Fisher Investments Europe

Disclosures 2022

Contents

Introduction

This document constitutes the MIFIDPRU disclosures of Fisher Investments Europe Limited ("FIUK", "our"), as of 31 December 2022, and is an annual declaration. The publication of these regulatory disclosures is aligned with FI UKs annual financial statements[1].

Overview and Business Strategy

FIUK reports on a "solo unconsolidated" basis and is authorised and regulated by the Financial Conduct Authority ("FCA"). FIUK is categorised as a non-SNI MIFIDPRU[2] investment firm by the FCA for capital purposes, is not a member of a group for FCA reporting purposes, being compliant on an individual basis[3], and therefore is not subject to consolidated reporting for prudential purposes.

FIUK commenced trading on 1 January 2000 and is a wholly owned subsidiary of Fisher Asset Management, LLC ("Parent"), a company formed in the United States of America, which is regulated by the US Securities and Exchange Commission. FIUKs permissions include agreeing to carry on a regulated activity, arranging deals in investments, making arrangements with a view to transactions in investments, advising on investments, advising on pension transfers and pension opt outs, and managing investments.

FIUK markets investment management services to retail and professional clients in the United Kingdom. When FIUK directly serves as an investment manager, it sub delegates the portfolio management function to the Parent, which is then overseen by the Investment Oversight Committee. In addition, FIUK gives financial planning advice directly to retail clients, and serves as a distributor for UCITS funds for which the Parent serves as investment manager.

FIUKs liquidity is linked to the Parent's performance and secondarily upon its ability to successfully market and advise on investment services. An external accounting firm conducts a transfer pricing study of high level business operations to ensure appropriate consideration is given to establish prices and transactions between related parties, transfer pricing arrangements between FIUK the Parent are at appropriate arms-length.

Scope of Application

The Report has as a starting point the financial information used in our Financial Statements which are prepared in accordance with the Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". As the two documents serve different purposes, the reported figures illustrate differences, which lie on the differences of the fundamental concepts between the Investment Funds Prudential Regime (IFPR) and the accounting standards.

The report has been prepared taking into account the below principals as per the provisions of MIFIDPRU 8.1:

a) easily accessible and free to obtain;
b) clearly presented and easy to understand;
c) consistent with the presentation used for previous disclosure periods or otherwise allows a reader of the information to make comparisons easily; and
d) highlights in a summary any significant changes to the information disclosed, when compared with previous disclosure periods.

[1] MIFIDPRU 8.1.10
[2] A non-SNI MFIFDPRU investment firm does not meet at least one of the criteria for classification as an SNI firm as detailed in MIFIDPRU1.2.
[3] In accordance with MIFIDPRU 8.1.7

Furthermore, and as a non-SNI Investment Firm, FIUK is obliged to publicly disclose the following:

a) MIFDIPRU 8.2 – Risk Management Objectives and Policies
b) MIFIDPRU 8.3 – Governance Arrangements
c) MIFIDPRU 8.4 – Own Funds
d) MIFIDPRU 8.5 – Own Funds Requirements
e) MIFIDPRU 8.6 – Remuneration Policy and Practices
f) MIFIDPRU 8.7 – Investment Policy

However, the Company does not fall within MIFIDPRU 7.1.4R (1) since the value of the firm's on and off-balance sheet items over the preceding 4-year period is a rolling average below £100million. Therefore, the Company is not obliged to disclose information on Investment Policy as per the provisions of MIFIDPRU 8.7.

Regulatory Framework

The Report has been prepared in accordance with the regulatory regime for investment firms that the FCA has adopted, the IFPR. The IFPR establishes the prudential requirements in terms of own funds, level of minimum capital, concentration risk, liquidity requirements and level of activity with respect to UK investment firms.

The provisions on disclosure requirements are described in MIFIDPRU 8. In addition, these disclosures must be verified by the external auditors of the FIUK.

Our policy is to publish the disclosures required on an annual basis. The frequency of disclosure will be reviewed should there be a material change in approach used for the calculation of capital, business structure or regulatory requirements.

Board Statement

The board is of the view that currently the only potential harm to the business strategy is a market-wide drawdown scenario involving an external macroeconomic event resulting in a prolonged market downturn.

