

IFPR DISCLOSURE

FOR THE YEAR END 30 APRIL 2022

OCTOPUS INVESTMENTS LIMITED

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Overview

Background

The Investment Firms Prudential Regime (IFPR) is the FCA's new prudential regime for MIFID investment firms which aims to streamline and simplify the prudential requirements for UK investment firms. IFPR came into effect on 1st January 2022, and its provisions apply to Octopus Investments Limited (OIL or the firm) as an FCA authorised and regulated firm.

The public disclosure requirements of IFPR are set out in MIFIDPRU 8, replacing the previous Pillar 3 requirements of BIPRU 11.

For the 2022 financial year, OIL (a non SNI¹) has adopted the FCA's transitional provisions for disclosure requirements contained within MIFIDPRU TP12, which only requires disclosure of Governance arrangements (MIFIDPRU 8.3), own funds ((MIFIDPRU 8.4), and own funds requirements (MIFIDPRU 8.5) – refer below for further details:

- Governance arrangements: non-SNI firms are required to disclose certain information including:
 - An overview of the firm's governance arrangements and risk committee.
 - The number of directorships held by each member of the governing body (this only applies to directorships of commercial enterprises, charities and directorships of other group entities are excluded).
 - A summary of the firm's policy on promoting diversity on the governing body.
 - Whether the firm has established a risk committee
- Own funds: firms must provide details of own funds (using the template provided in MIFIDPRU 8 Annex 1R), and a reconciliation of the same information in the firm's report and accounts (where available).
- Own funds requirements: firms must disclose details of their own funds requirements including the fixed overhead requirement (FOR) and a breakdown of their K-factor requirements (non-SNI only). All firms are also required to disclose their approach to assessing their compliance with the overall financial adequacy rule (MIFIDPRU 7.4.7R).

Additionally, the firm has included disclosures on remuneration policy and practices in accordance with TP12.8R (in line with the old BIPRU11 rules).

The firm is not required to make the full disclosures specified under MIFIDPRU until the end of a full performance year since it went live in January 2022, which for OIL will be as at 30th April 2023.

¹OIL is confirmed as a non SNI MIFIDPRU investment firm after an assessment of the Basic conditions for classification as an SNI MIFIDPRU investment firm listed under MIFIDPRU 1.2.1

Governance Arrangements (MIFIDPRU 8.3)

Overview of Governance Arrangements

The management body of OIL (the Board) has ultimate responsibility for the overall management of the firm.

The Board is responsible for establishing and monitoring the effectiveness of the firm's corporate governance framework, and approving the firm's policies, strategic direction, and risk appetite.

The Board has a duty to act in accordance with its powers and the directors must:

- Act in accordance with the company's constitution, and
- Only exercise powers for the purposes for which they are conferred.

To meet its responsibilities, the Board has delegated the day-to-day running of the firm to the CEO and the senior management team through the following committees:

- Audit and Risk Committee
- Group Executive Committee
- Octopus Investment Management Committee
- Fund Management Investment Committee

Conflicts of Interest

Information for dealing with conflicts of interest is set out in the Conflicts of Interest Policy document which is approved by the Board. The policy sets out how the firm seeks to prevent and deal with conflicts of interest if they arise.

Directors are required to disclose any business interests that may result in actual or potential conflicts of interest with those of OIL. If a conflict or potential conflict situation arises, the directors must seek authorisation from the Board.

Board of OIL

OIL has an established Board that meet on a quarterly basis that consists of:

- Rob Devey – Chairman (Non-Executive Director)
- Simon Rogerson
- Chris Hulatt
- Ruth Handcock
- Jonathan Digges

Audit and Risk Committee

OIL is not required to establish a risk committee under MIFIDPRU 7.3 as it meets the conditions set out under MIFIDPRU 7.1.4R, however the firm has chosen to establish one regardless.

OIL holds at least quarterly Audit and Risk Committees (ARC). The role and scope of the ARC is decided by the Board of Directors. The ARC has delegated responsibility from the Board and assists the Board in fulfilling its oversight responsibilities.

Its primary role is to monitor the integrity of the financial statements, review internal financial controls, compliance with the regulations, system of controls and risk management. In addition, the committee maintains an appropriate relationship with the external auditors and reviews the independence, objectivity, and effectiveness of the audit process. The internal audit function also has a line of escalation to the Committee Chair. Refer below for a list of ARC attendees:

- Rob Devey – Chairman (Non-Executive Director)
- Simon Rogerson
- Chris Hulatt
- Ruth Handcock
- Jonathan Digges
- CRO
- Head of Internal Audit

Group Executive Committee

The OIL Board has established a Group Executive Committee. The composition of this Committee includes both members of the Board and CEOs from the Business Units.

