Remuneration

Application

The Remuneration Policy (“the Policy”) of Two Sigma International Limited (“TSIL” or “the Firm”) set out below covers all aspects of remuneration within the scope of the MIFIDPRU Remuneration Code applicable to small and non-interconnected (“SNI”) investment firms and all of their staff.

As a MIFIDPRU investment firm, we must establish, implement and maintain gender neutral remuneration policies and practices that are appropriate and proportionate to the nature, scale and complexity of the risks inherent in the business model and the activities of the Firm.

This Policy is designed to promote sound and effective risk management by aligning risk and reward. The basic remuneration requirements in the MIFIDPRU remuneration code require that this policy:

- is in line with the strategy risk appetite, objectives and long-term interests of the Firm;
- considers environmental, social and governance risk factors, the Firm’s culture and values and the long-term effects of the investment decisions taken;
- contains measures to avoid conflicts of interest;
- encourages responsible business conduct within the Firm; and
- does not encourage excessive risk taking as compared to the Firm’s risk appetite.

This Policy should be read in conjunction with the Employee Handbook and the Senior Managers & Certification Regime Policy within the TSIL Compliance Manual (“SM&CR Policy”) which sets out the specific FCA rules under the SM&CR, including the requirement to comply with the relevant Conduct Rules set out in the Code of Conduct sourcebook (otherwise known as COCON) of the FCA Handbook.

The Firm applies this policy in relation to its provision of investment services to all clients, specifically, its parent company, Two Sigma Investments, LP.

The Firm has implemented policies, procedures and practices to identify, measure, manage and monitor risk. The Firm believes that these are proportionate given the nature, scale and complexity of the Firm’s activities and risk tolerance.

The Firm’s policies and procedures aim to mitigate any potential conflicts that may arise between staff members and clients, between staff members and the Firm and between one client and another/others. The Firm’s remuneration policies and practices are aligned with effective conflicts of interest management duties and conduct of business risk management obligations, to ensure that clients’ interests are not impaired.

The Firm’s remuneration policies and practices are designed in such a way so as not to create incentives that may lead relevant persons to favour their own interest, or the Firm’s interests to the potential or actual detriment of clients. The Firm considers all relevant factors in setting remuneration such as, but not limited to, the role performed by relevant persons, the type of product or service offered, and the methods of distribution to prevent potential conduct of business and conflicts of interest risks from adversely affecting the interests of their clients and to ensure that the Firm adequately manages any related residual risk.

The Firm's remuneration policies and practices ensure that the ratio between the fixed and variable components of the remuneration is appropriate to take into account the best interests of its clients.

The Firm does not remunerate or assess the performance of its staff in a way that conflicts with its duty to act in the best interests of its clients.

The Firm considers remuneration policies and practices and the risk that new products or services may pose when launching products or services in accordance with the rules and guidance in SYSC 19F.

Governance arrangements to oversee remuneration

Given the size, internal organisation and the nature, scope and complexity of the activities of the Firm it does not have a separate supervisory function or Remuneration Committee, therefore the Remuneration policy's supervisory function will be undertaken by the Firm's Governing Body. The Governing Body of the Firm is the Firm's Board. The Governing Body is responsible for approving and maintaining this Policy and overseeing the implementation of this Policy which will align the Firm's remuneration practices with its risk tolerance.

External consultants Kroll have provided a third-party review for the purpose of assisting in the determination of the Remuneration Policy. The external consultant has also provided independent review of any changes to remuneration policies and procedures put in place to meet the requirements of IFPR relating to remuneration arrangements contained in the SYSC 19G Remuneration Code.

The Governing Body is responsible for the total process of risk management, which includes the Risks which emanate from the way in which the Firm compensates its staff. The Governing Body sets the risk profile of the Firm and its related policies and procedures as detailed below.

The Governing Body decides the Firm's tolerance to risk – those risks it will accept and those it will not accept in the pursuit of its goals and objectives. In addition, the Governing Body ensures that the Firm has implemented an effective, ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and subsequently to ensure that such risks are actively managed.

The Governing Body in conjunction with Human Resources sets the overall Remuneration Policy for the Firm.

The development and review of the remuneration policy is supported by Compliance, Human Resources and by business units. The Remuneration Policy will then be presented to the Firm's Governing Body for its review and approval at least annually. The Governing Body is responsible for ensuring the Remuneration Policy is properly implemented.