Governance Arrangements

FIUKs governance arrangements have been approved by the Board of Directors, who have accountability and oversight for ensuring the effective and prudent management of the Company, including the segregation of duties and the prevention of conflicts of interest. The governance model is designed to promote transparency, accountability and consistency through clear identification of roles and responsibilities' - via the separation of business lines, whilst implementing governance and control structures in a manner that promotes the integrity of the market and the interests of clients.

The Board is the ultimate decision-making body within FIUK, and is responsible for:

I. Defining, approving and overseeing the strategic direction of FI UKs services, activities, products and operations
II. Annual review and approval of financial accounts.
III. Approval of MIFIDPRU disclosure requirements;
IV. Approving and setting Risk Appetite statements, as well as reviewing Capital and Liquidity assessments and actively evaluating the effectiveness of the risk control framework.
V. Setting the Cultural tone from the top by communicating FUKs values and behaviours, so that a values led culture and good client outcomes are at the core of FIUK.

The Board conducts an assessment of its effectiveness, and effective oversight of senior management, assessing both the collective and individual suitability[4] of the Directors both initially and on an on-going basis. This assessment ensures that the Board are of good repute, knowledge, skills, experience, have sufficient time and act with honesty, integrity and independence.

Directorships

The following directorships (executive and non-executive) are held by each member of the FIUK, Board, within the same group:

FIUK Board Member	Total Fisher Group Entity Board Directorships
Carrianne Coffey	6
Justin Arbuckle	3
Ric Bremer	3
Matthew Baker	1
Chelsea Robinson	3

FIUK has no qualifying holdings in the other entities.

Diversity and Inclusivity

The Boards annual self-assessment of its effectiveness in 2022 discussed and evaluated diversity and it was agreed that the Board was sufficiently diverse. Specifically, Board members noted the Board was 40% women and 40% LGBTQ and that different viewpoints, management styles, geographies, areas of expertise, experiences and backgrounds were represented, to mitigate "group thinking", "sound boarding" and "echo chambers" at Board level. The Board agreed that each member had sufficient independence of mind to prevent "group think" and to present constructive challenge at Board meetings and facilitate meaningful discussions.

Risk Committee

FIUKs Board delegates responsibilities to the Risk and Compliance Committee ("RCC"), which is a non-executive committee of the Board, advising on the management of current and future risk exposures, appetite and strategy, assisting in the implementation of strategy, and ensuring the effective and smooth operation of the business within Board approved risk appetites. Key responsibilities of the committee include implementation of the Risk management policies, procedures, systems and controls, including the Risk Management Framework, and approval of risk management strategy and methodologies, FIUK Principal Risks, the review of framework constituents prior to Board approval, and breaches of risk appetite limits.

Additional responsibilities include the ongoing monitoring and review of FIUK's material risk exposures, to inform the Board's decision making processes, covering all business functions and change driven initiatives. Management reporting, to RCC, covers material breaches of risk tolerances and the adequacy of proposed action, effectiveness of the Company's internal controls and risk management systems, as well as challenge and support management to drive a culture of risk awareness within FIUK.

Prior to decision making by the Board, the RCC provides advice on proposed strategic transactions including acquisitions or disposals, ensuring that a due diligence appraisal of the proposition is undertaken, focusing in particular on risk aspects and implications for the risk appetite and tolerance of the Company, taking independent external advice where appropriate.

The RCC arranges for periodic reviews of its own performance and, at least annually, via a review of its constitution and Terms of Reference to ensure it is operating at maximum effectiveness.

[4] MIFIDPRU 8.3.1

The Risk and Compliance Management Committee (RCC) convenes quarterly and comprises a membership, 50% of which are members of the management or team leadership body who do not perform Executive Functions, and the Chair is a member of the management body and does not perform an Executive Function. The RCC is chaired by the Chief Compliance and Risk Officer. The membership includes leadership across all key business functions to ensure risk strategy and appetite are managed and monitored.

The RCC is responsible for provision of qualitative and quantitative advice to the Remuneration Committee (RemCo) on risk weightings to be applied to performance objectives incorporated in executive and staff remuneration, and has delegated to a sub-committee, the Fitness and Propriety Committee (FPP) the responsibility to assist the Remuneration Committee in remuneration policies and procedures related to malus and claw back of incentives, related to poor conduct, and reporting to the RemCo and ultimately the Board on such matters.

