First Sentier Investors (UK) IM Limited and First Sentier Investors International IM Limited

Risk, Prudential and Remuneration Disclosures

Under MIFIDPRU 8

For the period ended 31 December 2023

First Sentier Investors

Contents

1. Introduction

At First Sentier Investors ("**FSI**" and "**FSI Group**"), our vision is to be a provider of world-leading investment expertise and client solutions, led by our responsible investment principles. Our purpose is to deliver sustainable investment success for the benefit of our clients, employees, society and the shareholder. As of 31 December 2023, we are stewards of AU$ 237.6 billion / US$ 162.1 billion assets under management*, on behalf of institutional investors, pension funds, wholesale distributors and platforms, financial advisers and their clients. We work together across multiple global markets, with over 1,000 employees collaborating to achieve our vision. Following the completion of FSI's entry into a strategic partnership with AlbaCore Capital Group, our independently branded investment teams include:

- Igneo Infrastructure Partners;
- FSSA Investment Managers;
- Stewart Investors;
- RealIndex Investments; and
- AlbaCore Capital Group.

*Assets under Management (AuM) includes all assets managed by FSI's investment teams and affiliates as at 31December 2023.

FSI is required to disclose the information contained in this document, in line with prudential rules issued by the Financial Conduct Authority (the **"FCA"**).

This disclosure relates to First Sentier Investors (UK) IM Limited ("**FSI UKIM**") and First Sentier Investors International IM Limited ("**FSI IIM**"), which are both private limited companies incorporated in Scotland (together, the "**Companies**" and each a "**Company**"). Each of FSI UKIM and FSI IIM is authorised and regulated by the FCA, and is subject to the FCA's Investment Firms Prudential Regime ("**IFPR**").

The Companies are wholly owned subsidiaries of the FSI Group, which is in turn wholly owned by Mitsubishi UFJ Trust and Banking Corporation ("**MUTB**"), and ultimately wholly owned by Mitsubishi UFJ Financial Group ("**MUFG**").

This document sets out the Companies' public disclosures as at 31 December 2023, being their financial year end.

2. Risk management

2.1 Overview

- To minimise the risk of harm to the Companies, their clients and the markets, FSI implements and maintains appropriate risk management policies and procedures, including effective procedures for risk assessment. These identify risks relating to the Companies and the wider FSI Group's activities, processes, and systems.
- The Companies also adopt effective arrangements, controls and mechanisms to manage the risk relating to their activities, processes and systems, considering the level of risk tolerance.
- These arrangements are described in the Group's Risk Management Strategy, Risk Management Framework and Risk Appetite Statement ("**RAS**") as summarised below.

2.2 Risk management strategy

The purpose of the Group Risk Management Strategy ("**RMS**") is to:

- articulate how risk is to be effectively managed within FSI
- outline the key components supporting risk management in FSI; and

- clarify responsibilities and accountabilities in relation to the identification, management, monitoring and reporting of risks.
- The RMS applies to all business units within the FSI Group and to all employees.
- The management body of each of the Companies (each a "**Board**" and together, the "**Boards**"), and FSI's senior management and employees are expected to be risk-aware, understand FSI's risk appetite, and understand their role in managing risk and the value that effective risk management adds to the organisation.

2.3 Risk appetite

- FSI's Strategy, Business Plan and Vision states what FSI wants to achieve as a business, why it wants to achieve it and how. The RAS outlines the degree of risk that the Companies and the wider FSI Group are willing to take, and the risks they are not willing to take to achieve the Vision, Strategic and Business objectives.

The development of the RAS plays a key role in promoting risk culture by:

- providing the Boards and FSI's employees with a clear understanding of the key risks for the business, the tolerance for those risks and parameters for the management of those risks.
- establishing key risk indicators ("**KRIs**") which set limits and tolerances for certain risk types. These are used to measure and track risk within defined boundaries, to determine if further action is required to remain within tolerance and if escalation to senior management is required;
- scheduling periodic review of KRIs and tolerances for ongoing suitability and for any material changes to FSI Group's risk profile; and
- defining governance processes and disciplines to ensure adherence to all boundaries and underlying limits.

The RAS sets out the Companies' risk appetite for each of the material risk categories identified and contains qualitative statements of risk appetite and tolerances.

One of the material risk categories relates to Strategic Risk, where a balanced and informed approach to risk-taking is adopted.

Another material risk category is Financial, of which Regulatory Capital and Liquidity are two core sections. Liquidity and Regulatory Capital are managed by FSI's Finance team and are reviewed by the Boards. Each Company holds sufficient liquid assets to fund its operations and capital to protect itself against unexpected risk outcomes and meet all regulatory capital adequacy, cash flow and internal target surplus requirements.

2.4 Risk governance

- Each Board has approved and adopted the RAS issued by the board of directors of First Sentier Investors Holdings Pty Limited (the "**FSIH Board**"). The FSIH Board is responsible for reviewing, ratifying and monitoring the Companies' risk management, legal, compliance and internal controls systems.
- The FSIH Board has established an Audit and Risk Committee ("**ARC**") and a People and Remuneration Committee ("**PRC**")

  FSI's Chief Executive Officer (the "**Group CEO**") has established the following management committees & forums:

  – Executive Leadership Team
  – Global Investment Committee
  – Strategic Product Forum
  – Global Responsible Investment Executive Committee
  – Global Risk Committee

- Day to day management is overseen by the FSI Executive Leadership Team and is augmented by these key governance committees, which hold responsibilities to monitor and manage specific risks and obligations. For example, the Global Risk Committee is responsible for overseeing and monitoring the risk environment, and the Global Investment Committee is responsible for oversight of investment risk.

