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# Winton Capital Management Limited

## MIFIDPRU 8 Public Disclosures

For the year ended 31 December 2023

# MIFIDPRU 8 Public Disclosures

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# 1. Overview

## 1.1 Introduction and Scope

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Winton Capital Management Limited (“**WCM**”) is authorised and regulated by the FCA (FRN: 184258) and is a “MIFIDPRU Investment Firm” for the purpose of the rules in the Prudential sourcebook for MiFID Investment Firms (“**MIFIDPRU**”). Under MIFIDPRU 8 WCM is required to make specific public disclosures relating to its:

- Corporate Governance
- Risk Management Objectives and Policies
- Own Funds
- Own Funds Requirements
- Remuneration Policy and Practices

## 1.2 Basis of Disclosure

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WCM is a wholly-owned subsidiary of an unregulated UK parent company, Winton Group Limited (“**WGL**” and together with WCM and other subsidiaries, the “**Group**”). The Group has assessed its regulatory capital position under MIFIDPRU on an individual and Group consolidated basis. Details of the entities comprising the ‘Investment Firm Group’ are included in Appendix 1. WCM is a non-small and non-interconnected MIFIDPRU Investment Firm (Non-SNI) and the disclosure has been prepared on this basis.

## 1.3 Significant Changes Since Last Disclosure Period

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There have been no significant changes to report since the last MIFIDPRU 8 disclosure.

# 2. Corporate Governance (MIFIDPRU 8.3)

## 2.1 Overview

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Winton’s governance arrangements are consolidated at the parent level through the WGL Board and other key meetings, including the Executive Management Committee (the “**EMC**”) and the China Business Committee.

WGL’s Board includes three non-executive directors: Martin Hunt, Amal Murgian and Claudia Stetter and two executive directors: David Harding (Executive Chair) and Brigid Rentoul (General Counsel).

The EMC is WCM’s management body and includes WCM’s executive directors and other senior management.

## 2.2 Senior Management Oversight

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Under SYSC 4.3A1R the management body is responsible for defining, overseeing and being accountable for the implementation of governance arrangements that ensure effective and prudent management of the firm, 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 the interests of clients. A description of how the WGL Board and EMC comply with these obligations is summarised below:

### *Delegation*

The day-to-day running of the WCM’s business is delegated to certified employees under SMCR designated as performing a “Significant Management Function”. Delegation is evidenced through a responsibilities map, reporting lines and responsibility statements.

## Management Information

The WGL Board and EMC have developed management information, which includes formal reports providing information that enables the members of the WGL Board and EMC to judge the performance of the business in accordance with the relevant regulatory requirements.

### *Policies, Procedures and Controls*

The WGL Board and EMC have oversight to ensure that policies, procedures and controls are well documented, current and adequate for the relevant business areas and risks. All key policies and procedures identify owners and are subject to at least annual review. An Internal Controls Policy governs the ownership, documentation, evidence and testing of internal controls. All controls have identified control owners and control operators and are subject to quarterly testing.

### *Committees*

Other committees have been established to manage specific business and risk areas, including the China Business Committee which oversees the Group's research and operations relating to its Chinese onshore investment strategies, the Investment Committee which reviews material strategy changes, the Best Execution Committee which has oversight of execution quality for orders placed or executed by WCM, the Information Security Committee which is responsible for making strategic information security decisions and ensuring good information security practice is applied effectively and consistently throughout the Group and the Valuation Committee which is responsible for oversight of valuation related decisions.

## 2.3 Directorships

The number of directorships held by each member of the WGL Board and EMC is summarised below. In accordance with MIFIDPRU 8.3.2R, this excludes executive and non-executive directorships held in organisations which do not pursue predominantly commercial objectives and executive and non-executive directorships held within the same group:

MEMBER	COMMITTEE	TITLE	DIRECTORSHIPS
David Harding	WGL Board and EMC	Executive Chair	2
Brigid Rentoul	WGL Board and EMC	Executive Director and General Counsel	1
Martin Hunt	WGL Board	Non-Executive Director	0
Amal Murgian	WGL Board	Non-Executive Director	0
Claudia Stetter	WGL Board	Non-Executive Director	1
Nick Saunders	EMC	Chief Operating Officer	0
Carsten Schmitz	EMC	Co-Chief Investment Officer	0
Simon Judes	EMC	Co-Chief Investment Officer	0
James Gilbert	EMC	Head of Client Solutions	0
Joss Anstey	EMC	Head of Investment Operations	0
Omar Iqbal	EMC	Head of Human Capital	0

## 2.4 Risk Committee

WCM is not required by MIFIDPRU 7.3.1R to establish a risk committee. Responsibilities for risk management are described under 3.4 below.



