

# MIFIDPRU 8 Disclosures



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# 1. Introduction

Killik & Co LLP (“Killik & Co”, “the Firm”) is a privately owned limited liability partnership, incorporated in the United Kingdom (“UK”), authorised and regulated by the Financial Conduct Authority (“FCA”) under firm reference number 462016. The principal activities of the firm are the provision of investment management and wealth planning services to retail customers. This disclosure is in relation to Killik & Co LLP.

## 1.1 Purpose

The purpose of this document is to set out the public disclosures required under MIFIDPRU 8 for Killik & Co as at 31 March 2023, which represents the end of Killik & Co’s most recent financial accounting period.

## 1.2 FCA Requirements

As a UK investment firm undertaking activities within the scope of the UK Markets in Financial Instruments Directive (“MIFID”), Killik & Co is subject to the prudential requirements of the Investment Firms Prudential Regime (“IFPR”) contained in the MIFIDPRU Prudential sourcebook for MIFID Investment Firms of the FCA Handbook.

Killik & Co is required to publish disclosures in accordance with the provisions outlined in MIFIDPRU8 of the IFPR. The disclosures applicable to Killik & Co LLP are:

- MIFIDPRU 8.2 – Risk management objectives and policies
- MIFIDPRU 8.3 – Governance arrangements
- MIFIDPRU 8.4 – Own funds
- MIFIDPRU 8.5 – Own funds requirement
- MIFIDPRU 8.6 – Remuneration policy and practices

With regard to investment policy disclosure set out in MIFIDPRU 8.7, the Firm meets the conditions set out in MIFIDPRU 7.1.4R and therefore is exempt from the requirement to have an investment policy and to disclose this.

These requirements are supplemented by the guidance set out in MIFIDPRU8 published by the FCA. Under the IFPR’s firm categorisation, Killik & Co is categorised as a non-small, non-interconnected (“non-SNI”) MIFIDPRU investment firm.

This report is prepared on an accounting individual basis and includes the following regulated entity: Killik & Co LLP (FRN 462016). The annual audited accounts of Killik & Co set out further information which complements the information in this disclosure. The audited accounts are freely available from UK Companies House.

# 2. Governance Arrangements

## 2.1 Summary of Governance Structure

The partners of the Firm delegate responsibility for direction and control to its governing body, the Killik & Co Executive Board, which meets quarterly. The Executive Board comprises partners from different parts of the business to ensure a diverse range of knowledge, experience and points of view. The Board also comprises two independent non-executive directors (NEDs) who supply additional insights and challenge to Board decision-making. All Board decisions require a quorum of three members.

The Killik & Co Executive Board has ultimate responsibility for all activities undertaken by the business, and risk management objectives and policies are a key driver within the overall business strategy to ensure effective and prudent management of the firm. Our strategy is about being the best wealth manager for families, which puts our clients’ needs at the centre of everything we do, ensuring we have a service for every generation, technology that makes it easy for people to access us and our services, and using our branches and House of Killik locations to be present in the communities and places where families live and meet. The strategy is reviewed every 6 months. In implementing the strategy, we give careful consideration to:

- Identifying the risks to which the capital of the business is exposed
- Articulating the impact and probability of specific risk types (harm to clients, harm to the firm, harm to markets) as well as appropriate risk mitigation methods
- Ensuring our approach is appropriate to the size, nature and complexity of transactions entered into by the Firm and services delivered to clients and reflects the quality and sophistication of the Firm’s monitoring capabilities, systems and processes.

Certain matters are delegated by the Executive Board to three other Killik Committees, each with their own terms of reference defining their decision-making powers and/or the areas for which they have oversight; these are expected to advise the Executive Board concerning issues and actions. Each of these Committees - Audit & Risk Committee, Adviser Committee and Operations Committee - and the Executive Board itself, have formal Agendas and receive a suite of management information for analysis, discussion and challenge. Actions agreed at Committees are escalated to the Board where necessary. All Committee and Board meeting actions are assigned to senior individuals and tracked to resolution.

A subset of the Killik Partners are Senior Managers under the FCA's Senior Managers Regime. Each of them has a Statement of Responsibility defining the areas of the business directly under their control and for which they are accountable. There is appropriate segregation of duties amongst the Senior Managers, as well as throughout the organisation, to minimise conflicts of interest and improve oversight. We invest in training and continuous professional development to ensure adequate knowledge and skills of each individual to perform their duties (including oversight of others) to a high standard.

