

COMPUTERSHARE INVESTOR SERVICES PLC

REGULATORY DISCLOSURE

YEAR ENDED 30 JUNE 2022



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 **Computershare**

REGULATORY DISCLOSURE

Computershare Investor Services plc

Computershare Investor Services plc (the 'Company' or the 'firm') is a wholly owned subsidiary within the Computershare Group of companies (the 'Group') whose ultimate parent is Computershare Limited, an Australian company listed on the Australian Securities Exchange (ASX: CPU). The principal activity of the Company is the provision of financial administration services relating to Employee Share Plans, Issuer Services and Business Services which are provided to listed and unlisted companies, and government agencies.

The Company's regulated activities comprise:

- > The receipt and transmission of share dealing instructions
- > The sending of dematerialised instructions to Crest
- > The causing of dematerialised instructions to be sent to Crest
- > Safeguarding and administering client assets via nominee arrangements.

There have not been any significant changes to the Company's principal activities during the reporting period.

The Company is regulated as an investment firm by the Financial Conduct Authority (FCA), reference number 188534 and has its registered office at The Pavilions, Bridgwater Road, Bristol BS13 8AE.

The Investment Firms Prudential Regime

The FCA introduced the Investment Firms Prudential Regime (IFPR) in January 2022, the regulatory framework governing the amount and nature of capital that investment firms must hold. These requirements are set out in the FCA Prudential sourcebook for MIFID investment firms (MIFIDPRU), and the focus of these regulations is the management of the potential harm an investment firm can pose to its consumers and the financial markets. The regulations include a framework for annual regulatory disclosures.

The following disclosures required under the IFPR are published on the Company's website for the year ended 30 June 2022:

- > its Governance arrangements; and
- > Own funds and Own funds regulatory requirements.

The financial information provided in this disclosure is calculated as at 30 June 2022, which is the Company's financial year end. The financial information included in this disclosure is taken from the audited annual financial statements.

GOVERNANCE ARRANGEMENTS

Board and Committees

The Board acts on behalf of shareholders to establish the overall strategy, direction, management, and corporate governance, and to ensure the long-term prosperity of the Company. It has overall responsibility for the Company's business including overseeing the implementation of the Group strategy as it applies to the Company.

The Board oversees the operation of the Company's business by senior management, as well as its adherence to risk appetite, compliance with Group policies and values, including those relating to the provision of services to clients, and the maintenance of adequate accounting and other internal control systems. The Board maintains a list of matters reserved for its approval, which is reviewed annually, and there is a requirement for the Board to review its own performance at least annually. The Board meets quarterly, with additional ad hoc meetings as required.

The Board reviews public disclosures specific to the Company's business and has approved this Regulatory Disclosure.

As at 30 June 2022, the Board comprised six directors, three of whom were independent non-executive directors. Details of the number of directorships held by each director are set out in the table below, which excludes directorships in organisations which do not pursue mainly commercial objectives. Directorship of multiple entities within one group are counted as a single directorship.

Director	Number of directorships	Type of director
Ralph Barber	1	Independent non-executive Chair
Phil Braithwaite	1	Independent non-executive
Wai Au	5	Independent non-executive
David Nugent	1	Executive
Jonathan Pattinson	1	Executive
Chris Pears	1	Executive

FCA regulations require the Board to establish its own risk, nomination, and remuneration committees (Committees) which are each chaired by an independent non-executive director.

The activities and recommendations of these Committees are reported to the Board for its review and approval, as needed.

Responsibility for the day-to-day management and administration of the Company is delegated by the Board to the Chief Executive Officer (CEO). The CEO is accountable for allocating responsibility and mandates for managing significant responsibilities under the regulatory framework to other senior managers within their respective areas of control.

The CEO manages the Company in accordance with the strategy, plans and policies approved by the Board, and is responsible for providing information to the Board in the form, timeframe, and quality that the Board requires in order to discharge its duties effectively.

While the Board is responsible for establishing the ethical standards of the Company aligned with Group ethical standards, Company Management is responsible for implementing practices consistent with those standards.

Conflicts of interest

Directors are expected to be sensitive to conflicts of interest that may arise and be mindful of their fiduciary obligations to the Company.

Directors must:

- > disclose to the Board any actual or potential conflicts of interest that may exist or might reasonably be thought to exist as soon as the situation arises;
- > take such steps as are reasonably necessary to resolve any conflict of interest; and
- > comply with the Companies Act 2006 provisions on disclosing interests and voting restrictions.

The Board manages any board-level conflicts of interest with assistance from the Company Secretary.

Board diversity

The Computershare Group's [Diversity & Inclusion Policy](#) applies to the Company Board. In October 2022, the Company committed to a gender diversity target of 40/40/20 (40% male/ 40% female/ 20% either/other). As at 30 June 2022, females comprised 16% of the Board. The Board has committed to increasing the diverse representation as part of succession planning considerations and when Board vacancies arise, as well as considering diversity, which is wider than gender, across the Company as a whole.

When assessing new appointments, the Nominations Committee, in conjunction with the shareholder, considers the combined skills and experience of existing Board members to determine the characteristics required in any new appointment. Appointments are made on merit, considering the skills, experience and knowledge which the Board requires to be effective.

RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company views effective management of risk as key to achieving its strategic and operational objectives and fundamental to the protection of reputation and shareholder value. The Company is committed to ensuring that risk management is a core capability and an integral part of our organisation's activities and conforms to the Computershare Group Enterprise Risk Management framework (ERM), which is based on the principles of managing risk outlined within the international standard, ISO31000 Risk Management Guidelines and Principles.

The ERM framework is subject to periodic review and update to reflect any changes to policy, processes or external regulations that may impact risk management.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The ERM framework supports the achievement of the Company's objectives by bringing a systematic, consistent and pragmatic approach to identifying, analysing, mitigating, and reporting risk and control within acceptable tolerances. The ERM framework is forward-looking and is designed to lead to proactive decision making as well as help improve the Company's performance, since it combines governance, risk, opportunity management and compliance. ERM operates as a business discipline deployed globally by the Group and its subsidiaries, including the Company, to address the full spectrum of their respective risks, managing the combined impact of those risks as an interrelated risk portfolio, and ensuring they stay within the organisation's risk appetite. ERM provides a disciplined process for managing risk and seeks to embed this discipline in existing business processes.

Management of risk allows the Company to:

- › Increase the likelihood of successfully delivering on our goals and initiatives
- › Encounter fewer unanticipated outcomes
- › Better assess risks associated with changes in our environment
- › Meet the demands of our clients and customers
- › Fulfil our regulatory requirements.

The Company operates a Three Lines of Defence Model as a key principle of the ERM framework:

- › First line of Defence – employees who have primary responsibility for the day-to-day management of risk
- › Second Line of Defence – typically our risk and compliance functions that provide challenge and independent oversight of the risk activities, as well as setting risk and control standards
- › Third Line of Defence – Internal Audit provides independent assurance over the effectiveness of the entire risk and control framework.

The Computershare ERM framework:

- › outlines a 'fit for purpose' pragmatic framework that aligns risk management to strategic and business objectives
- › provides a framework that is forward looking and facilitates transparency of key risks and controls
- › provides a framework and metrics to support the provision of risk reporting to management and the relevant governance forums to enhance risk transparency, provide early warnings and inform strategic decision making
- › outlines the methods and processes to be used to support consistent identification, assessment, management, prioritisation, and escalation of risks aligned to key business objectives
- › defines a governance model to drive the right risk behaviours and support the establishment of a strong risk culture across the organisation
- › details the requirements for clear roles and responsibilities across the Three Lines of Defence that empowers all staff to manage risk effectively; and
- › provides a framework that supports the business and senior management in dealing with regulatory relationships.

The Company also engages external assurance providers on a range of risk and control matters to provide advice, guidance and support for the firm's risk management activities.

Governance of the risk and control framework

The role of the Board in relation to risk management is focused on ensuring that the high-level risks to the Company's strategy are being effectively managed. The Board also sets the risk appetite and tolerance for all risks to be managed within the Company. The key responsibilities have been outlined in its Board charter and include:

- › Reviewing and approving the Company's risk management framework and risk appetite statements
- › Reviewing material risk exposures and providing independent oversight of the steps management has taken to monitor, control, report and mitigate such exposures

- › Requiring from management timely and accurate reporting on significant risks faced by the Company, the procedures, and controls in place to manage these risks, and the overall effectiveness of the risk management process
- › Reviewing risk policies as appropriate to ensure that they remain relevant and prudent; and obtaining, on a regular basis, reasonable assurance that the Company has an ongoing, appropriate and effective risk management process and reasonable assurance that the Company's risk management policies for significant risks are being adhered to
- › Reviewing organisational and procedural controls, and satisfying itself that these controls are operating effectively
- › Input, challenge, and approval of the Internal Capital Adequacy and Risk Assessment ("ICARA") process.

