



PILLAR 3 DISCLOSURES

EdenTree Investment Management

EdenTree Asset Management

Year ended December 2020

INTRODUCTION

This document sets out the Pillar 3 disclosures on remuneration, risk management and capital adequacy for EdenTree Investment Management Limited (EIM) and EdenTree Asset Management Limited (EAM) as at 31 December 2020.

These disclosures were prepared in accordance with the Capital Requirements Directive. This framework consists of three Pillars:-

Pillar 1: rule based requirements to determine the minimum capital that a firm is required to hold.

Pillar 2: consists of the processes by which a firm determines whether additional capital is required to cover its risks, these processes together form the Internal Capital Adequacy Assessment Process (ICAAP).

Pillar 3: requires public disclosure of a firm's risk profile, risk management, capital and remuneration.

SCOPE

This disclosure covers the following entities:

- **EdenTree Investment Management Limited (EIM):** a wholly owned subsidiary of Ecclesiastical Insurance Office plc (EIO). It is regulated as a CPMI firm¹, and is ACD and AIFM for the EdenTree range of funds.
- **EdenTree Asset Management Limited (EAM):** a wholly owned subsidiary of Ecclesiastical Insurance Group (EIG) and was incorporated in 2019. It is regulated as an Asset Manager, and has permissions to hold client money and assets.

The ultimate parent company for both of these entities is Allchurches Trust Limited. Both of the above companies are regulated on a solo basis within the group.

It is EdenTree policy to use the same disclosure for both companies as they share the same Capital Assessment Processes, articulated in this document, where relevant figures will be disclosed on an entity basis.

This disclosure contains no omissions on the grounds that information is immaterial, proprietary or confidential.

EdenTree will make its disclosure annually, as soon as reasonably practical after the accounting date; 31 December, unless significant changes to the capital resources or business model mean that more frequent disclosure is appropriate. Publication will be made on the EdenTree website at www.edentreeim.com.

¹ Collective Portfolio Management Investment Firm ie a firm which has permission to manage investments (Part 4A permission) and is an AIFM or a UCITS firm.

REGULATORY CAPITAL

Each company maintains sufficient capital to meet the UK regulatory requirements. As a limited licence firm its capital requirements are the greater of:

- The Base Capital Requirement of €125,000
- Credit, market and operational risk, calculated in accordance with the FCA's prudential rules.
- The Fixed Overhead Requirement (FOR)

EIM: The Company's FOR as at 31 December 2020 was £3.0m and the market, credit, operational, business and liquidity risk requirement was £1.0m. Tier 1 capital stood at £8.3m as at 31 December 2020. Therefore the Company reported excess capital of £5.3m.

EAM: The Company's FOR as at 31 December 2020 was £0.05m and the market, credit, operational, business and liquidity risk requirement was minimal. Tier 1 capital stood at £0.2m as at 31 December 2020. Therefore the Company reported excess capital of £0.1m.

RISK MANAGEMENT, THE THREE LINES OF DEFENCE

The Ecclesiastical Group (of which EdenTree is a part) operates a Three Lines of Defence governance model which is summarised below:

First line: Risk Management All organisational units are responsible and accountable for the identification, assessment, management, monitoring and reporting of the individual risks and associated controls within their areas of responsibility. These risks are managed within risk appetite limits and in accordance with the Ecclesiastical Group Risk Framework and its supporting policies and procedures.

Second line: Risk Oversight The Risk and Compliance functions comprise the second line of defence and provide independent oversight and challenge with respect to the first line's management of their risks and regulatory compliance. The second line of defence reports to senior management

Third line: Risk Assurance Internal Audit is an independent provider of assurance over the effectiveness of the Group's business processes and governance with regards to risk and internal control. It does this by assessing whether all significant risks are identified and appropriately reported to the Management Committee, Audit, Risk and Compliance Committee (ARC) or the Board, assessing whether they are adequately controlled; and by challenging senior management to improve the effectiveness of governance, risk management and internal controls. Internal Audit also provides an oversight of the second line functions.

RISK GOVERNANCE

The Board has ultimate responsibility for risk oversight of EIM and EAM and for determining risk appetite limits within which the companies operate. The Committees relevant to managing risk are set out below.