At Killik & Co we seek to avoid conflicts of interest wherever possible. For this reason we do not conduct any Proprietary Trading, we do not operate a Corporate Finance function; and we do not operate our own funds (Collective Investment Schemes). Therefore, all of our trading activity and investment recommendations are free from bias and based upon what is suitable and in the best interests of our clients. Further information about how we manage or avoid conflicts is provided in our [Conflicts Policy](#).

## 2.2 Composition of Executive Board membership

To ensure that members of the Executive Board can devote sufficient attention to the management of the firm, the number of other commercial directorships (outside those of the Killik Group) that they can hold is limited and is permitted only where there is no conflict with their duties to the firm and our clients and where they are permitted under FCA rules. These are disclosed in the table below:

Members of Management Body*	Number of disclosable non-Killik directorships held**
Paul Killik, Senior Partner	Zero
Georgiana Killik, Business Development	Zero
Clem MacTaggart, Chief Strategy Officer	Zero
Craig Manning, Chief Finance Officer	Two
Richard O'Neill, Chief Operations Officer	Zero
Sarah Threadgould, Chief Marketing Officer	Zero
Michael Pate, Head of Advisers	Zero
Simon Haslam, NED	Two non-executive directorships
Rupert Dickinson, NED	Two non-executive directorships

\* all are Partners or NEDs.

\*\* Only directorships for commercial enterprises in companies outside of the Killik Group are shown in this table.

Due to its size, nature and complexity of the business activities, Killik & Co is not required to have a Risk Committee, a Nomination Committee or a Remuneration Committee as part of its governance arrangements as set out in MIFIDPRU 7.1.4R. However, for reasons of good governance we do maintain an Audit and Risk Committee, which is chaired by one of our non-executive directors.

## 2.3 Recruitment & Diversity policy for selection of the Executive Board

Killik & Co in accordance with the UK Corporate Governance Code selects and recruits members of the Firm's management body based on merit. When determining the structure of the Firm's management body, Killik & Co ensures as far as practical that individuals being appointed for these types of roles have the relevant skills, experience and overall a good mix of skills and experience to carry out the responsibilities of the management body.

Furthermore, before appointment and on a regular basis afterwards rigorous background checks are carried out to ensure individuals of the management body are fit and proper.

With respect to diversity, we focus on ‘diversity of thought’, aiming to bring together a range of different styles of thinking among members of the Executive Board with a view to this aiding better decision-making. Therefore, we seek to ensure that the Executive Board comprises people with different perspectives, abilities, knowledge, attitudes, information styles, and demographic characteristics.

Board representation comes from across the business, providing subject matter expertise in the following areas:

- Investment management
- Investment advice
- Compliance
- Risk management
- Finance
- Operations
- Brand & Marketing
- Business Strategy
- New business development

The natural result of this has been a degree of gender diversity, Board members who represent various age brackets and people who come from different social, economic and geographical backgrounds (e.g. first member of a family to have entered higher education; a range of socio-economic backgrounds; non-UK nationals brought up overseas).

We seek to identify, nurture and retain talent by approaching recruitment and promotion with an open-mind and using our existing Board diversity to challenge potential bias or blind spots in decision making. We also offer equal opportunities for all staff to train, develop and receive mentoring throughout their Killik career and progress people with talent and commitment ensuring there is a pipeline of diverse individuals progressing through the organisation who can become the Board members of the future.

## 3. Risk management objectives and policies

### 3.1 Our approach to risk management

The management of risk is a central element of the Firm’s governance and business activities and is an essential component of business management.

The Firm’s aim is not to eliminate every source of risk, but rather to provide a framework that supports the identification, assessment, mitigation, management, monitoring and reporting of all material risks and specific concentrations of it, in order to achieve an appropriate balance between risk and return.

Sound risk management and control lies at the heart of the Firm and is an integral part of creating the highest quality client service culture as well as creating value for Partners and employees (“Staff”). Any failure to establish and sustain an effective firm-wide risk culture and support a framework that manages and controls risks, can lead to harm to the Firm’s clients, harm to the wider markets, and financial and reputational loss to the Firm.

The Firm’s risk management framework is designed to ensure that there are good controls to measure, monitor and control risks in accordance with the framework and in consideration of industry best practices. The primary responsibility for risk management lies with the business and the Firm’s senior business line managers. They are held accountable for all risks and controls associated with their business areas. The responsibility for risk governance lies with the senior management as members of committees that allow for information to be reviewed and challenged and escalated up and down the governance structure.

