Nomura Asset Management U.K. Limited

MIFIDPRU 8 Disclosures

As at 31st March 2023

Contents

1. Introduction

1.1. Background

The Investment Firms Prudential Regime ("IFPR") sets out requirements for investment firms to disclose additional information relating to their risk management approach, capital adequacy, remuneration approaches and board diversity. This represents an evolution from its predecessor regime, the Capital Requirements Directive ("CRD") and Capital Requirements Regulation ("CRR"), usually referred to together as CRD IV and is intended to help enable stakeholders, including investors and counterparties to make informed decisions about their relationship with Nomura Asset Management U.K. Ltd. ("NAM UK" or the "Firm") on the basis of the harm that NAM UK may pose to customers and markets. This supports effective market discipline and facilitates constructive engagement by all stakeholders.

This information is known as our "MIFIDPRU Disclosures" and is intended to contain an overview of the following aspects of NAM UK as at 31 March 2023:

- Risk management objectives, policies and processes for managing material risks identified through the course of assessing NAM UK's own fund requirements (MIFIDPRU 4), concentration risk (MIFIDPRU 5) and Liquidity (MIFIDPRU 6);

- Internal governance arrangements and a summary of the policy promoting diversity in NAM UK's management body and its application;

- Own Funds and Own Funds Requirements, including its K-Factor and Fixed Overheads Requirements; and

- The key characteristics of NAM UK's remuneration policy and practices and specific quantitative information in support of this.

This document sets out the Investment Firm Prudential Regime ("IFPR") disclosures for NAM UK in accordance with the FCA Prudential Sourcebook for MiFID Investment Firms chapter 8 (MIFIDPRU 8).

1.2. Scope of application

The MIFIDPRU disclosures set out in this document are provided solely in respect of the NAM UK, which is a non-SNI MIFIDPRU investment firm with a £75k permanent minimum capital requirement and to hold a minimum of one third of its fixed overhead costs as Basic Liquid Asset Requirement ("BLAR").

1.3. Frequency of disclosure

This disclosure is subject to review and update at least annually. Regulatory capital requirements and firm-level own funds set out within this disclosure reflect NAM UK's position as at 31 March 2023. Other disclosures covering NAM UK's approach to assessing the adequacy of its own funds are based on the NAM UK Internal Capital Adequacy and Risk Assessment ("ICARA") review dated 24 November

2022. The Company will continue to assess the risk profile and exposure, reassessing our capital and liquidity adequacy in light of any significant business and operational changes. NAM UK is committed to report and assess regularly with a comprehensive ICARA to be approved annually, the disclosure will be published on NAM UK's website.

1.4. Board approval

These disclosures were approved for publication by the NAM UK Board (the "Board") on 13 July 2023. The Board has verified that the disclosures are consistent with formal policies and are satisfied with the adequacy and effectiveness of the risk management arrangements.

1.5. Company description

Nomura Asset Management U.K. Ltd. ("NAM UK") is authorised and regulated by the Financial Conduct Authority ("FCA") in the UK. It is a wholly owned subsidiary of Nomura Asset Management Co., Ltd. based in Tokyo, ("NAM TKY"). As NAM Tokyo is based outside of the UK and EU, NAM UK does not consolidate its financial reporting with NAM Tokyo for FCA purposes.

Nomura Asset Management Ireland Ltd. ("NAM Ireland") is an Irish domiciled company providing management company services to a small number of Irish based collective investment schemes. It is a 100% subsidiary of NAM UK and thereby consolidated into the NAM UK financial regulatory returns. NAM Ireland is not a significant subsidiary and is not included in the disclosure.

2. Governance Arrangements

2.1. NAM UK Board of Directors

MIFIDPRU 8.3 requires NAM UK to disclose its governance arrangements. The Board of NAM UK (the "Board") is the governing body of NAM UK and is responsible for providing oversight and management for the firm in accordance with the current strategic plans and objectives.

The Board is responsible for:

- Managing NAM UK's risks and setting the tone and influence of culture and conduct within the firm
- Setting the business strategy;
- Setting the business's risk appetite;
- Overseeing and controlling the firm's financial performance;
- Identifying and managing any conflicts of interest that exist within the firm; and
- Governing the firm's compliance with regulatory requirements and risk management.