The members of the Group Executive Committee for the period were as follows:

- Simon Rogerson (OC Chief Executive)
- Chris Hulatt (Founder)
- Benjamin Davies (CEO of Octopus Real Estate)
- Alliot Cole (co CEO of Octopus Ventures)
- Emma Davies (co CEO of Octopus Ventures)
- Jonathan Digges (Chief Investment Officer)
- Ruth Handcock (OI CEO)
- Anna Philbrick (Head of People)
- Jonathan Dees (COO)

Simon Rogerson is the Chairman of the Committee. Additional individuals are invited to attend meetings of the Committee at the discretion of the Chairman to address planned agenda items pertaining to their particular areas of expertise.

The purpose of this Group Executive Committee is to review ongoing matters that arise from day to day, and reports and presentations across a range of topics from the business as determined appropriate by the Committee.

Octopus Investments Management Committee

The Executive Committee delegates the authority for the day to day running of the Octopus Investments Retail Business to Retail Management Committee responsibilities of which include amongst others execution of the strategy for delivering Retail business core objectives, implementation and monitoring of effective risk and compliance policies, approval of new or changed products and regular review of existing products.

Fund Management Investments Committee

The OI Board delegate the running of the four investment areas (Real Estate, Alternative Investments, Quoted and Ventures) to the investment committee meetings. Each area meets regularly to review product performance, potential opportunities, and risk inherent to the product (market, credit etc.).

Directorships

The following directors have held office in executive and non-executive functions throughout the financial year ending 30th April 2022:

Name	Group Directorship	Other Directorship in scope of MIFIDPRU 8.3.1R(2)
Robert Devey Chairman and Non-executive Director	1	15
Simon Rogerson Founder and Chief Executive Officer Octopus Capital	2	0
Christopher Hulatt Founder	2	3
Ruth Handcock OI Chief Executive Officer	3	3
Jonathan Digges Chief Investment Officer	1	1

Diversity

Octopus is committed to providing a workplace that seeks and respects diversity and inclusion at every level of the business including the executive and non-executing board members. We believe that anyone who joins the business should benefit from the opportunity to develop, progress, and succeed within the company. We are at the start of this journey and recognise that recruiting and retaining a truly diverse and inclusive workforce requires long term commitment from across the business. To support this commitment, we have introduced two targets in April 2022. These are, by 2030 we want to have:

- a gender balanced workforce with at least 50% of CEOs and Heads Of being women, and
- at least 15% of our managers from ethnic minorities.

Octopus became a signatory to the Women in Finance Charter in September 2021 to support this ambition

Own Funds (MIFIDPRU 8.4)

Composition of Regulatory Own Funds

The Firm's own funds are exclusively CET1 capital. As at 30 April 2022 and during the year, the Firm complied with all externally imposed capital requirements in accordance with the rules set out in CRR (up until 31st December 2021) and IFRP (from 1st January 2022). Tier 1 capital consisted of fully issued ordinary shares, satisfying all the criteria for a Tier 1 instrument as outlined in the CRR, IFRP and audited reserves.

Table OF1: Composition of regulatory own funds

	Item	Amount (GBP Thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	148,534	
2	TIER 1 CAPITAL	148,534	
3	COMMON EQUITY TIER 1 CAPITAL	148,534	
4	Fully paid-up capital instruments	2,326	Note 14
5	Share premium		
6	Retained earnings	144,942	Statement of Changes in Equity
7	Accumulated other comprehensive income		
8	Other reserves	6,816	Statement of Changes in Equity
9	Adjustments to CET1 due to prudential filters		
10	Other funds		

11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	5,550	Note 8, 11
19	CET1: Other capital elements, deductions, and adjustments		
20	ADDITIONAL TIER 1 CAPITAL	0	
21	Fully paid-up capital instruments		
22	Share premium		
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
24	Additional Tier 1: Other capital elements, deductions and adjustments		
25	TIER 2 CAPITAL	0	
26	Fully paid-up capital instruments		
27	Share premium		
28	(-) TOTAL DEDUCTIONS FROM TIER 2		
29	Tier 2: Other capital elements, deductions, and adjustments		

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

The table below shows a reconciliation with own funds in the balance sheet where assets and liabilities have been broken down by asset and liabilities classes respectively. The information in the table below reflects the balance sheet in the audited financial statements as at 30th April 2022.

