of funds with banks, trade debtors and related party receivables

Financial Soundness – Capital Adequacy and Liquidity Risk – Risk of losses that could impair the Group's ability to conduct its business and maintain sufficient regulatory capital and meet its financial obligations

Operational Risk - The risk of losses resulting from inadequate or failed internal processes or procedures, people and systems, or from external events. They also include conduct, legal, information security, regulatory, compliance and tax risks resulting from failure to comply with relevant laws and regulations as well as contractual obligations, and internal policies and procedures

Our risk universe is dynamic and evolves as the business and market environment changes. The identification of existing and potentially newly emerging risk is an ongoing activity, involving all management levels within the organisation, as well as legal entities' (including our Group companies') boards, the UK Boards and the GMB.

Own Funds Requirement, Concentration and Liquidity Risk

The Own Funds Requirement, Concentration risk and Liquidity risk are monitored, managed in accordance with the below:

Own Funds Requirement (MiFID 4)

The Own Funds Requirement (OFR) determines the minimum own funds requirement for investment firms and is the higher of the Permanent Minimum Capital Requirement (PMR), Fixed Overhead Requirement (FOR) and the K-factor requirement (KFR). This is periodically, through monthly and quarterly cycles, monitored, managed and reported to relevant boards and internal committees.

Concentration Risk (MiFID 5)

GAM UK's exposure to Concentration risk may stem from the firms trading activities. As mentioned above, amongst other activities, the GAM Group Counterparty Risk Committee aims at identifying and monitoring possible concentration risks.

Liquidity Risk (MiFID 6)

Liquidity risk is the risk that GAM UK and its regulated entities will encounter difficulty in meeting obligations associated with financial liabilities. The UK Group manages this through a dedicated set of KRIs.

Governance Arrangements

The UK Group is managed holistically with shared management structures, support functions, control functions and systems and controls.

The UK Group's governance arrangements are set out in governance framework documents, board charters, terms of references, statement of responsibilities and an authorised signatories list which set out reserved matters, delegated authorities, individual responsibilities, accountabilities, reporting lines and authorisation levels which apply within the UK Group. The governance process and delegation of responsibilities is explained in the following sections.

Board Structure, Challenge and Review

UK Boards periodically review the effectiveness of their systems and controls, including the risk management framework, which establishes the principles of how risk is to be identified, assessed, monitored, and controlled/mitigated.

UK Boards have set out in board charters the matters reserved for their decision-making. These include but are not limited to:

- Reviewing and implementation of the governance arrangements that provide the effective and prudent management of their firm;
- The implementation of their firm's long-term objectives and the overall business strategy in light of GAM Group's long-term objectives and business strategy
- Approving their firm's purpose, values, culture, and code of conduct in light of GAM Group's values, culture and code of conduct established and approved by the Group Board;
- Approving and monitoring their firm's risk appetite statements;
- Approving their firm's regulatory capital requirements and capital management policies in line with the framework set by the Group Board; and
- Reviewing and approving the annual ICARA and public disclosure on behalf of the Company.

Board Risk Oversight

The UK Boards ensure that the control functions operate effectively and independently from operational areas and advise the Boards on the establishment, implementation, and maintenance of adequate risk management policies and procedures. In particular, the UK Boards oversee the maintenance of a sound system of internal control and risk management.

UK and Group Committees

The UK Boards also place reliance on, and in some cases, delegate certain responsibilities to the following GAM Group committees:

Name	Role	Meeting Frequency
Global Investment Management Oversight Committee	The Committee is responsible for overseeing investment performance and investment operations.	Quarterly
Distribution Oversight Committee	The Committee is responsible for ensuring that GAM's products are manufactured, marketed and sold in line with client expectations, the Group's risk appetite and industry good practice. The Committee oversees the effective delivery of services to clients.	Quarterly
Culture Steering Committee	The Culture Steering Committee monitors and provides feedback on culture-related initiatives across our global business. They work alongside HR to guide on the development, implementation, and oversight of a sustainable, ethical and compliance culture at GAM.	Every 6 weeks
Sustainability Committee	The Committee is responsible for ensuring that GAM is consistent and delivering on its Sustainability agenda.	Quarterly
Risk Oversight Committee	The Committee is responsible for advising the GMB and the Board on the Group's risk management strategy, risk appetite and associated limits, establishing and implementing the Group's principal risk and capital management policies, and providing oversight of the operation of the Group's risk management framework.	Quarterly
Conflicts of Interest Oversight Committee	The Committee is responsible for overseeing the effective management of conflicts of interest throughout the Group.	Quarterly

The GAM Group Oversight Committees are also supported by a network of governance forums and local committees to enable compliance with relevant statutory and regulatory requirements in countries of operations and to provide that entity specific matters are discussed at the appropriate level within the Group.