## 2.5 Diversity

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The Group has published a diversity and inclusion statement available at <https://www.winton.com/diversity-and-inclusion-statement>.

# 3. Risk Management Objectives and Policies (MIFIDPRU 8.2)

## 3.1 Risk Appetite

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The WGL Board has decided that the Group's overall appetite for risk in business operations is low and it encourages all staff to identify, escalate and minimise risks as much as possible. The Group has a conservative approach to tax and regulatory risk.

## 3.2 Business Strategy

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The Group's operations and structure are not complex with its revenue primarily derived from its UK and China-based investment management entities. Other overseas regulated entities focus on business development and investor relations support. In addition to its regulated business, the Group has some long-term capital investments in private companies that are unregulated and focus on companies involved in energy, data and technology.

WCM is an investment manager which provides discretionary portfolio management or advisory services to its clients pursuant to the terms of investment management agreements. WCM's investment strategies are quantitative strategies that are applied to a broad range of markets and financial instruments including equities, futures, forwards and swaps.

The investment strategies are available to investors via collective investment schemes advised by WCM ("**Winton-titled funds**") or separately managed accounts ("**SMAs**") (together "**Products**"). WCM's clients are the Winton-titled funds and the SMAs. Investors in the Winton-titled funds are predominately institutional investors and wholesale clients. SMA clients are all classified as Professional Clients and include financial institutions, pension funds and sovereign wealth funds. WCM provides investor relations support to existing investors in the Winton-titled funds and clients and carries out marketing activities to raise and retain assets for the Products.

## 3.3 Harms Associated with the Business Strategy

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The material potential harms to the Group's operations have been assessed as part of the Key Risk Register and form part of the regulatory capital analysis for the Internal Capital Adequacy and Risk Assessment ("**ICARA**"). The material potential harms can be summarised as below:

### *Harm to Clients*

The Group considers that operational risk associated with incidents such as trade errors, investment mandate/investment restriction breaches, gearing errors, processes exceptions related to the operation of the quantitative investment strategies and mis-selling/mis-representation risks are the most relevant risks to the Group's activities that could harm clients.

### *Harm to Markets*

The harm that the Group's activities could cause to markets is considered limited given the size and nature of the Group's investment activities. However, the Group has considered that a material regulatory matter, such as market abuse, could cause reputational damage to the Group and the investment management industry.

### *Harm to Firm*

Operational risk incidents could result in significant cost to the Group due to remediation and compensation costs. The Group has also considered harms to the firm related to material cyber-security incidents or other material technology related disruptions, fraudulent payments from the Group's bank accounts and political intervention associated with an overseas government seizing or freezing the Group's assets.

### 3.4 Risk Management Strategy

The Group has implemented a risk management framework that is proportionate to its size and complexity. The Group's risk management aims to identify and assess the risks to the business and assign responsibility for managing them.

The EMC has oversight of risk management through escalation and reports provided by relevant senior management. Risk management responsibilities at WCM are described below:

- The maintenance of the Key Risk Register, internal controls and counterparty risk is the responsibility of the Head of Internal Audit reporting directly to the WGL Board and the EMC and day-to-day to the Chief Operating Officer ("COO").
- Portfolio risk is the responsibility of the Co-Chief Investment Officers ("CIOs") supported by the Portfolio Risk team.
- A regulatory risk manager, reporting to the Chief Compliance Officer ("CCO"), is the independent risk management function with second-line oversight of the investment management business within WCM.

WCM's Risk Management Policy expands on the risk management framework and risk management measures WCM has in place to comply with its obligations under the FCA rules, specifically, AIFMD risk management.

