



NS Partners Ltd
MIFIDPRU 8 Disclosures

Based on the audited financial statements as at 31st December 2023

NS PARTNERS LTD (the “Company”) At 31 December 2023

Introduction

The Public Disclosure requirements of Investment Firms Prudential Regulation (“IFPR”) are set out in MIFIDPRU 8 which replaces the previous Pillar 3 requirements of BIPRU 11. MIFIDPRU 8 requires firms to disclose information to key stakeholders and counterparties, including its own funds (financial strength), behaviour (investment policy) and culture (risk management, governance, and remuneration).

Scope and application of the requirements

NS Partners Ltd (“the Company” or “NSP”) is authorised and regulated in the UK by the Financial Conduct Authority (“FCA”) and is categorised as a Collective Portfolio Management Investment Company (“CPMI”) conducting investment management and advisory services. The Company is a full-scope Alternative Investment Fund Manager and has permissions to conduct Markets in Financial Instruments Directive (“MiFID”) activities. Under IFPR and the MIFIDPRU section of the FCA Handbook, NSP falls within the category of a Company Non-small and non-interconnected investment (“Non-SNI”) Company. This document sets out the Company’s approach to the Disclosure requirements containing the key qualitative and quantitative information required as part of the Disclosure. The qualitative disclosures under MIFIDPRU 8 are appropriate to the Company’s size and internal organisation and to the nature, scope, and complexity of its activities.

Governance arrangements

NSP has been part of the Connor Clark and Lunn Financial Group Ltd. (“CCLFG”) since June 2011, with a 50% partnership with the Partners of NS Partners UK LLP (Partners). CCLFG is one of the largest independent asset managers in Canada. On 31 December 2023, CCLFG and its affiliates collectively managed approximately C\$118billion in assets on behalf of individual and institutional investors. The Company has a broad range of institutional clients including governments, pension plan sponsors, corporations, foundations and charities.

NSP does not fall within MIFIDPRU 7.1.4R as the relevant thresholds are not met and as such NSP is not required to establish a Risk Committee however, it has established one for the supervision, monitoring and review of the activities carried out by the company.

Policies and procedures have also been established to ensure effective and appropriate governance of the business and were reviewed and approved in the period by NSP’s CCO as part of an annual process.

Diversity & Inclusion

NSP believes that diversity of its investment professionals combined with an ownership model and compensation structure that rewards long-term contributions to the business helps to foster an environment which promotes diversity of thought, ideas and ultimately success in the form of investment performance for clients. NSP’s senior employees and fund managers are partners

in the business. Allocation of profit sharing, equity allocation and promotion decisions for Partners includes reference to the Company's guiding principles, of which diversity & inclusion is a component.

Additionally, NS Partners utilizes an anonymous diversity & inclusion survey which asks questions on the fairness of the compensation and promotion process. Management have also sought to assess, based on anonymous survey results, the overall diversity of people hired and promoted. For 2023, the Company has plans to update its onboarding process to cover all relevant diversity, equity, inclusion and belonging training.

Risk Management Objectives and Policies

The Board is responsible for determining the Company's business strategy and risk appetite, taking into account the risks that the Company is likely to meet. Management is responsible for identifying risks, accepting risks and managing risks. The Board of Directors is responsible for reviewing risks and the strategies management has put in place to manage them. The Board seeks that the right balance is in place between risk acceptance and opportunity.

Commentary on the findings of the Risk Committee is incorporated into the quarterly reporting to the Board and the Enterprise Risk Matrix ("ERM") is presented to the Board on an annual basis and when there are significant changes to or the emergence of new risks and/or risk management strategies, which assists the Board in understanding and accepting what the risks are and how the risks are managed.

The Internal Capital & Risk Assessment ("ICARA") process is in place to review the regulatory capital requirements for financial institutions in the UK and can be reviewed by the FCA as part of its Supervisory Review and Evaluation Process. The Board receives regular updates on the ICARA process including any notification that the Company is likely to breach an early warning indicator regarding the Company's own funds and liquid assets requirements under IFPR and the ICARA report is presented to the board annually for approval.

