

**Halo Investment Management LLP**

**Remuneration Code**

**Procedures, Systems and Controls Policy**

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# Introduction

**Purpose**

Halo Investment Management LLP ‘The firm’ has adopted a Remuneration Code Policy Statement (“the Policy”) in accordance with the FCA’s “Senior Management Arrangements, Systems and Controls sourcebook” (“SYSC”). This policy generally applies to all employees, although there are certain sections which only apply to Code Staff.

The purpose of the Remuneration Code is to provide a level of alignment between investment managers and the client, place an emphasis on how firms can discourage “excessive risk taking” via suitable compensation arrangements and disclosures.

**Background to the Firm**

The Firm is incorporated in the UK and is authorised and regulated by the FCA as a BIPRU Investment Firm. The Firm’s activities give it the BIPRU categorisation of a MiFID Limited Activity Investment Firm.

The Firm has identified itself as a Proportionality Level Three investment firm (“Level Three Firm”) and adopted a proportioned approach to its Remuneration Policy. It has considered its individual needs on an ongoing basis and, where appropriate, disapplied certain provisions in accordance with FCA and CEBS/EBA guidance. The Firm will review any provisions which have been disapplied on at least an annual basis, to ensure that it continues to be appropriate for the Firm not to apply such provisions.

# General Requirements

**Introduction**

[SYSC 19C.2](http://fshandbook.info/FS/html/handbook/SYSC/19C) requires the Firm to establish, implement and maintain remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management.

**The Firm’s Risk Management**

The Firm has implemented policies, procedures and practices in order to identify, measure, manage and monitor risk. These are proportionate given the nature, scale and complexity of the Firm’s activities and its risk tolerance.

The Firm’s risk management is detailed in the Firm’s ICAAP and comprises:

* Definition of the Firm’s risk tolerance;
* Risk identification;
* Risk documentation;
* Risk monitoring; and
* Risk measurements.

In addition, the Firm has adopted the following statement of responsibilities:

**Statement of Responsibilities**

The Partners are responsible for ensuring that a robust remuneration policy is developed to align the Firm’s remuneration practices with its risk tolerance. The Partners are responsible for risk management and sets the risk profile of the Firm. This Policy is reviewed by the Partners at least annually taking into account the current and future risks and the costs and quantity of capital and liquidity required, having regard to the Firm’s financial forecasts.

As part of the risk management, the Partners will determine the Firm’s tolerance to risk – those risks it will accept and those it will not accept in the pursuit of its goals and objectives. In addition, the Partners ensure that the Firm has implemented an effective, ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and subsequently to ensure that such risks are actively managed. These procedures are set out more fully within the Firm’s ICAAP.

The Compliance Officer will monitor the Firm’s Remuneration Policy in connection with its liquidity and capital requirements and also has the specific role of identifying, measuring and monitoring the risk profile of the Firm on a day to day basis and reporting, to the Partners. The Compliance Officer will ensure that the Firm’s Remuneration Policy complies with the relevant legislation and regulations.

# Remuneration Principles

The FCA has established **12 Remuneration Principles** to help firms identify their exposure risks and establish sound policies, procedures and practices around these risks. These Principles establish a platform upon which risks can be measured and appropriate structures adopted to mitigate risk and ensure the financial soundness of institutions.

These Principles are as follows:

**Principle 1** – Risk management and risk tolerance

**Principle 2** – Supporting business strategy, objectives, values and long-term interests of the firm

**Principle 3** – Avoiding conflicts of interests

**Principle 4** – Governance

**Principle 5** – Control functions

**Principle 6** – Remuneration and capital

**Principle 7** – Exceptional government intervention

**Principle 8** – Profit-based measurement and risk adjustment

**Principle 9** – Pension policy

**Principle 10** – Personal investment strategies

**Principle 11** – Avoidance of the Remuneration Code

**Principle 12** – Remuneration structures

The Firm has considered how these Principles apply to the Firm below.

# Remuneration Principle 1 - Risk Management and Risk Tolerance

The Firm, through its various policies and procedures, has aligned remuneration with effective risk management, over a multi-year framework and will review regularly to ensure that such policies and procedures remain effective and align with the Firm’s business and risk strategy.

# Remuneration Principle 2 - Supporting Business Strategy, Objectives, Values and Long-Term Interests of the Firm

In order to support the Firm’s long term business strategy, the firm has adopted a remuneration framework. This ensures that variable remuneration is only paid from risk adjusted profits, this will come into effect when the firm is in profit.

