Governance, Risk Management, Regulatory Capital and Remuneration Disclosures

For BT Pension Scheme Management Limited t/a Brightwell

BT Pension Scheme Management Limited trading as Brightwell. Registered address: One America Square, 17 Crosswall, London, England, EC3N 2LB Registered in England and Wales (No. 10665093).

Contents

INTRODUCTION AND CONTEXT

BT Pension Scheme Management Limited ("BTPSM"), trading as Brightwell is a full-scope Markets in Financial Instruments Directive ("MiFID") firm and is therefore in-scope for the FCA's Investment Firm Prudential Regime ("IFPR") requirements. The key requirements under IFPR (which hare documented in the FCA MIFIDPRU sourcebook) are for firms to understand the potential harm that they can cause to clients, the market and themselves and then set aside an appropriate amount of regulatory capital to mitigate these risks and ensure the ongoing operations of the business.

The process for determining the required regulatory capital that a firm must hold is called the Internal Capital Adequacy and Risk Assessment ("**ICARA**") process. Once Brightwell has calculated the amount of regulatory capital that it must hold, it has a requirement (under MIFIDPRU 8) to disclose this information, along with a number of other pieces of information. The additional items that Brightwell needs to disclose information on are:

1. Risk management objectives and policies
2. Governance arrangements
3. Remuneration arrangements

This document has been developed to meet those disclosure requirements. This document will be reviewed and updated on an annual basis.

RISK MANAGEMENT OBJECTIVES AND POLICIES

Brightwell has established its Enterprise Risk Management Framework to support the achievement of business objectives by providing an integrated approach to considering and managing risk across the business.

The Framework comprises the components that make up the organisational arrangements for the management of risk at Brightwell. As such, it describes the vision for how risk should be managed and the expectation that everyone in Brightwell understands this vision and how it affects them. The Framework therefore plays a key role in the communication and promotion of the risk management culture.

Brightwell recognises that the assumption of risk is inherent in the Firm's business model and that risk does not always need to be fully eliminated. Some staff have the authority to take on risk in accordance with their roles and responsibilities, but risks must be understood and assessed to ensure risk exposure is commensurate with the Firm's risk appetite. The identification, assessment and management of risk is made across all business-as-usual activities and across key business change initiatives.

Brightwell adopts a Three Lines of Defence governance model for risk management. This model provides a consistent, transparent, and clearly documented allocation of accountability and segregation of functional responsibilities. The segregation of responsibility helps to establish a control framework that improves understanding and encourages the continuous improvement of the management of risk in the business.

Risk Management Strategy

Brightwell recognises that risk cannot always be eliminated and as such embraces risk management as a core competency that ensures decision makers have transparency over the uncertainty of achieving objectives. Brightwell's risk strategy is to ensure that effective risk management is embedded in all core operating and decision-making processes across the organisation and that existing and emerging risks are identified and managed to within acceptable risk tolerances.

The Framework is an important part of the risk management toolkit and enables a common approach to risk management across Brightwell. The framework sets out the guiding principles and requirements for effective risk management throughout the organisation of risks defined in the risk taxonomy and defines roles and responsibilities of key stakeholders and the governance of risk.

The holistic management of risk is enabled by the Framework, which is designed to support the effective identification and management of risks inherent to Brightwell, potential risk incidents and trends that may significantly impact the Firm's ability to achieve its strategic goals or maintain its operations.

The Board is responsible for the governance and effective management of risk within Brightwell, including but not limited to the setting of the direction of how risk should be approached and addressed, and in relation to the development of strategy and the effects of risk on the achievement of objectives.

Risk Culture

In order to reinforce and support implementation of the Framework, Brightwell has adopted an approach to promote and embed a risk aware culture across the organisation, including reinforcing individual behaviours and capabilities that are aligned to Brightwell core values and beliefs. This approach also includes alignment of remuneration and performance structures which incentivise risk accountability and the right risk aware behaviours. Brightwell has introduced a behavioural framework which include a set of cultural values that articulate the Firm's ethos.

Risk Governance

Governing risk forums add challenge, oversight and independent assurance of risk management in all business operations. The Board is collectively responsible for the Brightwell's long-term sustainable success within a framework of prudent and effective controls. The Board is responsible for the overall strategy, oversight of financial and operational performance and key risks. It sets the direction on how the company approaches and addresses strategic, operational and financial risks at the firm. The Board has overall responsibility for risk management but delegates certain matters.

The Board Risk, Audit, and Compliance Committee ("RACC") has delegated responsibility for overseeing the effectiveness of the Firm's risk management and regulatory compliance arrangements.