Risk Management Framework

The purpose of the Enterprise Risk Management ("ERM") framework and the underlying Risk and Controls Matrix ("RCM") is to identify, quantify, and review the probability of each material risk occurring, the impact of each risk on NS, its clients, and the markets it operates in, the procedures in place for mitigation and the acceptance of the residual risk following mitigation. The analysis is refreshed as and when risks change, or new risks emerge from its business activities, and at least annually. The RCM describes each risk in detail and also describes and evidences the processes, controls and action plans in place to mitigate each risk.

Material Risks

The single area of the Company's business is investment management and as such risk is inherent part of it. NSP considers that the potential for harm associated with its business strategy is low. The Company's business strategy reflects its low-risk appetite towards Investment Risk, Financial Risk, Regulatory Risk, Operational Risk, Concentration Risk and Liquidity Risk.

MIFIDPRU 8.2.1 requires the Company to disclose its risk management objectives and policies for the categories of risk addressed by: (1) MIFIDPRU 4 (Own funds requirements); (2) MIFIDPRU 5 (Concentration risk); and (3) MIFIDPRU 6 (Liquidity).

Own Funds Risks

NSP does not engage in proprietary trading, underwriting, placing, clearing or settlement activities, hold significant on balance sheet exposures, have tied agents or provide custody services or services to retail clients. The likelihood of a risk crystallising, the financial impact if it materialises, and the systems and controls in place to mitigate these are reflected in the assessment of the own funds and liquid assets. This assessment determines the minimum amount of own funds and liquid assets NSP must hold at all times. The level of own funds required to be held by the Company reflects, amongst other factors, the potential harm that might be incurred by NSP, its clients, and the markets it operates in.

Composition of regulatory own funds

	Item	Amount (GBP '000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	1,680	Total Equity
2	TIER 1 CAPITAL	1,680	Total Equity
3	COMMON EQUITY TIER 1 (CET1) CAPITAL	1,680	Total Equity
4	Fully paid-up capital instruments	120	Note 15
6	Retained earnings	1,560	Profit and Loss account

Own Funds Requirement

NSP is required to hold Own Funds of a sufficient quantity and quality to absorb certain losses and meet specific regulatory requirements (“Own Funds Threshold”).

NSP’s Own Funds Threshold is the largest of the following:

- (1) Permanent Minimum Capital Requirement as established by the FCA. This is currently £150,000.
- (2) Fixed Overhead Requirement (“FOR”) which for NSP at 31 December 2023 is £1,370,580.
- (3) ‘K’ Factor Requirement - Given NSP does not hold client money or client assets and as an investment management company, has no trading book exposures and does not deal

on own account, trade derivatives or safeguard assets, the only K factor applicable to NSP is K-AUM. As at 31 December 2023, the 'K' factor is £838,289.

Therefore, the Own Funds Requirement is £1,370,580. Additionally, the rules to determine the level of Own funds require that additional amounts need to be held in the event they are required to support an orderly wind down. NSP's wind down costs do not exceed the Own Funds threshold level above so no additional amounts are required.

Adequacy of Own Funds Assessment

The Company's Own Funds Assessment was drawn up after completion of the 2023 ICARA process which considered all relevant material harms. As part of this process, the Own Funds Assessment was subject to challenge by company specific, severe but plausible hypothetical scenarios designed to stress the Company's capital. Based on these activities it is believed the Company's Own Funds Assessment figure is adequate and that the Company holds sufficient own funds and liquid assets to cover the own funds and liquid assets requirements.

Concentration Risk

Products - In terms of investment products, as at 31 December 2023, NSP focuses on Institutional fund management with six actively managed strategies: ACWI ex US Equity, European Equity, Global Emerging Markets Equity, International Equity, US Equity and Global Equity. In broad terms, these can still be considered as one product, that being long-only equity, and the likelihood of this product falling out of favour is considered low by the Board as it forms part of a client's asset allocation. Management has considered and accepted the single product risk associated with this long-only equity strategy.

Clients - The Company has a diverse client base covering a number of client types and jurisdictions, with no material concentration risk for any single client. Earnings: the risk that the Company has a significant amount of its revenue concentrated in a small number of clients, leaving it exposed if it loses one or more of those clients. The Company's revenue is derived predominantly from its assets under management.

Cash deposits - The Company maintains instant-access cash accounts with one or two UK credit institutions with whom the Company has strong and well-established relationship, and which typically have a minimum Moody's or S&P rating of investment grade. The ratings of these financial institutions are monitored on an ongoing basis.

