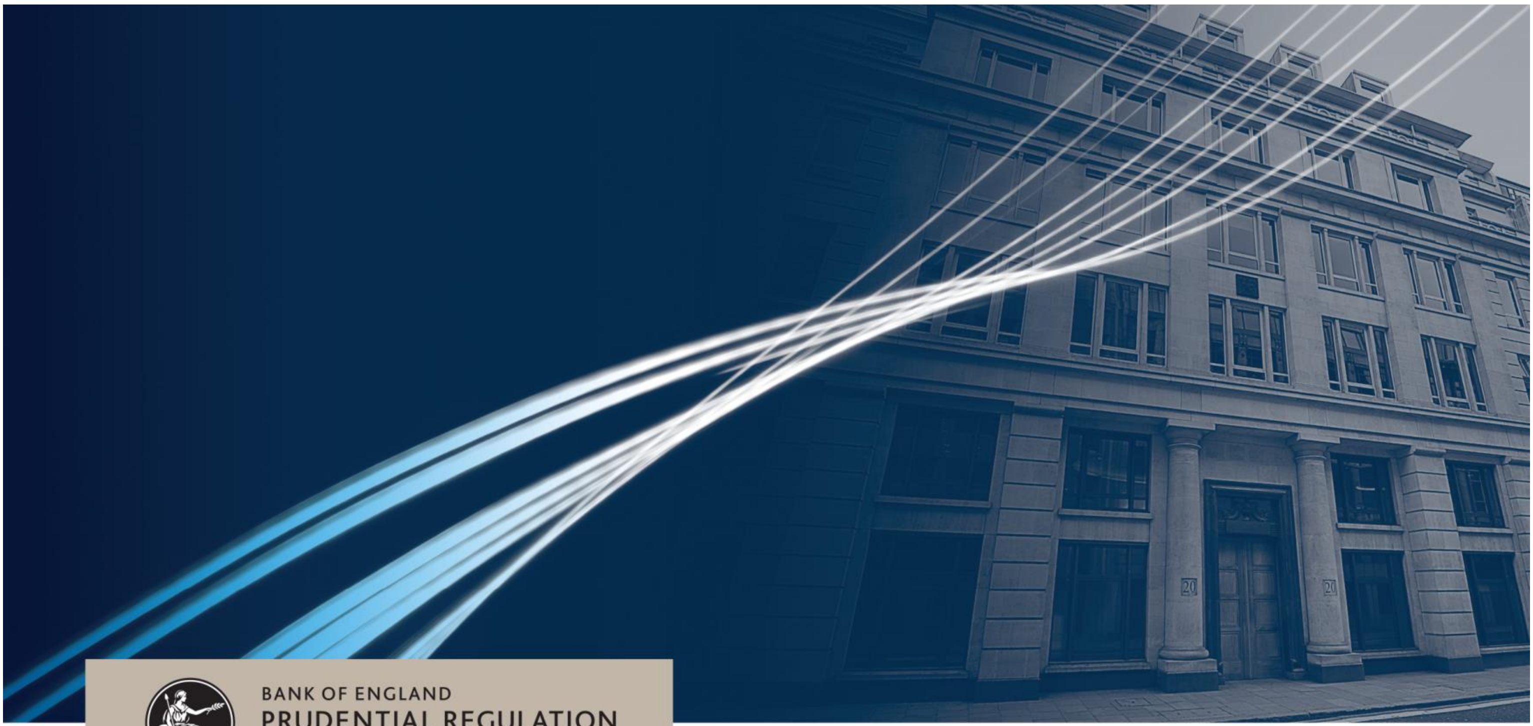

BANK OF ENGLAND
PRUDENTIAL REGULATION
AUTHORITY

Consultation Paper| CP13/16

Solvency II: Remuneration requirements

April 2016

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London EC2R 6DA

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Registered in England and Wales No: 07854923

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The Bank of England and the Prudential Regulation Authority (PRA) reserve the right to publish any information which it may receive as part of this consultation.

Information provided in response to this consultation, including personal information, may be subject to publication or release to other parties or to disclosure, in accordance with access to information regimes under the Freedom of Information Act 2000 or the Data Protection Act 1998 or otherwise as required by law or in discharge of our statutory functions.

Please indicate if you regard all, or some of, the information you provide as confidential. If the Bank of England or the PRA receives a request for disclosure of this information, the Bank of England or the PRA will take your indication(s) into account, but cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system on emails will not, of itself, be regarded as binding on the Bank of England and the PRA.

Responses are requested by **Thursday 2 June 2016**.

Please address any comments or enquiries to:
Alivia Kratke and Alan Murray
Bank of England
Threadneedle Street
London
EC2R 8AH

Email: CP13_16@bankofengland.co.uk

Contents

1 Overview

1.1 This consultation seeks feedback on a draft supervisory statement which sets out the Prudential Regulation Authority's (PRA) expectations with regards to Article 275 of the Commission Delegated Regulation (EU) 2015/35 ('the Solvency II Regulation'), particularly the requirements relating to the identification of key staff (Article 275(1)(d))and deferral (Article 275(2)(c)).

1.2 This consultation is relevant to all UK insurance and reinsurance firms and groups within the scope of Solvency II including the Society of Lloyd's and managing agents ('Solvency II firms').

2 Background

2.1 The draft statement is intended to support compliance with Article 275 of the Solvency II Regulation and is designed to help ensure that the PRA meets its statutory objectives of ensuring safety and soundness of the firms it regulates and securing an appropriate degree of protection for policyholders. By clearly explaining its expectations of firms in relation to the key areas addressed, the supervisory statement could also help facilitate effective competition, the PRA's secondary objective, by ensuring the requirements are being applied consistently across Solvency II firms.

2.2 In 2015, as National Competent Authority (NCA), the PRA (as part of its Solvency II implementation programme) undertook a review of the remuneration policies and practices of significant PRA-regulated insurers and found that there was:

- concern among firms about the lack of clarity around the identification of risk takers, and that market participants would welcome guidance to prevent inconsistencies; and

- significant discrepancies in the variable remuneration thresholds to which deferrals might apply, and the proportion of deferral applied.

2.3 As a result, it was judged necessary for guidance to be issued to ensure that a broadly consistent approach to the implementation of the Solvency II Regulation requirements is adopted across firms.

3 Responses and next steps

3.1 This consultation closes on Thursday 2 June 2016.

3.2 The PRA invites feedback on the proposals set out in this consultation. Please send comments to CP13_16@bankofengland.co.uk by this date.

4 Proposals

4.1 From 1 January 2016, the remuneration requirements in the Solvency II Regulation became directly applicable to Solvency II firms. NCAs are expected to ensure that Solvency II firms are compliant. The PRA intends to monitor compliance with the regulatory requirements in the same way that it does for PRA rules.

4.2 The PRA has engaged with the Financial Conduct Authority (FCA) on this draft supervisory statement. The FCA will also monitor, through its usual supervisory channels, firms' remuneration policies and practices and whether there are any specific conduct issues being faced by firms that would impact firms' remuneration decisions.

4.3 The supervisory statement clarifies PRA expectations of how Solvency II firms should comply with the key Solvency II remuneration requirements such as identification of Solvency II staff (Article 275(1)(d)), deferral (Article 275(2)(c)), and performance measurement (Article 275(2)(b), (d) and (e)). The purpose of this statement is to ensure that the regulatory requirements are interpreted correctly and applied consistently across Solvency II firms with different outcomes due only to differences in the 'internal organisation of the insurance or reinsurance undertaking, and the nature, scale and complexity of the risks inherent in its business'.[1]

4.4 Please note, the expectations set out in the supervisory statement reflect the PRA's expectations at the time of writing and may be subject to change. For example, the Bank of England and Financial Services Bill proposes to introduce provisions in the Financial Services and Markets Act 2000 (FSMA) that would extend the Senior Managers and Certification Regime to insurers. Assuming the Bill receives Royal Assent, the PRA will need to consult on the roles that will be classified as 'certification functions', under the criteria set out in s63E of FSMA. The PRA will consider in due course whether the material risk takers (MRTs) identified by insurance firms should be included as certification functions (similarly to the approach taken for deposit-takers). This particular issue is not the subject of this consultation paper and will be covered in a separate consultation later this year.

5 The PRA's statutory obligations

Regulatory principles

5.1 In developing this supervisory statement, the PRA has had regard to the regulatory principles as set out in FSMA.

5.2 This draft statement is compatible with the Regulatory Principles as the PRA sets out transparent and proportionate expectations on firms in relation to the Solvency II Regulation. Setting out these expectations clearly also uses the PRA's resources efficiently.

Compatibility with the PRA's objectives

5.3 The draft statement will assist firms in developing their remuneration policies and enhance compliance with Solvency II standards. By providing guidance the PRA is seeking to support good governance systems and processes which will promote the safety and soundness of firms and contribute to the protection of policyholders, the PRA's primary objectives for insurers.

5.4 When discharging its general function in a way that advances its primary objectives, the PRA has, as a secondary objective, a duty to facilitate effective competition in the markets for services provided by PRA-authorised persons. Where proposals set out in this draft statement have the potential to change competitive conditions in the markets in which PRA authorised Solvency II firms operate, any potential impacts will be fully considered as part of this consultation.

Cost benefit analysis

5.5 This section covers the costs and benefits arising from the proposal set out in the draft supervisory statement. The proposal is expected to impact Solvency II staff across PRA

1 Article 275(3) of the Solvency II Regulation.

Category 1 and Category 2 insurance and reinsurance firms that are subject to Article 275 of the Solvency II Regulation remuneration requirements.

5.6 The draft supervisory statement aims to ensure that there is a clear and consistent interpretation of the remuneration rules across these firms.

Costs

5.7 The PRA expects costs to be minimal to the extent that the proposals do not create a barrier for smaller insurers to grow, for example by creating a 'cliff edge' in the deferral treatment of variable remuneration.

5.8 The proportionality thresholds set for individuals are aligned to those in the banking and the asset management industries. Anecdotal evidence suggests that levels of variable pay in the insurance sector are often lower than in the banking and asset management sectors, therefore the proportionality thresholds might be perceived as relatively high. In any case, care needs to be taken to ensure the application of proportionality does not distort competition for staff resources between these financial sectors, hence the proposal for a harmonised approach across the sectors, which the PRA considers to be compatible with the facilitation of effective competition.

5.9 Variations in pay structures can often be explained by differences in business models and in growth strategies. It is anticipated that Solvency II firms with entities subject to the Capital Requirements Directive (CRD) will already be applying deferral at the 40% variable remuneration threshold.

Benefits

5.10 The Solvency II remuneration requirements became effective from 1 January 2016. Variation in the way rules might be applied could risk a 'race to the bottom' with standards overall reduced. The statement is intended to reduce the potential for distortions to arise from firms' ability to apply the remuneration requirements inconsistently. For example, firms might compete for staff resources by adopting lower than the industry standard.

5.11 Deferred awards make it possible for Solvency II firms to apply malus adjustments to unvested variable remuneration if risk management failures or financial problems brought about by the transactions or activities of the individual or firm emerge over time. Setting out the PRA's expectations regarding the minimum variable remuneration deferral thresholds is intended to enhance risk management across Solvency II firms by reducing the focus on short-termism and the incentives for excessive risk-taking facilitated by higher levels of upfront variable pay. Solvency II staff should as a result, have stronger incentives to behave more prudently, protecting the interests of policyholders in return.

Impact on mutuals

5.12 In the PRA's opinion, the impact of the proposed rule changes on mutuals is expected to be no different from the impact on other firms.

Equality and diversity

5.13 The PRA may not act in an unlawfully discriminatory manner. It is also required under the Equality Act 2010 to have regard to the need to eliminate discrimination and to promote the equality of opportunity in carrying out its policies, services and functions. To meet its requirement, the PRA has performed an assessment of the proposals considered in this consultation and has not identified any equality or diversity implications.

Appendices

1	**Draft supervisory statement 'Solvency II: Remuneration Requirements'**
2	**Solvency II Remuneration Policy Statement Template for PRA Category 1 and 2 firms**

Appendix 1: Draft supervisory statement 'Solvency II: Remuneration requirements'

1 Introduction

1.1 This supervisory statement is relevant to all UK insurance and reinsurance firms and groups within the scope of Solvency II including the Society of Lloyd's and managing agents ('Solvency II firms'). The Prudential Regulation Authority (PRA) expects firms to read this statement alongside all relevant European legislation.

1.2 This supervisory statement clarifies the PRA's expectations of firms in complying with the requirements in Article 275 of the Commission Delegated Regulation (EU) 2015/35 ('the Solvency II Regulation'). This statement does not set absolute requirements as these are contained in the directly applicable Solvency II Regulation which came into force on 1 January 2016.

2 Compliance with the Regulation

2.1 The PRA expects all Solvency II firms to comply with the remuneration requirements of Article 275 of the Solvency II Regulation and with EIOPA's 'Guidelines on system of governance' finalised on 14 September 2015.

2.2 Group Supervision 17.1(2) of the PRA Rulebook (transposing Article 246 of Directive 2009/138/EC2 ('Solvency II Directive')) requires Solvency II firms to ensure that risk management and internal control systems are applied consistently across the Solvency II group, so there should not be significant deviations between what applies to the Solvency II entities and other entities in the group. The EIOPA Guidelines[1] confirm 'the holding company should ensure all undertakings that belong to the group comply with the [Solvency II] remuneration requirements' and that there should be a remuneration policy for the whole group.

2.3 All entities within the scope of a Solvency II group should have a consistent remuneration policy that is in line with the group's risk management strategies to ensure the Solvency II requirements (including the specific arrangements stipulated in Article 275(2)) are complied with across the group. It does not follow that the same remuneration policy should apply to every group entity but there should not be significant deviations between what applies to the Solvency II firms and other entities in the group. When considering how to comply, the PRA therefore expects non-EEA entities of UK Solvency II group firms, as well as UK branches of non-EEA insurers and reinsurers, to take account of the expectations set out in this supervisory statement.

2.4 The PRA recognises that many insurance groups contain banking and asset management entities which are subject to other regulatory regimes such as the Capital Requirements Directive (CRD IV), Alternative Investment Fund Managers Directive (AIFMD) and Undertakings for Collective Investment in Transferable Securities Directive (UCITS V), and thus different remuneration requirements may need to be applied within the group. However there will still need to be a high degree of consistency across individual firm policies to enable the remuneration policy to be controlled at the group level as required.

1 Guideline 9 1.40, Guidelines on system of governance, EIOPA-BoS-14/253 EN.

3 Solvency II staff

3.1 Article 275(2) of the Solvency II Regulation requires Solvency II firms to apply specific arrangements to 'the administrative, management or supervisory body, persons who effectively run the undertaking or have other key functions and other categories of staff whose professional activities have a material impact on the undertaking's risk profile'.

3.2 In order to satisfy the scope of this Solvency II staff identification requirement, the PRA expects the following individuals to be identified as being subject to Article 275(2) ('Solvency II staff'):

- board members;
- Executive Committee members;
- Senior Insurance Manager Function (SIMF) holders with PRA supervisory pre-approval and Significant Influence Functions (SIF) holders with Financial Conduct Autority (FCA) supervisory pre-approval;
- Key Function (KF) Holders reported to the PRA; and
- material risk takers (MRTs).

3.3 The PRA considers that, given the Senior Insurance Managers Regime (SIMR) applies to senior decision makers and those who manage the firm or who are responsible for key functions, it is appropriate that firms look to this population as a natural starting point when identifying staff in accordance with Article 275(2). This should include SIMF, SIF and KF Holders identified at a regulated entity level as well as at the higher group level.

3.4 The EIOPA guidelines[1] consider risk management, compliance, the actuarial and the internal audit function to be key functions. Individuals are considered to be holders of key functions if they perform functions of specific importance for the Solvency II entity in view of its business and organisation. Consequently, the PRA expects those with significant levels of responsibility for risk management, compliance, actuarial and internal functions (not just the heads at group level) to be identified as Solvency II staff at regulated entity level and across material business lines given the wholly different businesses of many subsidiaries and branches within group structures. The PRA has been clear that key functions should not necessarily be restricted to these four areas[2] with firms expected to consider whether there are any additional key functions of specific importance to the sound and prudent management of their business, such as the investment function, IT function or a claims management function.

3.5 As part of the supervisory review process, the PRA expects firms to be able to demonstrate that employees carrying out activities which have a material impact on the risk profile of the firm have been appropriately identified as MRTs. The PRA does not intend to mandate the specific arrangements and processes that firms should put in place. Rather the responsibility falls to firms to develop consistent materiality thresholds across their identification process. For example, firms may consider setting a quantitative risk threshold (monetary or other

1 Para 1.4, Guidelines on system of governance, EIOPA-BoS-14/253 EN.
2 See Supervisory Statement 35/15 'Strengthening individual accountability in insurance', August 2015; www.bankofengland.co.uk/pra/Pages/publications/ss/2015/ss3515.aspx, and letter from Sam Woods to PRA-regulated insurance firms, 25 August 2015; www.bankofengland.co.uk/pra/Documents/supervision/strengtheningacc/simr0815.pdf.

metrics) to identify underwriters with significant underwriting limits relative to the firm's overall risk tolerance, or investment managers able to commit to significant credit risk exposures and market risk transactions above a certain material threshold.

3.6 Based on the risk profile specific to the firm, to meet the standards expected, firms should seek to:

(i) Identify individuals able to take material risks.

Key factors to consider

- The firm should take into account the types and severities of risks to which it is exposed as well as its aggregated risk appetite when assessing whether the activities of the individual could have a material impact on the risk profile of the firm.

- Individuals operating within the constraints of committee-set limits on their authority should not systematically be excluded from identification. The risk taking authority and level of decision-making responsibility attached to the role should still be properly assessed with the individual identified if there is the potential for their decisions to increase materially the risk of harm to the firm in reasonably foreseeable adverse scenarios.

(ii) Identify individuals able to influence material risk taking.

Key factors to consider

- Individuals working within key functions with significant levels of responsibility for monitoring adherence to the risk appetite and framework should be identified, particularly if they have overall responsibility for their function within a material division or business line.

- Members of committees responsible for the oversight of risk-taking activities (eg setting risk appetite limits) across the firm, or group, or material business lines should be identified.

3.7 Individuals not employed by a Solvency II entity within the group where the individual performs activities which have a material impact on the risk profile of a Solvency II entity within the group, or for the group as a whole, should be categorised as Solvency II staff and subject to the specific remuneration arrangements set out in Article 275(2) of the Solvency II Regulation.

3.8 The PRA expects firms to engage with their supervisors prior to finalising their approach for identifying MRTs. A record should be kept of the assessment made and the final list of staff identified for each performance year.

4 Deferral

4.1 Article 275(2)(c) of the Solvency II Regulation requires firms to defer a 'substantial portion of the variable remuneration component' for a period of not less than three years. There is no flexibility in the Solvency II Regulation for Solvency II firms to elect a shorter period than this specified minimum three year period, with firms required to ensure that the period (be it three years or longer) is 'correctly aligned with the nature of the business, its risks, and the activities of the employees in question'. The natural life cycle of the business and associated risks should be considered when setting the length of the deferral period. There may also be the potential for multi–period schemes to operate within the same deferred bonus plan or Long Term Incentive Plan (LTIP). The actual arrangements put in place to comply with this requirement will remain, however, a discretionary matter for the firm.

4.2 The 'variable remuneration component' should be read as the aggregate amount awarded in a given performance year from bonus plans, LTIPs and/or any other variable remuneration plans in which the individual participates.

4.3 The PRA believes that a minimum of 40% represents a 'substantial portion' of variable remuneration to be deferred for a minimum of 3 years. The language in the Solvency II Regulation is identical to the CRD text which applies to banks, building societies and investment firms, except that the CRD text includes a specific 40% minimum deferral threshold. Based on current industry practice, the PRA is of the view that this recommended threshold will have a proportionate impact on firms.

4.4 Deferral of variable remuneration allows firms to apply downwards adjustments, in particular by the application of malus[1] prior to the award vesting, to take account of specific risk management failures. Firms should ensure they are able to apply malus during the three year deferral period required by the Solvency II Regulation.

5 Performance Measurement

5.1 Article 275 (2)(b) requires the total amount of variable remuneration to be based on a 'combination of the assessment of the performance of the individual and of the business unit concerned and of the overall result of the undertaking or the group to which the undertakings belongs'. Performance should also be assessed based on financial and non-financial criteria (Article 275 (2)(d)). To encourage positive behaviours or actions, incentive plans should incorporate non-financial criteria, particularly at the individual assessment level. These criteria should include the extent of the employee's adherence to effective risk management and compliance with the relevant regulatory requirements relating to the activities of the employee in question.

5.2 Article 275(2)(e) requires performance measurement as a basis for variable remuneration for Solvency II staff to 'include a downwards adjustment for exposure to current and future risks, taking into account the undertaking's risk profile and the cost of capital'. The PRA recognises that, given the risks faced by Solvency II firms will vary subject to the business models and operational approaches to risk mitigation within the firm, it is appropriate to allow for a degree of flexibility. The PRA will expect firms to be able to demonstrate how they have taken into account the risks they face in the short to long term and the cost of capital when determining variable remuneration at aggregate and individual level. To reflect this

1 Malus is defined for CRD firms in the EBA Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU as 'an arrangement that permits the institution to reduce the value of all or part of deferred variable remuneration based on ex post risk adjustments before it has vested'.

requirement firms should strongly consider incorporating risk-adjusted metrics alongside regular discretionary factors.

5.3 Individual performance assessment for bonus or LTIP awards should be based on a balanced scorecard comprising financial and non-financial criteria. Firms' attention should be drawn to the current practice in the banking sector whereby the weightings attached to profit measures (eg net income) or value creation measures (eg total shareholder return (TSR) or return on equity (RoE)) are restricted and should be employed only as part of a balanced, risk-adjusted performance scorecard.

5.4 Article 275(2)(f) stipulates that 'termination payments shall be related to performance achieved over the whole period of activity and be designed in a way that does not reward failure'. Termination payments for Solvency II staff should be fair and proportionate relative to prior performance.

6.1 Article 275(3) of the Solvency II Regulation provides for the application of the proportionality principle with the 'internal organisation of the insurance or reinsurance undertaking, and the nature, scale and complexity of the risks inherent in its business' to be taken into account when designing the remuneration policy.

6.2 The PRA takes the view that applying the specific expectations in this statement to smaller insurers (the majority of which operate in one locality or niche market) would have a disproportionate cost impact on these firms and that PRA Category 1 and 2 firms are more likely to need to meet the expectations set out in this statement in order to comply with the regulatory requirements. It is therefore appropriate to limit the application of these minimum expectations as set out in this supervisory statement to significant firms only (Category 1 and 2 PRA regulated firms).[1]

6.3 The PRA will still expect smaller firms to give proper consideration to the remuneration requirements in the Solvency II Regulation when setting their remuneration policies.

6.4 For UK banking and asset management entities (subject to CRD, AIFMD and UCITS V) the specific requirements on deferral can be disapplied if an individual has total remuneration of no more than £500,000 and with variable remuneration awarded of no more than 33% of their total remuneration. To ensure a consistent approach across sectors and to limit the potential for disproportionate outcomes, the PRA will take into account this proportionality threshold when considering firms' compliance with the specific Article 275(2) requirements to its Solvency II staff. For Solvency II staff performing activities for the firm for only part of the performance period, the quantitative threshold can be adjusted relative to the months for which services were performed.

7 Disclosure

7.1 To enable firms to demonstrate how their policies, practices and procedures are meeting the requirements in the Solvency II Regulation and the expectations in this statement, the PRA has designed a remuneration policy statement ('RPS') template for PRA-regulated Category 1 and 2 Solvency II firms to use. The RPS and Solvency II staff table will be available on the Bank of England's website for Category 1 and 2 firms to download and submit. The template meets the PRA's expectation of the level of detail which should be included when asked to

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1 The 'PRA's approach to insurance supervision' March 2016 explains that Category 1 and 2 firms are deemed significant within the PRA's supervisory framework model; www.bankofengland.co.uk/publications/Pages/other/pra/supervisoryapproach.aspx.

demonstrate compliance with the Solvency II Regulation. However, use of this template is voluntary as the PRA recognises that some firms may prefer to document how their remuneration policies comply with the Solvency II requirements in a different way.

7.2 Any questions on the reporting template should be referred to the firm's usual supervisory contact.

Appendix 2: Solvency II Remuneration Policy Statement Template for Category 1 and 2 firms

Purpose of the template

All firms within the scope of Solvency II are expected to ensure that their remuneration policies and practices comply with the requirements set out in Article 275 of the Commission Delegated Regulation (EU) 2015/35 ("Solvency II Regulation").

To record those policies, practices and procedures, and assess their compliance with the rules for the 2016 performance year, PRA Category 1 and 2 firms may complete this Remuneration Policy Statement (RPS) template. This template sets out the principal questions we intend to ask as part of our supervisory assessment. The template meets our expectation of the level of detail which should be included. It is not compulsory and you may choose to document your remuneration policies in a different way. However, if you choose not to use this template, you should ensure that you provide all the information that we need (as indicated by this template) in a clear and structured manner. Completing the template is not a substitute for considering and applying the Solvency II Regulation; reliance on filling out the template alone will not demonstrate compliance.

The information you provide is requested as part of our Solvency II supervision framework and is principally requested to facilitate the PRA's review of remuneration policies. All confidential information will be subject to the FSMA confidentiality regime.

The PRA's Supervisory Statement on Solvency II Remuneration should be read before completing this template. Please note that all legislative references in this RPS are taken from Article 275 of the Solvency II Regulation.

Your completed RPS (or equivalent document) plus relevant supporting documentation should first be reviewed and **approved by your firm's Remuneration Committee** (RemCo) or the equivalent body in the UK with responsibility for remuneration policies. It should then be **emailed to your normal supervisory contacts at the PRA and to** remuneration@bankofengland.co.uk. Please note, that your completed RPS may be shared with your supervisory contacts at the FCA.

For firms with an accounting reference date of 31 December 2016, we request submission of this RPS by **30 September 2016**. For firms with an accounting reference date later than 31 December 2016, the RPS should be submitted no later than 9 months after the end of the preceding financial year.

Completing your RPS – group structures

Where your firm is part of a group which is regulated by the PRA and the FCA, the Solvency II remuneration rules must be applied at group, parent undertaking and subsidiary undertaking levels.

Please complete the following worksheet as published on our website and send them to us by the dates shown below.

Table	Data request	Timing/deadline
RPS T1	**Solvency II staff list**	Submitted with your completed RPS

Firm Specific Information		
Please list any undertakings with permission to conduct regulated activities under the Financial Services and Markets Act within your group to whom the Remuneration Rules apply.		
Firm Name	**FRN**	**PRA Firm Category Level**
		Level 1 / 2

Provide contact details			
Provide contact details of the key individual(s) who we should contact within your firm regarding your firm's compliance with the Solvency II remuneration requirements.			
Name	**Job Title**	**Phone No.**	**Email**

Remuneration Schedule	
Please indicate when the following events are likely to occur, providing additional details if appropriate.	
Date Solvency II Identified Staff population finalised for current performance year	
Date of review of Solvency II Staff population (e.g. ensure new joiners have been assessed)	
Performance year end date:	
Bonus pool finalised:	
Individual awards data finalised:	
Date financial results are publically announced	
Planned communication date(s) for all staff:	

A.	**Remuneration Policies**
A.i	Briefly describe how your firm ensures that its remuneration policies are in line with its business strategy, risk profile, objectives, risk management practices and long-term interests and detail any measures incorporated to avoid conflicts of interest. *(Article 275 1.a)*

A.ii	Briefly describe how your firm ensures that its remuneration policy promotes sound and effective risk management and does not encourage risk-taking that exceeds the firm's levels of tolerated risk. *(Article 275 1.b)*
A.iii	Does your firm have a Remuneration Committee (RemCo) established within the UK? If not, who has oversight of the remuneration policy for your firm? *(Article 274. 1.e and f)*

B.	Solvency II Identified Staff
B.i	In accordance with the requirements of Article 275(1)(c) of the Solvency II Regulation specific remuneration arrangements should be applied to the 'administrative, management or supervisory body, persons who effectively run the undertaking or have other key functions and other categories of staff whose professional activities have a material impact on the undertaking's risk profile'. Please set out the high level framework you have used to determine which of your staff are Material Risk Takers (MRTs). You may wish to provide information as an attachment to this RPS.
B.ii	With regard to Solvency II Identified Staff engaged in the risk management, compliance, internal audit and actuarial function, briefly explain how your firm ensures that the variable remuneration is independent from the operational units under their control. *(Article 275.2.h)*
B.iii	Have you ensured that any early termination payments made to Solvency II Identified Staff in the current performance year reflect performance achieved over the whole period of activity and do not reward failure? *(Article 275.2.f)*
B.iv	What arrangements do you have in place to ensure that your Solvency II Identified Staff undertake not to use personal hedging strategies or remuneration and liability-related insurance to undermine the risk alignment effects embedded in their remuneration arrangements? *(Article 275.2.g)*
B.v	How do you ensure that the fixed and variable remuneration components are appropriately balanced with the fixed portion representing a sufficiently high proportion of total remuneration which allows the operation of a fully flexible policy on variable remuneration components including the possibility to pay no variable remuneration component? *(Article 275.2.a)*

C.	**Risk adjustment - Bonus Pool Size**
C.i	**Bonus Pool Size** Please provide a high level summary of the process your firm follows to determine the overall bonus pool amount providing detail on how the performance measurement includes a downward adjustment for exposure to current and future risks and takes into account the firm's risk profile and the cost of capital. *(Article 275.2.e)*
C.ii	Please explain how the bonus awarded and any executive incentive scheme (e.g. Long-term Incentive Plan (LTIPs)) is based on a combination of the performance of the individual, the business unit concerned and the overall results of the firm.*(Article 275.2.b)*

E.i Please list all **bonus schemes** or other reward or compensation schemes (including those in place for partnerships and other legal structures) that Solvency II Identified Staff participate in and provide a high-level description of each scheme, including: • numbers of participants; • the performance measures (financial and non-financial) used and the risk adjustment (including discretionary factors) applied to determine whether and how much the scheme will pay out; • determination of the substantial deferred portion; • the length of the deferral period; • the proportion of the unvested deferred portion that is subject to performance adjustment (i.e. malus); • the vesting schedule (i.e. pro-rata basis; cliff vesting at the end of the performance period or any other combination); • award composition (i.e. proportion in shares/cash etc.);and length of a retention policy if applied.
Bonus scheme 1 …
Bonus scheme 2 …

E.ii Please list all **executive incentive schemes** (e.g. Long Term Incentive Plans (LTIPs); or carried interest schemes where not linked to an individual's co-investment) that could incentivise Solvency II Identified Staff for future performance and provide a high-level description of each scheme, including: • number of participants; • the structure of the scheme's awards, including a description of the initial award (e.g. deferred cash, shares, share options, phantom shares) and the form of the proposed payout (e.g. proportion in shares, cash etc); • the length of the scheme's performance period; • the performance measures (financial and non-financial) used and the risk adjustment (including discretionary factors) applied to determine whether and how much the plan will pay out; • the vesting schedule (i.e. pro-rata basis; cliff vesting at the end of the performance period or any other combination); • the proportion of the unvested deferred portion that is subject to performance adjustment (i.e. malus); and • The length of a retention policy if applied.
Scheme 1…
Scheme 2 …

RPS Table 1: Solvency II Identified Staff Complete and return with your RPS

Instructions:	Please refer to Article 275 of the Commission Delegated Regulation (EU) 2015/35 ("Solvency II Regulation") and the PRA's Supervisory Statement on Solvency II Remuneration. Please include all Solvency II Staff identified at any part of the current performance year Please return this information in Excel format, rather than as an embedded document or a PDF

Group Name:

Performance Year:

Solvency II Identified Staff List						Which category of Solvency II Identified Staff in Article 275 (1) (c) applies to this individual? Please select 'Yes' under all criteria that may apply						Senior Insurance Managers Regime						
Staff Unique Identifer	Name of Individual (optional)	Firm/Entity Name	Location	Line of business	Job Title	Administrative body member	Management body member	Supervisory body member	Effectively runs the undertaking	Key Function Holder	Material Risk Taker (MRT)	Has this individual been designated a Senior Insurance Manager Function (SIMF)?	If the answer to column 'M' is 'Yes', please specify the Senior Insurance Manager Function (SIMF)	Has this individual been designated an FCA Significant Influence Function (SIF)?	If the answer to column 'O' is 'Yes', please specify the Signifcant Influence Function (SIF)	Has this individual been notified to the PRA as a Key Function Holder (KFH)?	If the answer to column 'Q' is 'Yes' please specify the Key Function.	Is this individual likely to have a remuneration structure consistent with both parameters described in paragraph 6.3 of the PRA Supervisory Statement?
					E.g Head of Sales	[Drop Down List]	[Drop Down List]	[Drop Down List]	[Drop Down List]	[Drop Down List]	[Drop Down List]	[Drop Down List]		[Drop Down List]		[Drop Down List]		[Drop Down List]