Nippon Life Global Investors Europe Plc

MIFIDPRU 8 Disclosure

18 March 2025

1. Introduction

The Financial Conduct Authority ("FCA" or "regulator") of the United Kingdom in its Prudential sourcebook for MiFID Investment Firms ("MIFIDPRU") sets out the detailed prudential requirements that apply to Nippon Life Global Investors Europe Plc ("NLGIE" or the "Firm"). In particular, Chapter 8 of MIFIDPRU ("MIFIDPRU 8" or the "public disclosures requirements") sets out public disclosure obligations with which the Firm must comply, further to those prudential obligations.

NLGIE is classified under MIFIDPRU as a non-small and non-interconnected investment firm ("non-SNI MIFIDPRU investment firm"). As such, MIFIDPRU 8 requires the Firm to disclose information on the following areas:

- Risk management objectives and policies;
- Governance arrangements;
- Own funds;
- Own funds requirements; and
- Remuneration policy and practices.

The purpose of these disclosures is to give stakeholders and market participants an insight into the Firm's culture and data on the own funds and own funds requirements allows potential investors to assess its financial strength.

This document has been prepared by NLGIE in accordance with the requirements of MIFPRU 8 and is verified by the board of directors. Unless otherwise stated, all figures are as at the 31 December, financial year-end of 2024.

2. Risk Management Objectives and Polices

This section describes NLGIE's risk management objectives and policies for the categories of risk addressed by the requirements on the Firm in the following areas:

- Own funds requirements;
- Concentration risks; and
- Liquidity.

Business Strategy

NLGIE is a subsidiary of the Nippon Life Insurance Company ("NLIC"), a Japanese entity, which is the ultimate holding company for the Nippon Life Insurance Group ("Nippon Life Group"). NLGIE was established in January 1985 as a Limited Liability Company (as Nissei International Limited) and changed to a Public Limited Company and its name (as NLI International Plc) in 1988. Since July 2015, we have been operating under current company name. The firm is regulated by the Financial Conduct Authority ("FCA") as an investment advisor since 2017.

NLGIE is an investment advisory firm focused on alternative and credit markets in Europe. As at the end of 2024, the company advises credit and alternative investments. Clients are asset managers such as NLGIE's parent or sister companies, or professional investors.

NLGIE primarily seeks to grow its revenues by growing its underlying asset base on which it charges an advisory fee. This is achieved through the prudent growth of its client's assets and through seeking additional asset inflows from prospective customers.

Costs are controlled for carefully ensuring long-term profitability. The business seeks to make investments to expand its business and product lines, and to continuously improve its controls environment.

Given the Firm's business model, controls and controls assessment, it is the conclusion of the Firm that its overall potential for harm to consumers or the other market participants is low.

Own Funds Requirement

NLGIE is required to at all times maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the higher of the Firm's:

- **Permanent minimum capital requirement ("PMR")**: The PMR is the minimum level of own funds required to operate at all times and, based on the MiFID investment services and activities that the Firm currently has permission to undertake, is set at £75,000;
- **Fixed overhead requirement ("FOR"):** The FOR is intended to calculate a minimum amount of capital that the Firm would need available to absorb losses if it has cause to wind-down or exit the market, and is equal to one quarter of the Firm's relevant expenditure; and
- **K-Factor requirement ("KFR"):** The KFR is intended to calculate a minimum amount of capital that the Firm would need available for the ongoing operations of its business. The one K-factor that apply to the Firm's business is K-AUM (calculated on the basis of the Firm's AUM).

NLGIE's own funds requirement is currently set by its FOR, as this is the highest of the three metrics. The potential for harm associated with NLGIE's business strategy, based on the Firm's own funds requirement, is low. This is due to the relatively consistent growth in the Firm's revenues.

