



## PILLAR 3 DISCLOSURE

### INTRODUCTION

Ingenious Capital Management Limited (ICML) is authorised and regulated by the Financial Conduct Authority (FCA).

ICML is categorised as a BIPRU firm and as a Collective Portfolio Management Investment Firm (a CPMI) which is able to control, but not hold client money.

ICML is subject to the Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU); the General Prudential Sourcebook (GENPRU); and the prudential rules for Alternative Investment Fund Managers per the Interim Prudential sourcebook for Investment Businesses Chapter 11 (IPRU (Inv) Chapter 11).

### **The capital adequacy framework consists of three Pillars:**

**Pillar 1** sets out the minimum capital amount that meets the Firm's credit, market and operational risk;

**Pillar 2** requires the Firm to assess whether its Pillar 1 capital is adequate to meet its risks and is subject to annual review by the FCA (the ICAAP as set out below); and

**Pillar 3** requires disclosure of specified information about the underlying risk management controls, capital position and remuneration. This document is Ingenious' Pillar 3 disclosure statement.

As required by the regulator, the FCA, ICML has undertaken an 'Internal Capital Adequacy Assessment Process' ("ICAAP"). The ICAAP is reviewed annually or whenever there is a material change to the business, whichever is sooner. The most recent ICAAP review was undertaken as at 1 September 2020.

The ICAAP process considered the risks that the firm is exposed to and the controls that exist to mitigate those risks. It was further considered whether additional capital was required to meet the risks that could potentially face Ingenious, including, as required by the FCA rules, the potential cost of winding down the firm in the unlikely event that such action was necessary.

Ingenious' Pillar 1 capital requirement is the higher of the base capital requirement of EUR 50,000, the sum of the credit risk and market risk requirements, and the fixed overhead requirement. Currently the fixed overhead requirement is the highest of these three requirements and the capital requirement amounts to £3,138k. Ingenious have assessed that there is an additional capital requirement under Pillar 2 and thus the Pillar 2 Capital requirement is 3,388k.

### **Location**

The Pillar 3 disclosure is available on Ingenious' website [www.theingeniousgroup.co.uk](http://www.theingeniousgroup.co.uk)

### **Frequency**

The Pillar 3 disclosure is updated annually.



## Verification

The disclosures are unaudited but have been verified internally. To the extent that the disclosures have been made in the annual report, they have been subject to external verification. These disclosures explain how the Board has calculated certain capital requirements and information about risk management generally. They do not constitute financial statements.

## RISK MANAGEMENT

ICML does not risk its own capital in the financial markets. Accordingly, the risks that ICML faces are more limited in scope than for some other types of regulated firms. The risks and controls detailed below are, in accordance with the BIPRU rules, risks that ICML faces in respect of its own activities.

### Capital

The capital of ICML is in the form of share capital and retained earnings (also known as Tier 1 capital). As at 21 October 2020 ICML had Tier 1 capital of £8,933k comprising £5,000k of share capital and £3,933k of audited reserves.

### Risk

The Board of Directors of ICML has adopted an approach to risk management which is appropriate, given the size, scale, and the complexity of the firm.

ICML has identified and performed an assessment of the key risks that may impact its business.

The Board is responsible for establishing the risk management strategy of ICML and for overseeing the overall risk infrastructure. It decides on and approves each of the firm's risk management policies. The Board is supported by the Audit and Risk Committee, the Risk Management Function, and the Compliance team.

ICML's business divisional heads are accountable for: identifying and assessing risks in their respective business areas; ensuring that there are effective controls to manage risks in accordance with the firm's policies; and, for escalating significant risks to the Board, the Audit and Risk Committee for further action to be taken, to mitigate emerging risks, as required.

The Audit and Risk Committee has oversight of the risk management strategy and risk infrastructure. Reports by the Compliance team are reviewed by the Audit and Risk Committee and are also reported to the Board of ICML on a periodic basis.

The Board annually reviews and approves the Internal Capital Adequacy Assessment Process (ICAAP).



## Principal risks and uncertainties

### Concentration Risk

Concentration risk is the risk that ICML is overly dependent upon one investment strategy, or fund. ICML has recently carried out a strategy review and has implemented a 5-year business planning process to mitigate the potential impact of concentration risk.

### Key Man Risk

Key man risk is where there is overreliance on a few key individuals. There are a few key individuals at Ingenious whose departure would have a significant impact on the business. Mitigants can be put in place to reduce risk if not completely remove risk. The Board is aware of this risk and there is a plan for knowledge transfer as well as considerations around succession planning.

### Business Risk

Business risk is the risk that Ingenious may not be able to carry out its business plan and could therefore suffer losses if its income falls. This is a risk that all businesses face. The Board with the support of the

Audit and Risk Committee continuously monitor income and expenditure levels and adjust the plans accordingly.

### Conflicts of Interest (COI)

Potential conflicts of interests exist between IEP and EIS investments. Conflicts policies are in place and actively being monitored by the Compliance Team, and they are reviewed by ARC on a monthly basis. The biggest risk is that an actual or potential COI may increase the risk of bias or poor judgement, tarnish public image and risk regulatory breach.

### Operational risk

Operational risk is the risk of loss arising from failed or inadequate internal processes or systems, human error or other factors leading to damage to the brand regulatory fines etc. The risk is managed by the members of the Board, who have responsibility for putting in place appropriate controls for the business. Ingenious documents the risks that it is exposed to and the compensating controls in its ICAAP.

### Residual risk

Residual risk is any risk not covered by the specific risk categories outlined above.

The firm does not consider that there are any residual risks that require Ingenious to maintain any additional capital.

## REMUNERATION DISCLOSURES

The FCA's Remuneration Code requires certain FCA regulated firms to disclose a series of qualitative and quantitative information relating to remuneration. ICML is required to disclose information concerning the decision-making process used for determining the remuneration policy. This includes, if applicable, information about the composition and the mandate of a remuneration committee and the role of the relevant stakeholders. ICML is also required to disclose information on the link between pay and performance, aggregate quantitative information on remuneration broken down by business area, senior management and for members of staff whose actions have a material impact on the risk profile of the firm.

### The Decision-Making Process

The Board of ICML approves the remuneration policy for ICML. Any changes are approved by the Board of ICML.

The salary for all new employees is subject to approval from the Chief Finance Officer and the Chief Executive Officer. Salary is reviewed annually and increases in salary are discretionary.

ICML pays bonuses from profits made by the ICMH group.

Ingenious has a Remuneration Committee (**RemCo**). The members of RemCo are the Group Chairman, at least one director from ICMH and the HR Director. The RemCo provides input, advice, and oversight on individual awards. The Board of ICML approves bonus decisions and individual payments.

### Pay and Performance

The purpose of granting a bonus is:

- To incentivise performance and the achievement of personal and ICML's objectives measured through the annual review process
- To reward contributions to the overall success and long-term performance of the business and
- To ensure talent is identified, rewarded, and retained in the business.

Employees have tailored individual objectives covering various areas, this can vary by position and seniority. This can include learning objectives, interaction with the business and completion of specific projects etc. Remuneration is measured against achieving objectives and is approved as indicated above.

### Quantitative Information on Remuneration for Financial Year Ended 30 June 2020

No bonuses were paid out in the financial year that ended 30 June 2020.

Total remuneration for all ICML staff was £7.9m.

Total remuneration of all Senior Managers (holders of a SMF) plus any Certification staff who were deemed so by virtue of being a Material Risk Taker\* was £1.9m.

\*comprises categories of staff including risk-takers, staff engaged in control functions and any [employee](#) 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.