

DEVON

Equity Management

Devon Equity Management Limited

MIFIDPRU 8 Disclosure

For the Year Ended 31st December 2022

FCA No: 841960

Document Governance

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Table of Contents

1. Purpose and Background	3
2. Overview of Devon Equity Management Ltd	3
3. Risk Management and Objectives	4
4. Governance Arrangements	4
5. Own Funds	4
6. Own Funds Requirement	4
7. Remuneration	4
7.1. Remuneration Governance	4
7.2. The Objectives of Financial Incentives	5
7.3. Approach to Remuneration for All Staff	5
7.4. Link Between Remuneration and Performance	6
7.5. Link Between Remuneration and Risk	6
7.6. Quantitative Remuneration Disclosures	7
Appendix	7

1. Purpose and Background

Devon Equity Management (“Devon” or ‘the Firm’) is regulated by the Financial Conduct Authority (‘FCA’) as a FCA investment firm and is subject to the financial resource adequacy requirements set by the FCA Prudential Sourcebook for MiFID Investment Firms (‘MiFIDPRU’) for a MiFIDPRU Small & Interconnected (‘SNI’) Firm. MiFIDPRU provides the framework for regulatory financial resource management and includes components that require FCA investment firms, including Devon, to assess the adequacy of their financial resources.

Under MiFIDPRU 8 (Disclosure), FCA investment firms are required to disclose certain information concerning their risk management policies and procedures, including their regulatory financial resource adequacy position. The disclosure requirements for Devon are summarised below:

- Remuneration (as required under SYSC19A)

These disclosures have been prepared on an individual basis for Devon, and cover the financial position for the year ended 31st December 2022 and were approved by the Board. The audited annual accounts and financial statements were also approved by the Board on 25th April 2023.

These disclosures have not been audited by the Firm’s external auditors except where the information is equivalent to that included in the 2022 audited annual accounts and financial statements. These disclosures have been reviewed by the relevant areas of the Firm.

The disclosures in this document are required to be published annually and if appropriate, more frequently. This document shall be made available to view at <https://www.devonem.com/governance/>.

2. Overview of Devon Equity Management Ltd

Devon is a UK limited company, which was formed on 11th April 2019, with company number 111939535. It is authorised and regulated by the FCA, and its registration number is 841960.

Devon is a London-based asset management company that invests in a concentrated, long-only portfolio of mid- and large-cap equities for institutional clients only. It is categorised as a Collective Portfolio Management Investment (‘CPMI’) Firm by the FCA, as it has MiFID permissions as well as AIFM authorisation.

Devon’s MiFID activities are limited to the discretionary management of segregated accounts on behalf of a large institutional investor and the portfolio management of an Investment Trust (European Opportunities Trust PLC) and two SICAVs (European Opportunities and Global Opportunities).

The firm gained AIFM authorisation in 2021 and took over management of the European Opportunities Trust on 1st July 2022.

The firm does not hold client money. Instead, all client assets are ring-fenced and held in segregated accounts, each with a regulated custodian. Devon does not safeguard or administer assets. Finally, the firm has no permission to deal on its own account.

The portfolio management team's investment style is equity long-only, with concentrated, high conviction portfolios consisting of between 35 and 40 positions. No derivative or currency strategies are applied as part of the investment strategy.

Devon's principal activities have direct financial consequences for the Firm that require financial resources to be held to protect against that risk and require Devon to be directly regulated by the FCA.

3. Risk Management and Objectives

MIFIDPRU 8.1.1(2) requires SNI Investment Firms with Additional Tier 1 (AT1) instruments in issue to apply MIFIDPRU 8.2 (Risk Management Objectives and Policies). As Devon has no AT1 instruments in issue, the Firm is not required to disclose in line with this requirement.

4. Governance Arrangements

As an SNI Investment Firm, Devon is not required to disclose its governance arrangements in accordance with MIFIDPRU 8.3.

