

IFM Investors (UK) Ltd

**Investment Firm Prudential
Regime (IFPR) Disclosure**

For the year ended 30 June 2023



Table of Contents

1	Overview	2
1.1	Purpose	2
2	Governance	2
2.1	Overview	2
2.2	Risk management	3
3	Own funds	4
3.1	Own funds composition	4
3.2	Reconciliation of Own Funds to Balance Sheet in the Audited Financial Statements	5
3.3	Main features of Own Instruments	6
3.4	Own Funds Basic Requirements	6
4	Remuneration Policy and Practices	8
4.1	Remuneration Philosophy	8
4.2	Remuneration Governance	8
4.3	Remuneration Structure	8
4.4	Performance Framework	10
4.5	Risk adjustment	11
4.6	Identification of Material Risk Takers (“MRTs”)	12



1 Overview

1.1 Purpose

This document sets out the IFPR disclosures for IFM Investors (UK) Ltd (“IFM UK”) as a MiFIDPRU investment firm in the UK as at 30 June 2023.

The 2023 disclosure covers a summary of the following:

- IFM UK’s management body, governance structures and governance policies and practices;
- IFM UK’s own funds, including information that describes the main features of the own fund instruments;
- IFM UK’s basic own funds requirement, showing its Fixed Overhead Requirement, and a breakdown of its K-factor requirement;
- IFM UK remuneration disclosure made in accordance with the MiFIDPRU 8.6 requirements.

For MiFIDPRU purposes, IFM UK is classed as a non-small non-interconnected (non-SNI) firm in line with MIFIDPRU 1.2. These disclosures have been prepared in accordance with MiFIDPRU 8.

IFM UK’s 4 year average on and off balance sheet assets are less than £300m and IFM UK does not have a trading book or derivatives business. Given that, the risk profile of the business, and the existing risk, and owner and investor alignment features in the remuneration plans, IFM UK applies proportionality in line with the MIFIDPRU Remuneration Code. On this basis, IFM UK complies with the Basic and Standard Requirements under the MIFIDPRU Remuneration Code and disapplies the Extended Requirements for deferral, payment in instruments, and the establishment of an independent Remuneration Committee. Notwithstanding this, IFM UK has voluntarily implemented some features of the Extended Requirements as a matter of good practice. The remuneration disclosure has been prepared on this basis.

2 Governance

2.1 Overview

IFM UK’s governance consists of risk accountabilities and delegations, Board, and committee governance, three lines of defence model, policy governance, and integrated assurance planning.

This serves to manage risks and associated harms within IFM UK and provide appropriate assurance to senior management.

Risk accountabilities and delegations are one of many executive accountabilities and delegations that are defined by the IFM Investors Pty Ltd (“IFMPL”), IFM Group Board and cascaded from the Chief Executive Officer (CEO). Accountabilities and delegations are managed by the centralised Governance team.

The IFM UK Board has delegated responsibility for monitoring and reporting of risks and issues in compliance with SYSC 4.3A.1R to the IFM UK Executive Committee (“IFM UK ExCo”).

The membership of the IFM UK Board consist of the following Directors:

- Chief Risk Officer
- Head of Commercial (Europe, Middle East and Africa)
- Regional Head of Europe, Middle East and Africa – Debt Investments



The IFM UK Board has delegated responsibility for identifying, assessing, monitoring and reporting of risks and issues in compliance with the UK regulatory system to the IFM UK ExCo. This is defined in the IFM UK Board Charter.

The role and responsibilities of the IFM UK ExCo for identifying, assessing, monitoring and reporting on risks and issues for IFM UK is defined in the IFM UK ExCo Charter.

The appointment of the IFM UK Board and IFM UK hiring practices follows IFM Group standards in the promotion of inclusion and diversity.

In addition, governance oversight and implementation of the IFM Group Risk Management Framework & Strategy is provided by the IFM Group Boards Audit & Risk Committee and IFM Risk Management Committee. Oversight for remuneration is provided by the IFM Group Board People & Remuneration and People Committee. IFM UK, due to its prudential categorisation under MIFIDPRU

7.3.1R and MIFIDPRU 7.3.3 respectively, does not require to operate its own local Risk and Remuneration Committees.

2.2 Risk management

The IFM UK Risk Management Framework (“RMF”) policy sets out management of risks and associated harms within the business conducted by IFM UK. The purpose of this policy is to provide a comprehensive risk management framework by which IFM UK can identify, assess, manage, report and mitigate risk, through which IFM UK will be able to minimise harm to clients, the market and IFM UK.