Risk impacts all areas of the Firm and is a relevant issue for all Staff. It operates across all activities: business areas and supporting services (including the oversight of external organisations providing services).

### 3.2 Risk Management Objectives

Business Risk may be defined as: “The risk which could impact on the Firm’s ability to deliver against its strategic objectives or the expectations of its key stakeholders.” Consequential events may be direct or indirect financial

losses, or reputational / brand damage, with long term business implications.

To provide a uniform structured approach to identification and classification of risk across the Firm, risks are categorised under the following high-level risk groups:

Risk Category	Description
Business Risks	The risk that we do not set the right strategy, a material business decision fails, or external market factors impact the business viability.
Financial Risks	The risk of inadequate or failed management of finances and the risk introduced by external factors that could have a detrimental impact on our cash flow, capital and liquidity.
Operational Risks	The risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

Our approach is to identify and assess specific risks within these groups, mitigate and manage these risks, and monitor and report against these risks, which provides the foundation to enable us to deliver against our strategic objectives. A library of risks sits below each risk group, and these risks and their definitions are subject to periodic review to ensure they remain relevant to the environment within which the Firm operates.

Effective risk management is key to the success of delivering our strategic objectives.

The primary objectives of risk management are to ensure that there is:

- A strong risk culture which reinforces transparency, accountability and continuous improvement around risk management;
- A defined risk appetite within which risks are managed and creates early warning systems for

- potential material operational risk exposures;
- A timely and effective response to incidents, to minimise impact and realistic remediation of any excessive risk; and
- An appropriate balance between risk and the cost of control which influences sound business decision making.

The objective of this risk management framework is to establish the general arrangements for the effective management and control of risk in the Firm. This, together with other documents, governance arrangements and processes, provides the foundations of sound risk culture and risk management excellence.

### 3.3 Risk Management Principles

The prudent taking of risk is fundamental to the business of Killik & Co. The primary objectives of risk management are to meet clients' expectations with exceptional client service and operational excellence, preventing harm to our clients' assets and market integrity, while looking to ensure that capital is well deployed to maximise income and Partnership value and protect the financial strength and the reputation of the Firm. The Risk Management Framework is based on the following principles, which apply across all risk types and business / service areas:

- Management accountability: The Firm's client and market facing business areas is organised into areas and functions that own their specific risks and controls. Management of each business area is responsible for the ongoing identification and management, monitoring and reporting of their risks and controls.
- Protection of reputation: The value of the Firm's franchise depends on its reputation and brand. Protecting a strong reputation is both fundamental for our clients and an overriding concern for all staff.
- Protection of financial strength: The Firm manages risk in order to limit the impact of potentially adverse events on Partnership capital and income. The Firm's risk appetite is regularly reviewed by the Board, in line with its strategic objectives, risk profile and capital resources.
- Risk transparency: Realistic risk assessment and openness of risk reporting and an associated "no-blame" culture is mandated. This means risks and risk exposure is well understood by senior

management and members of the Board and can be balanced against business goals.

- Independent oversight: Risk management is a structured process to identify, assess, manage, monitor and report risk. As part of the ‘Three Lines of Defence model’, the risk management and compliance functions operate independently of the first line to ensure the integrity of the Firm’s control processes. In turn, the effectiveness of these functions is scrutinised by Internal Audit, and as appropriate by External Audit.