Board Diversity

As of 31 December 2022, the Board consisted of seven directors, 14% of whom are female.

GAM signed the UK Women in Finance Charter with the goal of increasing the proportion of women in senior management positions within GAM globally to 25% by 2022. At the end of 2022, 24% of our global organisational leaders were women.

We know there is more to do in continuing to improve female representation and diversity in more senior level positions and continue to actively work on our recruitment and development practices to support our efforts in improving our results.

Directorships held by members of the management body

Under MIFIDPRU 8.3.1 (2) GAM is required to disclose the number of directorships held by each member of the management body. GAM maintains a record of the number of directorships (executive and non-executive) held by each member of the Group Board.

The table below sets out directors with external directorships, in accordance with MIFIDPRU 8.3.1 (2) as of 31 December 2022.

Name of Director	Position within the Company	Number of directorships
Gary Withers	Non-Executive Director	6
Howard Jones	Head of Group Business Finance	1
Charles Naylor	Global Head of Communications and Investor Relations	1
Simon Ellis	Non-Executive Director	4
Sybille Hoffman	Non-Executive Director	5

Own Funds Requirements

In compliance with Overall Financial Adequacy Rule (“OFAR”), the FCA requires MIFIDPRU Firms to hold regulatory capital resources greater than the Own Funds Threshold Requirement (“OFTR”) which is the total capital requirement as defined in the IFPR. The OFTR for the Group is made of the Own Funds Requirement (“OFR”), the regulatory minimum, and any Additional Own Funds Requirement identified during the Internal Capital Adequacy and Risk Assessment (ICARA) process.

The basic own funds requirement under the IFPR is calculated as the higher of the (i) Permanent Minimum Requirement (“PMR”), (ii) Fixed Overhead Requirement (“FOR”), and (iii) K-Factor Requirement (“KFR”).

Permanent Minimum Requirement (“PMR”)

The PMR is the minimum own funds a firm must hold, based on the firms permissions and services. All UK regulated entities have a PMR of £75,000, except for GAM Sterling Management (“GSM”), which has a PMR of £150,000 due to its client money permissions.

Fixed Overhead Requirement (“FOR”)

The FOR is calculated as one quarter of a firm’s annual fixed expenditure as per the total audited expenditure and in accordance with the rules set out under MIFIDPRU 4.5, less allowable deductions permitted under MIFIDPRU 4.5.3.

Dec 22 £ 000's	GAM (U.K.) LIMITED CONSOLIDATED GROUP	GAM LONDON LIMITED	GAM STERLING MANAGEMENT LIMITED	GAM INTERNATIONAL MANAGEMENT LIMITED	GAM Systematic LLP	GAM Unit Trust Management Company Limited
OWN FUNDS	33,336	4,165	3,392	17,651	32,652	120
TIER 1 CAPITAL	76,386	4,165	3,392	17,651	32,652	120
COMMON EQUITY TIER 1 CAPITAL	76,386	4,165	3,392	17,651	32,652	120
Share capital *	43,000	2,025	50	3,750	42,112	90
Share premium *	277,323	-	-	43,767	-	-
Retained earnings *	-243,937	2,134	3,342	-29,866	-9,460	20
Accumulated other comprehensive income	-	-	-	-	-	-
Foreign currency translation reserve *	-	6	-	-	-	-
Capital redemption reserve *	-	-	-	-	-	10
Adjustments to CET1 due to prudential filters	-	-	-	-	-	-
TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-43,050	-	-	-	-	-
CET1: Other capital elements, deductions and adjustments	-43,050	-	-	-	-	-
ADDITIONAL TIER 1 CAPITAL	-	-	-	-	-	-
Fully paid up directly issued capital instruments	-	-	-	-	-	-
Share premium	-	-	-	-	-	-
TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	-	-	-	-	-
Additional Tier 1: Other capital elements, deductions and adjustments	-	-	-	-	-	-
TIER 2 CAPITAL	-	-	-	-	-	-
Fully paid up, directly issued capital instruments	-	-	-	-	-	-
Share premium	-	-	-	-	-	-
TOTAL DEDUCTIONS FROM TIER 2	-	-	-	-	-	-
Tier 2: Other capital elements, deductions and adjustments	-	-	-	-	-	-

