



IFPR Disclosures

For the financial year ended 31 May 2023

isio.

Document classification: Confidential

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Overview

This disclosure is in relation to Isio Total Reward and Benefits Limited (“ITRB” or “the Firm”).

This document sets out the required public disclosures for ITRB as of 31 May 2023, which represents the end of ITRB’s financial accounting period (“FY23”).

Background

ITRB is authorised and regulated by the Financial Conduct Authority (“FCA”) under Firm reference number 196669 to provide investment advisory and other services to professional clients and eligible counterparties. ITRB’s primary advisory activities fall within scope of the UK Markets in Financial Instruments Directive (“MiFID”). As a result, ITRB is subject to the prudential requirements of the Investment Firms Prudential Regime (“IFPR”) contained in the MIFIDPRU Prudential Sourcebook of the FCA Handbook.

Under MIFIDPRU 8 of the IFPR, ITRB is required to publish certain disclosures on an annual basis at an individual entity level.

From 1 January 2022 – 14 November 2022, ITRB was categorised as a non-small non-interconnected (“non-SNI”) MIFIDPRU investment firm under the IFPR’s firm categorisation thresholds.

Since 14 November 2022 ITRB has been classified as a small non-interconnected (“SNI”) firm.

As these disclosures related to the FY23 period, during which ITRB was both a non-SNI and SNI firm, these disclosures meet the requirements in MIFIDPRU 8.1.4 and comply with the requirements for non-SNI firms.

If ITRB remains an SNI firm during FY24 (the financial year ending 31 May 2024), the disclosure requirements will be those applicable to an SNI firm only.

The information in these disclosures has been assessed to be proportionate to ITRB’s size and organisation and to the nature, scope and complexity of ITRB’s activities.

Transitional Provisions

No transitional provisions have been applied in the preparation or publication of this document.

ITRB has not included disclosures under MIFIDPRU 8.7 Investment Policy as these disclosures are only relevant to enhanced non-SNI firms under MIFIDPRU 7.1.4.

Review and Approval

ITRB has a robust internal controls framework to ensure the completeness, accuracy, and compliance of these disclosures in line with the relevant regulatory requirements. These disclosures form an external publication, and as such, this document has been subject to internal verification and approval in line with both MIFIDPRU 8 disclosure requirements and internal review processes.

Governance Arrangements Disclosure

The following disclosures relating to ITRB's governance arrangements are made under MIFIDPRU 8.3.

Governance Structure

ITRB has a formal governance structure which provides oversight of the risk management of the Firm's business activities in line with the systems and controls in place to operate in line with the necessary regulatory requirements. The management body of ITRB, is the Board of Directors ("Board") who have ultimate responsibility for the management of ITRB.

Oversight Arrangements

The ITRB Board is responsible for promoting the long-term sustainable success of ITRB and for the approval and oversight of strategic objectives, the risk strategy, risk management and governance of the Firm in compliance with its regulatory obligations and providing effective oversight of senior management.

The Board comprises executive and non-executive directors who are appointed by the Board. ITRB seeks regulatory approval from the FCA, prior to executive director appointments to the ITRB Board under the FCA's Senior Managers and Certification Regime.

The ITRB Executive Directors conduct their roles in line with their allocated FCA Senior Management Function role, prescribed responsibilities under the FCA's Senior Managers and Certification Regime and assigned responsibilities. The Board may delegate authority to other persons to act on behalf of ITRB in certain matters, and a record is kept of any such delegations.

ITRB Board meetings are held quarterly and are chaired by the Isio Chief Executive.

Segregation of Duties

The Board defines, oversees and is accountable for the implementation of governance arrangements that ensure the effective and prudent management of ITRB, including the segregation of duties in the organisation and the prevention of conflicts of interest, and in a manner that promotes the integrity of the market and interests of clients.

The Compliance Oversight Officer, SMF 16, sits within Isio's Risk & Compliance function.

Promoting the Integrity of the Market and the Interests of Clients

Isio strives to create an inclusive culture that embraces difference, and provides creative solutions that drive value for us, our clients and our communities. Inclusion and belonging are at the heart of our values – 'strength in difference' is one of our four core beliefs. Our purpose is to create better outcomes for our people, our clients – and society.

Our commitment to our purpose and values is strongly embedded within our culture, enabling us to secure a more sustainable future through the way we operate with our people, partners and clients. It's reflected in our values, the investment we make in our people and our commitment to equality and inclusion. It shows in our work with clients, as well as our support for social enterprises and charity partners.

Conflicts of interest

ITRB has adopted Isio's group-wide Conflicts of Interest policy. The Conflicts of Interest policy and related procedures are in place to prevent and manage any potential and actual conflicts of interest should they arise in the course of both individual appointments, responsibilities as members of the ITRB Board and in relation to the business activities of the Firm.