The Executive Committee members have primary responsibility for identifying and managing risks which originate from the business functions for which they are responsible.

Processes and methodologies

Also incorporated within the risk management framework are the processes and methodologies that Brightwell has developed to enable the identification, assessment and reporting of risk management, including:

Risk appetite

- Board approval of the firm's risk appetite statements and qualitative and quantitative tolerances to measure the firm's exposure.

Policies and procedures

- Developing and implementing risk management policies supported by procedures and standards. Key policies are outlined in the following table:

Policy Name	Scope of the Policy	Governance Approval
Non—Financial Risk Policy	Strategic and Operational Risk	Brightwell Board
Financial Risk Policy	Market Risk Credit Risk Liquidity Risk	Brightwell Board

Risk identification and assessment

- The identification and assessment of business unit risks risks that arise from day-to-day activities and through business change initiatives. This also includes horizon scanning of emerging risks.

Monitoring and measurement

- Investigation, root cause analysis and recording of risk incidents
- Risk-based monitoring reviews
- Developing and monitoring KRIs to support Brightwell's risk appetite process

Scenario analysis

- Performing scenario and stress test analysis to measure potential risk exposures

Reporting

- Reporting on the firm's risk profile to the governance fora
- Reporting on key risk indicators with reference to risk appetite to the governance fora

Adequacy of risk management

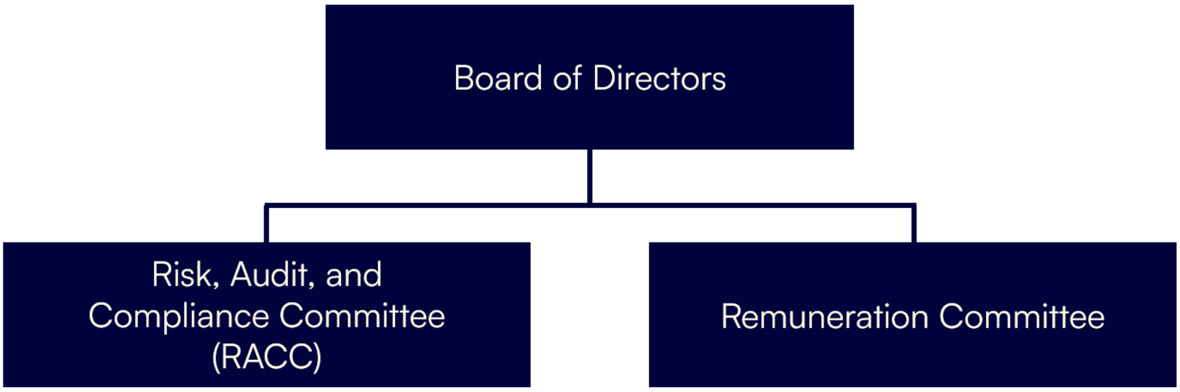
Brightwell is satisfied that its Enterprise Risk Framework is appropriate for the size and complexity of the business and is operating effectively. The design and effectiveness of the Framework is subject to periodic review by our audit partners.

GOVERNANCE ARRANGEMENTS

Internal governance arrangements

The Board is collectively responsible for the Company's long-term sustainable success within a framework of prudent and effective controls which it oversees. To support the Board in its oversight and leadership, there is an established committee framework as outlined below. The internal governance arrangements are the pathways through which the Board discharges its duties, supported by the Governance and Secretariat function.

Image 1: Brightwell Governance Framework



The Board

Brightwell's corporate governance framework is designed to support the Board's oversight of the firm's purpose of working together for a better future, which is integral to the business. The framework demonstrates the Board's commitment to high standards of governance. Whilst Brightwell is not required to follow a corporate governance code, the Board aims to apply the UK Corporate Governance Code where practicable. The Board's non-executive directors bring a level of independent challenge to the CEO and his management team. As a Board, we are committed to evolving our governance arrangements in support of Brightwell's strategic growth.

Denise Le Gal — Independent Non-executive Chair

Biography

Denise was appointed to the Board in April 2023. In the same month, the FCA approved Brightwell's application to appoint Denise as the Board Chair.

Denise also chairs the Board's Remuneration Committee and is responsible for leading the Board and ensuring that the Board meets its collective responsibilities.

Active Directorships

External directorships are the JPM Chase UK Retirement Plan.Senior Manager Function Designations: SMF9.

Kevin Troup — Non-executive Director

Biography

Kevin joined Brightwell in April 2023 and chairs the Board's Risk, Audit, and Compliance Committee. Kevin qualified as a Chartered Accountant in 1993 with Coopers & Lybrand.