* Note - as per wording in the audited financial statements

Own Funds reconciliation with the capital in the balance sheet

- Own Funds: reconciliation of own funds to the audited balance sheet	GAM (U.K.) LIMITED CONSOLIDATED GROUP	GAM LONDON LIMITED	GAM STERLING MANAGEMENT LIMITED	GAM INTERNATIONAL MANAGEMENT LIMITED	GAM Systematic LLP	GAM Unit Trust Management Company
<i>Breakdown by asset classes according to the balance sheet in the audited financial statements</i>						
ASSETS						
Non-current assets						
Property and equipment	31,908	-	-	-	257	-
Intangible assets	4,052	-	-	-	-	-
Trade and other receivables	-	-	-	-	-	-
Unsecured Loan	30,459	-	-	-	-	-
Financial assets at fair value through profit or loss	10	-	-	-	-	-
Total non-current assets	66,429	-	-	-	-	-
Current assets						
Cash and cash equivalents	33,942	2,990	1,658	13,581	4,411	180
Trade and other receivables	34,273	16,142	5,507	197,909	2,425	-
Assets held for sale	-	-	-	-	-	-
Financial assets at fair value through profit or loss	4,003	-	-	-	-	-
Current tax assets	2,116	-	-	-	-	-
Unsecured loan	-	-	-	-	41,511	-
Total current assets	74,334	19,132	7,165	211,490	48,604	180
TOTAL ASSETS	140,763	19,132	7,165	211,490	48,604	180
EQUITY AND LIABILITIES						
Equity attributable to owners of the parent						
Share capital	43,000	2,025	50	3,750	-	90
Share premium	277,323	-	-	43,767	-	-
Capital Redemption reserve	-	-	-	-	-	10
Foreign currency translation reserve	-	6	-	-	-	-
Retained earnings	-243,937	2,134	3,342	-29,866	-	20
Members capital as equity	-	-	-	-	42,112	-
Amounts owed by members	-	-	-	-	-9,460	-
Total equity	76,386	4,165	3,392	17,651	32,652	120
Non-current liabilities						
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Financial liabilities recognised at amortised cost	1,656	-	-	-	-	-
Long-term lease liability	26,096	-	-	-	-	-
Total non-current liabilities	27,752	-	-	-	-	-
Current liabilities						
Lease liability	-	-	-	-	85	-
Trade and other payables	31,135	14,967	3,773	193,814	13,691	60
Financial liabilities at fair value through profit or loss	-	-	-	-	-	-
Financial liabilities recognised at amortised cost	1,947	-	-	-	1,946	-
Short-term lease liability	2,528	-	-	-	-	-
Provisions	1,015	-	-	25	230	-
Total current liabilities	36,625	14,967	3,773	193,839	15,952	60
TOTAL EQUITY AND LIABILITIES	140,763	19,132	7,165	211,490	48,604	180

Own Funds Requirement

The following table provides a summary overview of the firms basic own funds requirement. The FOR was the largest figure for all UK regulated entities and the UK Group on a consolidated basis (provided for information purposes only):

Dec 22 £ 000's	GAM (U.K.) LIMITED CONSOLIDATED GROUP	GAM LONDON LIMITED	GAM STERLING MANAGEMENT LIMITED	GAM INTERNATIONAL MANAGEMENT LIMITED	GAM Systematic LLP	GAM Unit Trust Management Company Limited
(A) Permanent Minimum Requirement	450	75	150	75	75	75
(B) K-Factor Requirement						
- Risk-to-Client (sum of K-AUM, K-CMH and K-ASA)	3,183	147	89	2,857	90	0
- Risk-to-Market (Sum of K-NPR, K-CMG, K-TCD, and K-CON)						
- Risk-to-Firm (sum of K-COH and K-DTF)	138	1	0	123	14	0
(C) Fixed Overhead Requirement (FOR)	24,595	2,865	213	16,115	3,301	0
Own Funds Requirement – Higher of (A), (B) or (C)	24,595	2,865	213	16,115	3,301	75