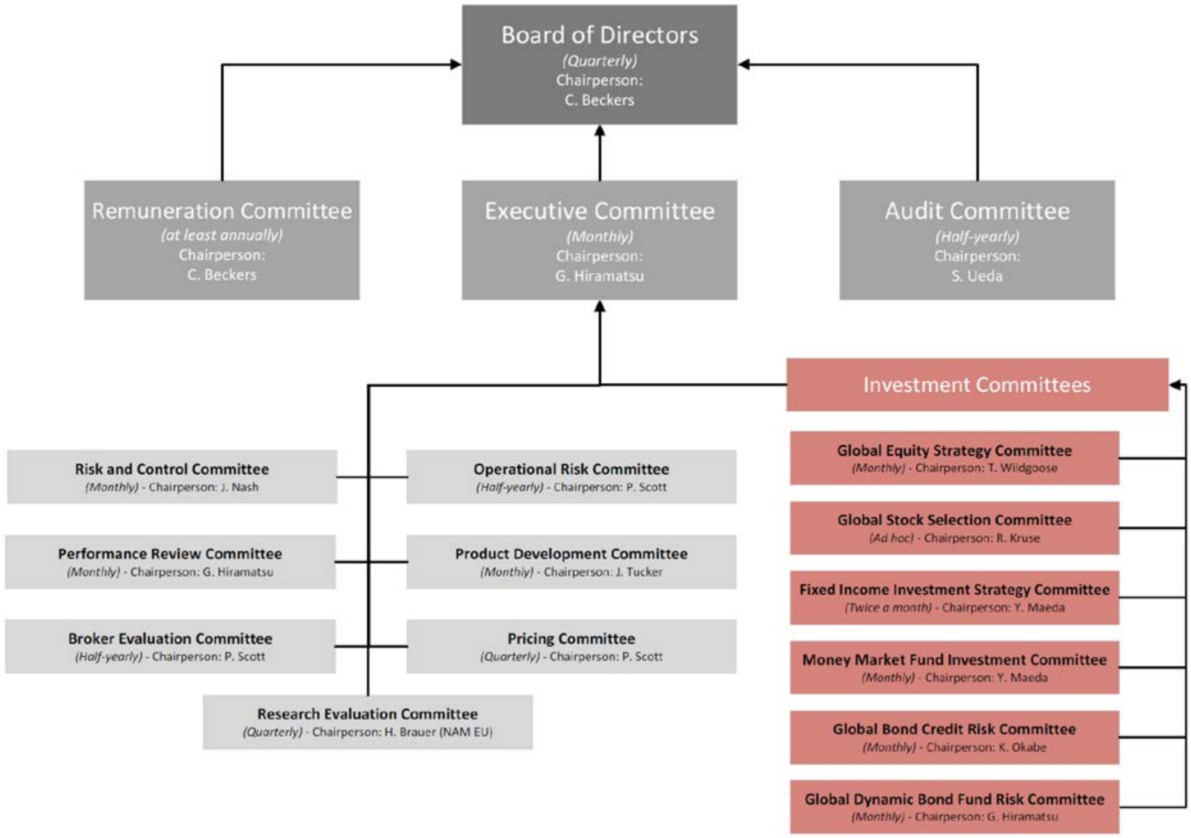
The Board is supported by various committees that monitor specific activities/risks within NAM UK and these committees are responsible for escalating the status of the activities/risks they monitor to the Board.

2.2. NAM UK Committees

As part of the ICARA risk assessment, the review of the risks which may impact the firm's capital adequacy was performed by the Executive Committee. NAM UK is not subject to 7.1.4R as NAM UK does not meet the threshold conditions set out under this rule and is not required to disclose information on investment policy.

A summary of the ICARA risk assessment has been included in and whether the risks from the following forums in Figure 1 and the potential impact to the firm's capital.

Figure 1: NAM UK committee structure



During the ICARA review process, the NAM UK Finance team leads a review of the material harms which could impact NAM UK's business plan and the minimum requirement for capital and liquidity thresholds.

This includes:

- Macroeconomics and Fiscal policies causing harms to both clients and firm
- Falls in investment Performance causing harms to both clients and firm
- Key Client Losses causing harms to both clients and firm
- Pricing Risk causing harms to both clients and firm
- Internal and operational Failures causing harms to both clients and firm

NAM UK holds the following committee meetings on a periodic basis as felt necessary given the level of risk attached to the business activities/processes overseen by the committees. An overview and brief explanation of the committees shown in Figure 1 above can be found in Appendix A.

2.3. Adequacy of risk management arrangements

As at the reporting date, the Board considered that it had in place adequate and appropriate systems and controls with regard to the firm's strategy and that the firm is properly resourced and skilled to avoid or minimise loss. The Board feels the firm's risk governance framework allows it to identify and manage conflicts of interest in an appropriate manner to promote the integrity of the market and interests of NAM UK's clients.

2.4. NAM UK Directors' external directorships

NAM UK is not a significant SYSC firm and therefore is not required to comply with 4.3A.6 R and the requirements under MIFIDPRU 8.3.1 R (3) and whether the FCA has granted a modification or waiver for directors to hold additional directorships.

NAM UK has four Directors in total: One Independent Non-Executive Director & Chair, one Non-Independent Non-Executive Director (representing the shareholder, Nomura Asset Management Co., Ltd., part company of NAM UK), and two Executive Directors – see Table 1.

Table 1: NAM UK Directors' external directorships

Name	Role at NAM UK	Number of External Directorships (for profit organisations only)
Constant Beckers	Independent Non-Executive Director, Chair of the Board	3
Yuichi Nomoto	Non-Independent Non-Executive Director (representing NAM Tokyo)	0
Kenichi Suzuki	Executive Director, Chief Executive Officer	0
Go Hiramatsu	Executive Director	0

2.5. Diversity

NAM UK is committed to promoting equality and diversity as well as a culture that actively values differences and recognises that people from different backgrounds and experiences can bring valuable insights to the workplace and enhance the way we work. NAM UK's goal is to create and maintain an open, supportive and inclusive work environment where all staffs have an equal opportunity to succeed regardless of their culture, race, ethnicity, gender and sexual orientation, disability, religious or spiritual beliefs.

The Board will adopt a diversity management policy to promote a diverse and inclusive membership for the firm's executive and management committees which sets out goals in terms of achieving a balance of age, gender, ethnic and geographical provenance, educational and professional backgrounds, skills, knowledge and experience from all directors.

NAM UK recognises this as an area of ongoing development for the firm and financial services industry generally and will report annually on its progress.

3. Risk management

3.1. Key components of operational risk management within NAM UK

3.1.1. Risk identification

Each department within NAM UK produces a Risk-Control Self-Assessment (“RCSA”) which is owned by the Head of each Department. The RCSA identifies all key risks with the team. Each risk assigned a risk category, which is linked to the firm’s risk appetite/tolerance.

3.1.2. Risk assessment and control

Each risk identified is assessed on its inherent impact and likelihood. This allows for an inherent score using a 5x5 impact and likelihood matrix.

The controls in place to mitigate the risks are then identified, logged and assessed for design effectiveness and performance effectiveness.

The risk is then scored on a residual basis, taking into account the effectiveness of relevant key controls and using the same 5x5 matrix.