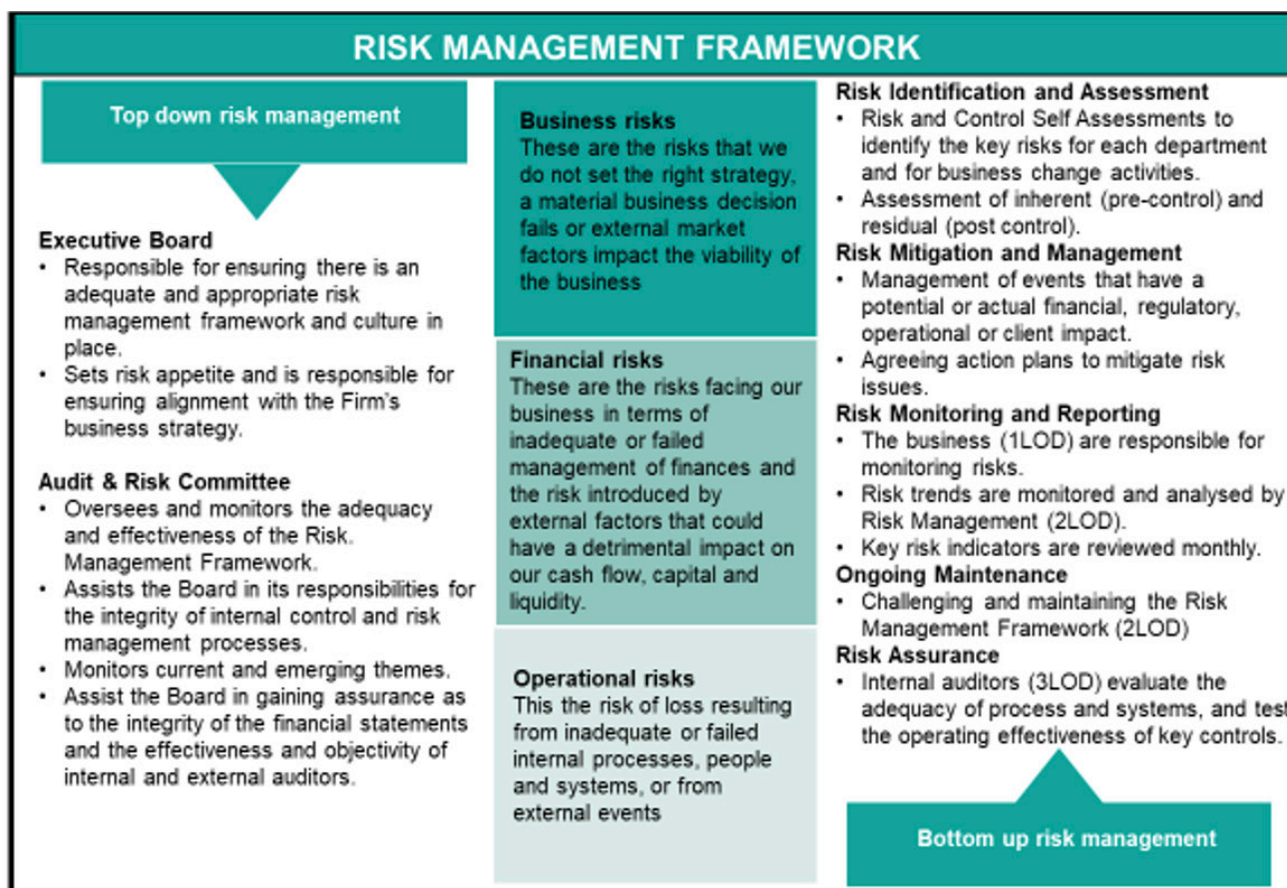
### 3.4 Risk Management Governance

The Board has ultimate responsibility for the effectiveness of risk management within the Firm. There is a robust Risk Management Framework which applies the industry standard “three lines of defence” model. The implementation of this model and the corresponding review of management information on each element, enable the Board to ensure robust corporate governance is in place to protect our clients.

The diagram below shows how the Governance of the Risk Management Framework operates:

Risk management oversight is performed at several levels in the Firm, and the diagram below shows how the top-down risk management focuses on the governance and oversight structure of business, financial and operational risks. The bottom-up risk management focuses on how risks are identified, assessed, mitigated, managed, monitored and reported in the day-to-day business using the risk management framework.

Internal Audit provide assurance as to the effectiveness of risk management based on the adequate implementation of the risk management framework and assurance may be provided based on audit or thematic reviews.



### 3.4.1 Executive Board

The Board sets the broad strategy, reviews the performance of the business and sets the basic balance of risk and return in the prevailing market conditions. It is responsible for implementing the strategy. It actively manages the range of Killik & Co business activities and their risk profile, adjusting controls and risk monitoring as appropriate. The Board has responsibility for the overall effectiveness of risk management and oversight responsibility for the Risk Management Framework and effective operation of the 'Three Lines of Defence' model. The Executive Board approves the Firm's Internal Capital and Risk Assessment Process ("ICARA") and associated Risk Appetite Statement and Policies. The Board promotes a strong risk culture and expects all staff to adhere to the high standards established by the Board.