2.5 Risk management structure and operations

FSI's Risk Management team is an independent function reporting directly to the Group Chief Risk Officer (the "**Group CRO**"). Risk Management supports the business to design and implement appropriate risk management processes and provide assurance to key stakeholders as to the integrity of the risk framework and its outputs.

Responsibilities for managing risk are reflected in our "Three Lines of Defence" model:

Line 1 – First line functions (including FSI's Investment, Distribution, Marketing and Operations teams):

Responsible for identifying and managing risk, and ensuring activities are compliant with legal, regulatory, and organisational requirements.

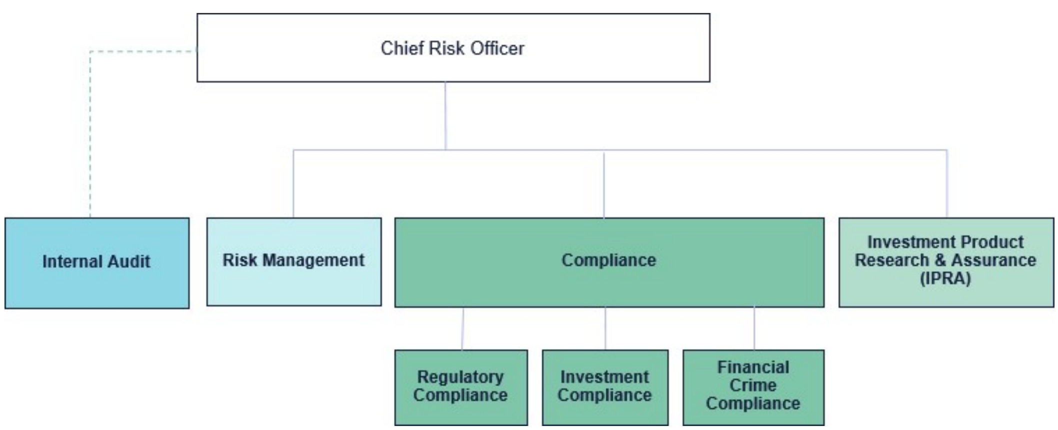
Line 2 – Support functions (FSI's Risk Management, Compliance and Investment Assurance teams):

Support the business in managing risk and achieving compliance, monitoring risk and compliance levels in the business, and reporting on risk and compliance matters to management and governance forums.

Line 3 – Internal and External Audit:

Provide independent and objective assurance over risk management, control and governance processes.

Within FSI the following functions form the second and third lines of defence. Internal Audit as the third line of defence has an independent reporting line to the chair of the ARC as well as, for day-to-day matters, to the Group CRO.



The first and second lines of defence use the established Risk Management Framework to assess and monitor the Companies' respective risk and control environments.

2.6 Risk Management Framework

- The Risk Management Framework ("**RMF**") covers the totality of systems, structures, policies, processes, and people within FSI that identify, measure, evaluate, monitor, report and control or mitigate all internal and external sources of material risk.
- The RMF is founded on the RMS, RAS and FSI's Strategy/Business plan.
- The RMF implemented by FSI brings together the various component parts of the individual risk category frameworks.
- The RMF is supported by a framework of policies, which define how various aspects of the business are to be managed, and articulate managerial responsibilities and requirements for policy review. Compliance with the policies is monitored periodically by FSI's Risk Management, Compliance and Internal Audit teams, and by the external auditor.
- The RMF is supported by the practical or operational application of FSI's strategies, policies and controls. Senior management seeks to establish a sound system of internal controls around key business processes, thereby avoiding or minimising the occurrence and/or impact of adverse risk events.
- When incidents do occur, the business is committed to responding in an appropriate and timely manner, ensuring that clients are not disadvantaged, and learning from these events to prevent reoccurrence. A rigorous incident management process facilitates this, which includes root cause analysis and the implementation of remedial and preventative actions.
- The tone set by senior management, which is supported by FSI's staff performance mechanisms (such as key performance indicators), is conducive to openness and transparency, to encourage the reporting of incidents.

2.7 Risk identification and assessment

Within the RMF, the following process is followed for the identification, assessment, management and assurance of risk relevant to the Companies:

Identification:

Potential risk events that could affect the business's ability to successfully implement its strategies and achieve its objectives, and/or its ability to comply with its associated obligations, are captured and regularly reviewed.

Assessment:

Risk assessment allows the business to consider the extent to which potential events might have an impact on the achievement of its objectives. Risk exposures are quantified, taking into account the likely consequences (impact) and probability (frequency) of their occurrence. This is quantified both on an inherent (pre-controls) and residual (post-controls) risk basis. Where the residual risk is assessed to be outside the risk appetite / tolerance levels outlined in the RAS, additional risk treatment is required, to reduce the level of risk to an acceptable level. Alternatively, the level of residual risk must be formally accepted by the business. Scenario (or 'harms') analysis is another form of risk assessment performed to assess the internal capital allocation required (see section 2.8 for more detail).

Risk Profile:

Each business unit is required to maintain a Risk Profile, reflecting the business risks it faces in its day-to-day operations and the control framework that is in place to mitigate them. Risks are reviewed annually via the Risk and Control Self-Assessment process.

Management:

In addition to the establishment of an effective controls framework to mitigate the risks, FSI recognises that the capture and analysis of risk data provides valuable information, which can be used to drive action to better manage risk and minimise losses due to control failures. This is accomplished through a combination of techniques, including risk profile maintenance, issue and incident management, and the production of management information and key risk indicators.

