OUT OF THE ORDINARY

Investec Europe Limited

IFD / IFR Pillar 3 Disclosures

31 March 2022

1. Executive Summary

The purpose of the Pillar 3 disclosures is to provide information on the risks, capital, and risk management arrangements of Investec Europe Limited (“the Firm”). As at 31 March 2022 (financial year end), the Firm’s:

- Total regulatory capital resources €39.6mn exceeded its internal capital requirement
- Own Funds ratio 1,182% sufficiently exceeded the own funds requirement (100%).

2. Firm Overview

2.1 Firm Structure

The Firm is a limited liability company regulated by the Central Bank of Ireland. The Firm is a wholly owned subsidiary of Investec Securities Holdings Ireland Limited. The Firm’s ultimate parent and controlling party is Investec plc, a company incorporated in the UK and registered in England and Wales having its registered office at 30 Gresham Street, London EC2V 7QP.

The Firm is authorised as an Investment Firm under the European Communities (Markets in Financial Instruments Regulation 2017).

2.2 Nature of Business

The Firm carries on a broad range of specialist services, products and solutions offered to select corporate clients, public sector bodies, institutions, retail, and professional investors. These activities are carried out across two main business lines, Derivative Solutions and Securities. Derivative solutions provide hedging solutions to clients in particular relating to foreign exchange, commodities and interest rate products. Securities provides equity research and execution services.

3. Regulatory Framework

On 26 June 2021, a harmonised prudential framework [Investment Firm Directive (“IFD”) and Investment Firm Regulation (“IFR”)] was transposed into law which applies to investment firms, authorised under the European Union MiFID Regulations 2017.

Underpinned by the principles of risk relevance and proportionality, the framework applies a range of rules relating to capital requirements, financial and regulatory reporting, internal governance and remuneration to investment firms, depending on their classification across a risk spectrum.

Depending on size, scale and activities, investment firms fall into one of three categories under the IFD / IFR regime: Class 1; Class 2 and Class 3.

Class 1 firms are systemically important firms and remain subject to the Capital Requirements Directive (“CRD”) and the Capital Requirements Regulation

("CRR") capital and Remuneration requirements under that applied to investment firms prior to the introduction of the IFD / IFR. **Class 2** firms are investment firms that are not systemically important, and which exceed certain size and risk thresholds and are subject to full IFD / IFR requirements. **Class 3** firms are small and non-interconnected firms which do not meet certain thresholds and are subject to reduced and modified IFD / IFR requirements. The Firm is designated as "Class 2" firm under IFR / IFD.

The Framework sets out three pillars

Pillar 1 sets out the minimum regulatory capital requirement firms are required to hold which is the greater of:

- Fixed Overhead Requirement (FOR)
- Permanent Minimum Requirement (PMR)
- K-Factor Requirement

Pillar 2 requires firms to assess their own capital adequacy to the risk exposures faced by The Firm through an Internal Capital Adequacy Assessment Process ("ICAAP").

Pillar 3 requires firms to disclose certain information relating to:

- Risk Management objectives and policies
- Governance
- Own Funds and Own Funds Requirements
- Remuneration Policies and practices

4. Scope of Application

The requirements outlined above apply to the Firm. All disclosures in this document are for the period ending 31 March 2022.

The Firm is exempt from the requirement to publish certain disclosures under the IFD / IFR as it does not meet the threshold of 'on and off-balance sheet assets > €100mn (on average) over the 4 years immediately preceding the relevant financial year'.

5. Frequency of Disclosure

The Firm publishes Pillar 3 disclosures on an annual basis. The timing of the publication of these Pillar 3 Report coincides as closely as possible with the filing of its annual audited financial statements with the Companies Registration Office ("CRO"). Given the small scale and range of operations and the lack of complexity, the Firm currently assesses that there is no need to publish some or all of its disclosures more frequently than annually.

6. Means of Disclosure

These disclosures have been compiled to satisfy those required under Pillar 3 and have not been audited. The Firm publishes it's Pillar 3 disclosures on its website.

7. Risk Management

The Firm's board following review by the risk committee approves the overall risk appetite for the business. The Risk Appetite Statement sets broad parameters relating to the board's expectations around performance, business stability and risk management. The board ensures that there are appropriate resources to manage the risk arising from running the business.

The comprehensive risk management process involves identifying, quantifying, managing, monitoring, mitigating and reporting the risks associated with each of the businesses to ensure the risk remains within the stated risk appetite.

The Risk Appetite Statement is reviewed and updated regularly to ensure it is directly linked to Firm's strategy and incorporated into the decision-making process. It is aligned to Firm's ICAAP stress testing process and framework and part of its annual capital and financial planning process.

The Risk function of the Company is charged with managing the various risks faced by the Company, including:

7.1 Business and Strategic Risk

This is the risk that changes in the external market environment and / or client appetite impact the current business strategy's effectiveness and financial performance.

Business and Strategic risk is managed as much as possible through detailed processes and governance / escalation procedures up to the Board level, and from regular, clear communication with all stakeholders.