RISK FRAMEWORK

The Board operate within the remits of the Group Policy outlined in the Ecclesiastical Enterprise Risk Management Strategy. On a day to day basis Management Information is reported to the Management Committee and is escalated to the Board when appropriate to do so. The Board will consider the Management Information on a quarterly basis.

Tolerances are set out in the Risk Appetite Statement. The principal risks of the business are Strategic Risk, which include reputation, Financial (Liquidity, Market and Credit Risk) and Operational Risk. The Internal Capital Adequacy Assessment Process (ICAAP) documents the approach and assessment of the risk profile of the Company and the adequacy of its capital. It includes an assessment of all material risks faced by the Company, the controls in place to mitigate those risks and ensures that sufficient capital is maintained to withstand the resulting residual risk. The ICAAP is approved by the Board of Directors.

MARKET RISK

EdenTree has little exposure to market risk on its own balance sheet, it does not trade on its own account. Market risk is therefore limited to fluctuations in the prices of assets it manages and their respective currencies, which would cause a knock on impact to the revenue it earns, this is explored through stress and scenario testing from a capital adequacy perspective.

CREDIT RISK

Credit risk is defined as the risk of loss by the failure of a counterparty to meet its contractual obligations. EdenTree does not have significant exposure to credit risk other than the potential default of a platform provider.

OPERATIONAL RISK

Operational risk is defined as the risk of loss resulting from inadequate or failed procedures, people and systems or external events. Operational risks are identified and managed through the risk framework detailed above and quantified through the ICAAP. The ICAAP identifies operational risk as the largest risk to EdenTree.

REMUNERATION DISCLOSURES

As a CPMI Investment Firm EdenTree Investment Management has been subject to the Remuneration Code since 1 January 2011. EdenTree Asset Management was established in 2019 as an IFPRU firm and is therefore also subject to the Remuneration Code. The remuneration disclosures that follow cover both EIM and EAM as both companies' registrations comprise of the same qualifying staff.

The Code governs the remuneration of employees of regulated firms and aims to ensure that firms establish, implement and maintain remuneration policies, procedures and practices that are consistent with and promote effective risk management.

For Code purposes, EdenTree does not form part of a UK consolidation group with Ecclesiastical Insurance Office Plc ("EIO"), which is itself outside the scope of the Code. Nonetheless, employees of the wider Group who carry out significant influence or management functions for EdenTree, or are otherwise in a position to have a material impact on the risk profile of the firm, are also subject to the requirements of the Code.

This disclosure therefore specifically relates to the remuneration policies and approaches that are applicable to individuals identified as Code Staff in line with the requirements set out in the UCITS V Directive applicable to EdenTree Investment Management and the CRD IV / MiFID II Directives applicable to EdenTree Asset Management.

In 2020, identified Code Staff consisted of 17 employees working within EdenTree and 8 Group employees whose role primarily supports EIO but whose Group function may have a material impact on EdenTree's risk profile.

Remuneration Governance

The remuneration policy of EdenTree is managed and reviewed by the Group's Remuneration Committee ("the Committee") which has established and implemented remuneration policies which meet the requirements of the Code.

The Committee's roles and responsibilities are set out in full in its Terms of Reference. The Committee is responsible, inter alia, for determining the over-arching principles and parameters of remuneration policy on a Group wide basis; setting the remuneration packages for executive directors, members of the Group Management Board, Material Risk Takers and heads of strategic business units and monitoring compliance with the Code. All members of the Committee are independent NEDs and have the necessary experience and expertise to meet the Committee's responsibilities. The Committee held four meetings during 2020.

During the year, the Committee received external advice from Aon and Deloitte. The Committee additionally had access to benchmarking reports from Willis Towers Watson and McLagan. Where appropriate, the Committee received input from the Group Chief Executive, Group CFO, Group HR Director, Group Chief Risk and Compliance Officer and Group Reward Director.