Assurance:

Assurance is provided via testing of the business's risk profile and associated risks, obligations and controls. This may be achieved through one or a combination of several, self, peer or independent tests / assessments. A comprehensive Controls Assurance Program is in place, to ensure all risk-based key controls are independently tested on a rolling basis.

2.8 Key harms identification and assessment

- Existing and emerging risks facing the Companies are identified and assessed continually via the RMF as outlined above. These are used as the basis for the internal capital and risk assessment ("**ICARA**") process.
- Part of the ICARA process requires an internal assessment of risk (including in respect of each Company) to be carried out at least annually. Once the key risks are identified, they are evaluated and used as the basis for assessing the internal capital adequacy requirement for each Company. This assessment involves discussion between FSI's Risk Management, senior managers and business subject matter experts ("**SMEs**").
- Under the ICARA, the residual risk remaining, post-controls, is assessed to determine potential harm to clients, potential harm to the firm (in this instance, the Companies) and potential harm to markets. Where appropriate, the capital and liquidity requirements of each Company are increased, to reflect such residual risk. Further information on the calculations can be found in section 4.
- The Companies are expected to hold adequate Regulatory Own Funds (**"Own Funds"**) (see section 3) to ensure they remain financially viable and can be wound down, if necessary, in an orderly manner.
- An analysis of potential material harms is undertaken, which considers the level of Own Funds necessary for the ongoing operation of the Companies.
- The principal harms identified are shown in the table below and the form the basis for the capital adequacy assessment:

Risk Event	RAS Material Risk Category	RAS Tier 1 Key Risks	Risk Definition	Rationale	Harm to Client	Harm to Firm	Harm to Market	Capital Held
Major operational disruption at critical outsourced service provider ("OSP")	Business Operations	External Supplier Management	The risk that FSI suffers loss and harm as a result of its contractors and supply chains failing to carry out agreed services in accordance with appropriate contractual terms and SLAs.	Major operational disruption which results in significant client service disruption.	Y	Y	N	Y
Significant client data loss	Business Operations	External Supplier Management	The risk that FSI is exposed to significant harm and loss due to a failure to protect, manage and utilise available data in accordance with the organisation's internal and/or external data management principles and requirements.	Significant client data loss which results in client harm which would require be made good by FSI.	Y	Y	N	Y
Material operational error impacting trade/corporate action execution	Business Operations	Investment & Fund Operations	The risk that an operational error, inaccuracy, poor timeliness, or misstatement in the course of managing FSI's investment and fund activities, causes financial loss to FSI or its clients, and/ or reputational damage to FSI.	Material operational error in executing client trade orders and/or corporate actions results in significant impact which would require be made good by FSI.	Y	Y	N	Y
Major information security related breach	InfoSec, IT & Data	Information Security	The risk that FSI is exposed to significant internal and/or external harm or loss as a result of insufficient information security processes, safeguards and controls.	Major cyber incident affects key system availability (such as dealing platform) resulting in extended operational disruption.	Y	Y	N	Y
Staff market misconduct	Legal & Compliance	Conduct	The risk that FSI, its senior managers or employees engage in activities and decisions which could threaten regulatory and community trust or inhibit market integrity e.g. insider dealing, conflicts of interest, product design or sales through inappropriate incentive schemes.	FSI staff complete an act of gross misconduct which causes detriment to our Firm and/or Client.	Y	Y	N	Y
Significant regulatory breach	Legal & Compliance	Regulatory	The risk that FSI is non-compliant with regulations in any of the jurisdictions it operates or invests in.	Significant regulatory breach with consideration of existing obligations as it relates to financial crime, CASS and emerging obligations such as consumer duty.	Y	Y	N	Y
Employee relations claim	People & Culture Risk/Legal & Compliance	Employee Wellbeing / Legal	The risk of financial or reputational harm to FSI from failing to maintain effective legal frameworks or relying on inappropriate or inaccurate legal advice.	Potential for employee to make a successful litigation claim in current climate.	N	Y	N	Y
FSI investment fund is not executed in accordance with its stated strategy	Investment Management	Investment Performance and Management	The risk that FSI fails to deliver stated investment objectives, thereby not meeting investor expectations.	The risk that FSI fails to deliver stated investment objectives, thereby losing investor confidence, affecting the viability of an FSI fund and requiring liquidity control measures to be undertaken.	Y	Y	N	Y
FSI marketed funds are accused of greenwashing	Investment Management	Responsible Investment	The risk that FSI's investment teams do not comply with the Principles for Responsible Investment due to a failure to incorporate responsible investment considerations and the expectations of clients into its responsible investment statements, practices and portfolio construction.	Potential misselling of ESG products leading to loss of clients and revenues and regulatory fine	Y	Y	N	Y

