



Governance, Risk Management and Capital Disclosures As of 30 April 2022

Introduction

Troy Asset Management Limited (the “Company” or “Troy”) was incorporated in 2000. It is authorised and regulated by the Financial Conduct Authority of the United Kingdom (the “FCA”). The Company acts as investment manager to a number of open-ended and closed end funds. It also provides investment management services to a number of segregated account clients.

As at the reporting date, the Company falls under the FCA’s Investment Firms Prudential Regime. This regime has applied from 1 January 2022. However, many of the disclosure provisions within the relevant rules are subject to transitional arrangements and are, therefore, not required for the Company’s year ended 30 April 2022. As a result, the governance and capital disclosures in this document are in accordance with the new rules, but we continue to make risk management disclosures and remuneration disclosures which comply with the previous prudential regime.

The disclosures in this document are based on the Company’s financial position as at 30th April 2022. They have not been subject to audit.

This document will be updated and published annually or more frequently if there are significant changes to the Company’s business or activities which might materially affect these disclosures.

1. Governance Arrangements

Troy is a privately-owned company which has always sought to maintain a simple organisational structure. Since inception, we have been overseen by a Board, including strong representation by independent non-executive directors with a diverse range of industry backgrounds. The Board, which meets at least quarterly, is responsible for the direction and strategy of the Firm and the oversight of all business activities. In order to assist it, the Board has established a number of committees to which it delegates responsibility. Each committee has its own terms of reference, and meets on a periodic basis but can also be convened as necessary to deal with any matters arising. Committee members are selected from the relevant areas of the business to ensure that each committee has the appropriate level of knowledge and experience to execute its mandate effectively. Further information is included in the section of this disclosure headed “Risk Management and Objectives”.

The Chair, assisted by the Vice-Chair, has ultimate responsibility for considering the overall composition of the Board, identifying any skill gaps and for ensuring that appropriate individuals are approved for appointment.

Each member of senior management has defined responsibilities for the oversight and control of key business processes, and associated risks, within his or her particular

area of activity. As per the requirements of SMCR, the responsibilities of each 'senior manager' are set out and documented in a statement of responsibilities.

Good client outcomes are at the core of Troy's philosophy and Troy expects its employees to put client outcomes ahead of their own interests where there is a potential for a conflict of interest. We have designed our remuneration structures to help achieve this, the detail of which is set out in our remuneration policy which is reviewed at least annually by the Remuneration Committee. Potential conflicts of interest are identified and managed through a compliance monitoring programme. Identified conflicts are recorded in a conflicts of interest register the maintenance of which is overseen by Compliance with each department being responsible for maintaining the conflicts of interest register in relation to the relevant department. It is reviewed at least annually with the results of the review being reported to the Board. Information on outside interests including potential conflicts of interest arising is reviewed by the Board and Executive Committee.

Troy believes that a diverse workforce fuels innovative thinking, creativity and balanced decision making. We are committed to creating a culture where respect and understanding are fostered so that it can create a supportive and inclusive environment where Troy's people can reach their full potential. To achieve this, Troy actively promotes an open exchange of ideas and perspectives where Troy's people feel empowered to contribute to the decisions that affect them. The Board believes that a culture of inclusion and diversity is cultivated through clear tone from the top, with the Board championing diversity and inclusion in support of Troy's values.

Troy recognises the benefits of having a diverse board, and believes that a broad range of views, insights and perspectives will support sound decision making. The Board supports the aim of continuing to promote diversity and inclusion in the boardroom and seeks to foster and maintain a diverse, inclusive and balanced board. Troy's Board Diversity & Inclusion Policy is included as an appendix to this report.

As required by MIFIDPRU8.3.1(R)2, we have listed below information on external directorships held by Troy's directors.

Name	Number of directorships (executive and non-executive) of organisations which pursue predominantly commercial objectives
Gabrielle Boyle (Head of Research)	2
Francis Brooke (Vice Chair)	1
James Findlay (Non-Executive Director)	2
Cressida Hogg (Non-Executive Director)	2

Simon Robertson (Non-Executive Director)	5
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No other directors held external executive or non-executive directorships in organisations which pursue predominantly commercial objectives.

