

Link Market Services Trustees Limited (LMST)

Explanation of compliance

with the Remuneration Code and disclosures required by Article 450 of the Capital Requirements Regulation

Introduction

LMST (formerly CIRGT) is authorised and regulated by the Financial Conduct Authority (FCA), and has obligations under the EU's Capital Requirements Directive and associated Regulation (CRD/CRR). The EU requirements are transposed into the FCA's "Senior management, systems and controls" (SYSC) sourcebook with specific rules applying to LMST. These rules form the FCA's Remuneration Code (the Code).

The Code:

- sets out the standards and policies that firms are required to meet when setting pay and bonuses for their staff
- is designed to ensure that firms have risk-focused remuneration policies, which are consistent with and promote effective risk management and do not expose them to excessive risk
- requires firms to maintain formal policies and procedures implementing the Code's provisions which amplify the over-arching objective above
- requires firms who maintain a website to explain, by that medium, how they comply with the Code.

Purpose of document

This document evidences how LMST satisfies the above obligations and provides additional background information concerning the context of remuneration setting in relation to LMST's business, details the local governance arrangements in place, and the operation of the local bonus scheme.

LMST Remuneration Policy

LMST has implemented a formal remuneration policy that addresses the Code's requirements and applies to all remuneration and employees subject to the Code (Code Staff). The policy is subject to oversight and periodic (at least annual) review by the LMST Board and Risk Committee. A Remuneration Policy Statement is also prepared which provides further detail.

The Code allows for the disapplication or proportionate implementation of certain obligations. LMST is a proportionality 'Tier 3' firm and the LMST Board, having regard to the nature, scale and complexity of its activities, and also taking account of its status as a wholly-owned subsidiary of Capita plc, has concluded that it is appropriate and in the Company's interests to make use of such flexibility. Where disapplication or proportionate implementation has occurred, then this is reflected in the policy.

Code Staff

The following groups of employees have been identified as meeting criteria for Code Staff of LMST:

- Members of the firm's board (statutory directors), all of whom also hold the FCA Controlled Functions of CF1 – Director and the Chief Executive Officer also holding the CF3 Function for that role
- Other holders of Controlled Functions (CF10 – Compliance Officer, CF11 – Money Laundering Reporting Officer)
- Other senior individuals at Divisional and Group level of Link Group plc who are considered by the LMST Board to be Material Risk Takers of LMST.

The Code Staff population is also reviewed at least annually by the LMST Board/Risk Committee and Code Staff are notified of their status.

Whilst the Code Staff list includes individuals at Group, Divisional and local level (with remuneration details collated and reported by LMST) no code staff are remunerated solely on the basis of LMST's performance and risk assessment.

The change for 2017 was that bonuses were based on LAS performance and not local performance.

Bonus Arrangements for 2017

As outlined in the Remuneration Policy Statement a cash bonus scheme is applicable to code staff, and aims to recognise and reward good performance. The scheme is discretionary and is based on assessment of the following criteria:

- Group plc performance
- Divisional performance
- Individual performance

Operation of the bonus scheme

Performance measures are based on the performance of Asset Services, of which the Shareholder solutions business unit is one of four sub-business units. Shareholder solutions includes primarily the non-regulated business undertaken by Link Market Services Limited (formerly Capita Registrars Limited), the treasury advice business, Link Treasury Services Limited (formerly Capita Treasury Solutions Limited) and Link Market Services Trustees Limited (formerly Capita IRG Trustees Limited). Where bonuses are awarded to local code staff based on the above criteria, these are paid mostly (although not exclusively) from the Link Market Services Limited Profit and Loss Account.

In January (and following completion of the annual staff performance appraisal process to assess individual performance) senior management submits bonus proposals to the Finance Director. The bonus proposals are reviewed by the Finance Director and Chief Executive Officer together with financial performance. Proposals are then submitted to the Divisional Director and Divisional Finance Director who confirm whether bonuses may be paid, subject also to divisional and group performance, or what adjustments need to be made. Variable remuneration is therefore self-financing and not guaranteed. Final approval for all bonus payments is given by the Link Group remuneration committee in Australia.

Governance arrangements

The LMST Risk Committee is responsible for assessing all risks and managing the ICAAP process. In addition, the Chief Executive Officer and Finance Director (both members of the LMST and LMS boards and Risk Committee) are specifically responsible for agreeing local bonus awards (in conjunction with the divisional director and divisional finance director) and based on the criteria above. No individuals within LMST are involved directly in decisions relating to their own remuneration.

Code Staff remuneration is made up of fixed pay (basic salary) and performance related pay (bonus arrangements, as above). Performance related pay is set and awarded in a manner which promotes sound risk management and does not induce excessive risk taking, which is monitored both through the Risk Committee and ICAAP process.

The company provides incentives which are designed to link reward with the long-term success of the business and recognise the responsibility that relevant staff have in ensuring the stability and future success of the business. Significant variable remuneration, however, is not a typical feature of LMST.

Taking into account the nature, scale and complexity of LMST's business, applying proportionality, and recognising that at Link Group level a Remuneration Committee exists it has not been deemed necessary to establish a local LMST Remuneration Committee. Other LMST local governance forums exist, including the aforementioned Risk Committee and remuneration is one of the terms of reference of that forum. This committee is scheduled to meet six times during the year.

Article 450 disclosures

The table below contains disclosures required under the CRR in relation to the specific base salary and variable remuneration details of LMST's Code Staff identified pursuant to EU delegated regulation 604/2014 for the year ended 31 December 2017.

Link Market Services Trustees Ltd	Executive	Senior	Other	Total Code Staff
	10	4	2	16
Fixed remuneration – cash	1,579,298	907,866	224,682	2,711,847
Variable remuneration – cash	95,780	–	–	95,780
Variable remuneration – shares	–	–	–	–
	1,675,078	907,866	224,682	2,807,627

All 16 members of the Code Staff provide services to other Link Group companies either within Link Market Services or the wider Link group. The remuneration disclosed therefore includes their total remuneration and not that which is solely attributable to their services to LMST.

No Individuals received remuneration, comprising salary and bonus of more than EUR 1 million in the following pay bands:

	LMST
Eur 1m – 1.5m	–
Eur 1.5m – 2m	–
Eur 2m – 2.5m	–
Eur 2.5m – 3m	–