continued

Risk Event	RAS Material Risk Category	RAS Tier 1 Key Risks	Risk Definition	Rationale	Harm to Client	Harm to Firm	Harm to Market	Capital Held
Inadequately designed fund product leads to poor investment outcome to client	Investment Management Risk	Product Design and Execution	The risk that FSI fails to design and deliver products and services that are appropriate for its intended client segments, competitive, saleable, and profitable.	Potential residual risk of a fund launch with potential future liquidity issues. Included into fund invested outside of strategy.	Y	Y	N	N
External distribution platforms are unwilling to accept FSI fund for distribution	Business Operations	Distribution & Client Relationship Management Risk	FSI funds are not attractive to its key distributers, leading to inability to sell to investors	Based current distribution activity not considered a material risk which requires own fund allocation.	N	Y	N	N
Major operational disruption at FSI	Business Operations	Business Continuity Management	Greater dependency on availability on OSPs to deliver critical business services such as fund valuation and investor servicing rather than FSI internal based processes.	On going FSI based investment on business continuity and operational resilience capability represents a lower assessed residual risk not requiring own funds.	N	N	N	N
Organisational transformation impacts FSI's ability to service clients	People & Culture Risk	Strategic Workforce Planning	Organisational transformation results in loss of operational process and/or corporate knowledge leading to inadequate decision making, weakened oversight and project resource.	Low level operational risk event reporting following recent organisational change not considered a material risk which requires own fund allocation.	N	Y	N	N
Fraud successfully completed on FSI / FSI investor	Legal & Compliance	Financial Crime	The risk that FSI is not compliant with Financial Crime Regulation and/or facilitates financial crime through acts or omissions by FSI, FSI's employees, suppliers or third- parties.	Controls sufficient to mitigate the financial & regulatory risk to FSI	N	N	N	N
Inaccurate client and fund related documentation	Business Operations / InfoSec, IT & Data	Distribution & Client Relationship Management / Data	The risk that FSI is exposed to significant harm and loss due to a failure to protect, manage and utilise available data in accordance with the organisation's internal and/or external data management principles and requirements.	Residual risk low due to enhanced control processes in place.	N	N	N	N
Lack of critical system availability	InfoSec, IT & Data	IT Disaster Recovery	The risk that FSI's IT Disaster Recovery Planning processes and procedures are insufficient and the organisation is unable to respond and recover from the occurrence of significant systems and/or network outages in accordance with the operational requirements of the organisation.	High level of system resilience and DR arrangements demonstrated by cloud service providers represents a lower assessed residual risk not requiring own funds.	N	N	N	N
Funds overly concentrated in investment strategy and/or regional exposure	Investment Management / Strategic	Product Design and Execution	The risk that FSI's funds fail to meet investor liquidity expectations or breach regulatory requirements, resulting in reputational impact	No immediate risk noted, with over sight processes to review new fund product and on going fund liquidity monitoring . Not considered a material risk which requires own fund allocation.	N	N	N	N
Unexpected departure of investment staff	Investment Management	Key Person Dependency	The risk of FSI losing investment mandates or is unable to attract new mandates, conduct core investment processes or deliver on an investment strategy, due to the unexpected departure of / inability to access key investment staff	Historically we have had some departures but fund outflow stabilised over time.	N	N	N	N

2.9 Concentration risk

- Concentration risk is concerned with the possible lack of diversification of clients or distributors, leading to the amplification of various other risk effects.
- The largest asset strategies are the Asia Pacific Leaders strategies managed within the Companies and these are complemented by infrastructure and a range of other equity strategies.
- FSI has a wide client base across its products, ranging from private investors, which invest directly or through fund platforms and other intermediaries, to large institutional clients. The client base is also geographically diverse. The Boards do not believe there is any significant concentration risk to the Companies associated with the location or type of their clients.
- The Companies also benefit from the FSI Group's relationships with a large number of distributors, intermediaries and asset consultants, mitigating concentration risk in the Companies' earnings. .
- The Companies carry credit concentration risk in respect of the cash that they hold with their main pan-European banking service provider, Barclays Bank plc. This risk is actively managed through cash flow forecasts and daily monitoring of all balances. In addition, the creditworthiness of Barclays Bank plc is monitored by regular review of its credit ratings.

2.10 Liquidity risk

- Liquidity risk is the risk that the Companies will not have access to sufficient liquid assets (in the form of cash or readily tradeable financial instruments) to fund their liabilities as they fall due.
- Liquidity risk management takes place through the active monitoring and control of liquidity risk exposures and funding needs of the Companies, taking into account limitations to the transferability of liquidity across the FSI Group. The primary goal of these processes is to ensure that the Companies maintain sufficient cash and liquid assets to meet their current and future financial obligations at all times.
- Liquidity is managed across the FSI Group using a number of cash flow forecasting and targeting tools and techniques. Cash flow forecasting and targeting is conducted at the legal entity level and involves actively managing operational cash flow requirements.
- FSI has a very low tolerance for liquidity risk. The liquidity risk management framework in place aims to ensure that the Companies maintain sufficient buffers above regulatory requirements in the event of reasonably foreseeable stress scenarios.

3. Own Funds

- The Own Funds of a firm are defined as the sum of its common equity tier 1 capital, additional tier 1 capital, and tier 2 capital, as further specified in chapter 3 of the FCA's Prudential Sourcebook for the MiFID Investment Firms ("MIFIDPRU"), in the FCA's Handbook.
- FSI calculates Own Funds under the IFPR at both an individual firm level in respect of each Company, and on a prudential consolidation basis.

- To ensure uniformity and granularity across the industry, this IFPR disclosure is required to be made on an individual company basis.
- The Own Funds of the Companies consist of common equity tier 1 capital only. As of 31 December 2023, each Company complied with all the relevant capital and liquidity requirements stipulated in the IFPR.
- MIFIDPRU, section 8.4.1R places further requirements on investment firms to make certain disclosures. These have been provided below. Refer to Tables 3.1, 3.2 and 3.3 for an analysis of the composition of Own Funds, a reconciliation of the Own Funds to the balance sheet included in the audited financial statements of each Company, and a description of the Own Funds instruments issued as of 31 December 2023.

3.1 Composition of Own Funds (Table 3.1)

This table provides a breakdown of how the Own Funds of the Companies is calculated. It also provides a reference for how the components of Own Funds can be traced to the audited financial statements.

