Value Partners (UK) Limited

(“Value Partners UK”) / the “Firm”

MIFIDPRU 8 Disclosure

March 2023

Value Partners (UK) Limited

Introduction

The Financial Conduct Authority (“FCA” or “regulator”) in its Prudential sourcebook for MiFID Investment Firms (“MIFIDPRU”) sets out the detailed prudential requirements that apply to Value Partners. In particular, Chapter 8 of MIFIDPRU (“MIFIDPRU 8” or the “public disclosures requirements”) sets out public disclosure obligations with which the Firm must comply, further to those prudential obligations.

Value Partners Group Limited (“Value Partners”, the “Group”) operates a group-wide remuneration strategy including a remuneration policy that applies to all Value Partners entities globally, supplemented by country or legal entity-specific features according to local requirements.

Value Partners UK, as a subsidiary of Value Partners, is classified under MIFIDPRU as a small and non-interconnected investment firm (“SNI MIFIDPRU investment firm”). As such, MIFIDPRU 8 requires Value Partners to disclose information regarding the Firm’s remuneration policy and practices.

The purpose of these disclosures is to give stakeholders and market participants an insight into the Firm’s culture, and to assist stakeholders in making more informed decisions about their relationship with the Firm.

This document has been prepared by Value Partners in accordance with the requirements of MIFPRU 8 and is verified by the board.

Remuneration Policy and Practices

Overview

As an SNI MIFIDPRU investment firm, Value Partners is subject to the basic requirements of the MIFIDPRU Remuneration code. The purpose of the requirements on remuneration are to:

- Promote effective risk management in the long-term interests of the Firm and its clients;
- Ensure alignment between risk and individual reward;
- Support positive behaviours and a healthy firm culture; and
- Discourage behaviours that can lead to misconduct and poor customer outcomes.

The objective of Value Partners’ remuneration policies and practices are to establish, implement and maintain a culture that is consistent with, and promotes, sound and effective risk management and does not encourage risk-taking which is inconsistent with the risk profile of the Firm and the services that it provides to its clients.

In addition, Value Partners recognises that remuneration is a key component in how the Firm attracts, motivates and retains quality staff and sustains consistently high levels of performance, productivity and results. As such, the Firm's remuneration philosophy is also grounded in the belief that its people are the Firm's most important asset and greatest competitive advantage.

Value Partners is committed to excellence, teamwork, ethical behaviour and the pursuit of exceptional outcomes for its clients. From a remuneration perspective, this means that performance is determined through the assessment of various factors that relate to these values, and by making considered and informed decisions that reward effort, conduct and results.

Characteristics of the remuneration policy and practices

Remuneration at Value Partners is made up of fixed and variable components. The fixed component is set in line with market competitiveness at a level to attract and retain skilled staff. Variable remuneration is paid on a discretionary basis and takes into consideration the Firm's financial performance as well as the financial performance of each business unit, and the financial and non-financial performance of the individual in contributing to the Firm's success. All staff members are eligible to receive variable remuneration.

Value Partners assesses staff performance for the purposes of determining variable remuneration by referencing a broad range of measures, including but not limited to, the following:

(1) individual performance (using financial and non-financial criteria, as applicable and appropriate),

(2) the overall performance of Value Partners, e.g. the level of profits for the corresponding financial year; and

(3) the overall performance of its clients (as applicable and relevant).

Further information regarding the criteria for determining variable remuneration is outlined in the Appendix hereto.

Value Partners may assess an individual's qualitative and quantitative performance across various timeframes. In certain instances, such assessment may include, but are not limited to, an evaluation of performance across multiple years, such as when evaluating the person's performance through a market or economic cycle, during an implemented change to Value Partners business, or during her or his transition to a new role. Such assessments across multiple years are undertaken, when deemed pertinent, to help assure, where appropriate, that such longer-term considerations form an element of feedback and overall compensation outcomes.

As noted above, generally the elements of remuneration for investment and back office staff have both a fixed and a variable component. Value Partners seeks to set fixed remuneration at a level sufficient such that any variable remuneration incentivizes and rewards strong performance while encouraging, where appropriate, such thoughtful, calculated risk taking as properly aligns with the Group's and its clients' interests.

Value Partners assesses various risk factors when evaluating its remuneration practices for staff. Such factors include whether any potential remuneration award may conflict with the interests of its clients or Value Partners. Value Partners seeks to mitigate certain risk factors relating to variable compensation by designing variable remuneration that is intended to reward neither failure, nor success achieved by means of imposing inappropriate or excessive risk on the Group or its clients. Value Partners retains the flexibility to adjust variable remuneration, either immediately or over time, to reflect its evaluation of these factors on an ongoing basis.

The fixed and variable components of remuneration are appropriately balanced: the fixed component represents a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration. This allows for the possibility of paying no variable remuneration component, which the Firm would do in certain situations, such as where the Firm's profitability performance is constrained, or where there is a risk that the Firm may not be able to meet its regulatory capital or liquidity requirements.

Value Partners has a transparent bonus pool system which has been in place since the firm was founded. In line with Value Partners' emphasis on recognition for performance and human capital retention, Value Partners rewards its employees with year-end variable remuneration which is linked to a multi-dimensional performance evaluation to ensure a high degree of interest alignment. Examples of weightings are as below:

Factor	Description	Portfolio Managers	Analysts
Qualitative factors	• CIO / Team leader review • Research support quality • New idea generation	20%	30%
Analyst / Sector model portfolio	• Performance of your stock holdings in calendar year vs. respective benchmark • Outperformance vs. benchmark on a 1 & 3-year rolling basis	30%	40%
Fund impact	• Idea adoption by the portfolio manager / fund • Performance return contributed to the fund	-	30%
Fund management	• Performance is compared with the portfolio's peer group, by quartile ranking • Portfolio return vs. peer group performance range – If you are rank 1, then you will score 100 – If you are last rank, you will score 0 – Anything in between will be determined by your % performance relative to peers • Portfolio impact score = 100 * (1 – Your Rank / Peer Group #)	50%	-
Total score		**100%**	**100%**

In each financial year, Value Partners allocates 20%-23% of the pre-tax profit pool for variable compensation payments to their employees. The pre-tax profit pool comprises of net profit before management bonus and taxation and after certain adjustments. Bonus compensation is paid out at the end of the fiscal year, in tandem to the firm's deferred bonus scheme of up to 3 years. The deferred components are invested into Value Partners funds to ensure greater staff alignment to our fund's focus on performance. Senior management staff are also entitled to stock options. Both the variable compensation and stock options are aimed to promote staff loyalty and commitment, while aligning the interests of employees with those of shareholders.

Governance and Oversight

Value Partners, as a Hong Kong listed company, has established core committees with defined terms of reference as stated in the Corporate Governance Guide for Boards and Directors issued by the Hong Kong Exchanges and Clearing Limited. Remuneration Committee is one of the core committees. Its purpose is to advise the board on the remuneration of the board and the senior management. Please refer to the below for details:

https://www.valuepartners-group.com/en/investor-relations/corporate-governance/board-commitees/remuneration-committee/

Value Partners' remuneration policy and practices are reviewed annually by the Remuneration Committee.