5. Own Funds

As an SNI Investment Firm, Devon is not required to disclose its own funds composition in accordance with MIFIDPRU 8.4.

6. Own Funds Requirement

Devon has undertaken its annual ICARA process for the financial year under review. Devon undertakes this process annually upon signing of its audited accounts, and more regularly to account for planned, or actual material business changes.

As an SNI Investment Firm with no AT1 instruments in issue, Devon is not required to disclose its own funds requirement in accordance with MIFIDPRU 8.5.

7. Remuneration

In accordance with MIFIDPRU 8.6, Devon has disclosed below information relating various qualitative and quantitative information related to its Remuneration Policy and Practices.

7.1. Remuneration Governance

In accordance with MIFIDPRU 8.6.2R(3), Devon has disclosed below the "decision-making procedures and governance surrounding the development of the remuneration policies and practices the firm is required to adopt in accordance with the MIFIDPRU Remuneration Code". This has included the composition and mandate given to the Remuneration Committee, and the details of external consultants used in the development of remuneration policies and procedures.

Remuneration decision-making is undertaken by the Remuneration Committee comprising of all Devon Directors, including an independent company Chairman and their decisions are approved by the Board. The duties of the Committee are delegated and agreed by the Board and governed by its Terms of Reference, which is reviewed annually.

The Committee is responsible for the determination, regular review, and application of the Devon Remuneration Policy. The Remuneration Committee is also responsible for annually determining and reviewing individuals who have a material impact on the risk profile of Devon and determining total

remuneration packages for these individuals. Devon's remuneration policy strives to foster long-term value development through transparent alignment with the agreed firm strategy. The Remuneration Committee reviews and approves the Firm's Remuneration Policy annually.

Devon utilises, third-party risk and compliance specialists to assess and ensure the compliance of its remuneration policies and practices with the MIFIDPRU and AIFM Remuneration Codes as applicable to Devon (SYSC 19G and 19B).

To avoid any conflicts of interest, no individual is involved in any decisions regarding their own remuneration.

The Committee assures that variable compensation is not paid using any methods or vehicles that circumvent the requirements of AIFM Remuneration Code.

7.2. The Objectives of Financial Incentives

In accordance with MIFIDPRU 8.6.2R(2), Devon has disclosed below the objectives of financial incentives that are used at the Firm. To comply with this requirement, Devon has considered it appropriate to disclose the philosophy guiding the Firm's remuneration policies and procedures (MIFIDPRU 8.6.3G).

The Remuneration Committee seeks to ensure remuneration is structured in a way that attracts, motivates, and retains high-calibre staff; rewards individual and corporate performance; and is aligned with appropriate risk and compliance standards and the long-term interests of shareholders, investors, clients, and other stakeholders.

7.3. Approach to Remuneration for All Staff

In accordance with MIFIDPRU 8.6.2R(1) and 8.6.5R(2), Devon has disclosed below its approach to remuneration for all staff and an overview of the incentives the Firm provides. Devon has interpreted the term "staff" in accordance with SYSC 19G.1.24G to include all persons employed by the Firm (MIFIDPRU 8.6.3G(4)).

Devon has a culture of rewarding performance. Flexible individual incentives are a key component in this. All employees are incentivised and rewarded according to their individual performance aligned with their job description.

Remuneration for Devon staff consists of three main elements (MIFIDPRU 8.6.6R(1)) which have been categorised as fixed or variable in line with the definitions set out in SYSC 19G.4.