One of the strategies adopted by the Firm to manage the risk of breach of the Firm's own funds requirement is by maintaining a healthy own funds surplus above the own funds requirement. In the event that the own funds drop to an amount equal to 110% of the Firm's own funds threshold requirement, the Firm will immediately notify its board, as well as the regulator. The board will consider the necessary steps required to be taken in order to increase the own funds buffer; this may include injecting more own funds into the Firm.

Concentration Risk

The potential for harm associated with NLGIE's business strategy, based on the Firm's concentration risk, is low.

Since most of the assets NLGIE advising are managed by its parent or sister companies with the expectations of long-term advisory relation, the firm has relatively great robustness against market fluctuations. They are a well-established financial service companies with a diverse and significant revenue pool, and NLGIE receives revenues on either a fee of fixed percentage of AUM of assets advising on or a cost-plus pricing model. The Firm therefore considers that it has a safe and less-uncertain revenue stream, including during stressed market conditions.

Liquidity

The Firm is required to maintain sufficient liquidity to ensure that there is no significant risk that its liabilities cannot be met as they fall due and to ensure that it has appropriate liquid resources in the event of a stress scenario.

The potential for harm associated with NLGIE's business strategy, based on the Firm's basic liquid assets requirement, is low. As with its own funds requirement, this is due to the relatively consistent growth in the Firm's revenues, and the maintenance a healthy core liquid assets surplus above the basic liquid assets requirement. The Firm retains an amount it considers suitable for providing sufficient liquidity to meet the working capital requirements under various conditions. NLGIE has always had sufficient liquidity within the business to meet its obligations and there are no perceived threats to this given the cash deposits it holds. The cash position of the Firm is monitored by the CEO on at least a monthly basis and by the Compliance Officer on a daily basis.

Risk Management Structure

NLGIE has established a risk management process in order to ensure that it has effective systems and controls in place to identify, monitor and manage risks arising in the business. The risk management process is overseen by the Compliance Officer, with the CEO taking overall responsibility for this process and the fundamental risk appetite of the firm. The Compliance Officer has responsibility for the implementation and enforcement of the Firm's risk principles.

The board meets on a regular basis and discusses current projections for profitability, cash flow, capital management, business planning and risk management. The board engage in NLGIE's risks though a framework of policy and procedures having regard to the relevant laws, standards, principles and rules (including FCA principles and rules) with the aim to operate a defined and transparent risk management framework. These policies and procedures are updated as required.

Annually the Firm formally reviews its risks, controls and other risk mitigation arrangements and assesses their effectiveness, the conclusions to which help inform the overall risk appetite of the Firm.

A formal update on operational matters is provided to the board on a quarterly basis. Management accounts demonstrate continued adequacy of NLGIE’s capital is reviewed on a regular basis.

Appropriate action is taken where risks are identified which fall outside of the Firm’s tolerance levels or where the need for remedial action is required in respect of identified weaknesses in NLGIE’s mitigating controls.

3. Governance Arrangements

Overview

NLGIE believes that effective governance arrangements help the Firm achieve its strategic objectives while also ensuring that the risks to the Firm, its stakeholders and the wider market are identified, managed and mitigated.

The board has overall responsibility for NLGIE and is therefore responsible for defining and overseeing the governance arrangements at the Firm.

In order to meet its responsibilities, the board meets on a quarterly basis. Amongst other things, the board approves and oversees implementation of the Firm's strategic objectives and risk appetite; ensures the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory system; assesses the adequacy of policies relating to the provision of services to clients; and provides oversight of the Firm’s senior management.

A key report that is reviewed and signed-off by the board at least annually is the Senior Management Systems and Controls (“SYSC”) document, as this demonstrates how the Firm has met its governance arrangement requirement. The SYSC document provides the board with information on the functioning and performance of all aspects of the Firm, including the following areas:

- general organisational requirements, including steps taken by the Firm to ensure continuity and regularity in the performance of its regulated activities; and the Firm’s account policies;
- employees, including steps taken by the Firm to ensure that employees have the necessary skills, knowledge and expertise for the discharge of the responsibilities allocated to them, and to ensure that they are fit and proper persons;
- regulatory framework for meeting compliance and financial crime requirements;
- internal capital adequacy and risk assessment process;
- outsourcing of critical or material operating functions or activities;
- record-keeping controls and arrangements;
- conflicts of interest management;
- remuneration policies and practices; and
- whistleblowing controls.