Composition of Own Funds					
	Item	FSI UKIM GBP'000	Audited FS Ref *	FSI IIM GBP'000	Audited FS Ref *
1	**OWN FUNDS**	105,664		77,049	
2	**TIER 1 CAPITAL**	105,664		77,049	
3	**COMMON EQUITY TIER 1 CAPITAL**	105,664		77,049	
4	Fully paid up capital instruments	74,759	Note 11	28,192	Note 10
5	Share premium	-			
6	Retained earnings	30,905	Note 12	48,857	Note 11
7	Accumulated other comprehensive income	-		-	
8	Other reserves	-		-	
9	Adjustments to CET1 due to prudential filters	-		-	
10	Other funds	-		-	
11	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-		-	
19	CET1: Other capital elements, deductions and adjustments	-		-	
20	**ADDITIONAL TIER 1 CAPITAL**	-		-	
21	Fully paid up, directly issued capital instruments	-		-	
22	Share premium	-		-	
23	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-		-	
24	Additional Tier 1: Other capital elements, deductions and adjustments	-		-	
25	**TIER 2 CAPITAL**	-		-	
26	Fully paid up, directly issued capital instruments	-		-	
27	Share premium	-		-	
28	(-) TOTAL DEDUCTIONS FROM TIER 2	-		-	
29	Tier 2: Other capital elements, deductions and adjustments	-		-	

* These Note references are to the audited financial statements of the Company

Notes 10, 11 and 12 are references to the audited financial statements of each Company.

3.2 Reconciliation of Own Funds to balance sheet in the audited financial statements (Table 3.2)

This table shows how the Own Funds reconcile to the audited balance sheets of each Company while cross-referenced through Column C to Table 3.1 (Composition of Own Funds).

	Own Funds: reconciliation of own funds to balance sheet in the audited financial statements	FSI UKIM			FSI IIM		
		A	B	C	A	B	C
	Amounts in GBP'000	Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to template OF1	Balance sheet as in published/audited financial statements	Under regulatory scope of consolidation	Cross-reference to template OF1
		As at 31/12/23	As at 31/12/23		As at 31/12/23	As at 31/12/23	
	Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements						
1	Investments	28,192			-		
2	Debtors	45,256			100,579		
3	Cash at bank and in hand	41,235			77,070		
	Total Assets	114,683			177,649		
	Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements						
1	Creditors: amounts falling due within one year	-9,019			-100,600		
	Total Liabilities	-9,019			-100,600		
	Shareholders' Equity						
1	Called up share capital	74,759		Item 4	28,192		Item 4
2	Retained earnings	30,905		Item 6	48,857		Item 6
	Total Shareholders' equity	105,664			77,049		

3.3 Main features of own instruments issued by the Companies (Table 3.3)

The table below shows the principal characteristics of the capital instruments issued by each of the Companies.

Own funds: main features of own instruments issued by the Companies			
	Issuer	**FSI UKIM**	**FSI IIM**
1	Public or private placement	Private	Private
2	Instrument type	Ordinary share	Ordinary share
3	Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date)	74,759	28,192
4	Nominal amount of instrument (in Thousands)	74,759	28,192
5	Issue price in GBP	1	1
6	Redemption price	N/A	N/A
7	Accounting classification	Called up share capital	Called up share capital
8	Original date of issuance	03/07/1970	10/06/1982
9	Perpetual or dated	Perpetual	Perpetual
10	Maturity date	N/A	N/A
11	Issuer call subject to prior supervisory approval	N/A	N/A
12	Optional call date, contingent call dates and redemption amount	N/A	N/A
13	Subsequent call dates, if applicable	N/A	N/A
14	Coupons/dividends	N/A	N/A
15	Fixed or floating dividend/coupon	N/A	N/A
16	Coupon rate and any related index	N/A	N/A
17	Existence of a dividend stopper	N/A	N/A
18	Convertible or non-convertible	N/A	N/A
19	Write-down features	N/A	N/A
20	Link to the terms and conditions of the instrument	N/A	N/A

4. Own Funds requirements

MIFIDPRU 4.3 requires each of the Companies to disclose its compliance with the Own Funds requirements - i.e. that each Company must always maintain Own Funds (Row 1 of Table 3.1) that are at least equal to its Own Funds requirements (Row 2 of Table 4.1). FSI calculates its Own Funds requirements as presented in the table below.

4.1 Own Funds requirements (Table 4.1)

Highest of 1, 2, or 3					
		FSI UKIM		FSI IIM	
		£'000	£'000	£'000	£'000
1	Permanent minimum capital requirement		75		75
2	**Fixed overheads requirement**		**18,125**		**36,295**
3	K-Factor requirement		1,049		945
	Of which:				
	K-AUM plus K-CMH plus K-ASA	405		920	
	K-COH K-DTF	644		25	
	K-NPR K-CMG K-TCD K-CON	0		0	

In addition to ensuring that Own Funds held are at least equal to the Own Funds requirements (detailed above), each Company is also required to disclose its compliance with the overall financial adequacy rule ("**OFAR**").

The OFAR is contained in MIFIDPRU 7.4.7R and states that firms must always hold Own Funds and liquid assets that are adequate in amount and quality to ensure:

- that the firm can remain financially viable throughout the economic cycle – being able to address material potential harm that may result from on-going activities, and
- that the firm's business can be wound down in an orderly manner, minimising harm to consumers or to other market participants.

FSI uses the ICARA process to identify, monitor and, if proportionate, reduce all material potential harms that may result from the ongoing, or winding down, activities of each Company. The ICARA process is carried out on an IFPR consolidated group basis. FSI also uses this process to assess whether the Companies should hold additional Own Funds and / or liquid assets to address material potential harms.