3.1.3. Risk remediation

The residual risk score is assessed against the firm’s risk appetite/tolerance. Where a risk is above this appetite/tolerance remedial action is identified, such as to improve the effectiveness of the controls or to mitigate the risk by reducing the impact or likelihood of the risk occurring, where possible.

3.1.4. Risk monitoring and reporting

RCSAs are formally reviewed every six months. However, where there is a material change in the period the risk owner, control or Compliance team may request a more frequent review of specific risks.

The individual team RCSAs are used to produce a risk heat map which identifies where risks lie on the 5x5 matrix. The Operational Risk Committee reviews this risk heat map at his half-yearly committee meeting to challenge the level of risk the firm is exposed to.

The latest risk heat map is presented at the quarterly Board meeting and every three months at the Executive Committee meeting – see Figure 2.

3.2. Three Lines of Defence

NAM UK has adopted a three lines of defence model to ensure responsibilities for supporting and develop a culture of risk-awareness to manage risk effectively:

1. Risk owners – Heads of Departments

- The Heads of Departments (who are identified as risk owners within the risk profiles used in by Operational Risk Committee) are responsible for identifying, managing and monitoring risks within their department on a daily basis;

- To assist the Heads of Departments staff members in their teams are there to support the Heads of Departments to identify, manage and monitor risks through their daily tasks; and

- Staff members are required to inform their Head of Department of actual or potential weaknesses so the Head of Department can escalate the issue to the Executive Committee/Senior management and the Operational Risk Committee. The risk can then be assessed and action can be planned to mitigate the risk.

2. Risk oversight – Senior management and the Compliance Department

- The second line of defence consists of activities by several components of NAM UK's internal governance framework (e.g. Compliance, IT and the Finance department);

- NAM UK introduced a Risk and Control Committee (RCC) in 2010 to review NAM UK's risk and control activities, outstanding action points or issues arising from various risk and control forums and review and approve error reports and preventative measures arising. The RCC meets on a monthly basis its current members are the Chief Executive Officer, Head of Compliance, Chief Administrative Officer, Head of Finance, Head of Human Resource and Executive Committee members, the Risk Officer and Head of Corporate Planning. The RCC provides additional oversight of the control environment; and

- The second line of defence monitors and facilitates the implementation of effective risk management practices.

3. Risk assurance – Internal Audit Department

- NAM UK outsources its Internal Audit oversight to NIp's Internal Audit Department. Internal Audit conduct a rolling programme of departmental audit reviews;

- Internal Audit provides assurance to Senior management and the Board that the first and second lines of defence are effectively identify, managing and monitoring risks within NAM UK;

- Internal Audit assesses the design and effectiveness of NAM UK's controls;

- Internal Audit department is independent to all NAM UK departments and reports directly to the Board of Directors and Audit Committee;

- Additional assurance is provided by our external auditors, PwC and EY through their reviews of our internal controls framework and financial reporting process respectively; and

- ICARA governance and ownership.

3.2.1. Risk Assessment Summary

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

To ensure the above, NAM UK 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 NAM UK's risk framework, including the Internal Capital and Risk Assessment Process ("ICARA"), the firm's Risk Control Self-Assessment ("RCSA") process, Operational Risk Events, and Key Risk Indicators ("KRIs"), as well as through the various risk reporting components of the risk committees.

A summary of this assessment is included in Appendix B.

3.3. ICARA

NAM UK's Board of Directors are primarily responsible for the review, challenge and approval of the ICARA document. The Board of Directors delegate part of this responsibility to NAM UK's Executive Committee and requires the Executive Committee to review the draft ICARA update and updates to individual sections before these are submitted to the Board of Directors.

The Executive Committee will review and challenge the updates. Additionally individual Executive Committee members will consider whether changes in the firm's day-to-day business activities (e.g. changes would reduce the effectiveness of controls, changes to the firm's business activities/strategies managed which may increase risk, changes to clients AUM (termination of accounts, client redemptions, significant changes to key personnel or those affecting team resources, etc.) as to whether these could impact NAM UK's capital, and escalate immediately to the Executive Committee for review and discussion.

The production of the ICARA and the relevant sections are allocated internally within NAM UK. They are mainly assigned to the Finance and Compliance Departments, however, these teams will request information from relevant teams as required. Regardless of the allocation of the ICARA document, the Board of Directors and Executive Committee are responsible for providing challenge of the ICARA document and should they feel additional information or analysis is required they are expected to request this.

Through the ICARA risk profile assessment, risks which are scored medium or higher, or are above the risk tolerance are considered to be potentially material harms. Additionally through the assessment performed by the Finance team to consider the risks which may impact the firm's capital are also considered.

Similar to the operational risk RCSA process, an ICARA risk assessment process is performed. This requires NAM UK's Board to consider the level of risk tolerance it is willing to take. NAM UK's Executive Committee creates the ICARA profile and scores the impact, probability and controls for each risk. A net risk score is then derived using the following table:

Figure 2: NAM UK risk heat map

Risk Heat Map

Impact	5	High	Medium-High	Medium-High	High	High	High
	4	Medium-High	Medium	Medium-High	Medium-High	High	High
	3	Medium	Low	Medium	Medium	Medium-High	High
	2	Medium-Low	Low	Low	Medium	Medium	Medium-High
	1	Low	Low	Low	Low	Medium	Medium-High
			Low 1	Medium-Low 2	Medium 3	Medium-High 4	High 5
			Probability				

4. Key Harms and Risks

MIFIDPRU 8.2.1R requires NAM UK to disclose its risk management objectives and policies for the categories of risk addressed by:

- MIFIDPRU 4 (Own funds requirements);
- MIFIDPRU 5 (Concentration risk); and
- MIFIDPRU 6 (Liquidity).