This framework incorporates:

- Guidance set out by the FCA in IFPR;
- Regulatory standards, requirements and laws in the UK applicable to IFM UK as a FCA regulated Investment Firm; and
- Risk management arrangements, in line with best market practices, and the Risk Appetite of IFM Group

One of the most critical elements of the IFM UK RMF is the management of risk across the risk lifecycle. This includes defining the approach that IFM UK will take to identify and assess risks and manage the impact of its harm to clients, the market and itself. Each aspect of the lifecycle is covered within this framework document alongside additional guidance on topics such as taxonomies, risk and control assessments, issues and incident management, monitoring and reporting and integrated assurance.

The IFM UK RMF together with the UK Risk Register is reviewed annually.

IFM UK has integrated risk appetite with IFM Group’s strategy and applies a continuous improvement approach. This approach includes:

- IFM Group Board defined Risk Appetite statements for each of IFM Group’s five strategic imperatives
- Identification of key risks that relate to each Risk Appetite statement and strategic imperative
- Identification of business metrics that are relevant to each material risk
- Identification of tolerances per business metric to inform whether the material risk is effectively being managed within appetite

IFM UK through IFMPL has in place corporate insurance cover for various aspects of the business in order to partially transfer specific risks, including:

- Business disruption / cyber
- Directors and Officers liability; and
- Financial Crime



3 Own funds

3.1 Own funds composition

IFM UK's Own Funds comprise exclusively Tier 1 capital which consists of fully issued ordinary shares and retained earnings. As at 30 June 2023, IFM UK complied with the relevant capital regulatory obligations as outlined in the Investment Firms Prudential Regime.

Table 1 – Composition of regulatory own funds

Item	Amount GBP'000	Source based on ref numbers of the balance sheet in the audited financial statements
1 OWN FUNDS	84,237	
2 TIER 1 CAPITAL	84,237	
3 COMMON EQUITY TIER 1 CAPITAL	n/a	
4 Fully paid-up capital instruments	5	Called-up share capital [Capital & Reserves] 30 June 2023 audited financial statements
5 Share premium	n/a	
6 Retained earnings	84,232	Profit & Loss account [Capital & Reserves] 30 June 2023 audited financial statements
7 Accumulated other comprehensive income	n/a	
8 Other reserves	n/a	
9 Adjustments to CET1 due to prudential filters	n/a	
10 Other funds	n/a	
11 (-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	n/a	
19 CET1: Other capital elements, deductions and adjustments	n/a	
20 ADDITIONAL TIER 1 CAPITAL	n/a	
21 Fully paid up, directly issued capital instruments	n/a	
22 Share premium	n/a	
23 (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	n/a	
24 Additional Tier 1: Other capital elements, deductions and adjustments	n/a	
25 TIER 2 CAPITAL	-	
26 Fully paid up, directly issued capital instruments	n/a	
27 Share premium	n/a	
28 (-) TOTAL DEDUCTIONS FROM TIER 2	n/a	
29 Tier 2: Other capital elements, deductions and adjustments	n/a	



3.2 Reconciliation of Own Funds to Balance Sheet in the Audited Financial Statements

The table below describes the reconciliation of Regulatory Own Funds to the audited balance sheet as at 30 June 2023.

Table 2 – Own funds reconciliation of regulatory own funds to balance sheet in the audited financial statements

	a	b	c
	Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross reference to Own Funds Table 1
	As at period end GBP '000	As at period end GBP '000	
Assets			
1	Cash at bank	13,099	
2	Debtors	143,874	
3	Tangible Fixed Assets	2,571	
4	Right of Use Assets	6,083	
5	Deferred tax asset	16,734	
	Total Assets	182,361	
Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements			
1	Creditors – Current	(8,307)	
2	Provisions – Current	(47,939)	
3	Lease Liability – Current	(1,342)	
4	Provisions – Non-current	(34,055)	
5	Lease Liability – Non-current	(6,481)	
	Total Liabilities	(98,124)	
Shareholders' equity			
1	Called up share capital	5	4
2	Profit & loss account	84,232	6
	Total Shareholders' Equity	84,237	



3.3 Main features of Own Instruments

The table below provides information on the Common Equity Tier 1 instruments issued by IFM UK.

Table 3 – Main Features of Own Instruments issued

Issuer	IFM Investors (UK) Ltd
Public or private placement	Private
Instrument type	Ordinary share
Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)	5
Issue price (GBP whole number)	1
Redemption price	n/a
Accounting classification	Called up shared capital
Original date of issuance	17 January 2008
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 Coupons/dividends	n/a
Fixed or floating dividend/coupon rate and any related index Existence of a dividend stopper	n/a
Convertible or non-convertible	n/a
Write-down features	n/a
Link to the terms and conditions of the instrument	IFM Investors (UK) Ltd

3.4 Own Funds Basic Requirements

The following table provides an illustration of IFM UK's Basic Requirements as at 30 June 2023.