He started his investment career with Scottish Life before joining Martin Currie Investment Management where he helped launch two Japanese Funds, managing an Equities fund and co-managing an Absolute Return Fund.

Active Directorships

External directorships are the Baillie Gifford Shin Nippon plc, Baring Fund Managers Limited, European Assets Trust plc, and Kintail Trustees Limited, the corporate trustee of The Robertson Trust charity.

Morten Nilsson — Executive Role: CEO

Biography

Morten joined Brightwell in September 2018 and is responsible for leading all aspects of the business. Morten has spent most of his career in financial services.

He joined the pensions and investment industry in 2001 and spent over 10 years with the £90 billion Danish pension scheme ATP, where he held different senior positions across administration, investments, product and business development.

In 2010 he moved to London where he founded NOW: Pensions and, as CEO, grew the business to become one of the largest defined contribution providers in the UK.

Active Directorships

Internal directorships are the BT Pension Scheme Management Limited, BT Pension Scheme Administration Limited, and Procentia Limited.

Senior Manager Function Designations: SMF1, SMF3.

Wyn Francis — Executive Role: Chief Investment Officer

Biography

Wyn joined Brightwell in 2008 and was confirmed as CIO on 1 January 2021 after serving as Deputy CIO since 2014.

Wyn is responsible for advising on the investment strategy and implementing that strategy within an agreed delegated authority. Prior to joining Brightwell, Wyn was, most recently, a Consulting Director at PwC where he managed teams responsible for providing market and trading risk management advice.

Active Directorships

Internal directorships are the Britel Scotland CP Limited, Britel Scotland CP II Limited and BT Pension Scheme Management Limited.

Senior Manager Function Designation: SMF3.

Gillian Haselden — Executive Role: Chief Legal Officer

Biography

Gillian joined Brightwell in 2014 and is responsible for leading and advising on all legal and compliance matters for the organisation.

Gillian also acts as Legal Counsel to the Board. Before joining Brightwell, Gillian held the role of Deputy Global General Counsel at E&Y for 10 years.

Active Directorships

Internal directorships are the BT Pension Scheme Management Limited and the BT Pension Scheme Administration Limited.

Senior Manager Function Designation: SMF3.

Simon Langworthy — Executive Role: Chief Commercial Officer

Biography

Simon joined Brightwell in 2010 and joined the Board in February 2011 as Chief Operating Officer. Simon changed role to Chief Administration Officer in 2018 and was appointed Chief Commercial Officer in 2023. In this role Simon is responsible for leading Brightwell's business development and client relationship strategy retaining oversight of member services.

Simon previously was Managing Director and COO of Europe Business Operations at Blackrock, where he led the migration of the BGI products in Europe onto the Blackrock Aladdin Platform.

Active Directorships

Internal directorship is the BT Pension Scheme Administration Limited.

Senior Manager Function Designation: SMF3.

Martin Tully — Executive Role: Chief Risk Officer

Biography

Martin joined Brightwell in January 2020 and was appointed to the Board in May of the same year. From 1st July 2023 he became the Chief Risk Officer (CRO) and Chief Financial Officer (CFO).

He leads on all risk related matters for the organisation. Martin's previous roles include senior management positions with Ashmore, Rothschild, Citigroup and HSBC.

Active Directorships

Internal directorship is the BT Pension Scheme Management Limited.

External directorships are the Local Pensions Partnership Investments Ltd, and Park End Advisory Ltd.

Senior Manager Function Designation: SMF3.

Each Board member's executive role is outlined in a distinct job description which, in line with the Senior Manager and Certification Regime, ensures a segregation of internal duties. When sitting as a collective Board, however, the executive directors are unified in their duty to the Company.

There is an Equal Opportunities and Diversity strategy for Brightwell, however there is not currently a standalone Board diversity. The Board continues to promote diversity across the firm. For example, there is an established Diversity, Equity & Inclusion ("**DE&I**") steering group, which meets regularly to discuss and progress DE&I initiatives and the overall promotion of DE&I with the organisation.

Furthermore, the Board has publicly demonstrated this commitment by becoming a participant in the Diversity Project, which champions a more inclusive culture within the Investment and Savings profession.

Assessment of conflicts and effectiveness

The Board operates a Conflicts of Interest Policy, and all members are asked to declare any new conflicts of interest at the start of each meeting, either generally or in relation to specific agenda items. Additionally, the directors must attest annually to any conflicts and that they have adhered to the Conflicts of Interest Policy. All employees are required to disclose conflicts of interest that impact the firm, clients, employees or the market. These can then be appropriately mitigated through internal controls. This helps to promote the integrity of the market and is in the interest of clients.