4.1. Key Harms and Risks identified within MIFIDPRU 4 – Own funds requirements

NAM UK has identified and assessed the following categories of risk within its assessment of own funds requirements:

4.1.1. Regulatory risks

Our products need to be designed within the guidelines of UK and EU regulations. In the recent years, there are higher focus on ESG and due to EU regulations, our UCITS funds are subject to the Sustainable Finance Disclosure Regime ("SFDR"). There has been a surge in demand for "green" or "social responsible investing" products as investors make decisions based on Environmental, Social and Governance driven ("ESG") factors. SFDR requires companies to categorise funds into article 6, 8 and 9 in order to distribute into EU.

4.1.2. Market/systematic risks

Although the Firm does not maintain proprietary positions in securities, and hence does not have direct exposure to market risk, market conditions affect the value of assets managed on behalf of clients from which the Firm earns its revenue. Demand patterns are quickly changing and failing to recognise the changes is a significant risk. The Firm operates in a competitive environment and it is important for the Group to maintain its competitive position. The Firm needs to minimise these risks by providing an innovative and well diversified product range, taking advantage of the strength of Nomura Asset Management's worldwide network and branding.

Faced by our portfolio management team due to the volatility of markets and will harm our clients if assets are not managed appropriately. There are inherent risks which might cause harm to both clients and our company, such as key person risk and underperformance which will diminish our clients' return.

4.1.3. Price risks

For funds-based business, the Company typically receives a base fee calculated on the value of assets under management (AUM). This provides a stable fee income irrespective of performance. Our fees remained competitive and reviewed as part of the product development process. However, institutional clients who appoint the Company to manage Fixed Income, Japanese or Pacific Basin equity mandates often prefer to negotiate a lower base fee with a performance fee attached. Fees are assessed over a three-year rolling period using annual calculation and payment points. In periods of underperformance, the Company will not receive the performance fee and therefore will suffer a loss of income. To limit this impact, the Company aims to avoid over-reliance on performance fees.

4.1.4. Operational risks

Management of operational risk, defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, is a key measure used by regulators to assess regulatory capital and risk monitoring programmes for regulated firms.

The Firm has continued to invest to reduce such risks by the further development of IT systems and infrastructure. Robust project management has been in place to assist with the smooth implementation of these changes.

4.2. Key Harms and Risks identified within MIFIDPRU 5 – Concentration risk

Concentration risk is any single or group of exposures that may have the potential to produce losses large enough to threaten an institutions' health or ability to maintain its core business. This includes large (connected) individual exposures or significant exposures to groups of counterparties, whose likelihood of default is driven by common underlying factors, e.g. sector, economy, geographical location and instrument type. Concentration risk carries the potential to cause harm to NAM UK, and should the exit of key clients occur, it could also cause harm to its remaining clients.

Broadening the offering in key asset categories will help to diversify profitability risk, therefore NAM UK continues to actively promote specific products in areas such as global equities and unconstrained fixed income. By diversifying, this will reduce the harm to the business whereby the company can reduce key client and product risk.

4.3. Key Harms and Risks identified within MIFIDPRU 6 – Liquidity risk

This represents the risk that adequate liquid funds are not available to settle liabilities as they fall due or when the Company experiences sudden unexpected cash outflows. This may cause harm to NAM UK. The majority of NAM UK's assets are held in high quality, highly liquid, short-dated cash instruments and hence there is limited liquidity risk exposure.

Cash inflows from fee income from customers less cash outflows from fees payable to NAM Tokyo and other expenses are ordinarily net positive. The only significant seasonal variation is the payment of a dividend to the parent company, which would not be paid in the event of any liquidity stress.

The Company's liquidity position versus its liquidity requirement is reported to the Board at each quarterly meeting and early warning indicator reporting is in place should liquidity levels start to approach minimum required levels.

5. Own funds and own funds requirement

5.1. K-Factor and Fixed Overheads Requirement

NAM UK is required under MIFIDPRU 8.5.1R to disclose the K-Factor requirement and the fixed overhead requirement (FOR) amounts calculated for compliance with the own funds requirement set out in MIFIDPRU 4.3; see Table 2 below.

Table 2: MIFIDPRU investment firms' own funds requirement

MIFIDPRU investment firms' own funds requirement	Amount (£'000's)
(1) Permanent minimum capital requirement ("PMR")	75
(2) Fixed Overhead Requirement ("FOR")	6,507
(3) K-Factor Requirement ("KFR")	466
Split between:	
(a) Sum of K-AUM, K-CMH and K-ASA requirement	*406*
(b) Sum of K-DTF and K-COH requirement	*60*
(c) Sum of K-NPR, K-CMG, K-TCD and K-CON requirement	-
Own funds requirement (being the higher of 1, 2 and 3)	**6,507**

5.2. Approach to assessing adequacy of own funds

MIFIDPRU 8.5.2R requires NAM UK to disclose its approach to assessing the adequacy of its own funds in accordance with the overall financial adequacy rule in MIFIDPRU 7.4.7R. As an asset management firm, NAM UK's largest form of risk typically stems from its operational processes, therefore, the firm's output of its Operational Risk Framework are a key consideration. The underlying risk assessment for each team is recorded in their departmental Risk and Control Self-Assessment (RCSA). Each risk recorded in the departmental RCSAs are mapped to the ICARA profile. The RCSA process consider various potential harms to NAM UK including financial and non-financial harms, including counterparty and financial crime harms.

Therefore, there is a direct correlation between the ongoing departmental RCSA and firms ICARA risk profile. As noted in the ICARA risk profile, the following risks are scored medium – which are within the firm's risk appetite tolerance.

Through the underlying delegation and ownership of individual risks, respective committees and teams are responsible for managing and mitigating the risks. Where this cannot be done to a satisfactory level or where the inherent or residual risk impact or probability is too high then they must escalate this to NAM UK's Executive Committee which will then consider appropriate action to mitigate the risk or whether additional capital must be held. The Executive Committee will then liaise with the Board to present its proposal who in turn will challenge and approve the appropriate course of action.