In summary, as at 30 June 2023, IFM UK held Own Funds of £84.2m against its Basic Requirement of £27.8m [surplus £56.4m].



Table 4 – Own Funds Basic Requirements

	GBP '000
Permanent Minimum Requirement [PMR]	75
Fixed Overhead Requirement [FOR]	27,781
K Factor Requirement*	2,346
Own Funds requirement (highest = FOR)	27,781
*K Factor Requirement	
K-AUM	2,336
K-CMH	0
K-ASA	0
K-DTF	0
K-COH	10
Total K Factor Requirement	2,346



4 Remuneration Policy and Practices

4.1 Remuneration Philosophy

IFM Group believes that our investors, whose beneficiaries include millions of working people globally, deserve the very best talent managing their investments.

As a global institutional asset manager, IFM Group operates in a global marketplace so to attract and retain the best people, it is important that we pay globally competitive remuneration.

Our remuneration is structured to align IFM Group employees with the aim of delivering superior net investment returns to members of superannuation and pension funds and like-minded institutional investors around the world.

Our remuneration practices are designed to:

- Align our remuneration outcomes to the results we have delivered and aim to continue to deliver for our investors;
- Ensure that individual key performance objectives are linked to our strategic goals and objectives, such as delivering for our investors; for example, for our investment professionals, variable remuneration is driven primarily by whether our investment products exceeded investor return benchmarks net of all fees;
- Encourage and reward outcomes and behaviours that support our cultural and strategic goals;
- Incorporating and upholding our Risk Management Framework, which includes the consideration of sustainability risks;
- Not compromise the independence risk and financial control employees have in carrying out their roles and functions; and
- Comply with legal and regulatory obligations.

4.2 Remuneration Governance

IFM Group's Board approves and oversees the IFM Group Remuneration Policy ("Policy") on the recommendation of the IFM Group Board People & Remuneration Committee ("PRemCo"). This includes oversight of the identification of Material Risk Takers ("MRTs") and the level and structure of their remuneration. To avoid conflicts of interest, no Director or employee participates in decisions determining their own remuneration. Keeping remuneration governance at the forefront, IFM Group consults with external providers to make informed decisions on remuneration.

The Policy is reviewed annually for its effectiveness and compliance with various legal and regulatory requirements.

4.3 Remuneration Structure

IFM UK aims to align the interests of its employees with those of its owners, investors and their ultimate beneficiaries by remunerating employees through a combination of fixed remuneration and variable remuneration arrangements including short term incentives, long term incentives and other special incentive schemes aligned to the performance of specific areas of IFM UK's business.

When determining remuneration awards, the PRemCo and the IFM Group Board take into account the need to set an appropriate ratio between fixed and variable pay to ensure that IFM UK can appropriately reward employees. This includes the ability to award no variable pay should the performance of IFM UK, any of its business units and/or individuals warrant this.



The IFM Group Board, on the recommendation of the PRemCo, will determine at the start of each year an appropriate maximum ratio of fixed to variable remuneration that may be awarded to individuals or MRTs.

IFM UK does not operate guaranteed variable remuneration with the exception of Sign-on, Completion Bonuses and Buyouts. All such payments are subject to them being aligned with the long-term interests of IFM Group and not effecting the sound capital based of IFM UK.

Severance payments may be made where appropriate but will not reward failure or misconduct. Any annual incentive outcome included will not exceed the amount an individual might expect for a full year's service.

4.3.1 Fixed remuneration

Fixed remuneration (including salaries, pensions and other benefits) is determined with reference to a range of internal factors (including internal role relativities, complexity of role, and individual performance factors) and external factors (including external remuneration market benchmarking).

4.3.2 Variable remuneration

IFM UK designs its variable remuneration plans with risk management in mind and involves IFM UK's Risk & Control functions in the design, oversight and award of variable remuneration under the plans. This is to ensure that risks are adequately managed within IFM UK's risk appetite.

Variable remuneration will not be awarded or vest if this would jeopardise the financial position, industry standing or reputation of IFM UK or limit their ability to replenish required capital. All variable remuneration at IFM UK will be subject to Malus and Clawback provisions as required.

As part of the annual remuneration review process, awards can be adjusted for metrics including sustainability and other elements that form a non-financial portion of the variable component of remuneration plans.