Remuneration Policy and Practices

Qualitative information disclosures

This section sets out remuneration related disclosures for GAM Investments and all of its subsidiary companies including;

- GAM (UK) Limited
- GAM International Management Limited
- GAM London Limited
- GAM Sterling Management Limited
- GAM Systematic LLP
- GAM Unit Trust Management Company Limited

As a 'Non Small-and-Non-Interconnected ('Non-SNI') firm, GAM is subject to the Standard requirements. This disclosure captures the remuneration disclosure requirements as set out in 'MIFIDPRU 8.6 Remuneration policy and practices' under the IFPR for UK regulated entities.

Under the MIFIDPRU Remuneration Code, GAM Investment's relevant regulated entities are subject to the 'extended remuneration' requirements and therefore this disclosure has been undertaken in line with the provisions for the 'Non-SNI firms'.

Approach to remuneration and incentives

Decision-making procedures and governance around the development of remuneration policies and practices

Under the Group's framework the responsibility of compensation matters is held by the Board of Directors. For compensation-related issues, the Board is supported by the Compensation Committee ("CompC").

The Board is responsible for establishing the Group Compensation Policy, and regularly reviewing the Group Compensation Policy (with support of the CompC) in order to meet any important regulatory developments and the objectives of the Group. The Compensation Policy is reviewed and adopted by the Boards of the subsidiary regulated entities.

The CompC is delegated with the role of supporting the Board in setting compensation guidelines, establishing share-based compensation plans and approving the aggregate variable compensation expenditure of the Group as well as determining and proposing to the Board the individual total compensation payable to the members of the Board (other than its chairman) for approval. The CompC regularly reports to the Board on the status of its activities, the development of the compensation architecture within the Group as well as on the operational implementation of this Policy. The CompC consists of at least three members of the Board all of whom are Non-Executive Directors.

The Compensation Management Committee ("CMC") has delegated authority from the CompC to provide support and advice to the CompC to ensure that the compensation policy and practices across the Group operate in line with EU regulations that apply to its regulated entities and delegates. The CMC's members are appointed by the CEO and provide advice and guidance to the CEO and CompC as required, including for remuneration risk adjustment.

The Compensation Policy is reviewed annually as a matter of standard process, and at other times as required by regulatory or organisational changes or where enhancements are identified in the course of business. The Human Resources function, in particular the Global Head of Reward, leads on the review and any proposed changes to the Policy, working in conjunction with the Group Head of Compliance and the Risk team. Approach to remuneration for all staff and objectives of financial incentives

The annual appraisal process is used to evaluate and measure an employee's performance against defined objectives, and are set within four parameters:

- Client,
- People Team,
- Financial and
- Job Specific/Process.

An employee's primary annual objectives are agreed with the line manager at the start of each calendar year. Objectives are linked to the risk appetite and culture of the Group.

Performance against agreed objectives is monitored on an on-going basis and in consultation with the employee. Objectives may be changed during the course of the year if circumstances change. Formal performance reviews occur twice each year. At the end of each calendar year individuals complete a written self-evaluation including an assessment of their performance against the agreed objectives and they are required to grade their contribution and competency upon a fixed, Group-wide scale. Line managers discuss and formally record their assessment of an individual's performance against both objectives and the Group's Competency framework and may request input from additional nominated managers or peers of the employee concerned. The process results in a single performance rating being applied taking into account both elements. Group Human Resources oversees compliance with the process.

Within the context of the agreed discretionary bonus pool, outstanding contributors to the business will receive the most significant awards, while underperformance will result in reductions to bonuses, and could potentially lead to no bonus being paid.

Assessment of performance is wholly objective with no criteria that are directly or indirectly discriminatory against any group or characteristic. Performance reviews are subject to multiple layers of peer calibration amongst leadership teams with the support of HR professionals to ensure equal treatment and full objectivity.

Key characteristics of the remuneration policies and practices

The key components of remuneration

The Group's compensation framework is designed to attract, retain and motivate the talent which the Group needs in order to achieve its strategic goals as well as to create a tangible link between performance and compensation. Through a mix of fixed and variable components, the framework aims to promote long-term, sustainable performance by encouraging employees to focus on delivering outstanding results through appropriate and controlled risk taking.