The Company's assessment in relation to each concentration risk is that, given its control strategies, it does not present a material risk to the Company, its clients, or the market.

Liquidity Risk

This is the risk that NSP, although meeting the required level of own funds and liquid assets, either does not have sufficient resources available to meet its obligations when they fall due or can only secure them at an excessive cost.

The Company's Balance Sheet is highly liquid with no debt. The cash held by the Company is in one or more UK bank accounts in the name of the Company and is not encumbered (e.g., as a

result of being subject to a security interest or some other legal restriction which affects the Company's ability to liquidate, sell or transfer the assets). The investment management and performance fees are paid in US\$ and C\$ while the majority of its liabilities are denominated in GBP. It uses quarterly FX hedges to hedge the risk associated with non £ receivables.

REMUNERATION POLICY AND PROCESS

Remuneration policy

NSP's Remuneration Policy is designed to align with the long-term interests of the Company's clients. It is consistent with the NSP strategy, culture and purpose, ensuring sound and effective risk management alongside the fair and equal treatment of all staff.

NSP has ensured with its structure that it meets all the key requirements, does not encourage risk taking, supports business objectives and avoids conflicts of interest. The oversight of NSP's remuneration strategy and policy is governed by the Company's Management Committee.

Remuneration Code Staff

NSP has classed its Partners, who are all fund managers and the Chief Compliance Officer, a total number of 11 individuals, as Material Risk Takers (MRT). The Analysts and Junior Fund Managers along with the compliance officer, who are not partners, are not MRTs but fall within the scope of MIFIDPRU Remuneration Code (Code Staff) as they are in a similar remuneration bracket as senior management. The back-office employees are out of the scope of the definition of remuneration code staff.

QUALITATIVE REMUNERATION DISCLOSURE

All the senior employees and fund managers of NSP are Partners or Principals in the business. It is key to our philosophy that the Fund Managers, as Partners or Principals, share in the profits of the business, avoiding any specific market or product-related performance bonuses. It is through this philosophy that we seek to retain high calibre individuals, who are focused on aligning their interests with those of the Company and its clients. Portfolio outperformance and overall business success for NSP will benefit both parties alike.

The Management Committee of the Partnership will annually review the capital allocation of the partners and the points system of profit allocation for Principals and whether there should be any increase or decrease for each individual (Principal Plan). New Partners are identified as part of this review. Each partner receives a base draw and then a percentage of distributable profits according to the partner's proportional ownership. Distributions are only paid out of profits after the necessary working capital buffers are taken into account therefore ensuring the stability of the business.

Employees that are not partners are remunerated on a fixed annual salary with an annual discretionary bonus decided on by the employee's manager based on the employee's overall performance and agreed by senior management. Salaries are fixed at a level to attract and retain the right employees with the personal attributes and skills required to deliver our strategy.

The Principal plan, a long-term incentive plan with profit sharing has been established to recognise the contribution that certain individuals, that are not Partners, make to the growth in NSP's profit over the long-term and increase the incentive for these individuals to continue to develop their careers at NSP and deepen the cultural identification with the firm.

QUANTITATIVE REMUNERATION DISCLOSURE

NSP is required to disclose quantitative remuneration information for its Code Staff population in a manner that is appropriate to its size, internal organisation and the nature, scope and complexity of its activities. The table below provides the total remuneration expenditure awarded for NSP's Code Staff population for the 2023 performance year ended 31 December 2023 and amounts are presented on a gross basis.

REMUNERATION EXPENDITURE FOR CODE STAFF IN 2023 BY BUSINESS

This table shows the total remuneration expenditure for Code Staff by business for 2023.

	NS Partners Limited (£000s)		
	Senior Management ¹	Other MRTs	Other Code Staff
Number of beneficiaries	3	8	4
Fixed remuneration	488	1,156	465
Variable remuneration	-		35
Deferred Variable remuneration	-	-	50
Total remuneration	488	1,156	550

¹ Senior management is comprised of those categorised as 'Senior Managers' who carry out a senior management function as determined by the relevant regulators.

² Fixed Remuneration includes partners draws, employees salary plus pensions contributions and other benefits such as medical