7.2 Credit and Counterparty risk

Credit and counterparty risk is defined as the risk arising from an obligor's (typically a client or counterparty) failure to meet the terms of any agreement. Credit and counterparty risk arises when funds are extended, committed, invested, or otherwise exposed through contractual agreements, whether reflected on or off-balance sheet.

The Firm manages credit risk through the credit committee which reviews new and existing counterparties and sets credit limits for each one. Reports are generated which monitor the credit risk exposures and these are reviewed. Credit limit exposures are investigated, reported and appropriate action taken where necessary.

Credit and counterparty risk includes concentration risk. This risk may arise where an entity has a large dependence on a specific sector, geography, asset and liability concentration or on a particular client.

The Firm strives to diversify its business across its client base and income mix to minimise its concentration risk by applying exposure concentrations limits around individual and groups of related client entities exposures, banks and other financial institution exposures, client sectors grouping exposures and countries at risk exposure. Concentration risk is explicitly assessed under IFR by virtue of the K-Concentration Risk factor. No additional capital buffer is required under the internal capital calculation.

7.3 Liquidity Risk

Liquidity risk is defined as the risk of incurring losses resulting from the inability to meet payment obligations in a timely manner when they become due or from being unable to do so at a sustainable cost.

Liquidity risk is managed by maintaining adequate reserves and by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

7.4 Market Risk

Market Risk is a measure of potential change in the value of a portfolio of instruments as a result of changes in underlying market risk factors such as equity prices, interest rates, foreign exchange rates, commodity prices, credit spreads and volatilities.

Market risk arises through our trading activities which are focused on supporting client activity. Our strategic intent is that proprietary trading should be limited, trading should be conducted largely to facilitate client flow and exposure to Market risk managed through a Board approved framework of mandates, products and limits.

7.5 Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Operational risk exposure is the degree of operational risk faced by the Business and its customers. Operational Risk is measured in terms of the expected consequence (impact) in the event of a risk materialising and the likelihood or frequency of the occurrence of a risk. Quantitative measures are used in arriving at the overall risk exposure.

The Firm’s Operational Risk function is responsible for developing the framework for assessing risks against risk appetite. Periodic risk and control self-assessments (based on the level of inherent risk, regulatory- and business change) are performed across the Business, with assistance, review and challenge by the independent Operational Risk function. This includes the assessment of the control environment effectiveness within the risk assessments and ensuring that risk exposures are within risk appetite.

Ongoing compliance is monitored by the Operational Risk function with the escalation of significant non-compliance and material issues to Business Unit Management and the Risk Committee.

7.6 Reputational Risk

Reputational risk is the risk that negative publicity regarding the Firm, its Parent or its business practices or operations may cause damage to its reputation or perception. Any such reputational damage may have a negative impact on the Firm in terms of a decline in its customer base, a reduction in revenues and / or deterioration in relationships with key suppliers and counterparties.

The Firm actively seeks to avoid any transaction, service or association which may bring with it a potentially unacceptable level of damage to its reputation. To this end, the Firm operates robust transaction approval governance structures including credit, engagement and new product forums which are each tasked with monitoring reputational risk issues as part of their approval processes in relation to all new business.

8. Risk Appetite

The purpose of Risk Appetite is to provide a clear statement of the level of risk acceptable to the Firm's Board and the qualitative and quantitative metrics that are used to monitor and manage those risks. The Risk Appetite Statement ("RAS") sets out the Board mandated risk appetite which acts as a guide to determine the acceptable risk profile of the Firm. The scope of this document relates specifically to the Firm. The RAS sets broad parameters relating to Board expectations around performance, business sustainability and risk management. Central to the risk appetite is the client. The Firm's aim is to best serve its clients while building and maintaining trust to ensure good customer outcomes.

9. Governance

9.1 Board

The Board has ultimate responsibility for the overall effectiveness of risk management within the Firm. The Board is comprised of a majority of Independent and Group Non-Executive Directors.

The Board meets at least on a quarterly basis and more frequently should the need arise.

As a member of the Investec Group, the Board applies the Investec plc Policy for the Assessment of Suitability of Board members and Key Function Holders in terms of the assessment and selection of members of the management body. The aim of the policy is to ensure the appropriate balance of skills, experience, independence, knowledge, and diversity (which includes in relation to ethnicity, race, gender, age, geographical provenance and other relevant personal attributes) on the board.

9.2. Risk Committee

The Board has delegated oversight of the management of risks to the Board's Risk Committee, which comprises the Firm's non-executive directors and meets at least quarterly.

9.3 Board Directorships

Directorships held by the Firm's Board	32 (includes the Firm)
Directorships of which Investec Group	18 (includes the Firm)
External Directorships	14

10. Regulatory Capital Adequacy

The Firm is subject to the IFR and IFD and calculates its regulatory capital requirements in accordance with these regulations. This involves calculating Pillar 1 and Pillar 2 capital, of which it takes the higher amount and adding any additional capital requirements as advised by the Central Bank of Ireland.