The Firm is aware that conflicts of interest may arise if other business areas have undue influence over the remuneration of staff in control functions. Staff operating in compliance and risk management have appropriate authority and are independent from the business units they oversee. They are remunerated according to their objectives which are independent of the performance of the business areas they control.

The Board sets the overall remuneration policy for the Firm. This is reviewed at least annually, taking account of the current and future risks and the costs and quantity of capital and liquidity required, having regard to the Firm's financial forecasts.

Retained shares or instruments

TSIL does not award any retained shares. The primary variable pay, which is discretionary, is a Bonus (the "**Bonus Scheme**" or "**Bonus**") which is paid in cash at the end of the year, subject to individual performance assessment and appraisal process. In addition, TSIL employees may receive grants, which generally vest over a period of 3 years subject to certain forfeiture provisions, and are payable in cash after the final vesting date.

Deferral

In respect of deferral arrangements, TSIL automatically defers 20% of variable remuneration (Bonus) for a period of 4 years for all Personnel whose total compensation in a calendar year is £60,000 or more.

Performance adjustment

TSIL does not have an ex-post risk adjustment process although the Firm does reserve the right to adjust Bonuses.

Ratio between fixed and variable pay

TSIL's compensation structure adopts the Two Sigma model and is based on a thorough review of the competitive market for comparable roles. The base salary and target incentive levels are aligned with those of our competitors. The Firm believes that its current compensation package strikes an appropriate balance between fixed and variable remuneration and is aligned with market practice.

Risk management

The Firm has implemented policies, procedures and practices to identify, measure, manage and monitor risk. The Firm believes that these are proportionate given the nature, scale and complexity of the Firm's activities and risk tolerance.

Independent review

The Remuneration Code contemplates that remuneration policies and arrangements should be independently reviewed, but accepts that this may not be proportionate or appropriate in all cases. The Firm believes that an independent review of its remuneration policies and arrangements would be unnecessary, in light of the Firm's size, and the nature, scope and complexity of its activities.

Remuneration risk

Remuneration principles require the Firm to put in place remuneration policies and procedures that are consistent with and promote sound and effective risk management, and do not encourage excessive risk taking. The Firm considers the key risks of its remuneration practices to be:

- the risk of failing to adequately incentivise top talent in the context of recruitment and retention, in order to achieve superior returns. The Firm believes that Personnel play a key part in its overall success. Because of this, the Firm is committed to providing a total remuneration package that enables the Firm to attract, reward and retain high performers;

- the risk of misalignment between the interests of Personnel and the interests of the Firm; and
- the risk that the costs of incentivising Personnel prejudice the Firm's capital bases or liquidity adequacy in a difficult year.

TSIL's compensation standards are intended to promote sound and effective risk management and do not encourage excessive risk taking. These standards are intended to provide an appropriate balance of risk and reward in relation to TSIL's overall business strategy and risk profile, and do not incentivize Personnel to take unnecessary or excessive risk because:

- The base salary component is fixed and therefore does not encourage risk-taking;
- The Bonus Scheme is discretionary and a proportion of it is subject to mandatory deferral;
- Salaries are reviewed by HR on an annual basis;
- Compensation is always determined through a process which considers each individual's performance, the performance of their department, the Firm and Group as a whole among other factors; and
- HR continually assesses compensation risk as part of their role in overseeing executive compensation.

How the Firm remunerates Personnel and addresses remuneration risk

TSIL's remuneration policies and procedures are designed to ensure compliance with the IFPR. The Firm has adopted a remuneration framework that accounts for the Firm's overall performance, team/relevant business unit performance and individual performance. The Firm is dedicated to ensuring that Personnel are not remunerated for exceeding the risk tolerances of the Firm. When assessing individual performance, TSIL takes account of financial as well as non-financial criteria and ensures all criteria are gender-neutral.