2. Own Funds

Item	£'000
OWN FUNDS	48,180
TIER 1 CAPITAL	48,180
COMMON EQUITY TIER 1 CAPITAL	48,180
Fully paid up capital instruments	444
Share premium	3,144
Retained earnings	45,592
Accumulated other comprehensive income	-
Other reserves	5,330
Adjustments to CET1 due to prudential filters	-
Other funds	-
(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(6,330)
CET1: Other capital elements, deductions and adjustments	-
ADDITIONAL TIER 1 CAPITAL	-
Fully paid up, directly issued capital instruments	-
Share premium	-
(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-
Additional Tier 1: Other capital elements, deductions and adjustments	-
TIER 2 CAPITAL	-
Fully paid up, directly issued capital instruments	-
Share premium	-
(-) TOTAL DEDUCTIONS FROM TIER 2	-
Tier 2: Other capital elements, deductions and adjustments	-

	Balance sheet at 30 April 2022 £'000	Disallow from Own Funds £'000
Tangible fixed assets	1,282	
Investments	10	
Debtors and prepayments	14,950	(1,382)
Cash at bank – firm	41,450	

Cash at bank - EBT	4,948	(4,948)
Total Assets	62,640	
Trade creditors	230	-
Other taxation	275	-
Accruals, deferred income	7,523	-
Deferred tax liability	102	-
Total Liabilities	8,130	
Net assets	54,510	(6,418)
Called up share capital	444	-
Own shares	(1,715)	-
Share reserve	6,663	-
Capital redemption reserve	91	-
Share premium	3,144	-
Share option reserve	291	-
Profit and loss account	45,592	-
Total Shareholders' equity	54,510	-

Own funds: main features of own instruments issued by the firm

The company had 8,081,424 ordinary shares in issue. In addition to ordinary shares, the company had 405,000 G1 growth shares, issued in July 2020, and 405,000 G2 growth shares, issued in July 2021. These growth shares may be converted to ordinary shares in future years should the valuation of company exceed certain hurdles. No dividend is paid on the growth shares and given they are partly paid, the unpaid element of £1,092,000, that is included in Debtors and Prepayments, is deducted from Own Funds. The nominal value of the ordinary and growth shares is 5 pence each.

3. Own Funds Requirements

Troy's approach to assessing compliance with the overall financial adequacy rule is to undertake a regular Internal Capital Adequacy Risk Assessment (ICARA) process. Under ICARA, Troy is required to determine overall financial adequacy (OFAR) as outlined in MIFIDPRU 7.4.7R. OFAR distinguishes between capital requirements for ongoing operations and capital requirements for an orderly wind down with the capital to be retained being the higher of the two.

OFAR requires Troy to hold adequate own funds to ensure that:

- it is able to remain financially viable throughout the economic cycle, with the ability to address any potential material harms that may result from its ongoing activities; and

- its business can be wound down in an orderly manner, minimising harm to consumers or other market participants.

Therefore, Troy must hold the highest of:

- the amount of own funds required to mitigate harms from on-going operations i.e. the higher of:
 - the K-factor requirement (KFR) – this requirement captures the potential material risk of harm arising from the Company's activities and exposures; or
 - internal risk based assessment of the Company's own funds requirement / capital needs.
- the amount of own funds required to facilitate an orderly wind-down i.e. the higher of:
 - Fixed Overhead Requirement (FOR), or;
 - the own funds required per the Company's wind-down plan assessment

To determine whether additional own funds are required in addition to the k-factors requirement or the fixed overheads requirement, Troy has identified, assessed and considered mitigations against risks to which the Company is exposed as a going concern and in wind down scenarios. Each of these assessments are considered separately and the higher of the totals (own funds plus additional own funds) is the minimum regulatory requirement.

Troy's own funds requirements, excluding our internal assessment of additional own funds, are as follows:

Summary of Own Funds Requirement	£'000
Higher of PMR, KFR and FOR (each, defined below):	
- Permanent minimum capital (PMR)	75
- K-factor requirement (KFR):	
K-AUM	40
K-COH	50
Sum of K-factor requirements	90
Fixed Overhead Requirement (FOR)	4,980
Own funds	48,180
Own funds surplus	40,930

In addition, Troy ensures that it complies with its liquid assets threshold requirement. This is based on its Basic Liquid Asset Requirement plus an assessment of any

additional liquid assets required in stressed conditions and during an orderly wind down.