### 3.4.2 Management Committees

Responsibility for operating and policing the Risk Management Framework is delegated to the following management committees:

### 3.4.3 The Audit & Risk Committee ("ARC")

The ARC operates as a delegated Committee of the Executive Board and is responsible for operation of the Risk Management Framework and the allocation of resources to ensure it provides effective protection for Killik & Co. Specifically, this Committee reviews and challenges the Risk Matrix and Controls and Procedures that relate to the management and control of risk. It is chaired by a Non-Executive Director and is the committee where internal audit provide their reporting of the risk and control environment, and where the the external auditors report on the financial statements and on any concerns or observations they may have on the risk and control environment. There are regular reporting requirements to the committee, including operating events, deal errors and key risk indicators against our top risks.

### 3.4.4 The Adviser Committee

Whilst the Adviser Committee is not part of formal Risk Management Governance it does have some responsibilities for risk management within the reporting that is reviewed. The Adviser Committee includes representatives from both the Investment Management and Wealth Planning areas of the business and is designed to bring about the integration of the two front-end

disciplines. The Adviser Committee is a decision-making committee of the Executive Board and its purpose is to provide appropriate oversight over the bulk of the firm's revenue. The Adviser Committee has been delegated authority by the Executive Board to make decisions in relation to the firm's investment management and wealth planning functions.

The Committee will provide regular (quarterly) updates to the Executive Board and if required, will elevate matters to the Executive Board for ratification. They have reporting requirements to manage and monitor day-to-day investment and wealth planning activity and performance.

### 3.4.5 The Operations Committee:

The Operations Committee does have some responsibilities for risk management within the reporting that is reviewed. The Operations Committee is a decision making/advisory Committee of the Executive Board. The Committee's purpose is to ensure appropriate oversight of the Company's overall operational environment. It acts in an advisory capacity in relation to Compliance, Technology, Human Resources, Marketing, Estate and Facilities Management, Corporate Services and all Back and Middle Office operational issues. They follow up and monitor day-to-day operational activity including volumes and resources and any current issues with critical suppliers and outsourced activities.

## 3.5 Business Strategy and Risk Appetite

The Risk Framework comprises the following interrelated components which are applicable to all business functions:-

Business strategy outlines the objectives of the firm. The nature and amount of risk the Board wishes to accept, to achieve its strategic objectives, is the Firm's risk appetite. The Firm has set Risk Appetite Statements ("RAS") against each key risk with key risk indicators (KRI's) in place to monitor exposure against appetite. This is a fundamental part of the Risk Management Framework.

Effective risk appetite statements, when documented, should include key background information and assumptions that inform the strategic and business plans at the time approved. They should be linked to the short and long term strategic, capital and financial plans. They should have established the amount of risk the Firm is

prepared to accept in pursuit of its strategic objectives and business plans taking into account the interests of our customers, capital and other regulatory requirements.

Each material risk should have determined the maximum level of risk it is willing to operate within, based on its overall risk appetite, risk capacity and risk profile.

Quantitative measures should include risk limits which are measured against risk appetite and risk capacity. Qualitative statements should articulate clearly the motivations for taking on or avoiding certain types of risk and establish tolerances and indicators to enable monitoring risks. Scenario and stress testing should be used to ensure that the business understands what events may push the business outside its risk appetite or risk capacity.

The risk appetite statements are owned, updated, reviewed, and re-approved at least annually by the Board or as and when there is a need to change them due to a change in business strategy or internal or external factors that could provide an opportunity to review them. The Board has delegated oversight of the statements to the ARC.

The ARC delegates to the Heads of the Business to communicate the risk appetite statement to the 1LOD business so that they can incorporate into their own business objectives and then report against any areas, using key risk indicators, to identify any moving outside of tolerance.

Each key risk has a risk appetite statement, and an explanation of what risk appetite would be at both ends of the categorisation spectrum (“Very Low and High”). Risk appetite statements include both qualitative and quantitative information.

The ARC reviews management information quarterly to monitor our risk profile against appetite. Actions are required if a risk is assessed to be outside of appetite, or the appetite is required to be reassessed by the Board.

## 4. Own Funds

Table 1 shows a break-down of Killik & Co’s regulatory Own Funds and confirms there are no regulatory deductions. Our Own Funds are made up entirely of members’ capital contributions.

	Item	Amount (GBP thou- sands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	Own funds	16,854	
2	Tier 1 capital	16,854	
3	Common equity tier 1 capital	16,854	
4	Fully paid up capital instruments	16,854	Members’ Capital
5	Share premium		
6	Retained earnings		Excluded as fully distributed post year end
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-) total deductions from common equity tier 1	0	
19	CET1: Other capital elements, deductions and adjust- ments		
20	Additional tier 1 capital	0	
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	0	
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		

Table 2 shows a reconciliation of Killik & Co's regulatory Own Funds with its balance sheet from the audited accounts.

