COLUMBIA THREADNEEDLE INVESTMENTS

IFPR: MIFIDPRU annual disclosures

Thames River Capital LLP

For the year ended 31st March 2023

Introduction

Purpose and Background

Purpose

This document sets out Thames River Capital LLP's ("TRC") public disclosures in relation to Risk Management, Governance Arrangements, Own Funds and Own Funds Requirements as required under MIFIDPRU as at 31 March 2023.

Background

The Investment Firms Prudential Regime (IFPR) came into effect on the 1st January 2022 as a new regime for UK firms authorised under the Markets in Financial Instruments Directive (MiFID). The IFPR was implemented by the FCA as prudential regulation within "MIFIDPRU", which seeks to address the potential harm posed by investment firms to their clients and the markets they operate in. MIFIDPRU disclosure requirements improve transparency for market participants into how firms are run.

Contents of the disclosures

Basis of Disclosures

Scope and Application of disclosures

The disclosures in this document relate to Thames River Capital LLP. TRC is a non-SNI MIFIDPRU Investment firm, incorporated in England and authorised by the FCA. TRC is part of the Columbia Threadneedle Investments UK International Limited Group (the "Group"). The Group forms part of the broader Columbia Threadneedle Investments, which is the global brand name of the Columbia and Threadneedle group of companies, which form the asset management segment of Ameriprise Financial, Inc.

TRC is required to disclose on an individual entity basis and these disclosures have been prepared in line with the requirements described in MIFIDPRU 8, taking account of the FCA's transitional provisions for disclosure requirements contained in MIFIDPRU TP12, which limit requirements to Risk Management, Governance, Own Funds, Own Funds Requirements and Remuneration. TRC is not required to disclose Investment policy.

These disclosures are published on at least an annual basis in line with the annual publication of TRC's audited financial statements, with reference point 31st March 2023. Revised disclosures will be published should significant changes occur to TRC's business model. None of the disclosures have been audited and they have been produced solely for the purposes of satisfying the MIFIDPRU requirements.

These disclosures are published on the Columbia Threadneedle Investments website:
Disclosures | Columbia Threadneedle Investments

Risk management objectives and policies

Our service offering is built on a strong control environment, dependable processes and an effective framework to manage the risks we face. Good Governance and management control is fundamental to the success of our operations, supporting prudent and measured risk-taking, while striking a balance between risk and return.

Risk-taking and risk management activities are guided by our Risk Principles:

- management of risk is a responsibility at all levels of the organisation;
- material risks to which the enterprise is exposed must be identified, measured, managed, monitored and reported;
- risk identification and measurement will include both qualitative and quantitative elements. This includes views of risk relative to the external operating environment and stress testing and scenario analysis;
- decision-making is based on a clear understanding of risk, supported by robust management information and analysis.

Our risks are typical to those of investment managers and primarily fall under the categories of financial risk, operational/business risk and strategic risk. It is important to note that all risks are monitored and managed as part of a governance and risk management framework which is consistently applied across all firms within the Group. The governance of the Company is implemented and overseen by the Board of Columbia Threadneedle Asset Management (Holdings) plc (CTAMH plc), a direct subsidiary of Columbia Threadneedle Investments UK International Limited, the parent company of the Group. TRC's risk management objectives and policies for the categories of risk addressed by MIFIDPRU 4, 5 and 6 are described in the following pages.

Risk management roles and responsibilities within the Group

Timely and transparent information sharing is key to how we engage stakeholders in material decisions and strategy discussions, thereby bringing rigour and discipline to decision making. This leads to the timely identification, escalation, and resolution of issues. It also encourages open communication, independent challenge and a clear understanding of the key risks faced by our organisation. Thus, ensuring that our employees are equipped and empowered to make decisions and take action in a coordinated and consistent manner, supported by a strong monitoring and control framework. The head of our operational risk management function is an independent senior manager. They or an alternate present to the CTAM(H) Board and the Risk and Remuneration Committee, with direct channels of communication to the Independent Non-Executive Directors to escalate any material risk issues. Risk functions also chair or are members of the risk Committees which manage investment and credit risk within the ICARA Group and also attend each monthly Executive Committee (ExCom) to present and ensure all pertinent risk issues are discussed. The ExCom acts as an escalation point for any significant TRC risks or issues.