Directorships

As at 31 May 2023, ITRB Directors only held Directorships with ITRB or other Isio Group subsidiaries. These Directorships are outside of the disclosure requirements under MIFIDPRU 8.3.2R. There are no relevant external Directorships held at external, commercial organisations to be reported.

Diversity and inclusion

Diversity and inclusion have always been at the heart of Isio. Accountability and transparency underpin Isio's inclusion work. Since Isio launched in 2020, we've undertaken a number of initiatives to promote a diverse, inclusive and equitable environment. And we know our activities and actions are driving the business in the right direction and helping us build a culture where everyone can succeed, as evident in our 2021 Hourly Pay Gap results which saw an improvement on the previous year.

Risk Committee

ITRB is not required to establish a Risk Committee under MIFIDPRU 7 as, during the period, ITRB was both a non-SNI firm with on-balance sheet assets and off-balance sheet items over the preceding 4-year period with a rolling average of less than £100 million, and ITRB is now an SNI firm.

ITRB has a dedicated Risk and Compliance function that follows a risk mapping process to identify material risks and monitor these, including reporting on key risks to the ITRB Board. The Risk and Compliance team is overseen by ITRB's Compliance Oversight Officer who holds the FCA Senior Manager Function holder role of SMF16 as appointed by the ITRB Board.

As part of ITRB's Internal Capital and Risk Assessment (ICARA) process, the ITRB Board have overseen and challenged the design and execution of scenario testing, day-to-day risk management, due diligence on risk issues and are committed to embedding and maintaining a supportive risk culture throughout the Firm. ITRB has an annual compliance monitoring programme which is executed during the year. The monitoring programme is overseen by the Compliance Oversight Officer, SMF16, with the final report presented to the ITRB Board and Risk Committee.

Nomination Committee and Remuneration Committee

ITRB is not required to establish a Nomination Committee or Remuneration Committee under MIFIDPRU 7.

Own Funds Disclosure

The following disclosures relating to ITRB's own funds are made under MIFIDPRU 8.4.

Composition of regulatory own funds

As at 31 May 2023, the financial year end, ITRB complied with the relevant capital regulatory obligations as detailed in the IFPR.

Table 1: OF1- Composition of regulatory own funds

No.	Item	Amount (GBP thousands)	Source based on reference number/letters of the balance sheet in the audited financial statements
1	OWN FUNDS	5,133	Page 14, Balance Sheet as at 31 May 2022
2	TIER 1 CAPITAL	5,133	Page 14, Balance Sheet as at 31 May 2022
3	COMMON EQUITY TIER 1 CAPITAL	5,133	Page 14, Balance Sheet as at 31 May 2022
4	Fully paid-up capital instruments	100	Page 14, Balance Sheet as at 31 May 2022, "called up share capital"
5	Share premium	0	
6	Retained earnings	7,198	Page 14, Balance Sheet as at 31 May 2022, "profit and loss account"
7	Accumulated other comprehensive income	0	
8	Other reserves	0	
9	Adjustments to CET1 due to prudential filters	0	
10	Other funds	0	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(2,165)	Page 14, Balance Sheet as at 31 May 2022, total "fixed assets"
19	CET1: Other capital elements, deductions and adjustments	(2,165)	Page 14, Balance Sheet as at 31 May 2022, total "fixed assets"
20	ADDITIONAL TIER 1 CAPITAL	0	
21	Fully paid up, directly issued capital instruments	0	
22	Share premium	0	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0	
24	Additional Tier 1: Other capital elements,	0	

deductions and adjustments

No.	Item	Amount (GBP thousands)	Source based on reference number/letters of the balance sheet in the audited financial statements
25	TIER 2 CAPITAL	0	
26	Fully paid up, directly issued capital instruments	0	
27	Share premium	0	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	0	
29	Tier 2: Other capital elements, deductions and adjustments	0	

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

The table below details the reconciliation with own funds in the balance sheet, in the audited financial statements, as at 31 May 2022.

Table 2: OF2- Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

	a	b	c	
Amount in GBP (thousands)	Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to template OF1	
As at period end	31 May 2022	31 May 2022		
Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements				
1	Intangible Assets	3,010	0	Item 11 and 19 in OF1 above
2	Negative Goodwill	(845)	0	Item 11 and 19 OF1 above
3	Debtors	8,372	0	N/A
4	Cash	2,031	0	N/A
	Total Assets	12,568	0	N/A
Liabilities – Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors: Short Term	2,993	0	N/A
2	Creditors: Long Term	2,000	0	N/A
3	Provisions	277	0	N/A
	Total Liabilities	5,270	0	N/A
Shareholders' Equity				

1	Called Up Share Capital	100	0	Item 4 in OF1 above
2	Profit and Loss Account	7,198	0	Item 6 in OF1 above
	Total Shareholders' equity	7,298	0	

Own Funds Requirement Disclosure

The following disclosures relating to ITRB's own funds requirements are made under MIFIDPRU 8.5. ITRB is required to disclose the K-factor requirement ("KFR") and the fixed overhead requirement ("FOR").