The Board periodically assesses its skills and experience, and the effectiveness of the governance framework using an internal resource. This considers the recommending necessary skills and attributes of members of the management body as defined in SYSC 4.3A. Where any gaps are found, an action plan is created and executed by the Company Secretary.

Board Committees

The Board is responsible for the overall strategy, oversight of financial and operational performance, key risks and regulatory compliance. The Board manages certain operations independently but delegates others to its committees. There are two formal Committees of the Board; RACC and RemCo. A summary of each forum's areas of focus is outlined on the following page.

Board Risk, Audit & Compliance Committee ("RACC")

Chaired by non-executive director, Kevin Troup, the RACC's key purpose is to provide oversight and advice to the Board in relation to the current and potential future risk profiles and exposures of the firm, including the risk appetite, and on the effectiveness of the risk management framework. The RACC also assists the Board in carrying out its responsibilities relating to accounting policies/approaches, internal controls (e.g., compliance and audit) and financial reporting functions, including consideration of any relevant non-financial disclosures or related controls which may impact the financial statements.

Board Remuneration Committee (“**RemCo**”)

The purpose of the RemCo is to ensure that the Board is supported in the aim of ensuring that Brightwell’s remuneration arrangements are aligned to the successful delivery of Brightwell’s long-term strategy. The RemCo membership consists only of non-executive directors and is chaired by Denise Le Gal.

Executive Committee (“**ExCo**”)

Executive (Exec) - The Board has delegated day-to-day management of the firm to the CEO who executes this responsibility via management meetings, such as the Executive Monthly meeting (the “Exec”). It functions as the executive decision-making body for all entities within Brightwell, with the exception of Procentia. Each member of the Exec has individual responsibility for business areas within Brightwell, and executive directors of the Brightwell Board plus the Chief of Staff (Gira Davda).

OWN FUNDS

BT Pension Scheme Management Limited, trading as Brightwell, has calculated its Own Funds in line with the regulatory requirements set out in MIFIDPRU 3. The Own Funds disclosures, as required by MIFIDPRU 8.4 are provided below. They have been provided in the format given MIFIPRU 8 Annex 1R. They relate to the most recent audited financial accounts (i.e., 1st July 2022 — 30th June 2024).

Composition of regulatory own funds			
	Item	Amount (GBPs)	Source based on reference numbers / letters of the balance sheet in the audited financial statements
1	Own Funds	27,002,335	Calculated as share capital (4), retained earnings (6) additional capital from Subsidiaries (20) less investment in subsidiaries and intangible assets
2	Tier 1 Capital	27,002,335	As above
3	Common Equity Tier 1 Capital	27,002,335	As above
4	Fully paid-up capital instruments	37,800,000	Audited accounts note 17
5	Share premium	-	
6	Retained earnings	20,602,935	Audited accounts company statement of changes in Equity
7	Accumulated other comprehensive income	-	
8	Other reserves	-	
9	Adjustments to CET1 due to prudential filters	-	

10	Other funds	-		
11	(-) Total deductions from CET1	27,002,335		Audited accounts
19	CET1: Other capital elements, deductions and adjustments	-		
20	Additional Tier 1 Capital	1,470,000		15% of BTPSA cost £9.8m
21	Fully paid up, directly issued capital instruments	-		
22	Share premium	-		
23	(-) Total deductions from additional tier 1	-		
24	Additional tier 1: other capital elements, deductions and adjustments	-		
25	Tier 2 Capital	-		
26	Fully paid up, directly issued capital instruments	-		
27	Share premium	-		
28	(-) total deductions from tier 2	-		
29	Tier 2: Other capital elements, deductions and adjustments	-		
Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements				
		A	B	C
		Balance sheet as in published / audited financial statements	Under regulatory scope of consolidation	Cross-reference to template OF1
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements				

1	Fixed Assets — investment in Subsidiaries	30,813,053	-	Audited accounts
2	Intangible assets	2,057,547	-	Audited accounts note 11
3	Tangible assets	780,632	-	Audited accounts note 12
4	Debtors	10,476,042	-	Audited accounts note 13
5	Cash at Bank	30,202,894	-	
6	Total Assets	74,330,168	-	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1	Creditors falling within one year	12,281,429	-	Audited accounts note 14
2	Creditors falling due after one year	3,306,594	-	Audited accounts note 14
3	Provision for liabilities and charges	339,210	-	Audited accounts note 16
4	Total Liabilities	15,927,233	-	
Shareholders' Equity				
1	Called up share capital	37,800,000	-	Audited accounts note 17
2	Profit and loss account	20,602,935	-	Audited accounts Company Statement of Changes in Equity
3	Total Shareholders' Equity	58,402,935		Audited accounts Company Statement of Changes in Equity

