

Background

SIL is the wholly owned subsidiary of Shinkin Central Bank (“SCB”), a Tokyo Stock Exchange listed company with approximately 1,200 staff, providing a broad range of financial services to its 254 member Shinkin banks (similar to UK co-operative banks).

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

SIL 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).

SIL 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.

SIL 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.

SIL’s considers:

- (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

SIL operates two cash bonus (variable remuneration) schemes. One is based on an annual assessment (1 January - 31 December) for local staff who are defined as staff hired in the United Kingdom by SIL (“Local Staff”). The second is based on a semi-annual assessment (1 April - 31 March annual time period) for secondee staff from the parent entity, SCB (“Secondee Staff”). Each of the schemes incentivises staff to deliver a higher than average standard of performance based on a variety of criteria including specific targets agreed by the relevant staff member and their line manager. Most criteria are non-financial with a strong emphasis on:

- Job knowledge
- Quality of work
- Quantity of work
- Dependability
- Adaptability
- Cooperation
- Discipline
- Communication skills
- Advice and support to senior staff
- Problem solving
- Compliance

There is no executive incentive scheme.

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 pool for SIL 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

SIL has 8 material risk takers whose professional activities have a material impact on the risk profile of the firm which includes Senior Managers, and Front Office staff.

Remuneration structures – assessment of performance

The assessment of performance is set in a multi-year framework for Seconded Staff in that their pay grade is dependent on their performance every year. For Local Staff the nature of the risk and reward are configured annually.

Remuneration structures - guaranteed variable remuneration

SIL does not agree guaranteed variable remuneration. SIL doesn't buy out deferred bonuses or offer sign-on fees for new joiners. SIL does not offered retention awards.

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

The variable component of remuneration is usually no more than 30% 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

SIL does not defer variable remuneration.

Remuneration structures – performance adjustment

This section is not applicable

Appendix 1

No. of Material Risk takers:	8		
	Senior management	Other material risk takers	Other staff
Total remuneration	£901,280	£612,630	—
Fixed Remuneration	£857,686	£563,646	—
Variable Remuneration	£43,594	£48,985	—
Guaranteed Variable Remuneration	N/A	N/A	—
Severance Payments	N/A	N/A	—
Number of material risk takers paid guaranteed variable remuneration	0	0	—
Number of material risk takers paid severance payments	0	0	—
The highest severance payment awarded to a material risk taker	N/A	N/A	—