Compensation is linked to the Group's overall performance as well as to the individual's professional skills, expertise and contribution. The long-term interests of employees and shareholders are aligned through the use of deferred compensation, share-based awards and share ownership guidelines for the

Group Management Board. A well-balanced mix of fixed and variable compensation is combined with deferrals as well as malus and clawback provisions to encourage sustainable performance and sound risk management.

All variable compensation is discretionary. Discretionary compensation decisions are based on individual's achievement of pre-set targets and contributions to the Group's development. This fosters a work ethic that is driven by high performance and tangible results. Variable compensation is paid based on the income earned in each financial year, excluding any income that reflects taking an up-front or net-present-value of theoretical future year profits. Cash bonuses that are driven by activities that leave meaningful amounts of future risk with the Group, either via direct balance sheet exposure or through the potential for other negative income events, are prohibited.

As part of the Group's compensation framework, there is a group-wide target compensation ratio of 45–50% of underlying net fee and commission income which ensures that reward will be appropriately divided between all employees and shareholders.

Compensation awards, particularly discretionary bonus payments, are designed to align the interests of employees with those of the Company's customers and the Group's shareholders. Annual bonus deferral for non- Group Management Board employees is into shares or fund units and the proportion of annual bonus deferred is one-third of any annual bonus over CHF 75,000, although the CompC may reduce the threshold or increase the proportion deferred at its discretion depending on the Group's circumstances. Deferred shares or fund units will be released in equal tranches over three years. From time to time senior employees may receive long-term incentive awards that are structured on a basis consistent with those granted to Group Management Board members. These measures help to ensure that employees will only be rewarded for the delivery of sustainable value and growth. The Group operates two discretionary variable compensation pools, set out below.

Balance of fixed and variable components of total remuneration

Salaries, as the principal element of fixed remuneration, are normally reviewed annually, with a reference to external market data alongside internal equity, and are managed at a level whereby zero bonus is a practical possibility for any employee. The balance between fixed and variable elements varies across functions, with investment professionals and senior staff having higher potential variable to fixed ratios.

Fixed remuneration includes:

- Fixed compensation includes base salary, which reflects seniority, experience, skills and capability in the role in context of market conditions, together with fixed allowances for certain employees in Switzerland consistent with customary local practice.
- Benefits – our benefits package focuses on what is important to the Group's employees, and GAM Investments is committed to offering a market-leading benefits package with a core focus on health and wellbeing. The same range and level of benefits is available to all UK employees regardless of seniority. The Group offers a competitive defined contribution pension scheme as a default from day one enrolment. We ensure that our pension policy is in line with its business strategy, objectives, values and long-term interests and, where required under local regulation, will not deliver discretionary benefits in excess of accrued pension benefits

Variable remuneration includes:

- Variable compensation is awarded annually and is dependent on Group, business area and individual performance. The typical ratio between fixed and variable compensation varies according to the employee's seniority and function. Variable compensation funding for our main discretionary bonus plan is determined, alongside consideration of the Group's performance against its strategic

objectives, based on the income earned in each financial year, excluding any income that reflects taking an up-front or net-present-value of theoretical future year profits. Variable remuneration principally includes both cash and deferred elements of annual bonus, with LTIP awards made by exception to certain key senior individuals: no LTIP awards have been granted since 2019 based on the Group's performance over the period.

- Although not required to do so, GAM applies mandatory deferral to all its employees with variable remuneration in excess of a given threshold. That threshold is as standard CHF 75,000, with 1/3rd of any excess award deferred for three years: deferrals are in Group shares for the vast majority of employees, and for investment management scheme participants in the employee's choice of GAM shares or units in the team's own funds. Overall Independent non-executive Directors of the group entities receive only fixed remuneration and do not receive any kind of variable remuneration linked to their role. Any remuneration granted to non-executive directors will be fixed and not linked to the short-term results of GAM in order to maintain independence.

There are no employees that receive only variable or (unless bonus pools are zero in respect of that employee's team, or a zero award is given for funding or performance reasons) only fixed remuneration.

Summary of financial and non-financial performance criteria

Setting the discretionary bonus pool is undertaken holistically at Group level, including consideration of the Group's need to ensure a strong capital position and liquidity is maintained in each of its operating businesses. The key financial performance measures which are used to calculate the discretionary pool is determined on a discretionary basis, taking into consideration the Group's operating profit amongst other measures. Financial performance as an input to the discretionary bonus pool-setting is assessed at Group level, as GAM's operating businesses are closely related to and are provided with support for both capital and liquidity by the Group. For investment management teams, financial performance is measured at team (desk) level, with the modifier from Group-level performance for those teams on the scorecard-based model.