### 3.5 Liquidity Risk

The Group's cash position is closely monitored. Cash reports, including details of cash held by currency and by legal entity, are circulated by the Finance team to senior management on a weekly basis.

## 4. Own Funds Requirement (MIFIDPRU 8.5)

### 4.1 Breakdown of Own Funds (Group and WCM)

Template OF1 - Composition of regulatory own funds				Source based on reference numbers/letters of the balance sheet in the audited financial statements
Item	WGL	WCM		
	£'000	£'000		
<b>1 OWN FUNDS</b>	<b>140,564</b>	<b>41,192</b>		
<b>2 TIER 1 CAPITAL</b>	<b>140,564</b>	<b>41,192</b>		
<b>3 COMMON EQUITY TIER 1 CAPITAL</b>	<b>140,564</b>	<b>41,192</b>		
4 Fully paid up capital instruments	2,403	2,391		Called up share capital
5 Share premium	2,355	9,816		
6 Retained earnings	177,069	18,446		Profit and loss account
8 Other reserves	10,787	21,172		Other reserves/Merger reser
11 (-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(52,050)	(10,633)		Fixed asset investments
<b>Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements</b>				
<b>Total Shareholders' equity</b>	<b>192,614</b>	<b>51,825</b>		
Deductions from CET1	(52,050)	(10,633)		
<b>Regulatory own funds</b>	<b>140,564</b>	<b>41,192</b>		

	Balance sheet as in published/audited financial statements		Crossreference to template OF1
	As at 31 Dec 2023 (£'000)		
	WGL	WCM	
<b>Assets</b> – Breakdown by asset classes according to the balance sheet in the audited financial statements			
1 Tangible assets	11,930	11,618	
2 Fixed asset investments	51,079	10,633	
3 Debtors	24,877	20,940	
4 Current asset investments	54,335	-	
5 Cash at bank and in hand	77,519	33,034	
<b>Total Assets</b>	<b>219,740</b>	<b>76,225</b>	
<b>Liabilities</b> – Breakdown by liability classes according to the balance sheet in the audited financial statements			
1 Creditors: amounts falling due within one year	(19,482)	(21,095)	
2 Creditors: amounts falling due after more than one year	(2,964)	(341)	
3 Provisions	(4,680)	-	
<b>Total Liabilities</b>	<b>(27,126)</b>	<b>(21,436)</b>	
<b>Shareholders' Equity</b>			
1 Called up share capital	2,403	2,391	Box 4
2 Share premium account	2,355	9,816	Box 5
3 Other reserves	971	21,172	Box 8
4 Merger reserve	9,816	-	Box 8
5 Retained earnings	176,123	18,446	Box 6
6 Non-controlling interest	946	-	Box 6
<b>Total Shareholders' equity</b>	<b>192,614</b>	<b>51,825</b>	
<b>Own funds: main features of own instruments issued by the firm</b>			
WGL: 2,171,169 A ordinary shares of £1 each 2,171 2,171 and 232,027 B ordinary shares of £1 each			
WCM: 2,391,169 Ordinary A shares of £1 each			

## 4.2 Own Funds Requirement

Each of the WCM and the Group k-factor requirement and fixed overhead requirement amounts are as follows:

REQUIREMENT	WCM (£/M)	WGL (£/M)
Fixed-Overhead Requirement	10.2	11.1
K-Factor <sup>1</sup>	0.9	1.0

<sup>1</sup>The only applicable k-factor is the K-AUM requirement.



### 4.3 Overall Financial Adequacy Rule

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As part of its ICARA process, the Group has assessed the adequacy of its own funds in accordance with the overall financial adequacy rule in MIFIDPRU 7.4.7R.

The baseline for regulatory capital is the "Own Funds Requirement" which is the highest of the permanent minimum regulatory capital, the fixed overhead requirement and the k-factor calculation. The Group and WCM's own funds requirement is the fixed-overhead requirement.

The Group has also undertaken an assessment of any additional own funds necessary to cover potential material harms and to ensure that it can wind-down in an orderly manner to determine its own funds threshold requirement. The ICARA also includes stress testing and scenario planning on own funds and liquid assets.