Table OF2: Reconciliation of regulatory own funds to balance sheet in the audited financial statements

Amount (GBP thousands)	Balance sheet as in audited financial statements As at period end	Under regulatory scope of consolidation As at period end	Cross- reference to template OF1
Assets			
1	Tangible fixed assets	4,252	
2	Intangible fixed assets	3,637	Item 11
3	Debtors – within one year	89,469	
4	Debtors – due after one year	11,865	
5	Financial assets	1,923	Item 11
6	Cash at bank and in hand	189,269	
7	Total Assets	300,415	
Liabilities			
1	Creditors – due within one year	134,294	
2	Creditors – due more than one year	9,887	
3	Provisions	2,150	
4	Total Liabilities	146,331	

Shareholders' Equity

1	Called up share capital	2,326	Item 4
2	Other reserves	6,816	Item 8
3	Retained earnings	144,942	Item 6
4	Total Shareholders' Equity	154,084	Item 1, 11

Main Features of Own Instruments Issued by the Firm

The table below provides information on the ET 1, AT1 and Tier 2 instruments issued by the Firm. There were no changes since last financial year. Only CET1 was held.

Issuer	Octopus Investments Limited
Governing law of the instrument	UK
<i>Regulatory treatment</i>	
Regulatory classification	Common Equity Tier 1
Instrument type	Ordinary Shares
Amount recognised in Audited Financial Statements	GBP 2.3m
Nominal amount of instrument	GBP 2.3m
Issue price	GBP 1
Rights of redemption	None
Accounting classification	Shareholders' Equity
<i>Dividends</i>	

Full discretionary, partially discretionary or mandatory (in terms of timing)

Fully discretionary

Full discretionary, partially discretionary or mandatory (in terms of amount)

Fully discretionary

Own Funds Requirements (MIFIDPRU 8.5)

K-Factor Requirement and Fixed Overheads Requirement

The table below shows the K-factor requirement (“KFR”), broken down into three groupings and the total amount of fixed overheads requirement (“FOR”).

Item – Amount (GBP thousands)

	\sum K-AUM, K-CMH and K-ASA	4,621
K-Factor	\sum K-DTF and K-COH	337
	\sum K-NPR, K-CMG, K-TCD and K-CON	0
	Fixed Overheads Requirement (“FOR”)	21,634

Approach to assessing the adequacy of own funds

ICARA Process

The internal capital adequacy and risk assessment process (the “ICARA process”) is the core risk management process for FCA investment firms. The ICARA process is a continuous assessment of the harm a firm may pose to clients and markets as part of its ongoing business and during wind-down.

OIL will review the adequacy of the ICARA process at least once every 12 months and following any material change in the firm’s business or operating model.

The ICARA process document and associated external disclosures have been reviewed in detail by senior management and therefore has had senior management input throughout the document’s development.

The ICARA process has been developed from a risk review of OIL and its annual budget exercise. It is therefore already integrated into the firm’s procedures and has been approved by the Board.

To ensure OIL meets its ongoing capital needs and liquidity requirements, these will be reviewed each month in the management accounts which are distributed to the Management Committees and the Board.

On this basis the Board are satisfied that the Firm has sufficient own funds and liquid assets to meet its Overall Financial Adequacy Rule (OFAR) both as to amount and quality to ensure that:

- a) it is able to remain financially viable throughout the economic cycle, with the ability to address material potential harm that may result from its ongoing activities; and
- b) its business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Remuneration

Remuneration Policy

The aim of this policy is to ensure that remuneration arrangements at Octopus reward employees appropriately, but also promote sound and effective risk management. In particular, the remuneration arrangements at Octopus aim to avoid excessive risk-taking, (either on behalf of the Octopus, or on behalf of any funds/portfolios it manages for customers). It is also designed to ensure that, when taking decisions about remuneration, the impact of reward arrangements on Octopus' long-term sustainability are considered.

This policy applies to all legal entities of Octopus Capital Ltd's UK Consolidation Group including OIL.

Approach to Remuneration

The Group remuneration approach, aimed at ensuring the competitiveness and the effectiveness of its policies, is based on the following key principles:

1. that remuneration structures drive ethical behaviour of employees.
2. there is clear governance around remuneration decisions.
3. remuneration programmes should drive both business results and desired behaviours which, overall, aim to align the interests of individual employees with the long-term interests of Octopus and its customers.
4. the remuneration structure must avoid incentives that would encourage employees to take unnecessary and/or excessive risks.
5. sustainability of Octopus' business and alignment of remuneration with corporate results and individual performance.
6. to retain and develop key talent at all levels of the organisation.

Governance Arrangement for Remuneration

OIL have a Remuneration Committee which:

- approves the Remuneration Policy and the arrangements of any individual incentive or reward schemes, to ensure that the remuneration arrangements Octopus has in place adhere to the principles outlined in this Policy.

