



Smart Investment Management Limited

FRN 627829

MIFIDPRU 8 Disclosure

As at:

31 December 2022

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1 Introduction and Context

1.1 Firm Overview

Smart Investment Management (“SIM” or “the Firm”) is authorised and regulated by the Financial Conduct Authority (“FCA” or “the regulator”) in the United Kingdom. SIM administers investment management services, primarily to platform clients of Morningstar Wealth Administration Limited and Morningstar Wealth International Limited, through its model portfolio services and fund management offerings. SIM is categorised as a MIFIDPRU investment firm as defined by the FCA and subject to the Prudential sourcebook for MIFID Investment Firms. As per MIFIDPRU 1.2, SIM is classified as a Small and Non-Interconnected (“SNI”) firm.

1.2 Basis of Disclosure

As SIM is classified as an SNI firm, it is required by MIFIDPRU 8 to disclose information regarding its 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 SIM in accordance with the requirements of MIFIDPRU 8. Unless otherwise stated, all figures are as at the Firm’s 31 December financial year-end.

1.3 Scope

The Firm has completed this disclosure on an individual basis, as per the rules in MIFIDPRU 8.1.7.

1.4 Frequency

The rules set out in MIFIDPRU 8.1.10R require that the information contained in this document is disclosed at least annually, on the date it publishes its annual financial statements. The Firm considers it appropriate to update the disclosure document more frequently during periods of significant material change to the Firm or business model.

1.5 Media and Location

The disclosure document is published on the Firm’s website: <https://morningstarwealthplatform.com/smart-im/regulatory-and-policies/>

2 Remuneration

2.1 Approach to Remuneration

The Firm's Remuneration Policy is applicable to all of the staff of SIM, to the extent specified. SYSC 19G.1.24G provides that the term "staff" should be interpreted broadly to include, for example, employees of the firm itself, partners or members (in the case of partnership structures), employees of other entities in the group, employees of joint service companies, and secondees.

2.2 Remuneration Policy

The Firm's Remuneration Policy outlines the policies and processes of remuneration for all of the Firm's staff. The policy aims to reflect the Firm's business philosophy of maintaining sound operational and regulatory systems and controls and a strong Compliance culture. The Remuneration Policy is reviewed by Compliance and the Board on an at least annual basis in order to ensure that the terms are in line with current regulatory requirements.

As the governing body, the Board must discharge effective oversight to enable the Firm's arrangements to strengthen prudent risk taking measures, ensure related conflicts of interest are managed and promote good conduct. Furthermore, the Board ensures prudential obligations, capital requirements, and liquidity management are considered accordingly when determining remuneration paid to employees.

It is the Firm's intention that its Remuneration Policy:

- Discourages risk-taking beyond the Firm's risk appetite;
- Discourages behaviours leading to misconduct and poor customer outcomes;
- Supports good behaviours and healthy firm culture; and
- Establishes and promotes sound and effective risk management practices.

2.3 Remuneration Governance

The Compensation Committee of the Firm's ultimate parent, Morningstar, Inc. is responsible for oversight of the Firm's remuneration policy and practices. In addition to the Compensation Committee, input regarding remuneration is also provided by the Board of Directors of the ultimate parent, Morningstar, Inc. and the Board of Directors of the Firm.

The Compensation Committee and the Board of Directors of Morningstar, Inc. are responsible for ensuring that proposed remuneration is in line with the Firm's performance, determined by comparison to both financial and non-financial criteria. The Board of Directors of the Firm are responsible for ensuring that the proposed remuneration is aligned with the Firm's risk approach and all applicable regulatory requirements.

2.4 Categorisation of Fixed and Variable Remuneration

SIM is required to make a clear distinction between the criteria for setting its fixed and variable remuneration within the Firm. The Firm operates a flexible Policy whereby remuneration is appropriately balanced and the fixed award is expected to be a higher proportion of the total Remuneration. Should an exception be identified where the variable component exceeds that of the fixed component, during a financial period, this exception should be highlighted and presented to the Board for review.

Fixed remuneration is set at an appropriate level which ensures that staff are not reliant on variable pay, and thus are not incentivised to take excessive risk.

Variable remuneration within the Firm may include cash and/or share-based bonuses provided by the below schemes:

- Investment Management Incentive Plan;
- Morningstar Global Bonus Pool;
- Sales Commission; and
- Equity (Restrict Stock and Morningstar Stock Units).

With the exception of the Morningstar Global Bonus Pool, which is available to all permanent employees, the schemes are subject to eligibility criteria based on role and business unit type. No Firm employees receive variable only remuneration awards.

Variable employee remuneration and similar incentives must not be solely, or predominantly, based on quantitative commercial criteria and must take into account appropriate qualitative criteria reflecting compliance with the applicable regulations, the fair treatment of clients, the quality of services provided to clients, and include sustainability and risk adjusted performance measures. As applicable, this criteria is set within each employee's objectives and includes financial and non-financial components.

Consequently, bonus funding and related payment to employees is dependent on several factors, notably overall firm and associated business line performance and then taking the employee's individual performance factors both quantitative and qualitative, accordingly into account.

On occasion, the Firm is permitted to make discretionary awards of variable remuneration to employees, including Material Risk Takers, potentially constituting sign on bonuses, retention awards, severance payments or buy out awards. Such awards must be subject to approval by the Morningstar's Talent and Culture team and the SIM Board and a suitable rationale must be documented.

2.5 Quantitative Disclosures

For the financial year 1 January to 31 December 2022, the total amount of remuneration awarded to all staff was £437,733, of which £411,806 comprised the fixed component of remuneration, and £25,927 comprised the variable component.