Throughout the financial year ended 31 March 2022, the Firm maintained surplus capital over and above minimum capital requirements. In accordance with the IFR the Firms own funds requirement is calculated as being the highest of:

	€'mn
(a) permanent minimum capital requirement	0.75
(b) fixed overheads requirement	3.16
(c) K Factor requirement.	3.35

10.1 Own Funds

Own Funds Requirement as at 31 March 2022 is €3.35mn, being the higher of a, b, c above.

Capital Resources	As at 31 March 2022
Tier 1 Capital	€'mn
Share capital	0.0
Capital Contribution Reserve	42.0
Retained earnings	-2.4
Total Capital	39.6

Own Funds ratio: 1,182%

The total capital resources of the Firm are as per the audited financial statements at 31 March 2022.

The Board is of the opinion that there is sufficient capital to meet current and future requirements, as well as to withstand a worst-case scenario.

Under the IFR / IFD, the Firm is required to undertake an internal assessment of capital requirements, reported through an ICAAP. This process involves considering risks associated with the business and the capital implications of these risks occurring.

The ICAAP is prepared by the Finance function and presented to the Risk Committee and Board of the Firm for review and approval. The data and assumptions utilised in the assessment of risk and capital adequacy are continually assessed and updated. The ICAAP is reviewed on an annual basis, or more frequently as required. The most recent review of the Firm's ICAAP was in June 2022.

11. Remuneration Policy

As a MIFID firm, the Firm must comply with the remuneration related principles set down in the IFR / IFD and establish remuneration policies in accordance with these regulations that are proportionate to the size, internal organisation, and the nature, as well as to the scope and complexity of the investment firm.

As an Investec Group company, the Firm applies an approach to remuneration which is consistent with the Investec Group remuneration principles, policies and procedures. The Firm recognises that in general financial services businesses must divide the return from their enterprises between the suppliers of capital and labour and the societies in which they do business, the latter through taxation and corporate social responsibility activities. The Investec Group's global remuneration philosophy seeks to maintain an appropriate balance between the interests of these stakeholders and is closely aligned to the Group's core values and philosophies, which include risk consciousness; meritocracy; material employee ownership; and an unselfish contribution to colleagues, clients and society. The Investec Group remuneration approach adheres to the following general principles:

- Remuneration policy and associated procedures and practices (collectively referred to as the "remuneration approach") are consistent with, and promote sound and effective risk management, and do not encourage risk-taking that exceeds the level of tolerated risk of Investec Group;
- The Firms remuneration approach is in line with the business strategy, objectives, values and long-term interests of the Investec Group;
- The payment of variable remuneration does not limit Investec Group's ability to maintain or strengthen its capital base;
- The structure of all employees' remuneration is consistent with and promotes effective risk management;
- All variable remuneration is determined within a framework (within which reward is calibrated to account for firm, business unit, and individual performance having regard to financial and non-financial measures, and is awarded as cash and / or shares with appropriate deferral conditions) which supports our business strategy, objectives, values and long-term interests; and
- Both financial and non-financial factors form an integral part of the determination of reward levels.

Appendix – Information as at 31 March 2022

Template EU IF CC1.01 - Composition of regulatory own funds (Investment firms other than small and non-interconnected)

	(a)	(b)
	Amounts	Source based on reference numbers / letters of the balance sheet in the audited financial statements
Common Equity Tier 1 (CET1) capital: instruments and reserves		
		€
1	**Own funds**	39,570,598
2	**Tier 1 capital**	39,570,598
3	**Common equity Tier 1 capital**	39,570,598
4	**Fully paid-up capital instruments**	8
5	**Retained earnings**	-2,429,410
6	**Other reserves – capital contribution reserve**	42,000,000

Template EU ICC2: 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 EU IF CC1**
	€'000	**As at period end**	**As at period end**	
Assets - *Breakdown by asset classes according to the balance sheet in the published / audited financial statements*				
1	Cash at bank	61,794	No difference in regulatory treatment	
2	Derivative assets	35,609	As above	
3	Other assets	22,221	As above	
4	Total assets	119,624	As above	
Liabilities - *Breakdown by liability classes according to the balance sheet in the published / audited financial statements*				
1	Derivative liabilities	31,969	As above	
2	Other liabilities	48,084	As above	
3	Total Liabilities	80,053	As above	

Shareholders' Equity				
1	Called up share capital	-	As above	IF CC1.01 Row 4
2	Capital contribution reserve	42,000	As above	IF CC1.01 Row 6
3	Retained earnings	(2,429)	As above	IF CC1.01 Row 5
4	Total Shareholders' equity	39,571	As above	

Template EU I CCA: Own funds: main features of own instruments issued by the Firm

		a
1	Issuer	Investec Europe Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N / A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Ireland
5	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
6	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	0.000008
7	Nominal amount of instrument	€8.00
8	Issue price	€2.00 per share