		Balance sheet as in published/ audited financial statements	Cross-reference to template OF1 (above)
		As at March 23 Amount (GBP thousands)	
<b>Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements</b>			
1	Tangible assets	599	
2	Investments	286	
3	Debtors	23,153	
4	Cash at bank and in hand	14,885	
	Total Assets	38,923	
<b>Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements</b>			
1	Creditors: Amounts falling due within one year	7,859	
2	Provisions for liabilities	513	
	Total Liabilities	8,372	
<b>Shareholders' Equity</b>			
1	Members' capital	16,854	Item 4
2	Loans and other debts due to Members	3,093	
3	Other reserves	10,604	
	Total Shareholders' equity	30,551	

## 5. Own Funds Requirement

### K-Factor Requirement and Fixed Overheads Requirement

Killik & Co is required to disclose the K-Factor requirement (KFR) and the fixed overheads requirement (FOR) amounts in relation to its compliance with the own funds requirements (OFR) set out in MIFIDPRU 4.3.

K-factor requirement: (Sum of)	Amount (£'000)
K-AUM	951
K-COH	4
Total K-Factor Requirement	955
FOR	7,748

The K-factors relevant to Killik & Co include the following:

- K-factor requirement calculated on the basis of Assets under Management (k-AUM). AUM is the average AUM measured on the last business day of each of the previous 15 months, excluding the most recent 3 months.
- K-factor requirement calculated on the basis of Client Orders handled (k-COH). COH is measured as the rolling average of the value of the total daily client orders handled, measured throughout each business day over the previous six months, excluding the three most recent months.

### Approach to Assessing the Adequacy of Own Funds

Killik & Co is further required to disclose its approach to assessing the adequacy of its own funds in accordance with the overall financial adequacy rule (“OFAR”) as outlined in MIFIDPRU 7.4.7R.

To comply with the OFAR, a firm must hold the higher of:

- The amount of own funds that the firm requires at any given point in time to fund its ongoing business operations, taking into account potential periods of financial stress during the economic cycle; and
- The amount of own funds that a firm would need to hold to ensure that the firm can be wound down in an orderly manner.

### ICARA Process

The Internal Capital Adequacy and Risk Assessment

(“ICARA”) Process serves as the means of assessing key risks to which Killik & Co is exposed. Further, it assists Killik & Co with identifying and managing material harms that the Firm may cause through its regulated and unregulated activities. The ICARA process further seeks to determine the level of own funds and liquid assets the Firm needs to hold.

The ICARA process has been implemented and is embedded within the Firm’s risk management framework (“RMF”). It has replaced the former Internal Capital Adequacy Assessment Process and has been enhanced to improve the effectiveness of the new process.

The following are the key elements that are assessed as part of the ICARA process:

- Business strategy and growth plans
- Comprehensive key risk and harms assessment
- Internal assessment of own funds adequacy
- Internal assessment of liquidity adequacy
- Capital and liquidity planning (i.e. financial, own funds and liquidity)
- Stress testing
- Recovery actions
- Wind-down Plan (“WDP”)

The adequacy of the ICARA process will be reviewed at least annually or more frequently, should there be any material changes to Killik & Co’s risk profile, business strategy or if requested by the Executive Board.

### Overall OFAR Compliance

At all times, Killik & Co must hold adequate financial resources, both in amount and quality, to ensure that the Firm remains financially viable throughout the economic cycle with the ability to address and mitigate any potential harms that may be caused, arising from its ongoing business activities, and that the Firm is prepared for an orderly wind-down while minimising harm to customers or to other market participants, without threatening the integrity of the UK financial system.

As a minimum to meet the OFAR, an FCA standard of determining the adequacy of its financial resources through the internal assessment of its capital and liquidity adequacy, Killik & Co must meet the Own Funds Requirement (OFR) and basic liquid assets requirement (“BLAR”).