The Group's Remuneration Policy applies to all entities within the Group and is aligned to delivery of the Group's strategic objectives. It establishes a set of principles which underpin the Group's reward structures for all Group employees, including Code Staff:

- Reward structures will promote the delivery of long-term sustainable returns. As such, the performance measures in the annual bonus and LTIP will reflect and support the Group's underlying strategic goals and risk appetite and are comprised of both financial and non-financial targets.
- Reward payments will be performance-related, reflecting individual and business performance, including both what has been delivered and the way in which such deliveries have been achieved. However, the Group will adopt a prudent and considered approach when determining what portion of an employee's package should be performance-linked and/or variable so as to ensure that irresponsible conduct and behaviours are neither encouraged nor rewarded and that customer experience is not prejudiced in any way by the operation of its pay arrangements.
- Reward structures will be straightforward and simple for everyone to understand.
- Remuneration packages will be set by reference to levels for comparable roles in comparable organisations. However, benchmark data will be only one of a number of factors that will determine remuneration packages.
- Reward structures will deliver an appropriate balance of fixed to variable pay in order to foster a performance culture, with the proportion of 'at risk' pay typically increasing with seniority. However, high levels of leverage are not appropriate for the Group.
- Reward structures will achieve a balance between short and long-term incentives, supporting the overall aim of the Group's Remuneration Policy of promoting the long-term success of the Group. The balance between short and long-term incentive pay is largely driven by role and seniority, with generally a greater contribution to reward provided by long-term incentives for more senior employees.

- Ecclesiastical is committed to ensuring that all employees have a fair and equal pay opportunity appropriate to their role.
- The Group will strive to adhere to the highest standards of remuneration-related regulatory compliance and best practice guidelines, while ensuring that the Group's remuneration policies are appropriately tailored to its circumstances, challenges and strategic goals.

Components of Remuneration

The Group's reward structures are designed to promote the delivery of long-term sustainable returns and comprise an appropriate balance of fixed and variable remuneration.

Fixed remuneration elements, including salary, pension and benefits recognise responsibility and experience and ensure current and future market competitiveness.

Variable remuneration comprises an annual cash incentive and, for some roles, a long-term performance related cash incentive that rolls over three-year periods. Variable remuneration incentivises and rewards participants for making the Group and EdenTree successful on a sustainable basis. The annual incentive and long-term performance related cash incentives are not guaranteed and are determined and paid subject to performance conditions relevant to the role.

The elements of variable remuneration are delivered in the following ways:

Cash Annual Bonus

A proportion of variable remuneration is delivered in the form of a cash annual bonus which is paid to participants following the end of the financial year. Annual bonuses are designed to incentivise the achievement of key financial and strategic goals and targets that are set for the financial year.

Annual bonuses are subject to a range of challenging financial and non-financial performance conditions linked to key strategic priorities. When agreeing targets, the Committee receives advice from the Group Chief Risk and Compliance Officer on the extent to which the scheme meets the Group's risk appetite.

Awards for senior management roles, employees within the investment management function and other EdenTree employees who are Material Risk Takers and above the de minimis are subject to deferral, providing further alignment with shareholder interests and promoting retention. Awards are deferred in cash over a period of three years.

Cash Long Term Incentive Plans

For some roles a proportion of variable remuneration is delivered in the form of a cash long term incentive plan ("LTIP"). LTIPs are designed to incentivise the achievement of the Group's and EdenTree's long-term objectives; to align participants' interests with those of the shareholders and to promote attraction and retention of talented individuals.

Cash awards under the relevant LTIP vest dependent on the Committee's assessment of performance against the scheme's performance conditions over the relevant three-year performance period. Targets are set annually for each successive three-year LTIP period. When agreeing targets, the Committee receives advice from the Group Chief Risk and Compliance Officer on the extent to which the scheme meets the Group's risk appetite.

Proposed awards, under both annual and long-term incentive plans are reviewed by the Group's Risk function and by the Committee, which has regard to overall profitability and risk adjustment when determining awards.

Quantitative disclosures

The tables below show the aggregated breakdown of remuneration for EdenTree Code Staff for the 2020 financial year.

As outlined above, EIO is outside the scope of the Code, however Group employees who carry out significant influence or management functions in relation to EdenTree or who are otherwise in a position to have a material impact on the risk profile of EdenTree, have been identified as Code Staff in addition to those Code Staff working within EdenTree. For each individual who is a Group employee, the remuneration disclosed below is total remuneration and will reflect their wider responsibilities within other Ecclesiastical Insurance Group companies, and not solely their responsibilities relating directly to EdenTree.

(i) Aggregate information on remuneration, broken down by business area and by senior management and members of staff whose actions have a material impact on the risk profile of the firm

Aggregate remuneration by business area	Senior Management £'000s	All other Material Risk Takers £'000s	Total Remuneration £'000s	Total Staff
EdenTree	2,034	4,604	6,638	25