Assessment of liquid assets	£'000
Liquid asset threshold requirement (1/3 FOR)	1,660
Liquid assets	46,398
Liquid assets surplus	44,738

4. Risk Management and Objectives

Troy 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 conduct of its business. The Company operates a 'three lines of defence' approach to risk management. The first line of defence against undesirable outcomes is each business function and the respective line managers across investment, dealing, fund operations, business development and IT. Line managers are expected to take the lead in identifying and reporting potential risks and implementing and maintaining appropriate controls. Line management is supplemented by control and oversight functions including Legal and Compliance, Finance and Human Resources (the second line of defence).

Risk governance

The third line of defence is the Company's oversight of risk by senior management. The Board has ultimate responsibility for the Company's risk strategy and for determining an appropriate risk appetite, as well as risk tolerance levels within which the Company must operate. By defining these, the Board demonstrates that it is aware of and, where appropriate, has taken steps to mitigate, the risks that may have a material impact on the Company. The Board has established four committees, including the Board's Executive Committee, Risk Management Committee, the Audit Committee and the Remuneration Committee.

Executive Committee

The Executive Committee is responsible for recommending to the Board the Company's business strategy and risk appetite and for executing the agreed business strategy. Together with the Board, the Executive Committee takes the lead in promoting a risk aware culture. As the body responsible for executing the Company's business strategy, the Executive Committee is responsible for the identification and assessment of risks and the management of risks, in conjunction with the Risk Management Committee. The Executive Committee has established a Trade Oversight Committee and a Product Governance Committee. The Product Governance Committee has been created to oversee the Company's product strategy and to review the Company's product governance processes. Its overall purpose is to seek to ensure that the Company's funds deliver good outcomes for customers. The Trade Oversight Committee is responsible for governing and making decisions

on the company's trade execution process and systems and controls relating to that process. A recent notable change to our governance oversight of climate-related issues was the creation of the Responsible Investment & Climate Committee.

Risk Management Committee

The Risk Management Committee is responsible for providing governance of, and making decisions in relation to, the Company's risk management processes, systems and controls. It is responsible for and implementing and maintaining the Company's risk management framework. This involves determining how the risks the business faces may be mitigated and assessing on an ongoing basis the arrangements for managing those risks. It manages the Company's risk through a framework of policies and procedures having regard to the relevant laws, standards, principles and rules (including the FCA principles and rules). On an ongoing basis, the Risk Management Committee formally reviews the risks, controls and other risk mitigation arrangements and assesses their effectiveness. Where material risks are identified, through the ICARA process the Company will assess the financial impact of the relevant risks as part of the Company's business planning and capital management. The Board will assess whether the amount of regulatory capital maintained is adequate.

A formal update on operational matters is provided to the Executive Committee on a regular basis. Management accounts demonstrate continued adequacy of the Company's regulatory capital position and are reviewed on a regular basis. Appropriate action is taken where risks are identified which fall outside the Company's risk tolerance levels or where the need for remedial action is required in respect of identified weaknesses in the Company's mitigating controls.

Audit committee

The Audit Committee is responsible for monitoring the integrity of the Company's financial statements. It is also responsible for overseeing the relationship between the Company and its external auditor.

Risk profile

Troy is exposed to a number of risks. Some risks are deliberately assumed. Other risks are inherent in the performance of the Company's business strategies. Our risk framework is designed to ensure that key risks remain within our risk appetite. A summary of the approach for certain key risk categories is as follows:

Investment risk: The Company's revenue is represented by the investment management fees levied on the funds under management. The revenue flow, therefore, relies on Troy's investment performance and its ability to retain loyalty of clients and the investors in the funds it manages. Failure to do so would represent a risk of loss of revenue and possibility of redemptions from the funds with further

additional impact on the revenue stream. There is nothing unusual in this situation in the investment management world. The risk is mitigated by:

- Keeping tight control of the base cost of running the Company commensurate with providing the quality of service expected by our clients and investors so as to be able to cope with fluctuations in revenue;
- Regular communications to investors to keep them informed of the funds' performance and the investment managers' views; and
- Maintaining capital reserves which could be used to cover expenses of the business while any short-term problems are worked through.