As a non-SNI firm, Killik & Co has to comply with the

provisions of the OFR contained within MIFIDPRU 4.3.2R by holding the highest of:

1. Permanent Minimum Capital Requirement (PMR) – £75,000 (MIFIDPRU 4.4.4R)
2. Fixed Overheads Requirement (FOR) – £7,748,000 one quarter of the Company’s annual fixed overheads (MIFIDPRU 4.5.1.R), unless there is a material change expected to projected expenses during the year (MIFIDPRU 4.5.7R)
3. K-factor requirements –  $(k\text{-AUM}) + (k\text{-COH})$  £955,000 (a breakdown of which has been provided above) plus Additional Capital for risks identified in ICARA Risk Assessment

Killik & Co performs an internal assessment of the own funds and liquid assets required to support its ongoing operations and to support an orderly wind-down of the Firm. The Firm also undertakes regular stress testing and scenario analysis as key inputs in these internal assessments of the adequacy of its financial resources. These internal assessments, alongside the OFR and BLAR, help inform the adequate level of financial resources required to be maintained by MCEL in compliance with the OFAR.

Killik & Co’s Own Funds Requirements are therefore determined by the FOR, i.e., £7,748,000, which is the highest of these three.

### Own Funds Adequacy and Monitoring

Killik & Co’s approach to ensuring that it has appropriate own funds is its alignment with the Firm’s strategy and risk appetite. The Firm maintains a Top Risks Register that defines the universe of material risks arising out of our business activities. It is organised by risk category and indicates both the probability of a risk occurring and the impact of the risk with consideration to how it affects the client, the market and the firm. The Top Risks Register forms the basis of risk assessment and reporting and supports risk quantification and associated capital calculations. It is therefore closely aligned to both the ICARA and the Risk Appetite Statement.

### Liquid Assets Adequacy and Monitoring

Killik & Co assesses its compliance with liquid assets threshold requirement which is based on the sum of BLAR and an additional liquid asset requirement determined during the ICARA process, to ensure liquidity

adequacy in stressed conditions and during an orderly wind-down as part of its OFAR.

Killik & Co’s monitoring and reporting of its liquidity position is undertaken through established regular reporting against the key liquidity metrics. Any triggers or breaches would be escalated in line with the escalation framework.

### Wind-Down

Killik & Co has a wind down plan, which provides an overarching governance framework for the process of ceasing its operations while ensuring minimal adverse impact to clients, markets or the entity’s counterparties. It provides a detailed guide and practical steps to assist the Executive Board and senior management in making timely and effective decisions to wind down Killik & Co in the event of a severe financial stress. The wind-down plan includes key actions and a timeline from when a wind-down is triggered, through to the preparation, execution and endpoint of the process.

The wind-down plan is reviewed and updated annually.

## 6. Remuneration policy and practices

### 6.1 Qualitative Disclosures

The Remuneration information included in this section is provided in accordance with the FCA requirements set out in MIFIDPRU 8.6 and SYSC19G. In adhering to these requirements, Killik & Co has made disclosures for Remuneration in the following areas

1. Remuneration policy
2. Remuneration Committee
3. Link between Performance and Remuneration
4. Quantitative Disclosures (including information on Materials Risk Takers (‘MRTs’))

#### 6.1.1 Remuneration Policy

Killik & Co’s remuneration policy has been created and its application under SYSC 19G.3.4 is assessed annually by the appropriate governance committee and is both for the wider Firm and its MRTs.

The remuneration policy’s aims are to promote sound and effective risk management, to encourage responsible

business conduct, to limit risk-taking and avoid conflicts of interest, to align employee's interests with the firm's long-term strategy and objectives, and to be gender neutral, in line with the Equality Act 2010.

The policy is designed to align risk and reward, to ensure the capital base of the firm is not put at risk by its remuneration incentives.

The remuneration policy has been developed based on a number of key principles which are:

1. Remuneration should align to Killik & Co's business drivers, corporate vision and strategic priorities of the wider Firm.
2. Remuneration should adhere to wider people management practices, and only reward results which support a positive employment culture and customer values.
3. Remuneration plans communication should be made simple, clear and transparent for employees and partners.

At Killik & Co, total reward typically comprises a salary and benefits including pension scheme, life assurance, private medical cover, and income protection insurance together with a number of bonus or profit-sharing arrangements. Salaries are set in the context of affordability, external market considerations as well as internal relativities and equal pay factors.

The remuneration of senior management (including all partners of the firm) and other quantitative Material Risk Takers ('MRTs') is reviewed annually by members of the Executive Committee, which reviews the size and profile of MRT awards against all variable awards granted in each financial year.

### 6.1.2 Remuneration Committee

Due to its size, nature and complexity of the business activities, Killik & Co is not required to have a Remuneration Committee as part of its governance arrangements as set out in MIFIDPRU 7.1.4R. Instead, members of the Executive Committee are responsible for the remuneration policy.