Sustainability risk is also inherently captured in investment performance both indirectly, through risk of investor withdrawal due to sustainability risks and considerations, and directly through impact on financial performance due to material physical and transition risks of underlying assets.

Short-term Incentive Plan ("STI")

All permanent employees who met eligibility criteria participated in the STI plan for FY23. The plan is designed to:

- Create and sustain a performance and results culture where a high level of successful performance is expected and rewarded;
- Strengthen and provide direct linkage between incentives and the conduct of our employees and their alignment to our Cultural Foundations and Behaviours; and
- Ensure transparency for employees in the delivery of appropriate rewards whilst protecting investors' interests and meeting their expectations.

The STI is assessed against a range of individual and corporate performance measures each year resulting in one overall assessment outcome and a single corresponding award.

Long Term Incentive Plan

Typically, senior roles (Associate Director and above) were eligible for an LTI for FY23. The plan is designed to:

- Ensure a focus on positive investor outcomes;
- Retain key employees to ensure successful business continuity;
- Provide reward for performance against our strategic goals; and



- Provide a consistent retention and reward approach across teams and locations.

Employees participating in the LTI plan receive an annual award based on various performance measures, both individual and corporate. The first of three instalments is paid upon being awarded the grant, with the payment of the second and third instalments deferred for 12 and 24 months respectively. The deferred portion of the LTI award receives a notional interest which is paid to eligible employees upon vesting.

Annual Incentive Plan (“AIP”)

The AIP consolidates STI and LTI incentives into a single incentive opportunity with a more tailored approach to the deferral of payments. The AIP is designed to:

- Focus employees on achieving their key performance objectives which are aligned with business goals.
- Align employees’ activities and conduct to the time horizon of risk and performance measurement with the life-cycle of:
 - IFM’s business; and
 - Where applicable, the funds the employees manage and their investment risks and/or the Alternative Investment Funds (“AIF”) managed by the IFM Group and their investment risks.
- Be tailored to the objectives and requirements of different roles.

Employees participating in the AIP are ineligible to participate in the STI and LTI plans and receive an annual award based on various performance measures, both individual and corporate. The structure of the AIP Award and vesting schedule varies based on employee level. For the most senior employees for example, the first of three instalments paid at grant and the second and third instalments deferred for 24 and 36 months respectively. The deferred AIP is invested and notional interest is paid to eligible employees upon vesting.

Special Incentive Schemes

There are a number of Special Incentive Schemes (“SIS”) which seek to further align remuneration with positive long term investor and/or business outcomes. Participants are those identified as significant contributors to these outcomes, and (with some exceptions) are ineligible to participate in the LTI scheme. The objectives of the schemes are to:

- Further align investment professionals’ remuneration to investors’ interests. This is frequently requested by asset consultants and investors to ensure that investment professionals have “skin in the game” in that financial rewards are tied directly to investor returns;
- Align sales and/or investor relations professionals with IFM’s strategic growth objectives relating to long term fundraising performance and superior levels of investor satisfaction;
- Provide a mechanism for retention and succession planning of our key employees; and
- Reward exceptional performance.

4.4 Performance Framework

An employee’s performance is assessed on how they undertake the core requirements of their role and their contribution to the achievement of key goals aligned to the organisation’s purpose, culture, business strategy and, importantly, operational and risk management frameworks. Performance objectives are set to determine variable remuneration outcomes for the relevant performance period (such as individual performance goals, the annual Corporate Scorecard or the assessment criteria for award determination within SISs).

The performance framework ensures reward is aligned to key strategic drivers and corporate performance, including investment performance, net sales, strategic goals and alignment with IFM Group Cultural Foundation and Behaviours, as well as individual contribution. Individual performance assessments will include, where appropriate, consideration of business unit performance. Additionally, the performance assessment will include consideration of multi-year performance through participation in longer term specialist incentive schemes.



For Control Function employees, any variable remuneration will have performance measures based on achievement of objectives linked to their functions, independent of the performance of the business areas they control.

4.5 Risk adjustment

All variable remuneration at IFM UK is subject to risk adjustment. The IFM Group Board may adjust any variable remuneration awards downwards, including to zero if appropriate, for any employee or group of employees (“Malus”), if it considers that such adjustments are appropriate in accordance with the Policy. The IFM Group Board may look to recover any vested awards for any employee or group of employees, (“Clawback”) if it considers that such recovery of awards are appropriate in accordance with the Policy.

Individual outcomes and pools, where appropriate, can also be adjusted for current and future risks as well as risk events which have crystallised during the year.