Operational risk: Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Company places strong emphasis on the operational procedures and controls that it has in place in order to mitigate the risks and it seeks to ensure that all personnel are aware of their responsibilities in this respect. The Company has identified the following as key operational risks:

- information and cyber security risks;
- errors and omissions in the management of the portfolios and in executing trades;
- serious regulatory breaches;

Appropriate policies and procedures, which are backed up by professional indemnity insurance cover, are in place to mitigate these risks.

Troy considers conduct risks to be those risks which arise from action or inaction which result in client and/or investor detriment, negative impact to market stability or restrict effective competition. The Board, Executive Committee and Risk Management Committee recognise that encouraging a culture of good conduct is crucial to delivering good outcomes for the Company's clients and investors. The Board and Executive Committee seek to achieve this by articulating expectations of conduct and implementing a governance structure which encourages prompt escalation of issues. Furthermore, the Company has implemented a training programme.

Credit risk: Credit risk is considered to be the risk of financial loss arising from a client or other counterparty failing to meet its obligations to repay outstanding amounts as they fall due. Troy's exposure to credit risk is limited to risks arising from:

- holding cash on account and holding money market instruments, however the Company believes that there is little risk of default by its clients and all bank accounts are held with banks with strong credit ratings; and
- the default of a client paying investment management fees in a timely manner, however the credit exposure relating to the Company's investment

management clients is considered to be limited. Management fees are drawn monthly or quarterly from the funds managed.

The Company does not apply credit risk mitigation techniques to its credit risk exposures. Therefore, it is not exposed to 'residual risk'. Any risk arising from the partial performance or failure of market risk mitigation is considered as a component of market risk.

Market risk: Market risk is the risk of loss of earnings or capital arising from changes in the value of financial instruments. As Troy is an investment management firm trading as agent rather than as principal, market risk exposure is low, limited predominantly to cash on account and money market instruments held in the name of the Company. The exposure to foreign currency risk is immaterial given the revenue stream is in sterling.

Liquidity risk: The Company is required to maintain sufficient capital to ensure that there is no significant risk that its liabilities cannot be met as they fall due or that financial resources can only be secured at excessive cost. Troy retains an amount it considers adequate for providing sufficient capital to meet the working capital requirements of the business. The Company's revenue stream is annuity based and therefore income is reasonably predictable, being billed monthly and quarterly and collected on a timely basis.

Concentration risk: Concentration risk is the risk arising from a lack of diversification in the business. Troy's business is concentrated within the UK investment management sector but is increasingly becoming more diversified internationally.

Risks which are not applicable to Troy

Securitisation risk – The Company does not sponsor or participate in securitisation issues.

Risks of excessive leverage – The Company has no debt.

Interest rate risk – The Company has exposure to interest rate risk relating to its cash balances, however this exposure is minimal.

Pension obligation risk – The Company does not operate a defined benefit pension scheme.

Insurance risk – The Company does not issue insurance or have any insurance liabilities.

5. Remuneration Policy and Practices

This disclosure is designed to provide information on Troy's remuneration policies and practices. Under transitional arrangements set out in MIFIDPRU TP12, the following disclosures are made according to the requirements of the UK Capital Requirements Directive.

Troy is required to comply with relevant requirements within the FCA's handbook of rules and guidance. These rules recognise that not all principles apply to firms equally and introduced a concept of proportionality, which applied the Remuneration Code to the extent that it was appropriate to a firm's size, internal organisation (including legal structure) and the nature, scope and complexity of its activities.

People are the Company's most important and valued asset. We are, therefore, committed to recruiting and retaining talented individuals and to maintaining responsible and effective remuneration structures that promote sound and effective risk management, responsible business practices and do not encourage excessive risk taking. Troy's Remuneration Committee has approved a remuneration policy which is designed to ensure that our compensation arrangements:

- deliver pay for sustainable performance;
- align remuneration with the interests of Troy's shareholders and clients;
- attract and retain top talent; and
- prevent excessive risk-taking.

Troy's remuneration policy is designed and governed by the Board's Remuneration Committee which comprises non-executive directors of the Company. The policy provides a framework to attract, retain and reward employees to achieve the strategic and business objectives of Troy within its risk appetite and risk management framework. It does this by seeking to promote prudent, sound and effective risk management and maintaining remuneration policies and practices which take into account the type of risks and the degree of risk that an individual may take on behalf of the Firm. No individual will be encouraged to take, or be rewarded for taking, excessive risks.