In order to ensure that high level matters requiring cross functional oversight are addressed within FIUK, the following sub-committees are now operating periodically and report to the RCC:

Anti-Money Laundering Oversight Committee ("AML")

The principal purpose is to assist the Board of Directors in addressing financial crime matters, reviewing, opining on and discussing AML related issues affecting the UK, including responsibilities to assist in the formulation of policies and procedures whilst maintaining oversight of AML matter. The committee oversees the implementation of effective customer due diligence systems and monitoring mechanisms, identifying and implementing appropriate training to the business.

Investment Oversight Committee

The purpose of the Investment Oversight Committee ("IOC") is to oversee and monitor, investment suitability methods and outputs and the implementation of investment strategies. Additional responsibilities are the review and approval of all new client solutions/products manufactured or distributed by FIUK, undertaking annual FIUK counterparty due diligence and monitoring, and reporting.

Capital Management Committee

The Capital Management Committee ("CMC") is responsible for ensuring implementation and oversight of the capital management process, ensuring FIUK meets MIFIDPRU disclosure and capital requirements, and produce the ICARA on an annual basis. The purpose of the committee is to ensure that FIUK maintains adequate and sufficient capital to support the business in normal and stressed operating conditions and provide capital reporting to the board and regulators.

Operational Risk Committee

The Operational Risk Committee ("ORC") is responsible for ensuring compliance with FIUKs Risk Management Framework, undertaking risk management responsibilities delegated by the RCC. The purpose of the committee is to ensure the implementation and operation of operational risk management processes including, those for Risk and Control Self-Assessment, Operational Risk Event Management and Risk Issue Management. The committee also ensures operational risk management activities comply with risk governance expectations, and that a risk-aware culture is embedded across FI UK.

Risk Management Objectives and Policies

Approach to risk management

To help provide a uniform and structured approach to identification and classification of risk across FIUK, risks are categorised under a Global Risk Taxonomy, at 3 levels. Level 1, Principle Risks are periodically reviewed to ensure they remain relevant to the environment within which FIUK operates. Catalogue levels 2 and 3 sit below the level 1 risks to add greater granularity in the assessment of risk.

FIUK aims to identify and assess specific risks by implementing a holistic approach to risk management, focusing on mitigation and management as well as monitoring and reporting against Principal Risks that impact the firm's strategic and business objectives.

All FIUK business units, on an ongoing basis, identify; assess; and make active risk management decisions as well as monitoring and reporting on risk.

Implementation of a strategic approach to risk management requires the following:

I. Risk appetite and risk management strategy agreed by the Board
II. Risk management framework(s) and policies
III. Embedded and effective risk management in core business processes
IV. Transparent and focused risk monitoring and reporting
V. Provision of independent, expert advice and guidance to the Board and Executive.
VI. Effective, controlled decision making processes within a clear defined governance structure.
VII. Achievement of objectives by determining the acceptable level of exposure, balancing risk exposure with cost (direct and opportunity costs) of mitigation.

FIUK accepts that the total elimination of risk is neither achievable nor desirable and seeks to attain the optimum balance of risk-return, by taking a level of risk commensurate with the reward.

Risk management structure operation, and responsibility

FIUK Board, has ultimate responsibility for the effectiveness of risk management within FIUK, and to fulfil its obligations has delegated the development and ongoing maintenance of a Risk Management Framework (”RMF”) to the Risk function. The RMF forms part of the overall risk governance infrastructure of FIUK, which uses a hierarchy of governance committees with responsibilities delegated down from the Board. The governance and oversight structure within FIUK aims to ensure that risk management activities are implemented and operated effectively, and evolve as risk management becomes embedded.

Risk Appetite, Strategy and Policy

Risk appetite

Risk Appetite is the amount of risk tolerance or approved limits the firm is willing to 'take on' in the pursuit of its strategic priorities and is defined by the Board. Risk appetite statements ("RAS") are agreed for each of FI UK's Principal Risks and reviewed by the RCC and approved by the Board, key stakeholders, on a periodic basis. In order that the RAS remain appropriate for the business, and to meet the requirements of the Risk Management Framework, the Risk Appetite Framework undergoes a periodic review.

To facilitate ongoing monitoring and forewarn of potential changes to the risk environment, a set of high-level KRIs have been agreed by all corporate entity risk teams and are now incorporated into a quarterly reporting cycle.