The pools for investment managers are based on the following criteria;

- Revenue,
- Net of the team's operating costs

Investment manager pools outside the scorecard model are 100% based on financial measures; for those on the scorecard, financial performance of the team drives 50% of the pool directly, with the remaining 50% dependent on financial performance for potential funding but the investment performance and qualitative measures delivering the actual funding outcome.

In addition, the non-financial measures such as culture, values and the achievement of the Group's strategic objectives are taken into account as part of the holistic decision in setting the discretionary bonus pool.

Please note that for the investment managers that have a more broader scorecard model, they have a modifier in the 25% qualitative component that reflects GAM's overall financial performance, and which sets the ceiling on the available funding under that qualitative section. 25% is based on delivery of relative investment performance to customers, and the actual achievement of the qualitative section available after the GAM performance modifier has been applied is based on assessment of each team's delivery against cultural standards, risk and control and ESG factors amongst other measures.

The discretionary pool has no weightings, although delivery of financial performance justifying setting a bonus pool is the primary factor.

Risk Management Framework

The Group regards effective risk management and control as fundamental to all its stakeholders, including shareholders and clients, and as being central to the successful achievement of its business objectives.

Compensation systems and incentives play an important part in creating ownership throughout the Group for the risks assumed in day-to-day business and ensuring the independence of its control functions. With this, we strive to align the Group's strategy, ambitions and business activities with its tolerance and capacity for risk.

A well-balanced mix of fixed and variable compensation, combined with mandatory deferrals for higher-paid employees on which malus and clawback provisions are in place, encourages sustainable performance and sound risk management. Cash bonuses that are driven by activities that leave meaningful amounts of future risk with the Group, either via direct balance sheet exposure or through the potential for other negative income events, are prohibited. No transactions (e.g. hedging transactions) which run counter to the effectiveness of the elements of the remuneration system should be carried out.

The Company's risk appetite and strategy are reflected in the management of remuneration in several ways, in particular;

- the maintenance of base salaries at a level ensuring that zero bonuses are a practical possibility when performance justifies it;
- the discretion to set the primary discretionary incentive pool according to business performance including its overall risks and capital position;
- and the inclusion of ESG elements within the Group Management Board's 'Strategic Objectives' as part of their annual scorecard. ESG factors are also a consideration for the allocation of investment management incentive pools. The maintenance of sound risk and control environments are also a requirement for all employees, in particular Material Risk Takers, which may lead to the risk adjustment of remuneration: where long-term effects of decisions taken prove to be negative and where the employee, team or company has acted negligently there is the possibility to apply malus or clawback.

The circumstances under which Malus and Clawback provisions may include but are not limited to;

- Guilty of gross misconduct;
- Cause of material loss for or significant reputational damage to the Group as a result of: (i) reckless, negligent or wilful actions; or (ii) inappropriate values or behaviour; (whether directly or indirectly and whether wholly or in part).
- Materially misstated financial results for any reason;
- Material corporate failure;
- Performance assessment error, based on inaccurate or misleading information or assumptions.

Culture and values at an individual level are strongly reflected in the performance assessment underpinning allocation of all incentive pools

Policies and criteria applied for awards of guaranteed variable remuneration and severance pay

To the extent that any buy-out awards are made in deferred vehicles or have GAM's deferral policy applied to them; and any deferred awards from prior employers bought out are compensated for through GAM deferral vehicles with at least the same duration. Guaranteeing variable remuneration e.g. bonuses (where permitted locally) as a buy-out is undertaken only for new hires, in exceptional circumstances, and then only at minimum levels and for a single year and will be limited to the first year of employment. This is all provided that the firm has a strong capital base,

Retention awards may be made to Material Risk Takers only in exceptional circumstances. Where such awards are made, they should be contingent upon continued service to a pre-defined time or event, and where appropriate on delivery of defined performance criteria.