The ICARA concludes that the Group and WCM have sufficient capital reserves both in respect of own funds and liquid assets exceeding its regulatory capital obligations. The ICARA is reviewed and approved by the WGL Board and the EMC.

## 5. Remuneration Policy and Practices (MIFIDPRU 8.6)

### 5.1 Remuneration Policy

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The Group has a Remuneration Policy designed to meet its obligations under the FCA remuneration rules in SYSC 19G (the MIFIDPRU Remuneration Code). The Remuneration Policy aims to set remuneration levels that are in line with, and incentivise employees to support the business strategy, objectives and long-term interests of the Group considering the Group's risk profile, the Group's culture and values and the long-term effects of the investment decisions taken. The Policy includes measures to avoid conflicts of interest, encourage responsible business conduct and promote risk awareness and prudent risk taking.

The Remuneration Policy aims to ensure that the WGL Board sets fixed and variable components of total remuneration that are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration, including the possibility of paying no variable remuneration component.

The Remuneration Policy requires all remuneration to be paid directly to employees and not through any vehicles or methods to facilitate the avoidance of any objective above. In particular, the Group does not facilitate, and is not aware of, the use of any personal hedging strategies. The Remuneration Policy ensures that no individual is responsible for determining his or her own compensation.

### 5.2 Decision Making Process

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The WGL Board is responsible for the approval of the Remuneration Policy.

### 5.3 Components of Compensation

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Employees generally receive an annual base salary (fixed pay) and a quarterly discretionary bonus (variable pay). Variable pay is paid from a general bonus pool that reflects the overall results of the Group. Alternatively, for certain employees, a separate bonus pool will be determined by the performance of a particular investment strategy or fund. Quarterly bonus amounts for these employees may be accrued quarterly but paid annually. The WGL Board may also approve other bonus arrangements designed to incentivise and retain key employees separate from the general bonus pool but still linked to the overall results of the Group.

Other non-standard forms of variable compensation are paid in certain circumstances generally associated with hiring new employees or retention related arrangements, including, 'sign-on' bonuses, typically granted to compensate for variable remuneration that was reduced or revoked from a previous employer because of the termination of their employment contract to join the Group and retention bonuses, designed to retain key employees for a defined retention period which may be paid over a multi-year period.

The aggregate remuneration for all staff (including material risk takers) for the year ended 31 December 2023 was £41.7m, split between £18.0m received as fixed remuneration and £23.7m received as variable remuneration. MIFIDPRU firms are required to



split remuneration between categories of senior management, other material takers and other staff. However, WCM believes that if it disaggregates such information, this would disclose information that could be attributable to individual employees. As such, WCM is relying on the exemption in MIFIDPRU 8.6.8R (7) (b) to not disclose the additional split of remuneration.

## 5.4 Material Risk Takers (“MRTs”)

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The WGL Board has identified nine MRTs. The criteria for identifying MRTs are as follows:

- Executive Directors (the Group and WCM)
- Members of the EMC, including the Investment Committee
- Senior Managers under the Senior Manager and Certification Regime (“SMCR”)
- Employees certified as Significant Management Function under SMCR

All MRTs are categorised as “senior management”.

There was no guaranteed variable remuneration or severance payments awarded to MRTs during the period.

## 5.5 Risk Adjustment

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The WGL Board may decide, in its sole discretion, to adjust variable remuneration in response to certain trigger events and has adopted a Forfeiture and Clawback Policy which describes the framework and criteria used.



## Appendix One: Consolidated Group

ENTITY NAME	PLACE OF INCORPORATION	TYPE OF GROUP UNDERTAKING	SUB-TYPE OF GROUP UNDERTAKING
Winton Group Limited	United Kingdom	UK parent entity	Other financial institution
Winton Capital Management Limited	United Kingdom	Subsidiary (non-parent undertaking)	MIFIDPRU Investment Firm
Winton Fund Management Ireland DAC	Ireland	Subsidiary (non-parent undertaking)	Other financial institution
Winton Capital US LLC	United States	Subsidiary (non-parent undertaking)	Other financial institution
Winton Investment Management (Shanghai) Co Ltd	China	Subsidiary (non-parent undertaking)	Other financial institution

