

SCOR Investment Partners UK Ltd

Pillar 3 Summary Disclosures

31 December 2021

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1. Overview

Background

The 2006 Capital Requirements Directive (Basel II) created a revised regulatory framework for financial services businesses across the European Union. The new framework consists of three pillars:

- *Pillar 1* specifies the minimum capital levels that a business must meet in order to cover the risks associated with its business;
- *Pillar 2* sets out the supervisory review process that must be used to determine whether additional capital should be maintained in order to cover any risks not included in Pillar 1; and
- *Pillar 3* determines the disclosures that must be made in relation to capital, risk exposures and risk assessments.

This Directive has been implemented in the United Kingdom through changes to its Handbook of Rules and Guidance, and more specifically through the creation of the General Prudential Sourcebook ("GENPRU") and the Prudential Sourcebook for Banks, Building Societies and Investment Firms ("BIPRU").

BIPRU 11.5 and 11.6 require that a firm which is subject to the provisions of the Directive must disclose, as appropriate, the relevant information required under Pillar 3. The rules provide that one or more of the disclosures may be omitted if it is believed that the information is immaterial (where materiality is based on the criteria that the omission of material information would be likely to change or influence the assessment of the user relying on the information for the purposes of making economic decisions). Where a disclosure is deemed to be immaterial, this is stated within the document.

One or more of the required disclosures may also be omitted if it is believed that the information is proprietary or confidential in nature. Information may be deemed to be proprietary where, if it were shared, it would undermine a competitive position. Information may be deemed to be confidential where obligations exist that bind a firm to confidentiality with customers and/or counterparties. Where a disclosure is deemed to be confidential, this is stated within the document and more general information is supplied in its place.

Disclosures

The disclosures in this report have been prepared by SCOR Investment Partners UK Ltd (the "Firm"). Disclosures are made in accordance with the following rules, unless it has been determined that the disclosures are immaterial or proprietary in nature:

- BIPRU 11.5.1R risk management objectives and policies
- BIPRU 11.5.2R the scope of application of directive requirements
- BIPRU 11.5.3R capital resourcesBIPRU 11.5.4R compliance with the rules in BIPRU and on Pillar 2 requirements
- BIPRU 11.5.12R market risk
- BIPRU 11.5.18R remuneration

Frequency

This report is made on an annual basis and is published as at the Accounting Reference Date (31 December each year).

Media & Location

This report will be published on the Firm's website.

Verification

Disclosures will only be externally verified if they are deemed to be equivalent to those made under accounting requirements.

Change in regulatory regime for 2022 onwards

From January 2022, the Firm will become subject to new legislation, the Investment Firms Prudential Regime and the associated FCA rule book (MIFIDPRU). The Pillar 2 process described above will be replaced by the new Internal Capital Adequacy and Risk Assessment process known as the ICARA.

We have performed an assessment on how the new regime will affect our regulatory capital requirements and based on our business model, have determined that it is unlikely to materially impact our Pillar 1 requirement, which is expected to still be driven by the Fixed Overhead Requirement.

2. Risk management objectives & policies

The Board is committed to the ongoing sustainability of the business and the Firm has established comprehensive procedures to ensure that the risks faced by the Firm are managed appropriately.

Introduction

Risk is inherent in the Firm's business and activities. Our ability to identify, assess, monitor and manage each risk is a crucial factor in our financial soundness, performance and reputation.

The Firm's approach to risk management is described below. The first section covers the Firm's risk governance structure and the second section explains the way that the risks are categorised, the types of risks faced and the risk management objectives and policies in place for each.

Risk Governance & Risk Appetite

The responsibility for the Firm's overall risk governance approach lies with the Board of Directors. The Board is responsible for determining risk strategy, setting the Firm's risk appetite and ensuring that risk is monitored and controlled effectively. It is also responsible for establishing a clearly defined corporate structure, with each member of that structure possessing distinct roles and responsibilities. The Board has determined that the Firm's risk appetite is generally low and that any risks that are ascertained to be high must be mitigated as quickly as possible.

The corporate structure and the responsibilities of the Board is set out in a Responsibilities Map that has been implemented as part of the Firm's obligations under the Senior Managers & Certification Regime which came into force in December 2019. The Responsibilities Map not only sets out the Board's responsibilities, but also defines the roles of the Compliance Officer and all other members of the team who hold Certified Functions within the Firm.