At Group level, the ExCom is responsible for the day-to-day management of the Group in line with the strategies, business plans, budgets and other initiatives delegated by legal entities and assigned Boards. The ExCom implements the overall strategy through a series of Committees focused on the day-to-day management of the Group's activities. It also approves the mandate of each delegated Committee which include Counterparty Credit, Performance Review and Risk Oversight, Product Oversight, Valuation and Pricing, Dealing Oversight and Investment Committees. The ExCom has responsibility for risk oversight from an enterprise perspective and receives reporting relating to relevant risk matters at each meeting including risk events, risk issues and any escalations from other risk committees. The ExCom also receives regular reporting from the finance function regarding capital and liquidity.

Risk Appetite

Put simply, risk appetite is the level of risk we are prepared to accept in pursuit of our objectives. In doing so, we will aim to minimise the harms that we may cause our clients, the market and our firm as a result of our business model and the inherent risks arising from our activities.

The Group maintain a cautious approach to risk to ensure that it remains sufficiently liquid and capitalised. While our primary strategic objective is to meet clients' objectives, our approach is measured to ensure best possible performance while remaining within our defined risk appetite.

The Risk Appetite Statement:

- reflects the strategic direction of the Group;
- is aligned to the key risks faced by the Group;
- details / defines both qualitatively and quantitatively the amount of risk that the Group is willing to accept when carrying out its business and in the pursuit of its business objectives;
- is supported by maximum risk tolerance levels by risk category and appropriate risk measures and limits.

Where any risk is assessed to be in excess of the Board's risk appetite, either a specific risk management action plan is put in place and subject to review by the Board or the Board may choose to continue to monitor or change its tolerance for the risk.

The Board, ExCom and Enterprise risk teams from our parent provide feedback on both the effectiveness of the risk management framework and also our performance against enterprise standards.

MIFIDPRU 4 – Own funds requirements; Risks to Clients, the Firm and the wider Market

The own funds requirements in MIFIDPRU 4 require TRC to hold a minimum amount of own funds to address potential material harms arising from MiFID activities and to minimise the potential material harms arising from a wind-down. TRC's own funds requirement is driven by its Fixed Overhead Requirement as at 31.12.2022. The table below summarises our risk profile and the potential for harms arising from our business strategy to either our clients, the wider market or the firm itself. High level descriptions of the processes and controls in place to mitigate and manage those harms to an acceptable level are also included. These help us manage our risks in line with our Group Risk Appetite Statement:

We will aim to minimise the harms that we may cause our clients, the market and our firm as a result of our business model and the inherent risks arising from our activities.

Risks	Harms	Risk management and reduction of harms
Strategic Loss of Key Clients, Strategy Execution, Investment Performance, Change, Geopolitical	Firm, Client	Diversification and relationship management. Strategic planning, change, governance, approval and oversight processes. Independent monitoring teams.
Financial Liquidity, Credit, Market and Pension scheme	Firm, Client	Liquidity management policies and contingency arrangements. Market data, diversification and independent monitoring. Specialist advice.
Operational Processing Errors, Fraud, Regulatory, Legal, Human Resources, Information Technology, Resilience, Third Party Dependency.	Firm, Client, Market	Timely management information and escalation, training and monitoring. Mandate compliance monitoring. Verification processes, user access controls, segregation of duties and authority limits. Contractual agreements. Enterprise policies and protocols. Specialist support teams and external resources. Business's impact analysis, recovery plans and disaster recovery testing. Vendor oversight and risk assessment.

Risk management objectives and policies

MIFIDPRU 5 – Concentration risk

TRC does not operate a trading book or deal on own account and therefore it has no concentration risk exposures as defined in MIFIDPRU 5.3 to 5.10. However, TRC is exposed to concentration risk relating to fee revenues associated with key clients and when TRC's own cash is held on deposit with banks. Diversifying our client base further through winning new business, together with our client relationship functions who work to ensure we continue to meet clients' objectives and provide them the level of service they require helps to mitigate concentration risk and the potential financial harm it can cause the firm. Any deposit concentration risk is managed in accordance with diversification and counterparty limits in order to reduce the financial harm it could cause the firm.

Concentration risk is considered within the ICARA process in stress tests and capital planning scenarios.

MIFIDPRU 6 – Liquidity risk

Liquidity risk may arise as a result of TRC being required to pay its liabilities earlier than expected or because of any inability to realise assets in order to meet obligations as they fall due or only being able to realise assets by suffering financial loss. These potential financial harms to TRC and also any associated harms to clients (also including service providers and vendors) should payments be delayed, are mitigated through monitoring and management of liquidity in line with Group policy and by contingency funding arrangements.

Liquidity risk is also considered within the ICARA process through requirements, stress tests and indicators.