# Remuneration Principle 3 - Avoiding Conflicts of Interest

The Firm has adopted a conflicts of interest policy aimed at mitigating any potential conflicts that may arise between staff members and clients, between staff members and the Firm and between one client and another/others. The Firm also maintains a Conflict of Interests Register which lists all actual and potential conflicts of interest (including remuneration conflicts) identified by the Firm.

# Remuneration Principle 4 - Governance

The Firm has adopted a statement of governance setting out the powers and responsibilities of the Partners.

Due to the size of the Firm, it does not consider it appropriate to have a separate remuneration committee, as required by [SYSC 19C.3.12R](http://fshandbook.info/FS/html/handbook/SYSC/19C/3). Instead this function is undertaken by the Partners. This will be kept under review and, should the need arise, the Firm will establish such a committee.

# Remuneration Principle 5 - Control Functions

The Partners meets at least annually to set the Firm’s Remuneration Policy for the following year. This includes a review of the Firm’s Remuneration Policy for the previous year and its performance and risk adjustments.

The Firm ensures that individuals performing Control Functions remain independent from the business areas they oversee to avoid potential conflicts of interest. The Partners determine the remuneration of individuals performing Control Functions against specified objectives linked to the Firm’s adherence to its risk profile.

# Remuneration Principle 6 - Remuneration and Capital

The Firm, through its ICAAP, calculates its liquidity and ongoing capital requirement on a rolling three year basis. This is reviewed and stress tested annually by the Partners. Following the ICAAP review, the Partners will determine the size of the variable remuneration pool. This will take into consideration:

* The Firm’s regulatory capital requirement;
* The revenues which have been received in cash;
* Any revenues which have not yet been received but are guaranteed;
* Business cycles; and
* Deferred variable remuneration payments.

The Firm’s employment contracts allow the Firm to vary the date of any variable remuneration payments or cease to make any such payment. The Firm ensures that any payment of variable remuneration is made only following risk adjustments to profits and, where the Firm is not at risk of being unable to maintain a sound capital base.

# Remuneration Principle 7 - Exceptional Government Intervention

The Firm has not received any exceptional government intervention, nor is it anticipated that the Firm would qualify for such intervention. The Firm does not consider this Remuneration Principle as relevant to it.

# Remuneration Principle 8 - Profit-based measurement and risk adjustment

The Firm's risk analysis is incorporated into the Firm's ICAAP and takes into account actual and potential risks faced by the Firm on an ongoing basis.

# Remuneration Principle 9 - Pension Policy

The Firm does not offer a staff pension and therefore the Firm does not consider this Remuneration Principle as relevant to it.

# Remuneration Principle 10 – Personal Investment Strategies

The Firm is committed to ensuring the effectiveness of its policies and procedures. These are designed to only reward employees acting within the Firm’s risk tolerances and to ensure that the Firm is adequately capitalised with sufficient liquid assets. The firm currently does not enter into agreements to award deferred remuneration and therefore the partners have considered that this clause is not relevant and will review should deferred remuneration come into effect.

# Remuneration Principle 11 – Avoidance of the Remuneration Code

The Firm’s remuneration policies and procedures are designed to ensure compliance with the Code. All variable remuneration is paid directly by the Firm or another group entity subject to the Code, and agreed by the Partners on at least an annual basis.

# Remuneration Principle 12 – Remuneration Structures

The Firm, through its ICAAP, has conducted a thorough risk and capital planning assessment of the business for the next three years. This is reviewed annually by the Partners. The Partners determine the size of the variable remuneration pool available, taking into consideration:

* The remuneration required to retain qualified and experienced staff;
* The capital requirements for the next three years;
* Any potential liabilities;
* The Firm’s liquidity requirements; and
* Stress testing.

The variable remuneration of staff members is determined on an individual basis within a set framework determined by the Partners. Any variable remuneration award is subject to an assessment of the individual’s financial and non-financial performance. A weighted rating in favour of effective risk and compliance with the Firm’s policies and procedures is used to ensure an individual’s remuneration promotes effective risk management.

**Individual Remuneration Framework**

In establishing the Firm’s top-down remuneration framework, the Partners will take into consideration the performance of:

* The Firm overall;
* The business line; and
* The individual (both financial and non-financial).

The Firm is dedicated to ensuring that individuals are not remunerated for exceeding the risk tolerances of the Firm. When assessing individual performance, the Firm takes account of financial as well as non-financial criteria.