K-factor Definitions

MIFIDPRU sets out the various K-factors, and the calculation method for each. The own funds requirement disclosure requires disclosure relating to the following K-factors:

- K-AUM: Assets under management
- K-CMH: Client money held
- K-ASA: Assets safeguarded and administered
- K-COH: Client orders handled
- K-DTF: Daily trading flow
- K-NPR: Net position risk
- K-CMG: Clearing margin given
- K-TCD: Trading counterparty default
- K-CON: Concentration risk

KFR and FOR disclosure

The table below sets out ITRB's K-factor and fixed overhead requirement amounts. The K-factor requirements are only applicable to non-SNI firms and has therefore ITRB's K-factor amounts have been disclosed in this document for the period in which ITRB was a non-SNI firm.

Table 3: KFR broken down as required by MIFIDPRU 8.5 and the FOR

	Amount (GBP thousands)
Sum of K-AUM, K-CMH and K-ASA	7
Sum of K-COH and K-DTF	0
Sum of K-NPR, K-CMG, K-TCD and K-CON	0
Fixed Overhead Requirement (FOR)	5,734

Own funds requirement

As a firm that was exempt CAD prior to IFPR, ITRB benefits from transitional provisions in the calculation of the own funds requirement. For calendar year 2023, ITRB is required to hold the transitional permanent minimum capital requirement, which is £573,000 from 2023 in line with MIFIDPRU TP2.10, representing 10% of the FOR (because the higher of the PMR and FOR is to be used per MIFIDRU 4.3, and £573,000 is higher than the PMR of £75,000, as calculated under MIFIDPRU 4.4.4).

As a SNI firm, ITRB's own funds requirement, from 1 January 2023 continues to be, calculated in line with MIFIDPRU 4.3 as the highest of:

- Its permanent minimum capital requirement ("PMR")
- Its fixed overhead requirement ("FOR")

The fixed overhead requirement is equal to one quarter of ITRB's expenditure from the previous year after the deduction of certain variable items noted in MIFIDPRU. This would cover three months of expenses in the event the business needed to be wound up. The liquid asset requirement is one third of the fixed overhead requirement.

Prior to reclassification as an SNI firm, the only relevant K-factor applicable to ITRB was K-AUM. However, as an SNI firm, the K-factors are no longer relevant.

Assessing the Adequacy of Own Funds

ITRB is required to disclose its approach to assessing the adequacy of its own funds in accordance with the overall financial adequacy rule ("OFAR") as detailed in MIFIDPRU 7.4.7R.

The overall financial adequacy rule requires that ITRB must, at all times, hold own funds and liquid assets which are adequate to ensure it is able to remain financially viable, and if necessary, can be wound down in an orderly manner.

Internal Capital Adequacy and Risk Assessment Process ("ICARA")

The ICARA process is the collective term for the internal systems and controls that a firm must operate to identify and manage potential material harms that may arise from the operation of its business and to ensure that its operations can be wound down in an orderly manner.

The ICARA process has now been embedded into ITRB's risk management processes. The ICARA is subject to review on an annual basis, or more frequently should there be any material changes to the business risk profile or business activities.

The ICARA considers harms from ongoing activities, (including both regulated activities and unregulated activities), and to the extent these harms are not adequately mitigated through systems and controls, an assessment to determine if additional own funds or liquid assets (i.e., over and above the own funds and liquid asset requirements) are required is undertaken.

The ICARA includes reference to ITRB's wind-down planning which includes own funds and liquid assets triggers and the timeline for orderly wind-down of the business in different scenarios. As part of this, ITRB has identified the level of own funds and liquid assets required for an orderly wind-down.

ITRB maintains a formally documented Risk Management Process that is based upon ITRB's business and operating model and is subject to approval by the ITRB Board. Each risk identified is cross-referenced with the three potential harms identified in the ICARA process (client, market and firm). Each key risk has been assigned to a member of the ITRB Board, who is responsible for ensuring the risks are assessed, challenged and reported appropriately throughout the business. As part of the ICARA process, all key risks are assessed to determine appropriate own funds and liquidity reserves and stress testing is undertaken to ensure reserves are sufficient to meet obligations under a variety of conditions.