The board

The below table provides the number of other directorships (1 executive director and 3 non-executive directors) held by each member of the board:

Board Member	Position at NLGIE	Directorships held subject to MIFIDPRU 8.3.2R	
		Executive	**Non-Executive**
Yu Kosaka	Chief Executive (SMF1) and Executive Director (SMF3)	–	-
Shinichi Okamoto	Non-executive Director	-	2
Hiroki Yamauchi	Non-executive Director	–	-
Takeru Maki	Non-executive Director	–	-

NLGIE ensures that members of the board do not hold more directorships than is appropriate taking into account individual circumstances and the nature, scale and complexity of the Firm's activities.

NLGIE ensures that the board:

- has overall responsibility for the Firm;
- approves and oversees implementation of the Firm's strategic objectives, risk strategy and internal governance;
- ensures the integrity of the Firm's accounting and financial reporting systems, including financial and operational controls and compliance with the regulatory system;
- oversees the process of disclosure and communications;
- has responsibility for providing effective oversight of senior management;
- monitors and periodically assesses:
    - the adequacy and the implementation of the Firm's strategic objectives in the provision of investment services and/or activities and ancillary services;
    - the effectiveness of the Firm's governance arrangements; and
    - the adequacy of the policies relating to the provision of services to clients; and take appropriate steps to address any deficiencies and
- has adequate access to information and documents which are needed to oversees and monitor management decision-making.

NLGIE ensures that the board defines, approves and oversees:

- the organisation of the Firm, including the skills, knowledge and expertise required by staff as well as the Firm's resources, procedures and arrangements;
- a policy regarding the services, activities and operations offered or provided, in accordance with the risk tolerance of the Firm and the characteristics and needs of the Firm's clients, including carrying out stress testing, where appropriate; and
- a remuneration policy that aims to encourage responsible business conduct, fair treatment of clients as well as avoiding conflicts of interest in the relationships with clients.

Diversity of the board

NLGIE takes equality non-discrimination approach, although NLGIE does not have specific policy promoting diversity on the board.

As a wholly owned subsidiary of NLIC, the secondment to NLGIE of a number of executives from other Nippon Life Group companies helps facilitate communication between group companies and ensure that the Firm acts in accordance with the interests of the broader Nippon Life Group. In addition, representatives of NLIC sit on the company's board as non-executive directors to ensure that the company acts in accordance with NLIC's wishes and to oversee the activities of NLGIE management.

Risk Committee

NLGIE is not required by MIFIDPRU to establish a risk committee.

Due to the nature, size and complexity of the Firm does not have an independent risk management function. The board is responsible for the management of risk within the Firm and their individual responsibilities are clearly defined. Senior management report to the Firm's board on a frequent basis regarding the Firm's risks. NLGIE has clearly documented policies and procedures, which are designed to minimise risks to the Firm and all staff are required to confirm that they have read and understood them.

4. Own Funds

As of 31st December 2024, NLGIE maintained own funds of £11,125 thousands. NLGIE's own funds consist solely of Common Equity Tier 1 Capital. The main feature of own instruments issued by the firm is that they are called-up private ordinary share owned by solely its parent company. The below regulator-prescribed tables provide a breakdown of the Firm's own funds:

Composition of regulatory own funds

Item	**Amount (GBP thousands)**	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
OWN FUNDS	**11,125**	Shareholders' funds
TIER 1 CAPITAL	**11,125**	Shareholders' funds
COMMON EQUITY TIER 1 CAPITAL	**11,125**	Shareholders' funds
Retained earnings	**6,124**	Statement of changes in equity
(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	0	
CET1: Other capital elements, deductions and adjustments	0	
ADDITIONAL TIER 1 CAPITAL	**0**	
TIER 2 CAPITAL	**0**	

5. Own Funds Requirements

NLGIE is required to at all times maintain own funds that are at least equal to the Firm's own funds requirement. The own funds requirement is the minimum requirement of capital the Firm is required to hold, taken as the higher of the PMR, FOR and KFR.