The Firm Compliance Officer's role is to:

- Provide a focal point to co-ordinate communications and consultations with regulatory bodies and authorities.
- Achieve high standards of compliance advice and risk-based compliance, according to agreed standards and plans set with the assistance of external compliance consultants.
- Undertake risk-based compliance monitoring techniques to monitor the Firm's performance against the relevant rules and guidance and the Firm's internal policies.
- Provide timely and objective reports of findings, agreeing appropriate corrective actions and monitoring implementation.
- Oversee the compliance performance of the Firm, keeping the Board informed of the state of compliance standards measured against requirements and recommending changes in systems as necessary.

Risk Categorisation

The firm categorises risk under the following headings:

Operational Risk

Operational Risk is defined as the potential risk of financial loss or impairment to reputation resulting from inadequate or failed internal processes and systems, from the actions of people or external events.

Major potential sources of operational risk include: outsourcing of operations, dependence on key IT suppliers, IT security, internal and external fraud, regulatory non-compliance, process errors and external threats such as fire, flood or terrorism resulting in the loss of the office.

The Firm manages these risks through appropriate controls and loss mitigation actions, including insurance. These actions include a balance of policies, appropriate procedures and internal controls to ensure compliance with applicable laws and regulations.

In order to assist the Firm in relation to risk mitigation, it utilises the services of specialist service providers (including intra-group service providers from members of the wider SCOR Group) in the areas of compliance, finance, IT and business continuity to provide a robust support network.

Business Risk

Business Risk is defined as the potential risk of financial loss or impairment to reputation arising from loss of significant investors/funds, poor investment decisions, poor investment performance, significant changes in business operations or deterioration in external market conditions.

The risks posed to the Firm through the loss of key investors/funds are mitigated through keeping in close contact with all clients in a structured and organised manner, aiming to provide a high quality and efficient service at all times. Detailed and accurate marketing files are also maintained relating to each investor and potential investor in order to support this structured approach. Whilst it is impossible to eradicate all potential risks surrounding the potential loss of an investor, the Firm aims to minimise this as much as possible.

Investment decisions are made according to investment guidelines put in place for each fund advised by the Firm. The investment team has many years of experience in the areas in which the Firm specialises and all trades are documented with an Investment Memo and appropriate tickets which are reviewed by the Compliance Officer to check compliance with the individual strategies. This structured approach serves to minimise as far as possible the risk of poor investment decisions being made, all other things being equal.

In December 2021, as part of the ongoing integration of the Firm within the SCOR Group, it novated the vast majority of its fund investment advisory activities to its immediate parent, SCOR Investment Partners in Paris. The Firm now provides support to its parent in terms of investment advisory, distribution, legal and administrative services and is remunerated for these services. Remuneration for providing these services, which are all governed by separate legal agreements, will now become the predominant source of income for the Firm.

The situation in the market cannot be controlled by the Firm, but it can take actions to mitigate the impact of a poor or volatile situation. It manages its finances in order to provide a 'cushion' such that the Firm is living within its means. The Firm also possesses a significant amount of capital and audited reserves.

Credit Risk

Credit risk is the risk of loss arising from a customer or counterparty failing to meet their financial obligations to the Firm as they fall due.

Since the Firm does not trade on its own account or as principal, its major credit risks have, in the past arisen from the funds it advises failing to pay advisory and performance fees as they fall due, and from concentration risk arising due to lack of diversification of income derived from these funds. Now that the Firm has novated the vast majority of its fund investment advisory activities to its immediate parent and is remunerated for providing support to its parent in terms of investment advisory, distribution, legal and administrative services, its exposure to credit risk is much more limited than in previous years.

Liquidity Risk

Liquidity risk is the risk of the Firm being unable to meet its short-term payment obligations as they fall due, specifically because it may be unable to convert assets into cash without incurring a loss.

The Firm does not invest its own funds in illiquid assets. For the majority of 2021, the Firm's fees were paid in USD, and since the majority of its expenses are in GBP, it was therefore exposed to a foreign exchange risk, managed by the SCOR London finance team in accordance with the SCOR Group policy. Effective December 2021, the majority of the Firm's income is now derived from the services that it provides to its parent company, which pays all invoices in GBP. This means that the Firm's only USD income is received from the funds that are in liquidation and which had not been novated to the Firm's parent as at the end of 2021. This USD income is not material.

The Firm has a Liquidity Policy which sets out its Liquidity Risk Tolerance and this policy is reviewed at least annually.

Market Risk

Market Risk is defined as the potential adverse change in the Firm's income or net worth arising from (for example) a deterioration in market conditions (including a lack of capacity to invest and liquidity constraints from the market), an adverse change in exchange rates or a major catastrophic event.

For the reasons described above, the Firm's exposure to shocks to the market is now more limited than in previous years. Its fee income from its parent company is subject to a floor which is designed to ensure that it remains profitable.