In order to mitigate harms caused by NAM UK's business model and strategy, the firm has performed a stress scenario and a severely adverse stress scenario to assess capital and liquidity impacts. The stress test scenarios are purely on financial modelling, all risks and harms which can be caused by the company are detailed in the departments' risk profile, assessing each risks and actions of which the management teams are committed to in order to mitigate further harms. As operational and trading risks are the highest risk within the company which can cause significant harms, NAM UK has insurance in place to ensure any liability arises will be covered and compensate our clients when necessary.

The Board has continued to review its liquidity and capital resources against its requirements and as a result the Board remains satisfied that as required by MIFIDPRU 7.4.7R, the Company holds own funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

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

- the Firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

5.3. Own funds – Capital resources

At 31 March 2023 and throughout the year, NAM UK has complied with its individual capital requirements. Total own funds for NAM UK as at 31 March 2023 is summarised in Table 3 below.

A reconciliation of NAM UK's regulatory own funds presented in Table 3 to its own balance sheet in the audited financial statements of NAM UK is shown in Table 4. The main features of own capital instruments issued by NAM UK are set out in Table 5.

Table 3: Composition of regulatory own funds (OF1)

Composition of regulatory own funds (OF1)			
No.	**Item**	**Amount (£'000's)**	**Source***
1	**OWN FUNDS**	**44,502**	**Sum Below**
2	**TIER 1 CAPITAL**	**44,502**	**Sum Below**
3	**COMMON EQUITY TIER 1 CAPITAL**	**44,502**	**Sum Below**
4	Fully paid up capital instruments	4,744	Note 15
5	Share premium	-	-
6	Retained earnings	38,950	-
7	Accumulated other comprehensive income	-	-
8	Other reserves	832	-
9	Adjustments to CET1 due to prudential filters	-	-
10	Other funds	-	-
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(24)	-
19	CET1: Other capital elements, deductions and adjustments	-	-
20	**ADDITIONAL TIER 1 CAPITAL**	-	**Sum Below**
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**	-	**Sum Below**
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	-	-

**Based on reference numbers of the balance sheet notes or primary statements in the audited financial accounts*

Table 4: Reconciliation of regulatory own funds to balance sheet in the audited financial statements as at 31 March 2023

No.	Item	Balance sheet in audited financial statements (£'000s)	Under regulatory scope of consolidation	Cross- reference to template OF1
Assets				
1	Intangible assets	24	-	N/A
2	Tangible assets	152	-	N/A
3	Investments	86	-	N/A
4	Prepayments	1,493	-	N/A
5	Debtors	23,784	-	N/A
6	Cash at bank and in hand	42,250	-	N/A
	Total Assets	**67,788**	-	**Sum above**
Liabilities				
1	Creditors: falling due within one year	22,120	-	N/A
2	Creditors: falling due after one year	1,143	-	N/A
	Total Liabilities	**23,263**	-	**Sum above**
Shareholders' Equity				
1	Called up share capital	4,744	-	4
2	Other reserves	832	-	8
3	Profit and loss account	38,950	-	6
	Total Shareholders' equity	**44,526**	-	**Sum above**

Table 5: Main features of own capital instruments issued by NAM UK

Issuer	Nomura Asset Management U.K. Ltd.
Public or private placement	Private
Instrument type	Ordinary Shares
Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)	4,744
Nominal amount of instrument	4,744
Issue price	£1.00 per share
Redemption price	N/A
Accounting classification	Called up shared capital
Original date of issuance	Various
Perpetual or dated	Perpetual
Maturity date	N/A
Issuer call subject to prior supervisory approval	N/A
Optional call date, contingent call dates and redemption amount	N/A
Subsequent call dates, if applicable	N/A
Fully discretionary, partially discretionary, or mandatory (in terms of timing)	Fully Discretionary
Fully discretionary, partially discretionary, or mandatory (in terms of amount)	Fully Discretionary
Coupons/dividends	N/A
Fixed or floating dividend/coupon	N/A
Coupon rate and any related index	N/A
Existence of a dividend stopper	N/A
Convertible or non-convertible	N/A
Write-down features	No
Link to the terms and conditions of the instrument	N/A

6. Remuneration disclosure

The following disclosures are made in accordance with the FCA Prudential Sourcebook for Investment Firms chapter 8 (“MIFIDPRU 8”) in respect of the following non-SNI MIFIDPRU investment firms, which are subject to the ‘standard’ remuneration requirements within Nomura Asset Management U.K. Ltd (NAM UK). This remuneration disclosure is based on the financial year ending 31 March 2023, and this information is updated on an annual basis.

6.1. Remuneration Policy Aims

NAM UK’s remuneration policy complies with regulation and has five main aims:

- To align all employees and executives’ interests with those of our team members, customer and clients;
- To support the delivery of the Group strategy and NAM UK’s strategy whilst ensuring adherence to the Group’s risk appetite;
- To ensure remuneration is competitive for our markets to help NAM UK to attract and retain talent;
- To ensure fair outcomes for our team members; and
- To align remuneration schemes to drive behaviours consistent with NAM UK’s purpose and culture.

6.2. Decision Making Process for Remuneration

NAM UK has a Remuneration Committee (Remco) consisting of the NAM UK Non-Executive Chairman and the Group’s HR Director. The Remco has overall responsibility for the remuneration policy for NAM UK. Remco’s primary role is to ensure that NAM UK’s pay structures are in line with the Remuneration Policy aims.

Remco receives regular updates from its Head of Legal and Compliance on how the management team has been managing risk within NAM UK’s stated risk profile.