RISK PROFILE AND OWN FUNDS, CONCENTRATION RISK AND LIQUIDITY REQUIREMENTS

Brightwell has completed the ICARA to determine its Own Funds Requirement. The Own Funds Requirement is the highest of the:

- Permanent Minimum Requirement;
- Assessment from ongoing operations (K-Factor requirement + additional own funds to mitigate harm posed to others not covered by K-Factors); and
- Assessment from Wind-down (Fixed Overhead requirements + additional capital required for orderly wind-down).

The three values are provided below:

1. Permanent Minimum Requirement - £75,000
2. Assessment from ongoing operations — £7,668,883
3. Assessment from Wind-down — £12,476,544

Therefore, the Own Funds Requirement for BTPSM is £12,476,544

On at least an annual basis, Brightwell completes the ICARA process. This involves assessing the potential harms that it poses to itself, clients and the market and then quantifying the financial impact if these harms were to occur. Brightwell only looks to include potential harms that are not covered by the K-Factors. The amount of capital required to satisfy this requirement is referred to as the Own Funds Threshold Requirement. In order to satisfy the Overall Financial Adequacy Rule (OFAR), Brightwell must maintain appropriate capital to satisfy the higher of the Own Funds Requirement and Own Funds Threshold Requirement as well as meet the requirements of the Liquid Assets Threshold Requirement. Brightwell currently holds sufficient capital to meet the requirements of the OFAR.

Harm assessment

Under MIFIDPRU, Brightwell is required to hold adequate capital and liquid assets to ensure the firm remains financially viable, to ensure it remains able to mitigate the impacts of the harms that may arise from its business activities and to ensure that, if required, the firm can be wound-down in an orderly manner.

Brightwell undertakes an ICARA to determine the potential harms that may occur through its business activities that are grouped into three categories:

- **Harm to Clients**: Operational incidents that impact our business activities that could result in financial or reputational damage to our clients;
- **Harm to Firm:** The impact to the firm's balance sheet of operational incidents that could result in financial or reputational damage to Brightwell;
- **Harm to Market**: The impact to the integrity of broader financial markets that could arise from operational incidents at Brightwell.

The ICARA, which is approved by the Brightwell Board, is undertaken in accordance with the MIFIDPRU rules and is used to assess and document that Brightwell has sufficient own funds and liquid assets to support business activities. As part of the ICARA, Brightwell performs a comprehensive risk identification and assessment of the potential material harms that may arise through business activities.

This enables Brightwell to:

- Identify risks that may result in material harms to our clients, to the firm and to broader financial markets. This is achieved using both a "bottom-up" assessment based on relevant risk information from the firm's risk register and a "top-down" assessment made by the Executive Team and Senior Management;
- Assess the potential likelihood and impact of harms occurring;
- Assess the adequacy of systems and controls in place to identify and reduce potential harms; and
- Develop scenario analysis and stress testing to determine whether additional capital or liquid assets are required to further mitigate any residual risk.

Risk profile

Brightwell is exposed to various forms of risks and seeks to manage these to protect its clients' best interests, achieve its business objectives and to meet regulatory obligations. As an investment management firm, the most material risks the firm faces are operational, strategic and financial risks (which include liquidity risk, credit risk and market risk). Our risk framework is designed to ensure that key risks remain within the Brightwell Board's appetite.

Liquidity Risk

Brightwell ensures it has sufficient cash resources, borrowing arrangements, overdraft, or standby facilities to enable it to always have the level of funds available that are necessary for the achievement of its business objectives and to avoid harm to employees, the business or the market. It has identified the minimum number of days of operating expenses it seeks to always have on hand and set in place means to ensure cash deposits of a sufficient level to always match those requirements. Brightwell monitors cash levels daily to ensure adherence to the policy standards of maintaining sufficient cash levels. If liquidity levels cannot be properly maintained by the Head of Finance, the Executive Committee will direct the Head of Finance to take action that will return.

Concentration Risk

Brightwell does not deal on its own account, nor does it hold client money and therefore has limited concentration risk. Brightwell has concentration risk with respect to the financial institutions and instruments where the firm's own assets are held. Assets could be at risk in the event of creditworthiness or liquidity issues at the counterparty bank. Brightwell manages the concentration risk that may arise from the placement of its own cash by ensuring the cash is:

- Deposited as per the list of approved banks. The creditworthiness of relevant financial institutions is subject to ongoing monitoring and
- Invested in large, highly diversified, high credit quality, money market funds offering daily liquidity. The money markets funds are monitored by 1st line and 2nd line teams.