TSIL recognises that poor performance, such as poor risk management and other behaviours which are not in line with the Firm's values or in breach of the Fit and Proper rule and/or Conduct Rules, may pose a threat to the Firm's financial soundness. These risks are acknowledged and managed in the following way:

- All Personnel are subject to an annual performance appraisal process, including a review by each Person's group manager together with HR, and Compliance if required, followed by a separate meeting with HR/Compliance if needed.
- Incentive compensation paid to Personnel is based upon the Person's achievement of the Firm's values and objectives and meeting the Firm's expectations as to Personnel conduct among other factors.
- All Personnel are expected to uphold the highest ethical standards in business practices, comply with applicable regulation and internal policies and procedures and support the Firm's long-term objectives.

- At the managerial level, Personnel are expected to promote growth and development of the members of their team, as well as support business development efforts and relevant projects.
- Excessive-risk taking is mitigated through adequate supervision by senior Personnel.

Fixed salary

Personnel are offered a fixed salary. The Firm intends for this regular flow of income to give Personnel financial security. A Person's fixed salary is determined by the relevant job role and associated responsibility, as well as his or her experience and market rates.

Salaries are reviewed annually and may be increased if the Board, US Compensation Department, relevant group manager, as well as Compliance and HR if needed, believes this is appropriate. In deciding whether to increase salaries, the Firm generally considers independent market data obtained through benchmarking, team and individual performance, compliance with applicable FCA rules, such as Conduct Rules, experience and skill, and what any salary increase would mean in the context of Personnel's total remuneration package. Performance of the Firm as a whole is also considered as part of the salary review process. Personnel are not automatically entitled to an increase in salary in any given year.

Annual discretionary bonus

On an annual basis, the Firm may award Personnel discretionary Bonuses. The Firm awards Bonuses to reward and incentivise financial and non-financial performance and contribution in a fair and reasonable way. The Firm believes that Bonuses help it to: (i) retain Personnel; (ii) remain a competitive employer within the industry; and (iii) manage risk, as they help to align the interests of Personnel with the interests of the Firm.

Bonuses are discretionary. 20% of the Bonus for eligible Personnel is automatically deferred for a period of 4 years. A Bonus awarded in one year does not entitle a Person to a Bonus in another year. Decisions regarding Bonuses will generally be made on the basis of the Firm's performance, team performance and individual performance (including individual's compliance with the Firm's culture and values). Personnel are measured against specified goals that are communicated throughout the year by their group managers and the annual appraisal process that begins in October of each year.

Decisions regarding Bonuses are typically communicated to Personnel by their group managers in the fourth quarter, and Bonuses are normally paid out towards the end of the fourth quarter. Where a Person has been awarded a Bonus, the payment of that Bonus is generally conditional upon him or her remaining employed by the Firm on the date that the Firm pays Bonuses.

All Bonuses (and other variable remuneration, if applicable) are paid directly by TSIL or another entity affiliated with the Firm.

Under MIFIDPRU 8.6.8R(2), the Firm must disclose the total amount of remuneration awarded to all staff, split into:

- fixed remuneration; and
- variable remuneration.

For 2022, please see below.

Total Remuneration	£28,605,225
Fixed Remuneration	£14,182,480
Variable Remuneration	£14,422,745

Guaranteed Payments

Normally, the Firm does not compensate Personnel by means of guaranteed variable remuneration. However, from time to time, Personnel may be awarded guaranteed variable remuneration. In accordance with SYSC 19A.3.40R, the Board will consent to the provision of guaranteed variable remuneration only if:

- the payment relates to the relevant Personnel's first year of service at the Firm;
- the circumstances are exceptional;
- the payment occurs in the context of hiring new Remuneration Code Staff; and
- the Firm has a sound and strong capital base.

Additionally, when agreeing to a remuneration package relating to compensation for, or buy out from, an individual's prior employment contract, the Firm will seek to structure the package to ensure that the individual's interests align with the long-term interests of the Firm and they are subject to appropriate retention, deferral, performance and clawback arrangements.

Pension plan

The Firm operates a pension (the "**Plan**"), which is offered to all Personnel. The Firm makes a monthly contribution toward the Plan as follows: (i) if the Personnel contributes at least 3% of monthly salary, the Firm will contribute an amount equal to 6% of the monthly salary; and (ii) if the Personnel contributes 4% or more of monthly salary, the Firm will contribute an amount equal to 8% of the monthly salary.