Additional disclosure - CoViD-19

The developments from the outbreak of the COVID-19 pandemic continue to be closely monitored by management.

The Firm's direct sensitivity to the pandemic risk is limited to a very small percentage of its assets under management and therefore the immediate risk of loss is limited. The main risk is in respect of business continuity and being able to provide the expected level of service during the pandemic. To mitigate this risk the Firm operates as an integrated part of the overall SCOR Group, benefiting from a global network of offices and IT infrastructure. This has enabled it to implement remote and flexible working strategies, ensuring that the Firm's business continues without interruption whilst continuing to protect the health of its employees and their loved ones.

Additional disclosure – Russia-Ukraine conflict

Subsequent to the year end the ongoing conflict between Russia and Ukraine, with its recent military escalation, means that there is significant uncertainty about the future of the global economy. The main risks arising from the current geopolitical tensions are related to the future development of economic growth, interest rates and inflation. Due to the business model of the Firm, and after assessing these risks, the Directors have concluded that these existing uncertainties do not cast significant doubt upon the Firm's ability to meet its regulatory obligations.

3. Capital adequacy

The value of the Firm's share capital and audited reserves as at 31st December 2021 is £2.26 million. The Firm's capital resources consist of Tier 1 capital only and therefore there are no other items or deductions.

Pillar 1

In order to protect the financial stability of the Firm, internal capital is held to provide a cushion to deal with unexpected losses.

In accordance with GENPRU 2.1.45R, the Firm's Pillar 1 Capital Requirement has been determined as being the higher of (i) the Fixed Overhead Requirement, and (ii) the sum of the Credit Risk Capital Requirement and the Market Risk Capital Requirements. Since the Fixed Overheads Requirement is the higher amount, the Firm's Pillar 1 Capital Requirement, based on 2021 expenses, has been calculated as being £580,671 for 2022.

Pillar 2

In addition to the Pillar 1 calculations, the Firm calculates and monitors its capital adequacy internally on a monthly basis, using its monthly management accounts as the basis for this assessment. The Firm undertakes a Pillar 2 assessment which includes a review of operational, business and other risks, combined with stress testing, using a scenario analysis process. Utilising this process, the Firm has determined that no additional capital above the Fixed Overheads Requirement is required in order to meet the Pillar 2 capital requirement at this time.

Immaterial Information

Since the Firm's capital requirement is its Fixed Overheads Requirement, information relating to any capital required to meet Credit Risk and Market Risk are deemed to be immaterial and will not be disclosed.

4. Remuneration

The Firm is required to disclose certain information regarding its Remuneration Policy, under the terms of BIPRU 11 in the FCA Handbook, which governs the general disclosure requirements pertaining to the implementation of the 2006 Capital Requirements Directive into UK law.

With regards to the Remuneration Code, the Firm is classified as a low-risk 'Proportionality level 3' firm by the FCA, having regard to the principle of proportionality that is encapsulated in the European regulation from which the Remuneration Code derives. This means that the Firm is able to disapply many of the technical requirements of the Code. Nonetheless, the Firm is satisfied that the policies it has in place are appropriate to its size, nature, internal organisation and complexity, as required by the Code.

The Firm has a Nomination & Remuneration Committee which meets annually in order to determine the size and nature of the discretionary bonus pool, within the parameters of the Firm's constitutional documents. This Committee consists of the Non-Executive Chairman and the Chief Executive Officer, and the Committee determines the overall size of the bonus pool by reference to net profits, whilst also having regard to prudent business practices and the long-term interests of the Firm. Bonus payments made to employees are awarded based on a number of quantitative and qualitative assessments, taking into account financial and non-financial criteria as appropriate.

For the purposes of complying with the BIPRU disclosure requirements relating to remuneration, the Firm has only one 'business area', namely its investment management business. Of the six staff employed by the Firm, four are Remuneration Code Staff as they are senior management, risk-takers and/or staff engaged in control functions. The three Non-Executive Directors of the Firm are also Remuneration Code Staff. The aggregate remuneration (as defined by the FCA) awarded to its Remuneration Code Staff during the financial year ending on the Firm's accounting reference date is disclosed in the Firm's audited financial statements. The vast majority of the remuneration awarded to the Firm's six employees is awarded to its Remuneration Code Staff. The Firm has determined that providing any further information (essentially on an individual employee basis) would result in disclosing a level of detail that would have implications with respect to data protection. BIPRU 11.5.20R states that the remuneration disclosure requirements must be complied with by each Firm '...without prejudice to the UK or other national transposition of Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data'.