4.2 Own Funds assessment

For every material residual key risk of harm that is identified and assessed, FSI determines the level of Own Funds each Company needs to hold to cover it. This is achieved through scenario modelling that consumes input data from multiple sources, such as historical precedents, observable market data and management judgement. The expected loss amount that could result from these residual key risks of harm are considered alongside the total K-Factor requirements to arrive at Assessment A: Own Funds requirements for on-going operations. K-Factors are defined within the Own Funds requirements calculated in accordance with MIFIDPRU 4.6. to ensure that the business can be wound down in an orderly manner, FSI has developed a wind down plan for each Company by collating inputs from FSI's Risk Management team, senior managers and SMEs. From the wind down plan, FSI is able to estimate the level of capital required to liquidate the relevant Company's business, while making an allowance for revenues that could be generated during the wind down process. The output of the wind down process is compared to the fixed overhead requirement, and the higher amount is determined to be Assessment B: Own Funds requirements for wind down operations.

The highest of Assessment A, Assessment B and the Permanent Minimum Requirement is the Own Funds Threshold Requirement ("**OFTR**") needed to comply with OFAR.

FSI ensures that the Own Funds held by the Companies always exceed the relevant OFTR.

4.3 Liquid assets assessment

The amount of liquid assets required to support the OFAR is termed the Liquid Assets Threshold Requirement ("**LATR**").

The LATR is calculated over 2 measures:

1. the basic liquid asset requirement being the sum of one third of the fixed overhead requirement and 1.6% of any client guarantees (MIFIDPRU 6.2), plus
2. the higher of the amounts determined by the following assessments:
   - Assessment A – the maximum amount of liquid assets required to fund ongoing operations, or
   - Assessment B – the total amount of liquid assets required to meet funding needs as part of the wind down process

Liquid assets required to fund ongoing operations (Assessment A)

- Liquid assets required to fund ongoing operations for each Company are determined by preparing liquid assets forecasts for at least 12 months from the reporting date. This forecast is then divided into quarters and the quarter requiring the greatest amount of liquid assets is taken as the amount for Assessment A.

Liquid assets required to meet funding needs for wind down (Assessment B)

- Liquid assets required to meet the funding needs for an orderly wind down are determined by SMEs (as outlined above). This amount is then compared to the basic liquid assets requirement explained in 1. above (referencing MIFIDPRU 6.2), and any additional liquid assets required become the amount for Assessment B.
- FSI ensures that the amount of liquid assets held by the Companies always exceeds the relevant LATR.

5. Governance arrangements

FSI has established a governance structure which aims to ensure independent oversight and challenge and oversees the management of the Companies' business operations, in line with the systems and controls in place, in order to ensure that such operations are undertaken in accordance with relevant regulatory requirements and the expectations of each of:

- the Boards
- the FSIH Board, the ARC and the PRC
- the Group CEO and committees / forums established (see section 2.4)
- the committees established by FSI's Managing Director, Europe, Middle East and Africa (the "**MD**"), which include an operational committee on remuneration (see section 6.1).
- Each Board retains overall responsibility for the relevant Company's operations and has not established any committees.
- Each Board has delegated overall responsibility for the management of the Companies to the MD, who holds senior management function ("**SMF**") 1 and is supported by a leadership team.
- The governance and oversight frameworks in place aim to ensure that each Board has defined, oversees and is accountable for the implementation of processes to support the effective and prudent management of the relevant Company, including the management of conflicts of interest and relevant arrangements to ensure the appropriate segregation of

duties to the SMFs in accordance with the FCA's Senior Managers and Certification Regime ("**SMCR**").

- Each Board has adopted a Conflicts of Interest Policy, which aims to prevent and manage any potential and actual conflicts, should they arise in the course of the directors' individual appointments and their responsibilities as members of the Boards.
- The Board of each Company currently comprises the same three executive directors (the MD, the Group CEO, and the Group CRO) and the same two independent, non-executive directors. The permanent chair of each Board (the "**Chair**") is the MD.
- The composition and performance of each Board is reviewed on at least an annual basis.
- Proposals to appoint additional directors to the Boards are subject to an internal review process involving the Group CEO, MUTB and, where appropriate, the PRC. The process takes into account a skills matrix and also covers matters of experience and diversity. The FCA's approval of each proposal is sought, and all directors are registered and listed on the FCA's register.
- All directors undergo induction training upon their appointment and periodic training on relevant matters, as the need arises. The Chair ensures that the directors have the appropriate knowledge, skill and experience to understand the relevant Company's activities and risks on both an individual and collective basis.
- The table below sets out the directors of each Company, their role within FSI and their SMF where applicable, and the number of directorships each held as of 31 December 2023. Note that directorships within the FSI Group have been aggregated as a single directorship in accordance with MIFIDPRU 8.3.2R(2). Members of the FSIH Board are marked with *.

Director	Role at FSI UKIM and FSI IIM	SMF	Appointments held at 31 December 2023
Gary Cotton	MD	SMF 1 – Chief Executive SMF 3 – Executive Director SMF 9 – Chair of the Governing Body	1
Christine Johnson	Independent Non-Executive Director	n/a	6
Vicky Kubitscheck	Independent Non-Executive Director	n/a	6
Mark Steinberg *	Group CEO	SMF 3 – Executive Director	1
Jane Daniel	Group CRO	SMF 3 – Executive Director	1

- Each Board approves the ICARA document and the ICARA process, which is updated to reflect any changes to the Companies' business profile and in any case at least annually.
- Each Board meets at least once a quarter.

Each Board is committed to fostering an equitable and inclusive culture, in which diversity can thrive and believes that this will deliver better outcomes for FSI's people, clients and society, and that this is the right thing to do.