Input of the Compliance function

The Firm recognises that Compliance should have input into setting the Policy for other business areas, particularly in light of the Senior Managers & Certification Regime. Accordingly, to the extent that Compliance has concerns about the conduct or behaviour of any Personnel, from a risk, conduct or compliance perspective, Compliance will raise such concerns with the relevant Personnel's group manager and/or HR in the first instance. If necessary, Compliance will then discuss these with the Board. These concerns may be raised with the member of Personnel concerned during their appraisal meeting and may have an impact on determining the Personnel's remuneration.

Personal investment strategies

The Firm is committed to ensuring the effectiveness of its policies and procedures. These are designed to reward Personnel acting within the Firm's risk tolerances and to ensure that the Firm is adequately capitalised with sufficient liquid assets. They are also designed to ensure the alignment of interests among Personnel and the Firm.

In light of Remuneration Principle 10, Personnel may not engage in behaviour or personal transactions designed to undermine such alignment. Personnel who engage in personal securities transactions must do so only in accordance with the Firm's Code of Ethics and Conduct Policy and Personal Account Dealing Procedures.

Conflicts of interests

In accordance with Remuneration Principle 3, the Firm has adopted policies and procedures designed to mitigate conflicts of interest between and among Personnel and the Firm.

Personnel should consult the Firm's Conflicts of Interest Policy, Personal Account Dealing Procedures and Code of Ethics for more detail.

Payments related to early termination

The Firm considers the relevant Person's financial and non-financial performance upon their departure in determining if a discretionary payment is made to that Person upon departure from the Firm. Additionally, the Firm will ensure that any such payments do not impact materially the Firm's ability to meet its capital requirements or reward failure, misconduct or breach of Conduct Rules (whether advertently or inadvertently).

Exceptional governmental intervention

The Firm has not received any exceptional government intervention, nor is it anticipated by the Board that the Firm would qualify for such intervention.

Statement of responsibility

The FCA rules require the Firm to establish, implement and maintain remuneration policies, procedures and practices that are consistent with and promote sound and effective risk management practices. The Board is responsible for this Policy. In light of this, the Board has acknowledged its responsibility for periodically reviewing, and overseeing the implementation of, this Policy.

On at least an annual basis, the Remuneration Policy will be reviewed by Compliance. As part of its review, Compliance will consider whether the Policy, and the Firm's remuneration arrangements, remain consistent with, and account for:

- the IFPR;
- the Firm's business strategies, objectives, values and long-term interests;
- the Firm's current and anticipated future financial conditions; and
- whether any amendments should be made to this Policy and the Firm's remuneration arrangements and, if so, how those amendments should be implemented.

Material changes will be presented to, and ratified by, the Board on an annual basis. The Board's meeting minutes shall reflect such review and ratification.

Remuneration disclosure

The Firm will also be required to make certain public disclosures in relation to this Policy. Once required, these disclosures will be made annually on Two Sigma's website. Compliance will monitor that such disclosures are made at least annually.

Controls

The Firm maintains a Conflict of Interests Policy within the Firm's Compliance Manual which would include any potential remuneration conflicts of interest which result from the way in which the Firm remunerates its staff. None have been identified at this time. The Firm has, therefore, not needed to implement policies to mitigate these potential remuneration conflicts of interest. In circumstances where the Firm is unable to mitigate a conflict, the conflict would be disclosed to the client and included in the Firm's Risk Register, where appropriate.

The Firm ensures that it has adequate controls for compliance with its remuneration policy and practices to ensure that they deliver intended outcomes. Such controls include assessing the quality of the service provided to the client by reviewing client documentation through its Compliance Monitoring Programme. The Compliance Monitoring Programme includes an effective risk identification and mitigation process, focused on incentive schemes and the effectiveness of controls, taking into account customers' interests.

In accordance with the UK's Investment Firms Prudential Regime ("IFPR"), the Firm ensures that the ratio between the fixed and variable components of the remuneration is appropriate to take into account the best interests of its clients. When assessing performance for the purposes of determining variable remuneration, the Firm does not only take sales volumes into account as this can create conflicts of interest which can ultimately result in detriment to the client. The Firm considers other qualitative criteria in setting variable remuneration that encourages employees to act in the best interests of the client. Examples include compliance with regulatory requirements and internal procedures, fair treatment of clients and client satisfaction.

The Firm keeps records of the firm's services and transactions undertaken in accordance with SYSC 9.1.1AR to facilitate compliance with the rules on remuneration incentives.