If concentration risk cannot be managed within these parameters, the Executive Committee will direct the Head of Finance to act.

REMUNERATION POLICY AND PRACTICES

Introduction

This section of the MIFIDPRU disclosures sets out the principles, outlines control approach and governance arrangements to be followed in Brightwell for managing Remuneration.

Purpose

The primary purpose of the Policy is to have a remuneration policy that allows the business to retain and attract talent to ensure the success of the business. The policy is also set out to ensure that the business promotes sound and effective risk management as well as good corporate governance and to incentivise Directors and employees to act in ways which do not undermine this primary purpose; and which achieve the delivery of Brightwell's business plan and strategic goals as determined by the Brightwell Board.

The policy is designed to outline Brightwell's approach to compensation (fixed and variable).

- The arrangements required under this Policy are designed to:
- Support the delivery of the strategy, whilst ensuring adherence to its risk appetite.
- Ensure remuneration is competitive to attract and retain talent.
- Ensure fair outcomes for our people, clients, and shareholder and,
- Align incentive schemes to drive behaviours consistent with the Brightwell's purpose, culture, and values.

Scope

The policy applies to all Brightwell employees and Executive Directors (BTPSM and BTPSA), including:

- the risk-management function;
- the function which internally evaluates adequacy and effectiveness of the system of governance.

This policy excludes Procentia.

Principles

Brightwell has in place a remuneration framework based on the following principles:

- A pay-for-performance philosophy exists where variable pay will fluctuate year-on-year based on performance against KPIs, taking into account business, team and individual performance;
- Performance is measured both on what is achieved and how it is achieved and will affect individuals' reward with an emphasis on appropriate risk management and alignment to our values. Risk events that exceed the firm's overall tolerance in that area could impact performance and therefore remuneration;

- Brightwell has job families and grades to ensure skills sets are recognised in reward levels and rewards are supported by external insights;
- Employees are not remunerated for holding a position as an Executive Director on a Brightwell Group or client-related legal entity board;
- Material Risk Takers (MRTs) are identified and all variable remuneration awarded to MRTs is capable of being subject to ex-post risk adjustment, including the operation of malus and clawback;
- Brightwell has taken measures to avoid conflict of interest which are outlined below.
- Ensuring equal pay for equal work and that colleagues are compensated fairly consistent with Brightwell's policies on equality, diversity and inclusion.

For the purposes of the Policy, remuneration comprises basic salary, variable remuneration (bonus), certain benefits, and pension arrangements.

Brightwell has had regard to applicable good practice on remuneration and corporate governance in establishing the Policy. In considering the risks arising from the Policy, Brightwell will conform to its statutory duties in relation to equal pay and non-discrimination.

To promote sound and effective risk management behaviours, Brightwell will:

- specify pay ranges applicable to basic salary for all Directors including Executive Directors and employees, taking account of market data;
- assess eligibility for any annual increases in remuneration against specified performance criteria;
- assess both the financial and non-financial performance of its Directors and employees;
- ensure that no employee or Director plays a role in setting their own remuneration or of another employee where there is a conflict of interest; and
- ensure appropriate levels of Directors' and Officers' insurance is in place for all Directors.

The Policy is aligned to Brightwell objectives and is designed to support Brightwell values and long-term interests.

The approach to the remuneration principles below is consistent for all colleagues, regardless of role, unless explicitly stated otherwise.

Base Salary

Base salary is set based on information from the external market on the position, the skills and experience of the colleague in question and internal relativities. In setting the pay and conditions of any employee, the Exco member takes account of the remuneration of other employees, including any base salary increases awarded, to ensure consistency of approach throughout the firm.

The base salary is normally set for the first year of employment, with a commitment to conduct a salary review process in line with any salary review process for employees generally.

Remuneration Reviews / Salary Increases

The RemCo reviews and agrees salary budgets annually with changes effective from 1 July in line with the new financial year.

When Exco review individual salaries must take into account job roles, benchmarking data (including the most up to date market data and salary surveys) which is reviewed with the intention that any remuneration remains within a competitive range. Consideration is also given to the scope of each role, the level of experience, responsibility, progress in role and pay levels for similar roles in comparable companies, as well as where there is a genuine retention risk of a critical role.

Grades one to five in BTPSA are unionised, a standard increase will be negotiated and agreed with the Unions for these grades. This will be the minimum percentage increase applied to colleagues in grades one to five roles within BTPSA only. For all other employees salary increases is at the sole discretion of the firm.