Troy's long-term approach to investment means that we have developed an investment process which puts stewardship at the centre of the investment decision-making process. Remuneration is, of course, linked to performance. However, Troy does not attach pay schemes to explicit targets and no element of remuneration is formulaically linked to investment returns. Remuneration typically comprises a salary with benefits including a pension scheme, life assurance, private medical insurance and critical illness cover together with a bonus arrangement. A discretionary annual bonus scheme is operated on the basis of the Company's financial performance and the individual performance of eligible staff over time. The Company's ability to pay a bonus, which is entirely discretionary, is based on bottom line performance and not top line revenue.

Further, Troy encourages employee share ownership. Ownership of shares in the Company has previously been achieved through a share option scheme (which has now been discontinued) and more recently through a growth share purchase scheme (although the latter does not form part of the Firm's remuneration arrangements). In certain circumstances, members of staff are required to invest a proportion of their bonus in Troy shares and/or funds to which the Company has been appointed as investment manager. These arrangements help align staff interests with those of Troy's shareholders and clients.

Discretionary bonuses will only be awarded on the basis that the individual has contributed to the long-term well-being of the business, as measured across a range of factors including profitability, compliance and conduct in accordance with the requirements of the FCA, risk management, training and competence outcomes, contribution to corporate and social responsibility and responsible investment processes (including environmental, social and governance matters) and any other factors considered by the Remuneration Committee to be relevant.

Troy has only one business area. For the year ended 30 April 2022 the Company's material risk takers received aggregate remuneration of £34.3m of which £2.8m was fixed remuneration and £31.5m variable remuneration.

The Remuneration Committee (comprising two non-executive directors, including the non-executive chairperson of the Board and the Board (comprising executive and non-executive directors, including the non-executive chairperson of the Remuneration Committee) implement, oversee and administer all the Company's remuneration arrangements, including the discretionary annual bonus scheme, deferral and the legacy share option plan. In addition, the Remuneration Committee is responsible for the application, maintenance and periodic review of the Company's Remuneration Policy and the Remuneration Principles set out therein pursuant to advice from the compliance function.

In the event that a review results in a recommendation for change, the Remuneration Committee and/or the Board will consider and determine whether any changes are required or desired and oversee their implementation.

Appendix

Board Diversity and Inclusion Policy

Purpose

This Board Diversity and Inclusion Policy (the “**Policy**”) sets out the approach to diversity and inclusion of the board of directors of Troy Asset Management Limited (“**Troy**”).

Policy Statement

Troy believes that a diverse workforce fuels innovative thinking, creativity and balanced decision making. Troy is committed to creating a culture where respect and understanding are fostered so that it can create a supportive and inclusive environment where Troy’s people can reach their full potential. To achieve this, Troy actively promotes an open exchange of ideas and perspectives where Troy’s people feel empowered to contribute to the decisions that affect them. The board believes that a culture of inclusion and diversity is cultivated through clear tone from the top, with the board championing diversity and inclusion in support of Troy’s values. This Policy is applicable to Troy’s board but it sits alongside other relevant policies and a broader commitment to inclusion and diversity.

Troy recognises the benefits of having a diverse board, and believes that a broad range of views, insights and perspectives will support sound decision making. The board supports the aim of continuing to promote diversity and inclusion in the boardroom and seeks to foster and maintain a diverse, inclusive and balanced board.

All board appointments are made on merit to ensure a rounded and effective board. Within this framework, the board will look for opportunities to further enhance diversity where it is consistent with the requirements of the board.

Implementation

To assist with the implementation of this Policy, at least two non-executive directors and one executive director will meet at least once a year (and otherwise as required) to consider succession planning for both executive and non-executive directors.

As part of these discussions and on an ongoing basis:

- Consideration shall be given to the balance of skills, knowledge, experience and diversity on the board, how the board works together as a unit, and other factors relevant to ensuring its effectiveness.
- When discussing board composition, succession planning and talent development, consideration will be given to all aspects of diversity.

Approved by Troy’s board of directors on 6 December 2022