Malus

The circumstances in which Malus may be triggered include:

- a material non-compliance with any financial, performance or fund reporting requirement (resulting in a material misstatement of financial, performance or sustainability-related results) on which variable remuneration determination is based upon; or
- any act or omission of an Employee which constitutes fraud, misrepresentation, dishonesty or gross misconduct in relation to the affairs of the Group or a Group entity which brings the Group or any Group entity into disrepute; or
- any material breach of an Employee’s obligations to the Group or a Group entity, including failure to perform any act if reasonably and lawfully requested by the Group or a Group entity; or
- material failure of an Employee to adhere to the IFM Code of Conduct; or
- an Employee, in relation to the affairs of the Group or Group entity, being convicted of a criminal offence or having a final criminal judgement entered against him or her; or
- an act or omission by any Employee that has the effect of delivering an outcome in a manner that is unsustainable, inaccurate or involves an unacceptably high risk, and results in a detrimental impact on the Group’s financial performance or any Group product performance (including sustainability-related performance); or
- the Group or any Group entity suffering a material failure of risk management; or
- the Group or any Group entity suffering a material downturn in financial performance.

Clawback

Clawback is applicable to all MRTs of IFM UK. Clawback mechanisms can be activated up to a period of 3 years after the payment of each Award (unless remuneration regulation requires a longer clawback period). The activation of Clawback is decided by the IFM Group Board and may apply to MRTs where an employee:

- contributed with fraudulent behaviour, material error or gross negligence to IFM incurring significant financial losses; or
- engaged in misconduct and/or failed to take expected actions which contributed to significant reputational harm to IFM; or
- failed to meet appropriate standards of fitness and propriety; or
- is subject to disciplinary measures envisaged in respect of fraudulent behaviour or gross negligence.



4.6 Identification of Material Risk Takers (“MRTs”)

The MiFIDPRU Remuneration Code sets out which roles must be identified as MRTs. MRTs are staff whose professional activities are deemed to have a material impact on the risk profile of the firm. The following roles are identified by IFM UK as MRTs under the MiFIDPRU Remuneration Code:

- Employees on the IFM UK Board;
- Employees who are members of the Executive Committee;
- Employees in designated Senior Management Functions;
- Heads of key business areas;
- Any other employees whose professional activities are deemed to have a material impact on the risk profile of IFM UK.

The IFM Group Board, at the recommendation of the PRemCo, will review the list of Identified Staff, at least on an annual basis. MRTs are notified of their status.

4.6.1 FY23 Quantitative remuneration disclosure

The below quantitative information in respect of FY23 has been provided in accordance with the requirements of MiFIDPRU 8.

Table 5 - MiFIDPRU 8 quantitative disclosure

	Number of employees			
Total number of Senior management members	12			
Total number of Other Material Risk Takers (“MRTs”)	8			
Total number of Other staff	141			

GBP’000	Senior management	Other MRTs	Other staff	Total (all staff)
Total remuneration	32,400	22,057	64,929	119,387
Of which: Fixed remuneration	3,783	2,138	16,058	21,979
Of which: Variable remuneration	28,617	19,919	48,871	97,408

Notes:

- **Senior management:** This cohort is the IFM Global Strategy Team (“GST”), ie the top leadership team. They are also identified as MRTs of IFM UK, however their responsibilities extend outside of the UK entity due to the global nature of their roles. The remuneration figures shown in the table reflect the full remuneration awarded for FY23 for these individuals, even though only a portion of their remuneration is related to their IFM UK responsibilities. Where an individual was an MRT of IFM UK for a part year for FY23, their remuneration has been pro-rated.
- **Other MRTs:** MRTs who were not members of IFM’s GST in FY23 are defined as Other MRTs.
- **Other staff:** Other staff includes employees of IFM UK from 1st July 2022 - 30th June 2023 who are not Other MRTs or Senior Management.
- **Severance payments:** During FY23, two severance payments were made to MRTs (one Senior management and one Other MRT). The total amount of severance payments for FY23 are not disclosed as permitted by the exemption set out in MiFIDPRU 8.6.8 (7) to prevent individual identification of an MRT. The highest severance payment made to a MRT in FY23 was GBP 256k which was in line with policy and did not exceed the amount that individual might expect for a full year’s service in their role.
- **Buyouts:** One buyout was awarded to a member of ‘Senior management’ in FY23 as part of their hire in consideration of their forfeited amounts from their previous employer, was made in accordance with our policy, and reasonable steps were taken to ensure it was not more generous in its amount or terms than were offered at the previous employer. The award amount is included as part of the aggregate Variable Remuneration for Senior management outlined above but is not disclosed separately as permitted by the exemption set out in MiFIDPRU 8.6.8 (7) to prevent individual identification of an MRT.