Promotions

In cases where a new role is created or a manager or Function Head identifies an individual who they believe warrants a promotion, the relevant Function Head must submit a promotion form to HR and Exco sponsor. Promotions will be reviewed and approved by the Executive Committee.

Promotions may be awarded where one or more of the following has been identified:

- New role at a higher level
- Newly created role (which would be advertised internally, and the normal recruitment process will be followed)
- The colleague has grown significantly within the current role and where there is a business rationale to increase the size of the role
- The colleague is working at a level above the current grade consistently and where there is a business rationale to increase the size of the role.

Compensation is reviewed separately in line with the salary review process detailed above.

Bonus / Variable Pay

Bonuses are paid in accordance with the approach to reward described above, taking into consideration job family, pay grades and variable pay ratios, as well as whether or not a colleague is a Material Risk Taker (MRT) see below. Where variable pay involves a deferred element, the rules surrounding the deferral are described below.

In assessing individual and company performance, financial as well as non-financial criteria are taken into account. Non-financial criteria include adherence to effective risk management through a robust ERM framework, compliance, regulatory requirements, conduct, values and behaviours. Risk events that exceed the firm's overall tolerance in that area could impact performance and therefore variable pay.

Colleagues will be eligible to be considered for participation in the discretionary bonus scheme if they are in active employment with the firm, have at least three months service within the performance year and are not under notice of termination at the date on which bonus payments are made. Employees who are subject to disciplinary proceedings will not normally be eligible to receive an award.

All bonus payments are discretionary, non-contractual and non-pensionable.

Absence

Colleagues who are absent for more than 20 consecutive working days will receive a pro-rated bonus based on the number of months worked within the performance year. Examples where this would apply would include sickness absence, maternity leave and paternity leave. Where a colleague is absent due to maternity leave, the first two weeks of maternity leave will not be considered in pro-rating of awards.

Cash Bonus

Cash bonus payments are made through July payroll and will be subject to the usual deductions of income tax and national insurance.

Deferred Bonus

Deferred bonuses are deferred over two years.

They will be adjusted by CPI and paid one and two years after the performance year. Deferred awards are paid in November of the relevant year.

The deferred element will vest in 2 tranches over a 2-year period as follows:

- ½ will vest on the first Anniversary of the Grant Date and,
- ½ will vest on the second Anniversary of the Grant Date

Upon Vesting, the value of the tranche will be determined by measuring the change in CPI over the Performance Period from the Grant Date to the anniversary Vesting Date (i.e. 12- or 24-month period depending upon the vesting tranche) and applying it to the initial value of the Award.

The cost of remuneration is considered by the Finance function and incorporated within capital and liquidity planning to confirm that there is appropriate liquid and own funds

Leaver Provisions

A Participant who ceases to be in the employment of the firm or who has resigned or has received notice of termination during the Vesting Period (the 2 years following the date of the award) shall have no right to any unvested deferred incentives and the entire unvested deferred incentive element will immediately lapse.

Good Leaver

Good leavers deferred incentive Awards will vest in line with their original vesting schedule. A "good leaver" is an individual who ceases their employment due to retirement, ill health, death, or any other circumstance deemed appropriate at the discretion of the RemCo.

Malus and Clawback

The variable reward of colleagues who have been identified as Material Risk Takers is subject to the application of malus and clawback. Malus refers to the ability to reduce or cancel any unvested deferred element of variable remuneration before the remuneration vests if certain predefined conditions are not met. This could include misconduct or failure to meet regulatory requirements.

Clawback refers to the ability to require an individual to repay an amount of variable remuneration after it has been paid, regardless of whether the award was deferred or not. Clawback would apply in cases where, for example, misconduct is later discovered.

For colleagues who are participants in the Discretionary Deferred Incentive Plan, the deferred element of their award is subject to malus and clawback.

Other types of remuneration that are subject to malus and clawback are: guaranteed variable remuneration, retention awards, severance pay and buy-out awards.

Change of control

On a change of control or corporate event, where a Participant of the Discretionary Deferred Incentive Plan ceases to be employed by the same entity that granted the initial Award (excluding situations caused by internal re-structuring), RemCo will have full discretion over any movement in Award Vesting dates. For example, a Vesting date may be brought forward to the date of the respective event or kept in line with the original schedule.

RemCo will determine the value of the deferred element based upon CPI up to the date of the change of control.

Benefits

Exco have the discretion to offer employees benefits which are competitive within the local market. No benefits are pensionable.