In line with FSI's overall approach to diversity, equity and inclusion, each Company is committed to ensuring that all nomination processes to its Board are fair and equitable. This includes applying an appropriate diversity lens to its composition.

In accordance with the Diversity, Equity & Inclusion Policy adopted by the Boards:

- the Chair leads a selection process for the appointment of independent non-executive directors, by sourcing and developing a shortlist of qualified candidates, together with FSI's People and Culture team, and where appropriate, the PRC. A similar process is followed for the appointment of executive directors. Proposals detailing the process undertaken are then put to the relevant Board; and
- each Board intends to ensure that its composition comprises a minimum of 40% women.

Each Board currently comprises three women and two men. As a result, each of the Companies is currently exceeding its diversity target.

6. Remuneration – qualitative disclosures

This remuneration disclosure has been prepared in order to satisfy the requirements of the FCA's Handbook, and specifically MIFIDPRU 8.6 Remuneration Policy and Practices.

FSI is subject to the 'standard' remuneration requirements of the MIFIDPRU Remuneration Code and therefore this disclosure has been undertaken in line with the provisions for small and non-interconnected FCA investment firms.

6.1 Remuneration governance

The FSIH Board has an established Remuneration Policy (the "**Remuneration Policy**") to ensure that an appropriate remuneration framework exists to support its vision, purpose and strategy. The Remuneration Policy has been adopted by each of the Companies.

The FSIH Board holds ultimate responsibility for oversight, approval and decision-making regarding its Remuneration Policy and practices. The PRC assists the FSIH Board in fulfilling its responsibilities in relation to people policies, the Remuneration Policy and succession planning processes.

The PRC reviews the Remuneration Policy annually to ensure that it continues to promote sound and effective risk management and does not encourage risk taking in excess of levels of tolerated risk in line with FSI's risk appetite statements.

Annual awards are subject to receipt by the PRC of a report from FSI's Chief People and Culture Officer.

The PRC receives input from an operational committee established by FSI in the Europe, Middle East and Africa region ("**EMEA**"), which assists in the decision-making process in respect of remuneration arrangements for material risk takers ("MRTs"). This operational committee reports to the PRC on any decisions taken during the year in respect of individuals falling under its remit.

The Boards are comprised of independent non-executive and executive directors, who review the application of the Remuneration Policy, and approve any supplemental practices for staff within the scope of remuneration laws and regulations across EMEA.

The operations of the PRC and operational committee in accordance with their terms of reference and their engagement with the Boards ensure that there is appropriate independent oversight of FSI's compliance with the Remuneration Policy by the Companies and of any conflicts of interest that may arise from the FSI Group's remuneration practices.

6.2 Remuneration policy and practice

The Remuneration Policy is applicable to all employees across FSI and is built around key principles designed to ensure that remuneration is fair, recognises performance, is competitive within our market, and rewards appropriately against risk appetite, promoting the right culture, values and behaviours, including a strong focus on our customers and sound risk management. The remuneration principles aim to strengthen the link between reward, exceptional performance, and balanced risk-taking, as well as to emphasise the importance of collaboration for the benefit of the Companies' clients, employees, society and FSI's shareholder.

- The Remuneration Policy is designed to ensure that employees are rewarded for role modelling FSI's values and desired behaviours. It enhances FSI's focus on talent management and development, whereby people feel valued and supported to succeed and to uphold a culture that aligns with the interests of FSI's clients, FSI's shareholder and society.

- FSI's Remuneration Policy and framework aim to motivate a diverse and inclusive workforce to achieve individual and corporate performance outcomes that deliver long-term sustainable results within risk appetite. A number of regulatory regimes impact FSI, all of which are taken into account in the Remuneration Policy. In particular, the Remuneration Policy is consistent with the way that FSI integrates risks, including sustainability risks under applicable regulation and, wherever possible, seeks to avoid or manage conflicts of interest.

- The approach used to determine remuneration also takes into account the availability of talent, competitor practices, and talent succession requirements, whilst recognising FSI's overall business performance and the available pools for distribution, which are set by the FSIH Board.

- Remuneration arrangements reflect the measurable value of performance, with a clear link between performance and reward for all employees. At the core of FSI's approach to pay, is the aim to provide market competitive pay for employees, ensuring outstanding performance is recognised in a fair and equitable manner.

6.3 Remuneration composition

Compensation at FSI includes fixed remuneration, comprising base salary which is set at market competitive levels, and employer pension contributions. Compensation also includes variable remuneration, which is differentiated in line with performance. FSI provides variable remuneration - short term incentives ("**STIs**") and long term incentives ("**LTIs**"), depending on the role and level of seniority of the employee. STIs are typically paid in cash and some plans defer part of the award for up to three years based on the role level or award value. LTIs are deferred over three years and-/-or earned as a share of long-term performance fees paid by managed funds. For some plans, awards are deferred as cash or as instruments. All LTI awards once vested are settled and paid as cash. Employees also receive a range of other variable benefits, including income protection and life assurance. Employees can also self-select a range of other benefits, which include purchased leave above normal entitlements and private medical insurance.

FSI operates a fully flexible policy on variable remuneration, which would enable it to award no variable remuneration should an individual, business unit/team and/or FSI performance warrant this (by reference to both financial and non-financial performance, including risk management, controls and conduct).

When setting and reviewing variable remuneration, consideration is given to the following financial and non-financial criteria: the responsibilities of the role and individual competencies required; the individual contribution to business performance, sound and effective risk management (including the monitoring and management of sustainability risks for investment professionals and compliance with the requirements of the UK Consumer Duty); other internal relativities, including behaviours and impact on risk; external competitiveness; and business affordability.