The Firm’s non-financial criteria are a combination of effective risk management and compliance with the Firm’s policies and procedures. Poor performance in the Firm’s non-financial criteria may pose a threat to the Firm’s financial soundness. The Firm places a weighted value on the non-financial criteria overriding the metrics of financial performance.

The Firm ensures that individuals making subjective judgements remain objective by referring to an established framework for making such judgements. This framework includes:

* Clearly documented parameters and key considerations;
* Documented final decisions regarding risk and any performance adjustments;
* Input from individuals in Controlled Functions; and
* Sign-off by the Partners for any performance adjustments.

The Firm recognises that performance can be exaggerated within any single year resulting in disproportionate results. The Firm has adopted a multi-year framework which considers the underlying business cycles of the Firm and benchmarks its performance against an industry average.

**Guaranteed Variable Remuneration**

The Firm does not enter into agreements to award guaranteed variable remuneration.

**Ratios between Fixed and Variable Components of Total remuneration**

In accordance with FCA guidance the Firm considers that it is appropriate to disapply [SYSC 19A.3.44R](http://fsahandbook.info/FSA/html/handbook/SYSC/19A/3).

**Payments Related to Early Termination**

This will be reviewed should it become necessary to do so.

**Retained Remuneration in the Firm’s Shares or Other Instruments**

In accordance with FCA guidance, the Firm has determined that it is not appropriate for it to apply [SYSC 19C.3.47R](http://fshandbook.info/FS/html/handbook/SYSC/19C/3).

**Deferral**

In accordance with FCA guidance, the Firm has determined that it is not appropriate for it to apply [SYSC 19C.3.49R](http://fshandbook.info/FS/html/handbook/SYSC/19C/3).

**Performance Adjustments**

In accordance with FCA guidance, the Firm has determined that it is not appropriate for it to apply [SYSC 19C.3.51R](http://fshandbook.info/FS/html/handbook/SYSC/19C/3) and [SYSC 19C.3.52R](http://fshandbook.info/FS/html/handbook/SYSC/19C/3).

# Appendix 1 - Remuneration Code Staff

The FCA defines Remuneration Code Staff (“Code Staff”) in [SYSC 19C.3.4](http://fshandbook.info/FS/html/handbook/SYSC/19C/3) as comprising categories of staff including senior management, individuals performing a Significant Influence Function, risk takers, staff engaged in Controlled Functions and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the firm’s risk profile.

The Firm has defined “risk takers” as heads of significant business lines and individuals who have a material impact on the Firm’s risk profile.

The Firm maintains a register of all staff members falling into the category of Code Staff.

[A template register can be obtained from the FCA website: <http://www.fsa.gov.uk/pubs/guidance/gc11_09_t3-4.xls>]

Code Staff who are unable to rely upon de minimis provisions are subject to the full Remuneration Code provisions set out in [SYSC 19C](http://fshandbook.info/FS/html/handbook/SYSC/19C/3), subject to those disapplied at Firm level. In accordance with [SYSC 19C.3.6](http://fshandbook.info/FS/html/handbook/SYSC/19C/3), the Firm treats any relevant individual as Code Staff regardless of how long they have been employed by the Firm.

# Appendix 2 - Partners Resolution of the Remuneration Code Procedures, Systems and Controls Policy approval

Halo Investment Management LLP (‘’the Firm’’)

**Remuneration Code (“the Policy”)**

The Policy has been reviewed by the Partners in the form attached to this written Board Minute.

Accordingly, in adopting the Policy, the Partners hereby:

NOTE THAT: the Policy has considered the requirements of SYSC 19C and, in so doing, taken fully into consideration the following matters proportionate to the nature and scale of the Firm’s business:

1. Overarching requirement to align remuneration with risk;
2. Risk tolerance;
3. Partners senior management approval and review of arrangements;
4. Remuneration structures;
5. Code Staff; and
6. Risk and conflicts.

NOTE THAT: the Policy concludes that the current policy and procedures are adequate to support the business operations of the Firm and, accordingly, the Firm complies with the requirements set by the FCA.

NOTE THAT: the Policy will be subject to continuing review and update as the requirements and level of the business operations of the Firm change over time.

RESOLVE THAT: after careful review, the Policy is considered to be comprehensive, relevant and proportional to the business operations of the Firm and, accordingly, the Policy is accepted and adopted by the Firm.

Designated Partner: Dated: