

MiFIDPRU 8 disclosures for the year ended 31 December 2023

Background

The Remuneration Policy Statement Sumitomo Mitsui DS Asset Management (UK) Ltd. (“SMDAM (UK)”)

SMDAM (UK) is authorised and regulated by the Financial Conduct Authority in the UK and is a wholly owned subsidiary of Sumitomo Mitsui DS Asset Management Ltd in Tokyo, Japan (“SMDAM”). Daiwa Securities Group Inc. owns 23.5% and Sumitomo Mitsui Financial Group Inc owns 50.1%. and are the two major shareholders of the parent company.

SMDAM UK is a Non-SNI firm under the Investment Firms Prudential Regime (IFPR). The IFPR applies to SMDAM UK because of its status as a MiFID firm regulated by the Financial Conduct Authority (FCA).

SMDAM UK is subject to MiFIDPRU 8, or the Markets in Financial Instruments Directive Prudential Regulation Art 8 (MiFIDPRU 8), disclosures relating to remuneration policies.

Remuneration Policies

The decision-making process used for determining the remuneration policy

The Board of Directors is responsible for human resource issues including terms and conditions of employment, remuneration (fixed and variable).

SMDAM UK does not have a remuneration committee. The Board of Directors determines remuneration policy taking full account of business strategy, objectives, values and long term interests of the firm. The Remuneration Policy encourages staff to improve how they undertake work rather than with a focus on how much revenue or profit they can make. Variable remuneration is mostly determined by non-financial performance criteria.

A review is undertaken on an annual basis to take into account any changes to policies, practises or procedures and any changes are approved by the firm’s governing body.

SMDAM UK ensures that its remuneration policies and practices are consistent with, and promote sound and effective, risk management and be in line with its business strategy, objectives and long-term interests.

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- (1) risk appetite and strategy, including environmental, social and governance risk factors;
- (2) the firm’s culture and values; and
- (3) the long-term effects of the investment decisions taken.

The link between pay and performance

The Company does not operate a bonus pool system. The Company operates a budget based system calculated on the previous/past year’s actual earning/profits. Prior to distribution the budget is subject to review by the Board following input from the Managing Director, to determine whether any degree of risk adjustment is necessary, and whether the methods used to calculate the budget have been correctly applied. Any budget for variable remuneration takes into account current and future risks and the cost of the capital and liquidity required in accordance with MiFIDPRU. Any variable remuneration, including a deferred portion, may only be paid or vest if it is sustainable according to the financial situation of the

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firm as a whole, and justified on the basis of the performance of the firm, the business unit and the individual concerned.

There is no executive incentive scheme.

Bonuses are determined solely at the discretion of senior management (unless other contractual arrangements exist) and may be used to reward and encourage good financial performance, as well as non-financial performance. Bonuses may be reduced or withheld completely if there has been any breach of regulatory requirements. The bonus may also be reduced to zero where there is poor performance, or where the employee is subject to a disciplinary warning, for example. The range of criteria chosen to determine discretionary bonuses may vary from year to year and from one business area to another. The amount of bonus available to be paid will be influenced by a number of factors including the Company's profitability and strategic objectives, which may change from time to time.

Employees will be eligible to be considered for a bonus provided that they have worked for the Company during the year to which the bonus relates, and that they remain employed by the Company on the date bonus is paid, and have not given or received notice on or by that date. As a general principle, individual bonuses are not directly or formulaically linked to individual revenue generation.

The Company's annual assessment of all staff requires a measurement against a range of mainly non-financial key skills (commitment, quality, technical competence, teamwork etc.) together with specific reference to integrity, and goals and objectives set by line managers. In addition, the assessment reinforces the need for adherence to the Company's risk management policies and regulatory requirements. Failure to perform in non-financial areas overrides the assessment of financial performance in determining an overall view. The annual assessment is used to support bonus proposals.

Assessment of Performance

SMDAM (UK) ensures that variable remuneration is performance-related. Variable remuneration is based on a combination of the assessment of the performance of:

- (a) the individual;
- (b) the business unit concerned; and
- (c) the overall results of the firm.

The assessment of performance set in a multi-year framework so performance is based on longer-term performance; and performance-based remuneration is spread over a period that takes account of the business cycle of the firm and its business risks.

Financial and non-financial criteria must be used in assessing variable remuneration.

Non-financial criteria under should form a significant part of the performance assessment process and override financial criteria, where appropriate;

SMDAM (UK) includes metrics on conduct, which make up a substantial portion of the non-financial criteria.

The non-financial criteria include how far the staff member adheres to effective risk management and complies with relevant regulatory requirements.

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Design characteristics of the remuneration system

The financial performance measures for Local Staff are set by the Managing Director and reviewed annually. Financial performance measures for Seconded Staff are limited in scope and are related to the performance of its parent company. The financial performance measures do not take into account future earnings streams. The determination of the bonus for SMDAM UK is made by the Board of directors annually and will be reduced where there is a reduction in profits for the firm.

Material Risk Takers remuneration

SMDAM UK has one material risk taker whose professional activities have a material impact on the risk profile of the firm.

Remuneration structures - guaranteed variable remuneration

SMDAM UK does not agree guaranteed variable remuneration. SMDAM UK does not buy out deferred bonuses or offer sign-on fees for new joiners.

Remuneration structures – ratios between fixed and variable components of total remuneration

The variable component of remuneration is usually no more than 50% of the fixed component of remuneration for each staff and is paid in cash. We believe this to be appropriately balanced and the fixed proportion amount allows for a fully flexible policy on variable remuneration, including the possibility to pay no variable remuneration component.

Remuneration structures - payments related to early termination

Payments related to early termination are usually on standard contractual terms with the exception being for non-standard termination payments. Details of early terminations of staff (if any) are set out in Appendix 1. Early termination payments are designed to reflect performance of the relevant staff member and are not designed to reward failure or be inconsistent with the Remuneration Code general requirements. There are no guaranteed or non-deferred variable remuneration provisions in any staff contracts.

Remuneration structures – retained shares or other instruments

This section is not applicable.

Remuneration structures - deferral

SMDAM UK does not defer variable remuneration.

Remuneration structures – performance adjustment

This section is not applicable

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Appendix 1

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Total Fixed Remuneration:	2,977	Total Variable Remuneration:	592
No. of Material Risk takers:	1	Fixed and Variable Ratio	83% : 17%
	Senior management	Other material risk takers	Other staff
Total remuneration	535	347	2,687
Fixed Remuneration	466	328	2,183
Variable Remuneration	69	19	354
Guaranteed Variable Remuneration	-	-	150
New Sign-on and Severance Payments	-	-	
Number of new sign-on and severance payment recipients	-	-	-
No. of material risk takers paid guaranteed variable remuneration	N/A	-	N/A
The highest severance payment awarded to a material risk taker	N/A	N/A	N/A

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