All staff receive a base remuneration, which reflects the responsibilities of their role and individual competencies required, and their individual contribution to business performance and sound and effective risk management.

Base remuneration is set at market competitive levels, while variable remuneration outcomes are differentiated in line with performance.

FSI provides various forms of variable remuneration, depending on the role and seniority level of staff. Variable remuneration arrangements are governed by the respective plan rules. These plan rules provide details of the practical application of the arrangements. All permanent and fixed term contract employees in the United Kingdom (“UK”) are eligible to receive variable remuneration. Independent non-executive directors are not eligible to receive variable remuneration.

Senior leaders, as well as employees in support functions, participate in a discretionary STI plan, reflecting individual performance during the year, and where appropriate, an LTI scheme, which is deferred over a three-year period.

The purpose of deferral is to promote the sustainable long-term performance of FSI, to align the interests of our senior management with our clients and shareholder, and to comply with applicable regulatory requirements.

For investment professionals, variable remuneration is provided, to ensure both the short term and long term stability of the investment team and performance. The STI structure for investment professionals is based on performance benchmarks over 1, 3 and 5 year performance, achieving broader corporate objectives and individual performance, including demonstrating FSI’s values and meeting the risk requirements of the role.

The LTI for most of FSI’s investment professionals is structured through co-investment instruments aligned to the underlying funds managed by the relevant team. This arrangement encourages long-term alignment with clients’ interests. It also incentivises investment professionals to reinforce the team’s investment philosophies and processes, which include assessing the sustainability risks (ESG-related) that may affect investment performance.

Guaranteed variable remuneration is only offered in exceptional circumstances, typically where a prospective hire would forfeit an award by leaving their current firm. The value and payment schedule typically matches that of the forfeited amount, although payment may be delayed until after the successful completion of a probation period, or until after six months from joining. Conditions are applied to the payment of the award, such as not having given notice of termination and performance conditions having been met.

In line with FCA requirements, ratios of fixed to variable pay have been approved and are in place for all staff identified as MRTs.

6.4 Severance pay

FSI has a number of redundancy policies across regions. The policy that operates for employees in the UK is based upon a multiplier relating to age, years of service and salary, and enhances the statutory redundancy payment. Typically, where an employee has left FSI under the redundancy policy, any deferred variable remuneration will vest in line with the usual schedule.

Where employment has been terminated for a cause, all unvested awards will lapse.

6.5 Control function remuneration

Staff engaged in control functions are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the relevant business area they control. The remuneration of senior officers in the Risk Management, Internal Audit and Compliance functions is directly overseen by the remuneration assurance committee which governs the decision-making process,

6.6 Risk adjustment

FSI retains the ultimate discretion to reduce unvested variable remuneration (malus) and to clawback vested variable remuneration (clawback) in specific circumstances without limit. The circumstances include but are not limited to conduct that resulted in significant loss, the performance or financial outcomes upon which the award was determined not being realised, FSI becoming aware of a material error in assessing an employee's performance against the relevant performance conditions at the time that the award was made, a material downturn in the financial performance of FSI or the relevant business unit, or a material failure of risk management.

6.7 MRTs

MRTs are individuals carrying out roles that can materially affect the risk profile of the Companies or their respective AUM.

The MRT population is identified in accordance with the MIFIDPRU Remuneration Code (SYSC 19G.5.3R of the FCA Handbook) which establishes qualitative criteria to identify categories of staff whose professional activities have a material impact on a firm's risk profile and/or AUM. These categories broadly include the relevant Board, senior management, senior control function staff and other key risk takers.

In addition, FSI takes into account additional factors when identifying MRTs, such as consideration of heads of key areas in respect of portfolio management, whether an individual heads a business line that is accountable for a material portion of annual revenue, whether an individual has specific authority to carry out decisions, including any limits placed on that authority; and the employee's status under SMCR.

The RAC approves the identification and remuneration outcomes of MRTs on at least an annual basis.

7. Remuneration – quantitative disclosures

The quantitative disclosures in this section are given on a consolidated basis. MRTs can be based in the UK or, depending on an individual's role and responsibilities, can be based in one of FSI's global offices.

In aggregate, the Companies have identified 52 individuals as MRTs in accordance with SYSC 19G.5 in respect of the 2023 performance year.

Total amount of remuneration awarded to MRTs and other staff (rounded to nearest £0.1m)

FSI UKIM and FSI IIM	Senior Management (£m)	Other MRTs (£m)	Other Staff (£m)	Total (All Staff) (£m)
Fixed Remuneration	3.7	8.8	32.3	44.8
Variable Remuneration	25.1	85.1	35.7	145.9
Total Remuneration	28.8	93.9	68.0	190.7

Guaranteed awards and severance pay

FSI UKIM and FSI IIM	Senior Management (£m)	Other MRTs (£m)	Total (£m)
Guaranteed variable remuneration awards			
Guaranteed variable remuneration awards made during financial year – number of MRTs	1	0	1
Guaranteed variable remuneration awards made during financial year – total amount (£m)	0.7	0	0.7
Severance payments			
Severance payments awarded during the financial year – number of MRTs	0	4	4
Severance payments awarded during the financial year – total amount (£m)	0	0.35	0.35
The amount of the highest severance payment awarded to an individual MRT (£m)	0	0.1	0.1

The remuneration disclosed above includes:

- fees paid to independent non-executive director in respect of 2023;
- annual base salaries as at 31 December 2023 (or at the date of leaving employment);
- allowances including pension and benefits paid in 2023;
- discretionary variable remuneration awards relating to the 2023 performance year; and
- severance amounts paid to leavers in 2023.

Important Information

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