Severance pay that is outside of the standard redundancy terms is not payable. Forms of variable remuneration awards

A "general" discretionary bonus pool:

The overall pool for discretionary bonuses is determined by the Group's operating performance, its financial strength and prospects for future profitability as well as the competitive landscape. The available bonus pool is approved by the Compensation Committee ("CompC") and depends on the Group's performance over the past financial year, with individual payments from that pool reflecting an employee's performance against defined objectives. Given the nature of the Group's business, the CompC, at present, continues to deem the Group's underlying pre-tax profit along with the delivery against the Group's strategy and the context and risks of the Group's financial performance as the most suitable bases for determining the size of the overall discretionary bonus pool.

On an individual level, outstanding contributors will always receive the most significant awards, while underperformance will result in reductions in bonuses, and could potentially lead to no bonus being paid or a bonus being clawed back. Bonuses may be paid in cash and/or shares of the Group. In setting individual bonus levels, Group Human Resources consults with the Group's Risk and Compliance functions to receive input on the risk profile of specific business areas and to take into account any concerns expressed on the conduct of individual employees.

In respect of the 2022 performance year, no bonus was payable under the general discretionary bonus pool, reflecting the Group's loss-making financial performance. Bonuses were payable under the investment funds' bonus arrangements, where a positive share of management fee was generated.

Long-Term and Deferred Awards:

The Group operates a mandatory deferral policy for variable remuneration and maintains a programme enabling the Compensation Committee to grant Long-Term Incentive Awards (LTIPs) to certain employees.

Variable Remuneration Deferral awards, particularly discretionary bonus payments, are designed to align the interests of employees with those of the Company's shareholders and customers. Annual bonus deferral for non-Group Management Board employees is into shares or (for investment professionals) fund units, and the proportion of annual bonus deferred is one-third of any annual bonus over CHF 75,000, although the CompC may reduce the threshold or increase the proportion deferred at its discretion depending on the Group's circumstances.

Deferred shares or fund units will be released in equal tranches over three years. From time-to-time employees may receive long-term incentive awards that are structured on a consistent basis to those granted to Group Management Board members. These measures help to ensure that employees will only be rewarded for the delivery of sustainable value and growth.

In addition, variable compensation deferrals are subject to the malus and clawback provisions allowing the Company to reduce, cancel or claw back the awards, vested or unvested, in circumstances where an employee's behaviour has caused, wholly or in part, a material loss to the Company or has otherwise demonstrated a material breach of risk, control or conduct requirements.

Occasionally senior employees may also receive LTIP awards that are structured on a consistent basis to those granted to Group Management Board members. These measures help to ensure that employees will only be rewarded for the delivery of sustainable value and growth.

LTIP awards, in the form of performance shares, will be an integral part of the GMB compensation package. Vested awards will not be released until five years after grant, three-year performance period with an additional two-year hold. Performance measures will be annual underlying earnings per share (EPS) growth (50%); three-year relative total shareholder return (rTSR) performance (25%); three and five-year investment performance (25%). A maximum of 25% of the LTIP will vest for shareholders achieving a threshold level of performance increasing to 50% for target performance and 100% for exceptional performance. The LTIP award contains malus and clawback provisions, allowing the Company to reduce, cancel or claw back the awards, vested or unvested, in circumstances where an employee's behaviour has caused, wholly or in part, a material loss to the Company or has otherwise demonstrated a material breach of risk, control or conduct requirements.

In respect of performance year 2022, there were no LTIP awards granted.

Calculation of Variable Remuneration

The majority of variable remuneration is determined by three main criteria's;

1. a discretionary basis,
2. top-down,
3. by recommendation from the CEO and CFO to the Compensation Committee, taking into account the Group's operating profit amongst other measures.

If determined by recommendation, it takes into account the financial performance and profitability of the overall Group during the year and delivery against the Group's strategic objectives, in context of maintaining the Group's ability to ensure strong capital positions in its operating companies. Where the sum of those factors does not support setting a bonus pool, no pool is required to be set, as was the case for the 2022 performance year.

Variable remuneration pools for the investment management teams are calculated bottom-up, based on a pre-determined proportion of each team's net revenue and a set percentage of any performance fee, net of each team's operating costs. For certain teams the determination also incorporates, through a scorecard approach, delivery of relative investment performance (25%) and a component dependent on both the Group's financial performance and on the team's delivery against qualitative objectives (25%). Pools are overseen and approved by the Compensation Committee. Which sets the ceiling on the available funding under that qualitative section.