Risk Committee

The principal purpose of the Risk Committee is to review and oversee, on behalf of the Board, management's recommendations, management, and control of risk with particular attention to conduct, reputation, operational and regulatory risk. The Risk Committee will:

- › Ensure that it understands the Company's structure, controls and types of transactions, products and services in order to adequately assess the current and future risks faced by the Company and its affiliates or subsidiaries holding legal title to client assets
- › Oversee the Company's risk framework on behalf of the Board and report the results of its activities to the Board. The Board of Directors has ultimate responsibility for ensuring the efficacy of the Company's risk management framework. The Committee is also required to review material risk exposures and the steps management has taken to monitor, control and report such exposures. At least annually the Committee will review whether the Company is operating within the Company's risk appetite
- › Review the effectiveness of the processes by which the Company identifies and manages reputation and contagion risk, including periodically reviewing any associated policies; consider and evaluate regular reports on the Company's reputation or contagion risk exposures; ensure that, where business decisions may impact the Company's reputation, the potential impact has been fully considered; consider whether business decisions will compromise the Company's ethical policies or core business beliefs and values and escalate any matters as necessary to the Board; and may direct designated persons to assess and report significant internal incidents and industry developments with high potential for reputation or contagion risk
- › Consider and recommend to the Board for approval, the Company's risk appetite statement for Operational Risk and Operational Resilience for ensuing periods; and consider and recommend to the Board for approval the Company's risk appetite for Financial Risk and the Company's risk appetite statements for associated risk types
- › Review the effectiveness of the processes by which the Company identifies and manages Conduct Risk to ensure fair customer outcomes, including reviewing the Conduct Risk management framework and associated policies
- › Review the Company's arrangements for compliance with the Client Asset Rules applicable to the Company; oversee and review the work of the Client Assets Forum and assess the adequacy of management information used to demonstrate its compliance with the Client Asset Rules
- › The Risk Committee is responsible for reviewing and challenging the contents of the ICARA process.

Senior Management Roles

The senior executives identified below are required to attend the Risk Committee.

Chief Executive Officer (CEO)

The CEO is responsible for the commercial and operational performance of the Company. Under the Senior Managers and Certification Regime (SMCR) the CEO is the SMF01 (Chief Executive Function) and as a member of the Board attends all Board and Committee meetings.

Chief Financial Officer (CFO)

The Chief Financial Officer (CFO) is responsible for all financial risks, is a member of the Board and attends Risk and Audit Committee meetings. Under SMCR the CFO is the SMF02 (Chief Financial Officer Function).

Chief Risk Officer (CRO)

The CRO is responsible for assessing and reporting significant strategic, operational, regulatory, and financial risks across the Company. The CRO attends the Risk Committee, Audit Committee and Board. The CRO reports on all current key risks applicable to the organisation and those emerging risks that have the potential to impact the Company in the future. The CRO is responsible for the management and implementation of the Regional Enterprise Risk Management Framework. The CRO reports to the Global Computershare CRO. Under SMCR, the CRO is SMF04 (Chief Risk Officer Function) responsible for ensuring integrity of the ICARA.

Chief Operating Officer (COO)

The COO, under SMCR SMF24 (Chief Operations Function), is responsible for the firm's overall compliance with client asset rules (CASS), conduct risk (COBS and Consumer Duty), and assessing and mitigating significant operational risks across the firm and for operational delivery. The COO is responsible for the implementation and monitoring of key controls designed to mitigate operational risk within the firm's Operations function. The COO is also responsible for the oversight of the outsourcing of the firm's information technology function to its affiliate Computershare Technology Services (UK) Limited, and maintenance of the firm's Operational Resilience programme.

Risk appetite

Risk appetite is the amount of risk that is acceptable to the Board and its shareholders for the Company to take in pursuit of its business strategy.

Setting a risk appetite enables the Company to optimise the required investment in risk taking and accept calculated risks within an appropriate level of authority. The Company's risk appetite statements are approved by the Board and communicated throughout the Company.