The RMF is designed to support the sustainable achievement of the firm's long term strategic objectives within clearly defined risk appetite limits. Risk appetite limits are evaluated and monitored through the design and implementation of the risk management strategy which aims to achieve the following primary risk management objectives:

I. Development of a framework appropriate for the firm's strategy, size and complexity;
II. Communication of a consistent language through a set of Principal Risks, against which all risk management activities are reported;
III. Defined risk appetites against which risks are managed;

IV. Create a risk culture that allows employees to identify, assess, manage and report against key risks facing the business;
V. Establish an appropriate balance between risk and cost of control;
VI. Implement a swift and effective response to operational risk events in order to minimise impact;
VII. Establishment of industry best-practice risk management techniques;
VIII. Implementation of risk management activities and methodologies in a standard and consistent manner; and
IX. Support for the business with appropriate methodologies, tools, support and training.

The risk framework provides a uniform, structured approach for the identification, evaluation, management; monitoring and reporting of risks faced by the firm and is designed to support the sustainable achievement of the firm's long term strategic objectives within risk appetite. Communication of a consistent language is achieved through a set of Principal Risks which represent, the key risks that may impact our ability to meet strategic objectives, and the level to which business risks will be aggregated for reporting purposes.

Strategies and Processes to Manage Risks

The RMF is designed and implemented, to enable identification and the means to addresses potential risks or harm to FIUK or its clients. The RMF describes the holistic and integrated view of risk management across the firm, aiming to ensure a cohesive and consistent approach to risk management, and one that is incorporated into strategic and business decision making.

There are broadly 3 categories of risks managed by FIUK as follows:

- Business Strategic risks: that the appropriate strategy is not set, a material business decision fails or external market factors impact business viability.
- Financial risks: that face FIUK in terms of inadequate or failed management of finances and risk introduced by external factors that could impact cash flow, capital and liquidity
- Operational risk: risk of loss from inadequate or failed processes, people and systems, or from external events

The RMF sets out the processes for the management of each risk type. It is intended that, Business strategic risks are managed from identification and assessment to resolution within senior governance committees. Financial risks are managed through liquidity management, capital management, and credit assessment processes and inter-company transfer pricing arrangements. Operational risks will be managed using processes detailed in the risk management framework.

To support the Top down approach, the following Bottom up risk management processes are implemented:

- **Risk identification and assessment**: Risk and Control Self-Assessment to identify key risks for each business function, for business change initiatives, updated on a quarterly basis and assessment of inherent (pre-control) and residual (post-control) risk. Actual or potential process or control failures, and breaches of regulation, policy and procedure, are identified and remediated to prevent reoccurrence, and provide information to update the RCSA.
- **Risk mitigation and management**: Management of events with potential or actual financial, regulatory, and operational or client impact, and agreement of action plans to mitigate risk issues.
- **Risk monitoring and reporting**: Business community is primarily responsible for monitoring and analysing risks and trends, with periodic review and reporting of Key Risk Indicators.
- **Risk Assurance**: Internal and external auditors evaluate the adequacy of process and systems, and test the operating effectiveness of key controls.

The expectation is to identify all material business risks.

Risk Reporting and Evaluation

The risk management activities outlined in the RMF deploy a standardised, consistent evaluation methodology, combining and assessment of actual or potential impact and likelihood of occurrence, to provide an overall risk rating, both on an inherent (ignoring the existence of controls) and a residual (taking account of control effectiveness) basis. The methodology is applied to all risk assessment of business processes, client solutions, and change initiatives, and informs the firm where processes may be operating outside of risk limits so that remedial action may be undertaken to resolve accordingly.

The risk management framework and its constituent activities facilitate the production of the required risk information to enable the achievement of quarterly risk dashboard reporting to be submitted to the Board and RCC providing a risk rating of each of the Principal Risks that assesses the firm's ability to meet strategic objectives.

These ratings are viewed in light of the agreed Risk limit (appetite) for each Principal Risk with Key Risk Indicators that show potential future changes to the risk environment, noting any corrective action plan undertaken. These indicators support risk monitoring activities and are produced on a quarterly basis and inform as to whether the Firm is operating within Risk Appetite. The risk management data that drives the overall assessment will be updated on ongoing basis, with business function risk assessments undergoing quarterly update to reflect changes to the internal and external risk and control environments, with control enhancements' being implemented as appropriate.