Performance Adjustment Framework

Performance adjustment is a group-wide policy, applying to all regulated staff for UK and EU-regulated activities. The policy may be applied through in-year adjustments to awards, or as malus or clawback arrangements on deferred awards, for a period of 5 years from grant.

Any performance adjustment is recommended by the Compensation Management Committee, comprised of the Global Heads of HR, Compliance and Risk, that recommendation being made to the Group CEO who has authority to determine and apply any such adjustments. Adjustments are reported to and approved by the Group's CompC.

Material Risk Taker (MRT) Identification

MRT identification was undertaken based on the criteria set out in SYSC19.5.3-5, initially by the Group HR team with support from the Group Risk and Compliance functions, with review and verification by the Boards of the respective regulated firms which approved the MRTs for 2022. For each function identified in SYSC19G, by regulated firm, the relevant individual with responsibility for leadership and oversight of that activity was identified, including where relevant any non-UK based employees.

MRTs are approved by the respective Boards and the terms reflected in the Group's Compensation Policy. Under the MIFIDPRU Remuneration Code, MRTs have been identified as those who fall into the following categories including (but not limited to):

- Executive and Non-Executive Directors of the Group and relevant regulated entity boards
- Other Senior management of the entity
- Those with managerial responsibility for control functions and certain key risks i.e. money laundering, IT and IT security, outsourced regulated activity such as key investments and sales activities.
- Head of Investments.

Once identified, the approved MRTs are provided the terms which are reflected in the Group's Compensation Policy, a copy of which is made available to all employees. For the performance year 2022, 20 individuals were identified as MRTs in accordance with the MIFIDPRU Remuneration Code. MRTs were approved were notified of their identification and the implications of this status.

The list of MRTs is subject to regular review, including input from HR and Group Risk and Compliance, to ensure the lists remain up to date throughout the year.

Quantitative information disclosures

Total amount of remuneration awarded to MRTs and all staff

The balance and maximum ratios for 2022 were set taking into account market practice for the specific roles as a reference point, with overriding reference to the Group's expected performance and affordability in the year and the probability in GAM's circumstances of there being other elements such as retention awards for specific purposes.

The ratios between the variable and fixed components of total remuneration are set by the regulated entities and Board as follows;

MRT Pay Ratios (2022)

Group	Max Ratio 2022
CEO	5.5 : 1
GMB	4.0 : 1
Control Functions	2.5 : 1
Sales	2.5 : 1
Investments	4.5 : 1
Infrastructure Functions	3.2 : 1

Discretionary pension benefits awarded to MRTs (SYSC 19G.6.35 R)

There are no discretionary pension benefits granted to Material Risk Takers or any other members of staff, as defined in the Group's Compensation Policy. Information on whether the firm uses the exemption for individuals in SYSC 19G.5.9R

In line with the exemption under MIFIDPRU 8.6.8R(7), information on whether the firm uses the exemption for individual material risk takers set out in SYSC 19G.5.9R has not been disclosed.

Quantitative information disclosures**Total amount of remuneration awarded to MRTs and all staff**

	MRT (£m)	Other Staff (£m)	Senior Management (£m)	Grand Total (£m)
Fixed	3.99	21.15	3.58	28.72
Variable	0.59	7.51	5.02	13.12
Total Remuneration	4.58	28.66	8.60	41.84

Total amounts and forms of variable remuneration awarded to MRTs and Senior Management

	Material Risk Takers	Senior Management	Total
Headcount of Employees	20	19	39
Cash-based Variable Remuneration (£M)			
Deferred	0.25	0.21	0.46
Non-deferred	0.34	4.81	5.15
Total Cash-based Variable Remuneration	0.59	5.02	5.61
Share-linked Variable Remuneration (£M)			
Deferred	0.93	5.44	6.37

The amount of deferred remuneration awarded to MRTs

The table below illustrates the amount of deferred share-linked remuneration which vested in the financial year of 2022, which is in respect of which this disclosure has been made. There were no vests that had been withheld as a result of performance adjustments.

	Material Risk Takers	Senior Management	Total
Amount of deferred remuneration awarded for previous performance periods (£M)			
2022 Financial Year - of which disclosure is made	0.52	3.07	3.59
Due to vest in subsequent years	0.22	1.60	1.82

Investment Policy

The UK Group Companies are not required to provide a disclosure on Investment policy as they do not meet the conditions under MIFIDPRU.