- ensures that the policy is effectively implemented.
- receives input from Octopus' Risk, Compliance, with respect to the setting of individual remuneration awards where they have concerns about the behaviour of the individuals concerned or the riskiness of the business undertaken.
- ensures that the measurement of performance used to calculate variable remuneration components or pools of variable remuneration components:
 - includes adjustments for all types of current and future risks and considers the cost and quantity of the capital and the liquidity required by the Company; and
 - takes into account the need for consistency with the timing and likelihood of the Company receiving potential future revenues incorporated into current earnings; and
 - ensures that the allocation of variable remuneration components also reflects all types of current and future risks to the Company.
- is responsible for ensuring that remuneration policies and practices are designed in such a way so as not to create a conflict of interest or incentive that may lead employees to favour their own interests or those of the Company to the potential detriment of any client.

Other entities which form part of the Company will have similar decision making and oversight arrangements, proportionate to the size, nature, and complexity of their business.

Material Risk Takers (MRTs)

In accordance with the FCA rules, the Company is required to identify the categories of staff whose professional activities are deemed to have a material impact on the risk profile of the Company. These are referred to as 'Material Risk Takers', and Octopus ensures that it applies all of the necessary remuneration requirements to these staff, taking into account the size and complexity of Octopus' business, and how it is organised internally.

'Material Risk Takers' are identified in line with the criteria included within relevant guidance, but broadly, they include Octopus' Senior Management, and those individuals whose role means they can expose the Company, or the Funds it manages for clients, to material risk.

Compensation Arrangement

The Company aims to deliver total remuneration (which may be a combination of fixed and variable compensation) at a level that is aligned to the market for each individual role, whilst also rewarding the overall performance of the Company's business and the individual's performance.

Remuneration at Octopus can be made up of a combination of two broad components:

- basic fixed remuneration (e.g. salary plus any allowances) in line with the employee's professional experience and role within the Company.
- variable remuneration (e.g. corporate bonus, long term incentive plans, performance fees) that reflects performance - which may be subject to performance adjustment.

Any variable remuneration, including any deferred portion, is paid or vests only if it is sustainable according to the financial situation of the Company as a whole, and is based on the performance of the Company, the business unit and the individual concerned.

Variable Remuneration

The Company currently operates a Corporate Bonus Scheme which may lead to individuals being awarded a discretionary cash bonus. The award that an individual receives varies on an annual basis and is dependent on Company and individual performance (and market norms) for the role they perform. Individual performance is rewarded across both behavioural and competency-based measures, including consideration of whether the individual consistently displays appropriate risk and compliance behaviours. All permanent employees are eligible to participate in the Corporate Bonus Scheme.

In addition to the Corporate Bonus Scheme, the Company also operates other variable incentive schemes for certain individuals:

- Fund Performance Incentive Schemes, such as 'carried interest' arrangements, which are designed to align the interests of senior employees with the performance of the funds they manage, thereby aligning their interests with Octopus' customers. Only employees who impact the performance of the funds covered by the scheme are eligible to participate in these arrangements.
- a 'growth share' scheme, providing significant tax-efficient incentivisation for certain senior employees, linked to the growth in value of the Company. The proceeds of the Growth share scheme are dependent on Company valuation growth, and a portion is also linked to the Shareholder's individual performance.
- Fund Performance Incentive Schemes, designed to reward employees in line with fund performance.
- Long Term Incentive Plan (LTIPs), designed to reward high-performing senior leaders in a way that align the interests of senior employees with the long-term performance of the Company (or of a business unit within the Company).

Deferral Arrangements

Deferral arrangements may apply to individual's incentive compensation, resulting in a smaller portion of the award being deferred for a period of at least 12 months.

To support Octopus' risk management objectives, the Company reserves the right to clawback all or a portion of any incentive subject to deferral and not yet vested, in the circumstances where this is required by FCA regulations, or because of the Company identifying risk or compliance issues.

Clawback Arrangements

Performance adjustment is in place for all MRTs within Octopus Investments Limited. A 3-year clawback period exists from the date the award is made and may be used in the following situations:

1. The MRT, participated in, or was responsible for, conduct which resulted in significant losses to the firm.
2. The MRT failed to meet appropriate standards of fitness and propriety.
3. The firm or the relevant business unit suffers material failure of risk management, resulting in FCA censure and/or penalties.

Aggregate remuneration for MRTs

OIL is required to disclose the aggregate remuneration of MRTs. For the year ending 30 April 2022 the annual remuneration was £15.9m. This is comprised of fixed pay, variable pay, non-contributory pension, and benefits in kind in accordance with the rules. OIL considers that it does not operate with distinct business areas given its position as a UK focused asset management business and therefore the aggregate information on remuneration is disclosed. Due to the limited number of MRTs, the firm considers it appropriate to disclose aggregate remuneration across all MRTs so as not to prejudice individuals with regard to disclosure of personal information.