Governance Arrangements

Management Committee

The TRC Management Committee is the management body responsible for defining, overseeing and implementing governance arrangements within TRC. The Management Committee meet at least four times per calendar year.

The Management Committee is responsible for supervising the effective and prudent management of the business and for ensuring TRC has a robust corporate governance structure with well-defined, transparent and consistent lines of accountability. This includes oversight of TRC's risk framework and internal controls. It also includes segregation of duties within the business and the identification and management of conflicts of interest.

The Management Committee acts in the best interests of the LLP and in a way to promote the integrity of the market and the interests of clients. The Management Committee is directly accountable to the Corporate Member, but must also consider the interests of its customers, employees and other stakeholders.

The Management Committee does rely on certain Group functions to manage, monitor and analyse key areas of responsibility, but gains sufficient information to discharge its duties. TRC does not have a separate Risk Committee, but the Management Committee may delegate review and monitoring to other Committees established for specific purposes.

TRC, through the Management Committee, adopts, as applicable, Ameriprise Corporate Policies. The Management Committee may also rely on the advice, reports and opinions of consultants, counsel, accountants, auditors and other expert advisers.

Governance Arrangements

Directorships

TRC can confirm that no members of the Management Committee currently hold any directorships which should be disclosed under the requirements of MIFIDPRU chapter 8. Furthermore, no modifications or waivers have been required to be granted by the FCA in order to allow any Management Committee member to hold additional directorships.

Diversity

The Management Committee's diversity policy states that a committee made up of highly qualified members from diverse backgrounds who reflect the changing population demographics of the markets in which TRC operates, the talent available with the required expertise and TRC's evolving customer and employee base, promotes better corporate governance.

In reviewing its composition, the Management Committee consider the benefits of having a broad range of views, experiences, skills, backgrounds and values represented. To support this, the Management Committee will, when identifying candidates for appointment:

- consider only candidates who are highly qualified based on their experience, functional expertise, and personal skills and other qualities of directors;
- consider diversity criteria including gender, age, nationality, ethnicity and educational and professional background;
- where appropriate, in addition to its own search, engage qualified independent external advisors to conduct a search for candidates that meet the Committee's skills and diversity criteria to help achieve its diversity aspirations

All appointments are made on merit, judged against a set of objective criteria with regard to the requirement for diversity on the Management Committee.

Governance Arrangements

Diversity

TRC's approach and efforts to achieve diverse representation are based on promoting the Diversity and Inclusion ("D&I") framework in place across Columbia Threadneedle. This aims to foster a culture in which all employees feel safe, included, valued and respected. We embrace the unique contributions of everyone at Columbia Threadneedle and empower them to deliver value for our diverse clients and community.

The primary objective is to change the profile of our employee base over time to better reflect our client base and the broader population by increasing the percentage of women, black, ethnic and all under-represented groups across every level of the organisation. Actions to achieve this centre upon:

- Recruitment -sourcing and recruiting diverse candidates
- Development and Leadership -evolve training and employee programs to be inclusive, respectful and supportive.
- Advocacy -proactively build reputation
- Governance and accountability -embed clear accountability for diversity and inclusion

Columbia Threadneedle's strategic approach is aligned with that of our parent company Ameriprise, sharing an organisation-wide approach and resources to advance diversity and inclusion to deliver strong business results.

TRC’s Own Funds

TRC’s regulatory capital consists entirely of Members’ capital classified as equity, which is Common Equity Tier 1 capital, the highest form of Tier 1 capital. Own Funds have been calculated in accordance with the requirements set out in MIFIDPRU 3.

The following tables below, in compliance with MIFIDPRU disclosure requirements, disclose:

- 1) the composition of TRC’s own funds
- 2) a reconciliation of own funds to the capital in the balance sheet per the audited financial statements of the firm, followed by
- 3) a description of the main features of the CET1 capital issued by the firm.

The tables are based on TRC’s Report and Financial Statements as at 31 March 2023.