All employed staff (non-partners) are remunerated by a combination of salaries and discretionary bonuses. Salaries are reviewed annually by the Executive Board with reference to salary surveys, which provide a benchmark for setting appropriate salary levels for

individual roles. The ultimate decision to increase salaries rests with the Executive Board.

Partners of the firm are awarded remuneration on the basis of their personal achievement, conduct and contribution to the firm. The bonuses of Partners are all subject to review and approval by members of the Executive Committee and will be adjusted as deemed necessary by members of the Executive Committee in consideration of the same criteria as for other staff (i.e. conduct, regulatory matters, breaches etc). The Senior Executive Officer ensures that Partner bonuses are awarded fairly.

### 6.1.3 Link between Performance and Remuneration

Staff are assessed, under Killik & Co's performance and appraisal process, on an ongoing basis with an annual performance assessment outcome being used as a contributing factor in the determination of remuneration. The performance and appraisal process includes a review of conduct, including the outcome from specific issues discussed at the Killik & Co Fitness & Proprietary Forum. All staff receive fixed remuneration and are considered for discretionary variable remuneration (bonus) where eligible.

Control function staff are independent from the business units they oversee and are remunerated in line with the achievement of the objectives of their functions. The determination of the level of remuneration of such staff is independent of the performance of the business areas they oversee.

Killik & Co's bonus scheme is a discretionary reward scheme and cannot be guaranteed nor considered as a contractual benefit as it is fundamentally based on the performance of Killik as a whole. For staff in front-line roles, bonuses are not linked to sales targets or otherwise which provide an incentive for selling a particular financial instrument when another may better meet the client's needs. There is no specific pool for any business unit (including control functions) and therefore no incentive for business units to promote additional risk to achieve or inflate their individual department's bonus pool.

Our Remuneration Policy is designed to promote sound and effective risk management and does not encourage risk-taking that exceeds Killik & Co's levels of tolerated risk. As such, the determination of any variable remuneration (including the setting of any pools of

discretionary remuneration) includes adjustments for all types of current and future financial and non-financial risks, taking into account the cost and magnitude of the capital and liquidity requirements of such risk and individual conduct which can indicate the likelihood of such events occurring. We take appropriate measures to align variable remuneration (including the determination of remuneration pools) with the timing and likelihood of Killik receiving potential future revenues.

## 6.2 Quantitative disclosures

In accordance with MIFIDPRU 8.6, Killik & Co has identified its MRTs in accordance with SYSC 19G.5. This is done via an annual assessment to identify staff whose activities have a material impact on the Firm's risk profile.

The criteria applied to identify MRTs during this reporting period were:

- The staff member is a Member of the Executive Board
- The staff member is a Partner of the Firm
- The staff member is head of a material business unit that undertakes one of the following: (i) arranging (bringing about) deals in investments; (ii) dealing in investments as agent; (iii) dealing in investments as principal; (iv) managing investments; (v) making investments with a view to transactions in investments; (vi) advising on investments (except P2P agreements); and/or (vii) operating an organised trading facility;

- All staff members holding SMF responsibility
- Staff members with managerial responsibilities for:
  - a control function.
  - Prevention of money laundering and terrorism financing
  - Managing material risks that impact the business
  - Information technology
  - Information security
- The staff member is responsible for managing a significant business function
- Staff members identified as MRTs also include:
  - Head(s) of investment research
  - Staff members who are responsible for generating revenues that represent a high proportion of total revenue
  - Senior Advisers that can exert key strategic influence
  - Chief Market Strategists

The Firm had 43 staff classified as MRTs during the 2023 performance year.

Total aggregate remuneration for the Firm for the year ended 31 March 2023 was £ 32.5 million, of which £15.5 million was paid to MRTs. This total remuneration includes salaries and over-time paid within the year, benefits (excluding DIS, PHI & PMI) and cash bonuses paid.

Category of Staff	Total remuneration (£'000s)	Fixed proportion (£'000s)	Variable proportion (£'000s)
Senior Management	5,151	2,703	2,448
Other MRTs	10,361	5,465	4,896
Other Staff	16,939	13,852	3,087

Category of MRTs	Total amount of guaranteed variable remuneration (£'000s)	Number of MRTs receiving guaranteed variable remuneration	Total amount of severance payments awarded (£'000s)	Number of MRTs receiving severance payments	Highest amount of severance payment awarded (£'000s)
Senior Management	0	0	0	0	0
Other MRTs	0	0	0	0	0