Remco may ask independent advisors or external consultants for advice on any matters in relation to remuneration, as they deem necessary. In 2022, Remco was advised by Osborn Clarke LLP with regard to trends in the external market and for perspective on regulatory compensation for Material Risk Takers (MRT).

6.3. Material Risk Takers

The management team of NAM UK are the MRTs for the teams which they manage; Legal & Compliance, Human Resources, Finance, CAO function, Products, Equity and Fixed Income.

In this reporting year 9 individuals were designated MRTs in accordance with SYSC 19G.5 for NAM UK. The MRTs are determined by reference to the criteria set out in the FCA's MIFIDPRU Remuneration Code on MRT identification. This set of MRTs includes Managing Directors and Executive Directors with oversight of the activities of NAM UK with senior management and control functions heads whose professional activities have a material impact on the firm's risk profile. Remco approves all MRTs identification and assessments on an annual basis.

In addition the regulatory categories, NAM UK also considers the following additional firm-wide criteria including those who pose a material conduct and reputational risk to the firm based on risk taking authority, decision making responsibility and who pose a conduct or reputational risk to the firm. Remco will take into account all these factors when reviewing and approving fixed and variable pay proposals.

6.4. Link between Pay and Performance

NAM UK adopts the remuneration schemes (Restricted Stock Units (RSUs)) administered by the Nomura Holdings Group to ensure consistency across all Nomura entities. The scheme is designed to reward employees for their performance and contribution to the success of their business unit and the Group. In determining these awards there are three factors which impact the overall level awarded:

Nomura Asset Management Group Performance – how well the Group performs against the Group's strategy will determine the overall bonus funding available and is based on a mix of financial and non-financial measures, for example for non-financial measures may include conduct related performance.

Business Unit Performance – how well the business unit (NAM UK) performs will determine what share of the bonus funding the business unit receives, considering measures of financial (profit, revenue and investment performance) and non-financial (people, assurance, customer, shareholder return).

Personal Performance – each employee is awarded an 'On-Track' or 'Off-Track' at mid-year and a year-end performance rating which reflects their performance and overall contribution to the success of the business and informs individual bonus wards. Individual performance is assessed against a range of measures depending on the nature of the role, conduct and behaviours.

6.5. Remuneration Structure

All employees are remunerated with fixed pay (salary, pension and benefits) and variable payments (awards under the Group's Deferral programme) which may be a greater proportion of total compensation than fixed salary. The composition of fixed pay is generally set according to the skills and experience required for the role against the market benchmark for pay aligned to roles. Benefits consisting of group pension and other large company benefits (health, life insurance, family policies) are commensurate with market alignment.

All employees are eligible to be considered for a discretionary annual variable pay awards (bonus). Some variable bonuses are distributed in cash but some stock awards are invested and converted into units aligned to the Nomura stock price. Arrangements are in place for elements of the cash awards and stock awards to be deferred for a period of up to three years.

The structure of the remuneration package for MRTs is designed to be in line with NAM UK's business strategy, and takes account of any conflicts of interest and the existing and future capital requirements of the business. Our Remuneration policy ensures that excessive risk taking is not encouraged.

6.6. Risk / Performance Adjustments

NAM UK also operates on appropriate risk adjustments (collective or individual) to ensure any downward adjustment is made to variable remuneration. This includes impact to any deferred award under the deferral scheme that may operate from time to time.

NAM UK have implemented the following two types of risk adjustment:

Ex-ante Risk Adjustment – NAM UK identifies its key current and future risks (including assessments of the following risk categories of Capital, Liquidity, Conduct, Legal & Regulatory, Financial Crime, Third-Party, Change Management, Operational Resilience, Information Security, Information Technology, Processing and People). NAM UK monitors and measures these and uses this assessment to determine whether adjustments to the annual bonus pool is required to account for year-on-year changes in risk taken (i.e., where the level of risk taken has materially increased for a certain level of performance achieved, a downwards adjustment would be applied). Ex-ante adjustments would be collectively at a business unit or functional level and based on forecasted risks.

Ex-post Risk Adjustment (Malus and Clawback) – these adjustments may be collective or individual. Risk events and issues are identified by NAM UK's management team, and are continuously monitored by the Controlled Functions. This information is collated and used to assess whether a collective or individual adjustment is appropriate based on the issues or events identified throughout the year. NAM UK may apply malus adjustments which may require individuals to forfeit any unvested deferred variable pay either wholly or partially. Similarly, NAM UK may also apply clawback where individuals are required to repay the net amount after deductions of an individual's deferred and undeferred variable pay, both vested and paid to an individual during the seven year period after its grant, either wholly or partially.

6.7. Guaranteed Variable Remuneration

NAM UK Remuneration Policy includes provisions related to guaranteed variable remuneration. Recruitment awards are used, where appropriate, to aid the recruitment of talented individuals by ensuring that they suffer no financial loss as a result of commencing employment in NAM UK. They are designed to compensate for the loss of existing awards that will be forfeited on joining NAM UK and usually replicate the terms of the awards forgone by the employee but will be linked to the Nomura Group performance..

Guaranteed bonus awards are only permitted in exceptional circumstances, where the capital position of NAM UK is strong, for the first year only for new MRT hires and must be agreed and approved by Remco in the first instance. The guaranteed bonus award is also subject to malus and clawback.

6.8. Severance Pay

Employees who leave the Group will be entitled to any contractual payments in line with policy and any contractual arrangements. Any payments made will meet the requirements of regulation and any appropriate legislation, and must not reward failure or poor conduct.

In determining the amount of a severance payment NAM UK will always seek to minimise the cost to the Group while complying with contractual terms and consider the circumstances in place at the time. We may consider the following criteria (but not limited to) in determining the amount of a severance payment for early cessation of employment:

- The length of an individual's service with the firm;
- The seniority of the individual's role within the firm; and
- The potential costs of legal fees and settlement costs.