Table 1 –Composition of regulatory own funds

	Item	Amount (GBP thousands)	Source*
1	**OWN FUNDS**	**7,000**	
2	**TIER 1 CAPITAL**	**7,000**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**7,000**	
4	Fully paid up capital instruments	7,000	Note 14
5	Share premium		
6	Retained earnings		
7	Accumulated other comprehensive income		
8	Other reserves		
9	Adjustments to CET1 due to prudential filters		
10	Other funds		
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
19	CET1: Other capital elements, deductions and adjustments		
20	**ADDITIONAL TIER 1 CAPITAL**	**0**	
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**	**0**	
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		

*Source based on reference numbers/letters of the balance sheet in the audited financial statements

Table 2 –Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

		Balance sheet as in published / audited financial statements	Under regulatory scope of consolidation	Cross reference to Table 1
		As at period end	As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements (GBP thousands)				
1	Property, plant and equipment	183		
2	Trade and other receivables	2,946		
3	Cash	13,006		
Total Assets		**16,135**		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements (GBP thousands)				
1	Trade and other payables	6,471		
2	Provisions for liabilities	29		
3	Members' capital classified as a liability	22		
Total Liabilities		**6,522**		
Members' interests classified as equity (GBP thousands)				
1	Called up share capital	7,000		Item 4
2	Share premium account	2,613		
Total Members' interest classified as equity		**9,613**		

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

Corporate Member’s capital is only repayable on either the winding up or the sale of the LLP and is paid out of a surplus of assets or sale proceeds following settlement of all creditor liabilities, in addition to expenses of the winding up or sale respectively. The Members have concluded that due to the residual and discretionary basis of the Corporate Member’s capital repayment, the Capital is considered equity in nature, and on this basis has been classified in the Statement of Financial Position as Member’s capital classified as equity.

Members are required to make capital contributions in accordance with the LLP Deed as determined by the Management Committee. No member is entitled to receive interest on their capital contribution. The Management Committee can determine to return capital contributions to Members provided sufficient regulatory capital exists and the transaction is approved by the FCA. In the case of cessation of membership, any capital repayment due to Members is to be settled by the LLP within a six-month period, provided FCA regulatory capital requirements are met.

Further detail on the nature and purpose of Members’ interests can be found in the Members’ Report and Financial Statements.

Own funds requirements

TRC's own fund requirements, calculated in accordance with the requirements set out in MIFIDPRU 4, is the higher of:

- (a) permanent minimum capital requirement of £75,000;
- (b) total K-Factor requirement,which is the aggregate of activities-based capital requirements; and
- (c) the fixed overheads requirement, which amounts to 25% of its most recently audited annual expenditure less permitted deductions.

Own fund requirements as at March 2023	
	£'000
Permanent minimum capital requirement	**75**
Sum of K-AUM, K-CMH and K-ASA	101
Sum of K-COH and K-DTF	0
Sum of K-NPR, K-CMG, K-TCD and K-CON	0
Total K-factor requirement	**101**
Fixed overhead requirement	**929**
Own funds requirement	**929**

Meeting the Overall financial adequacy rule ("OFAR")

As prescribed by MIFIDPRU 7.4.7 Overall Financial Adequacy Rule ("OFAR") a firm must, at all times, hold Own Funds and liquid assets which are adequate, both as to their amount and their quality, to ensure that:

I. TRC 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
II. TRC's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

The company prepares an ICARA annually or more frequently as required. The ICARA assesses whether the Group and its subsidiaries including TRC hold adequate Own Funds required under MIFIDPRU 7.6.2R.

The ICARA ensures that the Group and its subsidiaries have appropriate systems and controls in place to identify, monitor and, where proportionate, reduce all potential material harms that may result from:

A. ongoing operation of its business and
B. winding down its business.

The Own Funds Threshold Requirement ('OFTR') and LATR in addition to Basic Liquid Asset Requirement is calculated as the higher of these two assessments as noted under A and B above and represents how much additional capital or liquid assets may be necessary to address any potential residual impacts to comply with the OFAR.

The Group performs independent assessment and employs other quantitative tools such as stress testing and scenario analysis for this purpose as part of the ICARA process. The Group's allocation of Own Funds Requirement to TRC assesses the potential harms that are applicable to clients, the market and the firm through scenario-based assessment. Some examples of situations that may result in harms to clients include trading error, mandate breach, misselling, failure of an outsourced service provider/vendor. Other examples of harm to firm include loss of significant clients, failure in IT infrastructure, internal fraud. TRC is a non-SNI firm and is not considered to be large enough to cause systemic disruption to the market as a whole and is therefore unlikely to cause harm to the market. The Group ICARA report is updated and formally reviewed, challenged and approved by the Group's Board on an annual basis, with key requirements and calculations as they relate to TRC, being reported to the TRC Management Committee. The ICARA will be updated more frequently should fundamental changes to the business require it.

FCA MIFIDPRU Remuneration Code

The FCA implemented its MiFIDPRU Remuneration Code (the “Code”) with effect from 1 January 2022. Under the Code, Thames River Capital LLP (“TRC”), a non-SNI firm, must report annually on its remuneration governance, policy and practice. TRC is a subsidiary of Columbia Threadneedle Investments (“the Group”).