Risk appetite statements mandate the level of risk that is acceptable in relation to Operational, Strategic, Financial and Regulatory Risks. Company management is responsible for ensuring that it operates within those constraints.

The Company's risk appetite, which is determined by taking into consideration its risk tolerance and capacity, is generally low given the nature of its business. Its risk profile is the allocation of risk appetite across risk categories so that strategy is aligned to risk and a desirable balance of risk and reward is achieved. The Company operates a high-volume, transaction-driven business. Its strategic priorities must be considered within the paradigm of its core operating model, which is premised generally on a low tolerance of risk.

The Company's Risk Appetite Statement document which is subject to review and approval by the Board, includes:

- > Risk appetite statements that establish the level of risk that it is willing to assume within its risk capacity to achieve its strategic objectives
- > Definitions of risk types
- > Associated thresholds and metrics (also approved locally/or by Group), which indicate whether the firm is operating within or outside of appetite.

ICARA and regulatory capital

The Company is required to undertake an ICARA process. The ICARA will be reviewed at least annually, or following any significant changes in economic conditions, the Company's business strategy or its risk profile (or a combination of these).

ICARA requires that the capital requirement for each ICARA scenario has also been assessed against relevant K-factors. 'K-factors' are metrics prescribed by regulation to assist in calculating the minimum capital a firm is expected to hold. A series of potential K-factors were introduced and the activities the firm undertakes determines which of nine potential K-Factors are engaged.

The Company has determined that the following three K Factors are applicable to its current principal activities:

- > Client Money Held (K-CMH)
- > Assets Safeguarded and administered (K-ASA)
- > Client Orders Handled (K-COH).

The ICARA forms part of the Company's risk management framework, which is evidenced and supported by policies, systems, and controls, and then documented.

During the reporting period the Company held an excess of regulatory capital over its minimum requirement.

As part of the ICARA process, the Board oversees and assesses:

- > the Company's processes, strategies and systems
- > the major sources of and risks faced by the Company which may impact its ability to meet its obligations
- > the results of internal stress testing of these risks; and
- > the amounts and types of financial resources and internal capital, including own funds and liquidity resources, and whether these are adequate both as to amount and quality to ensure that there is no significant risk that its liabilities cannot be met as they fall due.

The ICARA and was last approved by the Board in June 2022.

Risks of harm and uncertainties

ICARA has introduced the requirement to better understand the 'Harms' that could potentially arise from the delivery of the business strategy and objectives that have the potential to result in associated risks (Harms) to the retail clients of the firm (Risk-to-Client), the firm itself (Risk-to-Firm) or the markets it operates within (Risk-to-Market).

The Company has quantified an apportionment of the capital requirements calculated through its ICARA scenario testing to each of these three risks, highlighting how a crystallisation of a modelled ICARA scenario may impact the critical stakeholders with whom the firm interacts.

The Board and senior management approved and challenged the financial forecasts and assumptions, which have been used throughout the ICARA, to determine capital and liquidity adequacy, and will be involved in the review and challenge of future financial forecasts.

The ICARA is used to inform the Board of the ongoing assessment of Company's risks, how the firm intends to mitigate these risks and the harm that could be caused to retail clients, the firm and the market and how much current and future capital and liquidity the Company is required to hold, having considered the controls and mitigation that the firm has in place. It is also incorporated into the risk assessment and capital and liquidity planning in the budgeting and forecasting cycle.

OWN FUNDS

Own funds capital requirement

The Own Funds rules-based capital requirement is calculated as the higher of the K- Factor requirements, Fixed Overhead Requirement (FOR), or the Permanent Minimum capital requirement (PMR) as set out within MiFIDPRU 4.3.

Based on the Financial Statements for the year ended 30 June 2022, the FOR applicable to the Company has been assessed to be the highest of these requirements.

Table 1 shows the breakdown of total available regulatory capital reconciled to the capital shown in the Company's audited financial statements for the year ended 30 June 2022.