6.9. Quantitative Remuneration Disclosure – Financial Year ending 31 March 2023

In respect of the financial year ending 31 March 2023, the total aggregate remuneration of £12,570,868 was paid to employees of NAM UK – see table 6. The total aggregate remuneration split between MRTs and other staff is in the table below:

Table 6: Total amount of NAM UK remuneration awarded to MRTs and all staff for the year ended 31 March 2023

	Senior Management (£'000's)	Other MRTs (£'000's)	Other Staff (£'000's)	Total (£'000's)
Fixed Remuneration	690	1,094	5,258	7,043
Variable Remuneration	155	1,449	3,922	5,527
Total Remuneration	845	2,543	9,181	12,570

For the year ended 31 March 2023 there were no guaranteed variable remuneration paid to any new hires nor any severance payments made in this period.

Notes:

The remuneration disclosed above includes:

- Fixed remuneration includes annual base salaries and annual allowances applicable to the performance year 2022-23;
- Variable remuneration is the total amount of discretionary pay awarded for the 2022-23 performance year;
- Non-executive Director fees for 2023;
- Senior Management: 3 Board Members of which one is not remunerated by NAM UK;
- MRT: all employees identified as the Material Risk Takers for NAM UK, including leavers and MRTs who have changed status during the year - excluding employees included in Senior Management; and
- The ‘Other Staff’ category includes any non-MRT employees working within NAM UK, as at 31 March 2023.

7. Appendices

Appendix A - Overview of NAM UK's Committees

Committee	Meeting Frequency	Brief purpose
Board of Directors	Quarterly	The Board aims to achieve the highest standards of compliance and governance through a structured approach to the control and review of the company's business activities and has ultimate responsibility for the NAM UK control environment.
Audit Committee	Half-yearly	Reviews and monitors the effectiveness of internal and external audit, compliance and risk management processes and follows up on audit issues identified by NAM UK's internal and external auditors.
Remuneration Committee	Annually	Approves the firm's remuneration principles and practices to ensure they continue to support the firm's strategy and objectives. It approves the firm's Remuneration Policy and proposed remuneration as part of the firm's annual compensation review.
Executive Committee	Monthly	Oversees the strategic and day to day management of the Company including oversight of the control environment.
Operational Risk Committee	Half-yearly	Reviews the risk profile of each department which identifies the significant risk areas and measures the quality and effectiveness of the controls in place to mitigate those risks. The Operational Risk Committee ("ORC") will assign appropriate action plans to address areas of increasing risk.
Risk and Control Committee	Monthly	Focal point for reporting, review and consideration of NAM UK's risk and control activities. The Risk and Control Committee ("RCC") reviews and considers outstanding action plans and issues arising from various risk and control forums and the review and approval of any error reports and preventative measures arising.
Performance Review Committee	Monthly	To review and discuss fund performance across various time periods for NAM strategies where NAM UK contracts directly with the client (and may in turn sub-delegate to another investment manager) or where NAM UK has been appointed as investment manager by another NAM Group Company.
Product Development Committee	Monthly	To review and approve new products developed by NAM UK, the take-on of new funds, segregated accounts or products developed by other NAM Group Companies which may be managed or administered by NAM UK.
Broker Evaluation Committee	Half-yearly	Reviews the addition and removal of new brokers proposed to be added to firm's approved broker list including the best execution arrangements. Review the authorised broker list on the basis of ability to provide best execution. Review and approve the firm's Order Execution and Best Execution Policies.

Committee	Meeting Frequency	Brief purpose
Pricing Committee	Half-yearly	Approve the firm's Pricing Policy Statement. Examine and approve the pricing mechanism applied to unquoted and/or untraded instruments and stale priced assets held in NAM UK portfolios.
Research Evaluation Committee	Quarterly	Review research provider votes and the associated proposed research provider payments. Consider whether the approved research budget remains suitable.
Global Equity Strategy Committee	Monthly	To review performance over last month and analyse/discuss risk factors evident in the portfolios.
Global Stock Selection Committee	Ad hoc	To review the investment prospects for a specific stock or stocks on the team's approved list of stocks.
Fixed Income Investment Strategy Committee	Twice monthly	Determine the global fixed income strategy/mandates managed by NAM UK.
Money Market Fund Investment Committee	Monthly	Determine the money market fund strategy/mandates managed by NAM UK.
Global Bond Credit Risk Committee	Monthly	Determine the global credit strategy for the mandates managed by NAM UK.
Global Dynamic Bond Fund Risk Committee	Monthly	Ensure that the investment objectives of the GDBF are pursued within an appropriate risk framework by reviewing the fund's risk data, review any breaches to the internal/hard risk limits, and the associated limits are appropriate.

These committees monitor various aspects of the firm’s business activities and, therefore, monitors the risk on an ongoing basis. These committees are responsible for escalating any issues which may impact the firm’s risk exposure or firm’s capital adequacy. Members from NAM UK’s Executive Committee sit on each of these committees and are therefore required to escalate such concerns to the monthly Executive Committee meeting.

Appendix B - ICARA Risk Assessment Summary

NAM UK's primary risk exposure is to reputational risk and operational risk (including fiduciary and regulatory risk). In order to win, grow and retain customers NAM UK seeks to maintain an excellent reputation by avoiding activities that could crystallise fiduciary risk, negatively affect income, capital or liquidity directly or by driving other risks that exceed risk tolerance thresholds.