Pension

All staff are eligible to join the company pension scheme. The RemCo may amend the form of any employee's pension arrangements in response to changing pension legislation or similar developments, so long as any amendment does not increase the cost to Brightwell of an employee's pension provision by any greater percentage than the increase to the provision for all other staff. Brightwell shall ensure that its pension policy is in line with its business strategy, objectives, values and long-term interests. Changes to pension arrangements are subject statutory consultation processes.

Executive Directors

BTPSM does not remunerate Executive Directors for being an Executive Director. As a result, Brightwell does not currently offer payments for loss of office or liquidated damages arrangements.

Executive Committee

Remuneration for the CEO, CEO's direct reports and SMF 16 and 17 role holder are agreed by RemCo.

Severance Pay

Brightwell follows the statutory entitlements when paying severance pay, however it reserves the right to consider enhancements as appropriate on a case-by-case basis or following the outcome of any collective consultation.

Recruitment

When recruiting either externally or internally, the line manager with consultation from HR will set a remuneration package for the new incumbent taking into account the skills and experience of the candidate, as well as the market rate and remuneration levels across Brightwell.

The Executive member may consider making additional awards, taking into account pay or benefits forfeited by a candidate on leaving a previous employer, payments made for relocation, expenses or other costs or benefits as a result of the recruitment. Where a guaranteed bonus is paid to an external new joiner in respect of future awards that have been forfeited by the candidate from a previous employer, Brightwell will take all reasonable steps to determine the value of the awards and only award up to that amount, and to pay them in line with the original schedule as set out by the previous company. Any such payments for incoming employees must be signed off by CEO and CPO. The appointment and remuneration package of CEO's direct reports must be approved by the RemCo.

Material Risk Takers

Brightwell identifies Material Risk Takers (MRTs) and inform them of the regulations that impact their remuneration, including the requirement to make public disclosures, and apply malus and clawback to variable pay. MRT identification is reviewed annually. MRTs have been identified in the following categories of staff, including, but not limited to, senior management, managers of control functions, those responsible for managing a material risk, those responsible for managing a business unit that undertakes specified regulated activities, and those whose activities material impact the firms' risk profile.

Conflicts of Interest

Brightwell has taken measures to avoid conflicts of interest. Conflicts of interest may arise when employees are involved in the determination of remuneration for their own business area. Brightwell ensures that remuneration decisions are independent, and that no employee plays a role in setting their own remuneration. Remuneration of employees in oversight functions is not directly linked to the performance of the business areas they oversee. Any Executive Committee member attending a meeting of the RNC must declare an interest and exclude themselves from the meeting to the extent it considers their remuneration. For all colleagues below the Executive Committee, the CEO is responsible for setting the remuneration in accordance with the Policy and Remuneration Practices, with input from other Executive Committee members, as appropriate. The Board has established a RemCo.

The RemCo reviews all remuneration decisions for all business areas to ensure such decisions are fair and consistent with this Policy and the Remuneration Practices.

Public Disclosures

Brightwell makes public disclosures regarding remuneration in line with the requirements set out in the regulations. This information is included below:

Data Item	Population		
	Senior Management	MRTs	Other
Total amount of remuneration awarded[1]	£2,720,498	£5,274,850	£10,987,185
The fixed remuneration awarded[2]	£1,825,000	£3,197,667	£7,604,400
The variable remuneration awarded	£2,000,200[3]	£2,721,345[3]	£2,306,809[3]
	£717,933[4]	£1,623,678[4]	£2,130,009[4]
The total amount of guaranteed variable remuneration awards made during the financial year and the number of MRTs receiving those awards[5]	£0	£252,211	N/A
The total amount of the severance payments awarded during the financial year and the number of MRTs receiving those payments	£0	£0	N/A
The amount of the highest severance payment awarded to an individual MRT	£0	£0	N/A

[1] Salary, bonus paid which includes cash bonus paid July 24 which relates to the performance period and deferred bonus paid Nov 23, PMI, health cash, Pension payment and ER pension for months worked

[2] Salary pro-rated for months worked between 01/07/23 - 30/06/24

[3] Bonus awarded (which includes cash paid Jul 24 and any deferred amounts to be paid in future) as at July 23 for performance in the reference period plus deferred bonus paid Nov 23

[4] Bonus paid (cash bonus paid in Jul 24) as at July 24 for performance in reference period plus deferred bonus paid Nov 22

[5] Includes any off-cycle bonus payments

Shareholder approvals

The following matters are subject to both BW Board and shareholder approval:

- this policy
- material changes to the compensation structure e.g. performance-related compensation arrangements or any profit-sharing, share option, bonus, or other incentives schemes.