Table 1

Composition of regulatory own funds			
Item	Amount (GBP thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements	
1	OWN FUNDS	141,551	
2	TIER 1 CAPITAL	141,551	
3	COMMON EQUITY TIER 1 CAPITAL	141,551	
4	Fully paid-up capital instruments	4,050	25
5	Share premium	23,450	
6	Retained earnings	113,962	
7	Accumulated other comprehensive income	0	
8	Other reserves	28,591	
9	Adjustments to CET1 due to prudential filters	0	
10	Other funds	0	
11	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	0	
19	CET1: Other capital elements, deductions and adjustments	-28,502	
20	ADDITIONAL TIER 1 CAPITAL	0	
21	Fully paid up, directly issued capital instruments	0	
22	Share premium	0	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	0	
24	Additional Tier 1: Other capital elements, deductions and adjustments	0	
25	TIER 2 CAPITAL	0	
26	Fully paid up, directly issued capital instruments	0	
27	Share premium	0	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	0	
29	Tier 2: Other capital elements, deductions and adjustments	0	

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

Table 2 shows the breakdown of the total available regulatory capital for the Company reconciled to the capital shown in its audited financial statements.

Table 2

Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements			
		Amount (GBP thousands)	
		a	b
		Balance sheet as in published/audited financial statements As at period end	Under regulatory scope of consolidation As at period end
			c
			Cross-reference to template OF1
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
1	Goodwill	10,279	19
2	Other intangible assets	17,279	19
3	Tangible assets	1,603	
4	Investments	136	
5	Stocks	135	
6	Debtors: amounts falling due after more than one year	2,448	
7	Debtors: amounts falling due within one year	128,822	
8	Cash at bank and in hand	39,536	
	Total Assets	200,238	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
1	Creditors: amounts falling due within one year	25,938	
2	Creditors: amounts falling due after more than one year	765	
3	Provisions	3,482	
	Total Liabilities	30,185	
Shareholders' Equity			
1	Called up share capital	4,050	4
2	Share premium account	23,450	5
3	Capital redemption reserve	12,000	8
4	Other reserves	16,591	8
5	Profit and loss account	113,962	6
	Total Shareholders' equity	170,053	

Table 3 provides details of the main features of instruments issued by the firm.

Table 3

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

4,050,000 privately placed ordinary shares of £1.00 each.

OWN FUNDS REQUIREMENTS

Table 4 sets out the regulatory own funds requirements and details thereof as they relate to the firm.

Table 4

Computershare Investor Services Plc own funds requirement		
Investment firms regulated by the Financial Conduct Authority are required to hold at all times a minimum level of capital known as the firms 'own funds requirement'. The minimum amount a firm must hold is the highest figure deriving from three tests:		
Test	Description	Requirement as at 30th June 2022
Permanent minimum requirement	A minimum value prescribed by the regulator dependent upon activities undertaken by the firm	150
	Set percentage of: 1) client money and assets held; and	1) Client money and assets held: 6,154
K-factor requirement	2) dealing activity undertaken, in support of the on-going operational viability of the firm	2) Client orders handled: 24
		Total: 6,178
Fixed overheads requirement	Set percentage of a firm's relevant expenditure	32,612

Figures are in GBP thousands unless noted otherwise.

The company undertakes an annual ICARA process where it considers the requirements and adequacy of its own funds. The ICARA process involves the individual assessment of key risks and the stress testing of business specific and macro events which are outside of the firm's control. Following the ICARA process the firm ensures sufficient funds are held to meet the higher of its Own Funds Requirement and funding requirements derived from the ICARA process. This is supported by the Board's Risk Committee reviewing the risks of the business on a regular basis including its operating in accordance with regulatory requirements.

Further to this the Company's financial statements for the year ended 30 June 2022 include the independent auditor's report, which includes 'Conclusions relating to going concern'.

GLOSSARY OF ABBREVIATIONS AND DEFINITIONS

Abbreviation	Definition
Board	Computershare Investor Services plc Board
CASS	FCA Client Assets sourcebook
Company or firm	Computershare Investor Services plc
CRO	Chief Risk Officer
Disclosure Period	July 2021 - June 2022
FCA	Financial Conduct Authority
FOR	Fixed overheads requirement
Group	Computershare Group
ICAAP	Internal capital adequacy assessment process
ICARA	Internal capital adequacy and risk assessment
IFPR	Investment Firms Prudential Regime
K-ASA	K factor requirement based on assets safeguarded and administered
K-CMH	K factor requirement based on client money held
K-COH	K factor requirement based on client orders handled
LATR	Liquid Asset Threshold Requirement
MIFIDPRU	FCA Prudential sourcebook for MIFID investment firms