Category	Harm	Risk	Risk Description	NAM UK Response
Credit	Harm to Firm	Counterparty or credit risk	Company assets are placed on deposit with two deposit takers. Risk of default of one or both counterparties Exposure to clients in respect of outstanding management fees particularly significance performance fees due.	NAM UK places deposits with banks with strong credit ratings (S&P rated = A+). The bank's credit rating is monitored monthly by the Finance team. NAM UK Finance team regularly monitors unpaid client invoices and these are notified at the monthly Executive Committee and the Operational Risk Committee.
Market	Harm to Firm	Effects of a bear market	Reduction in value of client assets leading to reduced management fee and impact on NAM UK profitability.	NAM UK monitors investment performance via its monthly Performance Review Committee. Where investment performance is not the investment objective, the Committee will investigate the cause and take appropriate where necessary. From a firm perspective, the reduction in assets under management will reduce revenue and the firm may take steps to control costs to mitigate the impact to its revenue. The firm has a diverse product range to further mitigate the impact of a bear market.

Category	Harm	Risk	Risk Description	NAM UK Response
Operational	Harm to Firm Harm to Market Harm to Clients	Significant financial losses as a result of failed internal processes or procedures	Various operational failures, may be one off incidents, for example: - Unauthorised execution of deals - Trade process failures - Failure to maintain adequate trading records - Inadequate communication of client information - Incorrect system entries - Unauthorised or erroneous dealing - Breach of client mandates, corrective action required - Reconciliation failures - Cash flow mis-communication	NAM UK operates a three line of defence model. The first line of defence (each department) identifies risks in their team and take ownership for these risks. The Head of the Department is primarily responsible for the risks in their team. They are responsible for identifying and controlling risks by using business control frameworks, implement internal processes and adequate controls. Risks are scored on an inherent and residual basis to allow the team and NAM UK as a firm to identify the level of risk/adequacy of controls vs the firm's risk tolerance. This process is documented in each team's Risk Control Self-Assessment ("RCSA"). The RCSA, along with Key Risk Indicators, are monitored half-yearly by the Operational Risk Committee. T second line of defence exists, the Risk Management function, is responsible for setting the firm's risk management framework. The function has independent reporting lines to the Executive Committee and Audit Committee. The third line of defence provides assurance about the design and effectiveness of the first and second lines of defence. This function reports directly to the Board and Audit Committee.
		Inadequate systems infrastructure	The risk of business disruption and financial loss resulting from inadequate or failed system infrastructure within NAM UK. Risk of increased operational costs (i.e. staff) due to inefficient systems infrastructure	
		Insufficient resources due to take-on of high levels of business	Client take-on and ongoing client service affected by resource shortage, people, systems. May result in client dissatisfaction, increased risk of error, failure to follow standard working practices and controls. Additional costs and delay of recruiting staff or implementing systems Client dissatisfaction, termination of contract	
		Business disruption as a result of the loss of key people or knowledge	In particular Heads of Departments or teams that are vital to the running of the organisation Includes loss of key fund managers, executive management, traders. May impact on investment performance, new business, client servicing, control oversight. Short term impact to key operating areas.	

Category	Harm	Risk	Risk Description	NAM UK Response
Operational (cont.)	Harm to Firm Harm to Market Harm to Clients	Business Continuity Plan	Risk of inadequate Business Continuity / Disaster Recovery plan. Unable to recover operations within the short term i.e. within 6 weeks Leads to customer dissatisfaction, potential loss of clients, FCA withdrawal of permission	
		Failure to comply with FCA and other Regulatory guidelines (e.g. tax rules) leads to regulatory fine and potential loss of business	Examples of this risk are: - Breaches of various FCA & other guidelines inc. SYSC rules - Money Laundering guidelines - Insider dealing / front running - Data Protection Act - Inability to meet FCA Capital Adequacy - Failure to comply with Data Protection lead to reputational harm and potential loss of clients/new business opportunity.	
		Consolidated group risks arising from NAM Ireland subsidiary and NAM Dubai branch	Risk that NAM Ireland subsidiary or NAM Dubai branch encounters financial, operating or regulatory difficulties which has an adverse effect on NAM UK as parent company.	
		Key client risk. Relatively high % of AuM is managed for one client.	Loss of one major client or key distributor of Nomura Funds Ireland results in significant reduction in income and profitability. Possible over-reliance on one key client relationship.	
		Cyber Security	The risk that a cyber-security attack corrupts or disables NAM UK's IT infrastructure. The attack could result in NAM UK's servers being unavailable for normal business processes.	

Category	Harm	Risk	Risk Description	NAM UK Response
Reputational	Harm to Firm	Falls in investment Performance levels leads to reputational loss / loss of clients. Under performance of portfolio managers	The investment performance of NAM UK client accounts can be influenced by sub-managers such as NAM Tokyo, Singapore, Hong Kong and NCRAM. Underperformance can result in failure to retain existing clients, possible significant loss of income to NAM UK and restricted new business opportunities.	NAM UK act in the best interests of clients and always place their interests first. To help ensure this, Newton has strong risk frameworks and tolerances to ensure that inherent conflicts of interest do not disadvantage clients; that products and investment services operate as described and meet the promises and risk levels agreed; and that clients are not exposed to failures of governance or regulatory compliance. NAM UK has in place an errors policy, which outlines an overriding objective that when correcting any error (operational, regulatory, and compliance), the client is put in the position it would have been in had the error not of occurred.
		Malicious acts affect the NAM name and/or result in significant loss	Includes fraud by employees, Rogue Trader risk, criminal activities of third parties	
		Issuer defaults or inability to meet redemptions causes the MMF's to break the buck.	NAM is committed to maintaining par value in the MCF and NGST MMF's. NAM UK may be required to support these MMF's to maintain par value.	
		New Product Risk	The risk that a new product is launched but fails shortly after it is launched, i.e. fails to attract forecasted revenues. This risk is increased when the product does not leverage from existing investment specialists, systems and controls. Introducing these new people, processes or systems may require a significant financial outlay upfront or through increased resourcing.	