- 1) **Base Salary (Fixed):** Reviewed annually and set in consideration of the individual's skills, the size and scope of their role, and the market rate for the role at comparator companies.
- 2) **Benefits (Fixed):** These include pension contribution (or cash allowance equivalent) and insurance benefits such as private medical insurance and life insurance. The range and level of these are available to all UK employees regardless of seniority. The level and range of these may differ for employees based outside the UK in order to align them with local market practices.
- 3) **Annual Bonus (Variable):** These are paid to reward staff's individual and corporate performance and the achievement of strategic and personal objectives. The pool for this

award is based upon Devon's profits, ensuring that any bonuses are affordable and sustainable according to Devon's financial situation and the performance of its clients. This pool may be adjusted based upon the Remuneration Committee's assessment of a range of financial and non-financial considerations, including risk and compliance. Individual bonuses are determined based on several factors relating to the individual's role and performance.

7.4. Link Between Remuneration and Performance

In order to comply with MIFIDPRU 8.6.2R(1), Devon has considered it appropriate to describe below the link between performance and variable remuneration in conjunction with the Firm's main performance objectives (MIFIDPRU 8.6.3G).

Devon aims to ensure that variable remuneration reflects staff performance. As such, Devon's Remuneration Committee undertakes a balanced assessment of financial and non-financial factors when determining an employee's performance (MIFIDPRU 8.6.6R(2)(b-c)). These factors include:

- 1) The individual's risk-taking, compliance with applicable regulations, business conduct and behaviour;
- 2) Metrics specific to the relevant business unit and AIF (for example, sales performance for sales staff, investment performance and other factors such as profitability, assets managed and net sales for investment staff) and other specific departmental and corporate performance objectives and strategic goals;
- 3) Assessment of how the above performances are achieved in terms of risk (profile, appetite and management) and repeatability;
- 4) Performance in accordance with Devon's values and wider contribution to Devon's business objectives and its growth strategy; and
- 5) People related objectives, including succession planning and people development.

When determining variable remuneration, Devon also considers financial and non-financial performance of the entire Firm (MIFIDPRU 8.6.6R(2)(a)). This is primarily used to determine the size of the total compensation pool. The deciding factors include:

- 1) The impact of the proposed variable compensation pool of Devon's liquidity and capital base;
- 2) Devon's financial performance against the KPI's listed in the Annual Report;
- 3) Whether Devon's risk profile and risk management support the proposed variable compensation pool;
- 4) Whether any material compliance breaches or issues have occurred in the year under consideration;
- 5) Commercial considerations including consideration of the market for talent;
- 6) Any reputational damages which should impact the total pool, or alternatively, whether the proposed pool would impact Devon's reputation adversely.

7.5. Link Between Remuneration and Risk

In addition to setting variable remuneration to reward performance, Devon ensures that its entire system of Remuneration appropriately manages risk in order to reward desired behaviours and culture displayed by staff. This includes setting the reward structures to be consistent with, and promote, sound and effective risk management and to not encourage risk-taking which does not adhere to the risk profiles, rules, or instruments of incorporation of the AIFs managed by Devon.

In accordance with SYSC 19G.4.5R, Devon’s Remuneration Committees ensures that variable and fixed remuneration are balanced appropriately; setting fixed remuneration at a sufficient level to allow for flexibility in the setting of variable remuneration and accounting for the possibility of no variable remuneration being awarded.

7.6. Quantitative Remuneration Disclosures

In accordance with MIFIDPRU 8.6.8R(2), Devon has disclosed below the total amount of remuneration awarded to all staff split into fixed and variable remuneration. The total amount of remuneration for the year under review was £3,526,957.

Table 1 - Remuneration amounts for the financial year-ended 31st December 2022

Fixed and Variable Remuneration (GBP 000's)	
Remuneration Type	Paid to All Staff
Fixed	2,808
Variable	719

8. Investment Policy

As an SNI Firm, Devon is exempt from the disclosure requirements relating to its investment policy under MIFIDPRU 8.7.

For information of Devon’s Voting and Engagement Policy, along with the Firm’s Proxy Voting Record please see here: <https://www.devonem.com/governance/>.

Appendix

For more information of Devon’s Remuneration Policy and Practices, please find the Devon Remuneration Policy here: <https://www.devonem.com/governance/>