TRC’s performance period for remuneration runs from 1st April 2022 to 31st March 2023.

Approach and objectives of financial incentives

The overall objective of the remuneration policy is to promote the long-term interests of the Group, by attracting and retaining effective, engaged and motivated talent and to discourage excessive and imprudent risk taking. The policy is constructed so as to encourage responsible business conduct, fair treatment of clients and address any potential conflicts of interest in the relationship with clients.

Decision making process for remuneration policy

The Risk and Remuneration Committee (“RRC”), on behalf of the Group Board of Directors, is responsible for maintaining a compliant remuneration policy. The Committee carries out its responsibilities within the authority delegated by the Board and documented in its Terms of Reference. The responsibilities include approving the terms of the incentive pool, long term incentive plan, and any other incentive arrangements, and the remuneration for senior level employees, specifically reviewing all positions identified as Material Risk Takers including heads of Control Functions.

The Risk and Remuneration Committee met five times during 2022. The members of the Risk and Remuneration Committee are all independent.

Material Risk Taker Identification

Material Risk Takers for the Group have been identified through an exercise that involved the mapping of risks and responsibilities, and consideration of other factors.

The Group defines its Material Risk Takers in line with the definitions provided by SYSC 19G and associated guidance. Those Material Risk Takers are senior management, individuals with a material impact on the risk profile of the Group, individuals within control functions and other employees whose total remuneration takes them in to the same bracket as senior management and risk takers, whose professional activities have a material impact on the risk profiles of the Group or of the funds it manages.

TRC had a total of twenty-four Material Risk Takers for all or a portion of the performance period.

Components of remuneration

The Group makes a clear distinction between criteria for setting fixed and variable remuneration.

- Fixed remuneration primarily comprises basic salary and allowances which reflect the professional experience and organisational responsibility of staff and are permanent, pre-determined, non-revocable and not dependent on performance. This includes the monthly drawings and quarterly profit share payments which comprises the remuneration for LLP members.
- Variable remuneration primarily comprises annual incentive payments made in respect of individual performance.

Variable remuneration awards are discretionary and fully flexible, with the option to pay no incentive award if required. Guaranteed variable remuneration awards are made only on an exceptional basis in the first year of service. Severance payments are made at the firm's discretion and are usually based on individual service and pay levels. The firm will take into account the individual's performance over time, and payment will not reward failure or misconduct.

Determining Incentive Remuneration Pools

TRC operates a discretionary incentive arrangement under a defined and structured annual compensation review and allocation process. Incentives for Group employees who are members of the TRC team are paid for by profits generated by TRC's fund management activities

Employees' incentive arrangements are covered by the Group's discretionary compensation plans. Arrangements and payments are reviewed by the members of the Group's senior management.

Determining Individual Incentive Awards

Awards are determined according to the individual employee's performance, market remuneration levels for comparable roles, internal comparators and the funding available to fund variable remuneration awards, further influenced by the employee's adherence to, and delivery of, the Group's risk and regulatory compliance responsibilities.

Delivery of Total Incentives

Employees of the Group who are members of the TRC team receive an annual discretionary incentive award which is payable in June of each year. Their discretionary incentive awards are funded out of the profit share of the individual LLP members. Incentive compensation awarded to employees is subject to deferral into cash. The amount of award deferred ranges from 20% to 50% depending on the size of the award and will vest in equal parts over three years

Discretionary incentive awards are reviewed and approved by members of the Group's senior management.

Quantitative Disclosure

The aggregate total remuneration for Material Risk Takers for the period ending 31st March 2023 was £21.5m (of which £16.2m relates to Senior Management and £5.3m relates to Other Material Risk Takers).

Remuneration (£'m)	Senior Management	Other MRT	Other Staff	Total remuneration
Fixed remuneration	8.9	2.7	0.6	12.1
Variable remuneration	7.4	2.6	0.4	10.4
Total remuneration	**16.2**[1]	**5.3**	**1.0**	**22.5**
Number of beneficiaries	9	15	7	31

TRC did not award guaranteed variable remuneration awards to any Material Risk Takers during the performance period.

TRC did not award severance payments to any Material Risk Takers during the performance period.

[1] There is a £0.1m difference in the totals due to rounding.

Contact Us

Columbia Threadneedle Investments
78 Cannon Street
London
United Kingdom
EC4N 6AG
Tel: +44 (0) 20 7628 8000

Calls may be recorded

www.columbiathreadneedle.co.uk