The below table illustrates the various components of the NLGIE's own funds requirement based on its Internal Capital Adequacy and Risk Assessment dated March 2025:

Requirement	*£'000*
(A) Permanent Minimum Capital Requirement ("PMR")	75
(B) Fixed Overhead Requirement ("FOR")	1,537
(C) K-factor requirement ("KFR")	
- *K-AUM – risk arising from managing and advising on investments*	2,063
(D) Own Funds Requirement (Max[A; B; C])	2,063

NLGIE is also required to comply with overall financial adequacy rule ("OFAR"). This is an obligation on NLGIE to hold own funds and liquid assets which are adequate, both as to their amount and quality, to ensure that:

a. the Firm is able to remain financially viable throughout the economic cycle, with the ability to address any material potential harm that may result from its ongoing activities; and
b. the Firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

Where NLGIE determines that the FOR is insufficient to mitigate the risk of a disorderly wind down, the Firm must maintain an 'additional own funds required for winding-down', above the FOR, that is deemed necessary to mitigate the risks of a disorderly wind-down. Similarly, where the Firm determines that the KFR is insufficient to mitigate the risk of harm from ongoing operations, the Firm must maintain an 'own funds required for ongoing operations', above the KFR, that is deemed sufficient to ensure the viability of the Firm throughout economic cycles.

The Firm's own funds threshold requirement is the higher of:

- the Firm's PMR;
- the sum of the Firm's FOR and its additional own funds required for winding down; and
- the sum of the Firm's KFR and its additional own funds required for ongoing operations.

This is the amount of own funds that NLGIE is required to maintain at any given time to comply with the OFAR.

To determine the Firm's own funds threshold requirement, NLGIE identifies and measures the risk of harm faced by the Firm and considers these risks in light of its ongoing operations and also from a wind-down planning perspective. The Firm then determines the degree to which systems and controls alone mitigate the risk of harm and the risk of a disorderly wind-down, and thereby deduce the appropriate amount of additional own funds required to cover the residual risk.

This process is documented and presented to, and ratified by, the board on at least an annual basis.

6. Remuneration Policy and Practices

Overview

NLGIE is categorised as a MIFPRU investment firm, a non-SNI (small and non-interconnected) FCA investment firm and as a result subject to both the MIFIDPRU remuneration code – SYSC19G and MiFID remuneration incentives – SYSC19F of the FCA Handbook. The Firm maintains regulatory permissions related to advising and arranging on investments. The Firm's policy takes into account both SYSC19G and SYSC19F as applicable to the Firm.

The Board of NLGIE is responsible for the implementation of this policy and is kept appraised of the compliance risks related to remuneration by the Compliance Officer.

As a non-SNI firm, the Firm is required to identify its Material Risk Takers (MRTs) and accordingly, a list of MRTs is maintained separately to this policy. The purpose of the Firm's remuneration policy is to:

- Promote effective risk management in the long-term interests of the Firm and its clients;
- Ensure alignment between risk and individual reward;
- Support positive behaviours and healthy firm cultures; and
- Discourage behaviours that can lead to misconduct and poor customer outcomes.

The objective of NLGIE's remuneration policies and practices are to establish, implement and maintain a culture that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the Firm and the services that it provides to its clients.

In addition, NLGIE recognises that remuneration is a key component in how the Firm attracts, motivates and retains quality staff and sustains consistently high levels of performance, productivity and results. As such, the Firm's remuneration philosophy is also grounded in the belief that its people are the most important asset and greatest competitive advantage.