Compliance with the Overall Financial Adequacy Rule ("OFAR") thresholds

An assessment of ITRB's compliance with the OFAR is undertaken on a quarterly basis and is aligned to the regulatory reporting requirements under MIFIDPRU 9. Whilst assessment with the OFAR takes into consideration any transitional provisions available under MIFIDPRU TP1, MIFIDPRU TP2 and MIFIDPRU TP4, ITRB holds own funds and liquid assets in excess of the transitional provisions requirements at this stage. Following completion and approval of the ICARA process in December 2022, ITRB has confirmed compliance with the OFAR.

Risk Management Objectives and Policies

The following disclosures relating to ITRB's risk management objectives and policies are made under MIFIDPRU 8.2.

Approach to Risk Management

ITRB maintains a formally documented Risk Management Framework that is based upon ITRB's business and operating model and is subject to approval and oversight by the ITRB Board.

The ITRB Risk Management Framework includes:

- How we think about risk
- ITRB Principal Business Risks
- Description of Principal Business Risks
- Next steps
- Risk Assessment Criteria
- Other Risks

Each principal business risk has been assigned to a member of the ITRB Board, who is responsible for ensuring the risks are assessed, challenged, and reported appropriately throughout the business.

The ITRB Risk Management Framework uses three assessment criteria to determine the most significant risks to the business: impact, likelihood and speed of onset.

Risk Appetite

As a part of providing a quality service to all ITRB's clients (and for their scheme members), ITRB places a high degree of importance on the control of business risk. The ITRB Board acknowledge that nothing the business does will be without potential risk. It is not possible or desirable to eliminate risk altogether, however, uncontrolled risk proposes a significant threat to ITRB's ongoing operations. Risk is never considered in a vacuum, and risks and rewards are always part of the risk assessment process.

Initiatives that drive quality and consistency and align the organisation to meet the needs of clients will: decrease the risk to the brand; maximise opportunities; and support people and the public interest.

The key question is: "Are we doing the right things to reduce risk where we want to and where we can?"

ITRB operates a three lines of defence model. The business, including the ITRB Board, owns and manages risk directly. The risk and compliance team in the second line oversee the first line, sets policies, defines risk tolerances, and ensures they are met. The internal audit function as the third line provides independent assurance of the first two lines. ITRB follows a three-year internal audit cycle for activities regulated by the FCA.

Remuneration Policy and Practices

The following disclosures relating to ITRB's remuneration policy and practices are made under MIFIDPRU 8.6.

Approach to remuneration

ITRB's approach to remuneration ensures that employees receive a competitive fixed remuneration linked to the skills, knowledge, experience and role undertaken, recognizing colleagues who have gone 'the extra mile' in demonstrating Isio's core behaviours.

Variable remuneration is paid in line with the policy such that employees must have demonstrated commitment to and understanding of Isio's culture and values. Where an individual employee has open disciplinary or compliance warnings on their file, this may impact their ability to receive variable remuneration.

Employees are not present when their remuneration is being discussed. The year end performance assessment outcomes are communicated to each individual employee by their Performance Manager.

Governance around remuneration

ITRB is not required to have a Remuneration Committee under MIFIDPRU 7.

Performance Criteria

Employees performance is assessed against Isio's core behaviours, and how individuals have demonstrated these behaviours throughout the performance year.

To assess performance, it is important that employees have a range of feedback on the work they have completed over the year. Colleagues are asked to not only reflect on the 'what' but also the 'how' and their overall contribution. Performance is rated against the goals (i.e. 'what' you achieve) and behaviours (i.e. 'how' you achieve it) of each employee.

Material Risk Takers

A material risk taker is a member of staff whose professional activities have a material impact on the risk profile of the firm. In identifying material risk takers in ITRB, the criteria set out in SYSC 19G.5.3 must be considered, which outlines a person will be a material risk taker if they meet the relevant criteria.

Having considered the criteria for a material risk taker with reference to the roles and responsibilities performed within ITRB, it has been agreed the ITRB Board members are the individuals within the firm who take all material risks.

**Quantitative disclosures under MIFIDPRU 8.6.8R01/01/2022,
covering the period for the financial year ended 31 May 2023**

Total number of material risk takers: 9

Total amount of fixed remuneration awarded to MRTs: available on request

Total amount of variable remuneration awarded to MRTs: available on request

Total amount of guaranteed variable remuneration for MRTs: 0

Total amount of the severance payments awarded during the financial year and
number of MRTs receiving those: N/A

The amount of the highest severance payment: N/A

Total amount of fixed remuneration awarded to all staff: available on request

Total amount of variable remuneration awarded to all staff: available on request