NLGIE is committed to excellence, teamwork, ethical behaviour and the pursuit of exceptional outcomes for its clients. From a remuneration perspective, this means that performance is determined through the assessment of various factors that relate to these values, and by making considered and informed decisions that reward effort, attitude and results.

Characteristics of the remuneration policy and practices

NLGIE operates a gender-neutral remuneration policy. Discrimination on the basis of an individual's 'protected characteristics' (as so defined in relevant legislation) both before and after employment is offered is prohibited. The Firm has considered and acknowledges the Equality Act 2010 accordingly.

Remuneration at NLGIE is made up of fixed and variable components.

All members of staff at NLGIE are currently paid a fixed base salary, which is commensurate with market rates for those of their seniority, experience and qualifications. The Board has sought to set the fixed element of remuneration at a sufficient level to provide staff with comfortable living standards, so as to reduce or mitigate reliance on any variable element of remuneration, whilst ensuring the Firm's capital and liquidity position remains strong.

Any variable element of remuneration will be primarily based on profits generated by the Firm (over and above all expenses) which are considered to be aligned with good, long term client outcomes. Any such remuneration is awarded only to the extent that the financial position of the Firm permits.

Bonuses of individual staff members will be based on actual outcomes, and not upon indicative results. This shall include both financial and non-financial metrics including the performance of the Firm and compliance with policies and procedures of the Firm as applicable.

Individual performance, in particular, for those in control functions such as Compliance and Risk are considered in conjunction with the success of those functions overall.

The above methodology has been adopted to ensure that all staff at NLGIE are not motivated by short-term gain, such that they are incentivised to adopt an approach which advances risk taking at the expense of a more prudent risk appetite.

Governance and Oversight

The Firm's Board is responsible for setting the remuneration structure of the Firm and for formally reviewing and approving this policy. Compensation levels would not be set at a level that would expose the Firm to undue risk over its ability to hold capital above the base capital requirement.

The Firm's Board will consider input from the relevant business units – excluding external parties to ensure that the Firm is able to offer competitive compensation in order to attract and retain high quality talent. Further, and with regard to variable compensation, the Board will consult with the relevant functions including compliance as part of the consideration of relevant non-financial metrics.

As the Firm is not classified as an enhanced non-SNI firm, as per MIFIDPRU7.1.4, it is not required to establish a remuneration committee.

The remuneration policy is subject to periodic review and at least annually. The Firm will also consider the policy upon the advent of a material change to the business model and when additional relevant members of staff are employed.

Development and review of the remuneration policy is supported by representatives the control functions, including, compliance and human resources and also by other business leaders as appropriate.

Material Risk Takers

NLGIE identifies its MRTs in line with the FCA's guideline and maintain the list of them separately.

Quantitative Remuneration Disclosures

The below table quantifies the remuneration paid to staff in the financial year 1 January 2024 to 31 December 2024.

		Senior Management	Other material risk takers	All employees
Total number of material risk takers (the Policy is applicable)		1		
Remuneration Awarded	Fixed (£ ‘000)	-	-	3,834
	Variable (£ ‘000)	-	-	718
	Total (£ ‘000)	-	-	4,552
Guaranteed variable remuneration	Amount (£)	-	-	
	# Staff Awarded	-	-	
Severance payments	Amount (£)	-	-	
	# Staff Awarded	-	-	
Highest severance payment awarded to an individual (£)		-		

MIFIDPRU investment firms are typically required to split the quantitative data in the above table, where relevant, into categories for senior management and other material risk takers. The regulator however allows firms to aggregate or altogether omit the information to be disclosed for senior management and other material risk takers, where splitting the information between these two categories would lead to the disclosure of information about one or two people. NLGIE has relied upon this exemption and has omitted the disclosure, in order to prevent the individual identification of a material risk taker.