Prudential Stress and Scenario Testing

A number of stress tests have been completed, updated and reviewed by the Risk Management Committee on a periodic basis. The suite of stress tests and scenarios supports the Internal Capital Adequacy and Assessment process, and investigates the potential impacts of a severe market downturn and that of a deterioration of the Firm's liquidity position. Under current market conditions and business plans of FIUK, management of the Parent does not foresee any material issues in managing FIUK's business and capital so as to survive either of these stress tests whilst meeting minimum regulatory standards. A reverse stress test considering an extreme market conduct scenario illustrates the requirements to render the Firm's business model unviable and cease trading, and invoke the Orderly Wind Down Plan.

FIUK holds sufficient capital to cover risk exposures under normal and stressed operating conditions and to undertake an orderly wind down in such an event. Therefore, there is no need to hold additional capital. However, the stress tests indicate the importance or ongoing capital management and the financial support of the Parent. The financial position of the Parent remains viable and there is no substantial doubt about FI UKs ability to continue as a going concern over next three to five years.

Capital Resources

As a MIFIDPRU investment firm FIUK must at all times maintain own funds that are at least equal to its own funds requirement, and the own funds requirement of a non-SNI MIFIDPRU investment firm is the highest of:

I. its permanent minimum capital requirement[5]
II. its fixed overheads requirement[6]; or
III. its K-factor requirement[7]

Permanent Minimum Capital Requirement	75,000
Fixed Overhead Requirement (FOR)	9,447,619
Total K-Factor Requirement	252,291

FIUK's capital requirement is £9,447,619 for 2022, and FIUKs Own Funds Requirement being the Largest of above[8].

Composition of regulatory own funds

	Amount (GBP Thousands)	**Source based on reference numbers/letters of the balance sheet in the audited financial statements**
OWN FUNDS	**60,512**	
TIER 1 CAPITAL	**60,512**	
COMMON EQUITY TIER 1 CAPITAL	**60,512**	
Fully paid up capital instruments	10	Balance Sheet > Capital and reserves > Called-up share capital, Note 13
Share premium	140	Balance Sheet > Capital and reserves > Share premium reserve, Note 13
Retained earnings	60,392	Balance Sheet > Capital and reserves > Retained earnings (2021)
Accumulated other comprehensive income	-	
Other reserves	-	
Adjustments to CET1 due to prudential filters	-	
Other funds	-	
(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(30)	Note 11, Note 15
CET1 : Other, deductions and adjustments	-	
ADDITIONAL TIER 1 CAPITAL	-	
Fully paid up, directly issued capital instruments	-	
Share premium	-	
(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
Additional Tier 1 : other capital elements, deductions and adjustments	-	
TIER 2 CAPTIAL	-	

[5] under MIFIDPRU 4.4;
[6] under MIFIDPRU 4.5
[7] under MIFIDPRU 4.6
[8] MIFIDPRU 4.3, permanent capital requirement [MIFIDPRU 4.4.4. - investment advice], not permitted to hold client money or assets; Fixed Overheads requirement (one quarter of the firm's relevant expenditure during the preceding year), and K-factor requirement [sum of those applicable - MIFIDPRU 4.6]

	Amount (GBP Thousands)	Source based on reference numbers/letters of the balance sheet in the audited financial statements
Fully paid up, directly issued capital instruments	-	
Share premium	-	
(-) TOTAL DEDUCTIONS FROM TIER 2	-	
Tier 2: Other capital elements, deductions and adjustments	-	

Main Features of Capital Instruments

The Company is obliged to disclose information on the main features of the CET 1 instruments, Additional Tier 1 instruments and Tier 2 instruments. Therefore, the Company's capital instruments' main features are outlined below:

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

Public or private placement - *Private* Instrument type - *Ordinary shares, Shares premium* Amount recognised in regulatory capital (GBP thousands, as of most recent reporting date) – *150* Nominal amount of instrument – *10,000* Issue price – *£1 each* Redemption price – *£1 each* Accounting classification – *Shareholders' equity* Original date of issuance – *December 2, 1999* Perpetual or dated – *Perpetual* Maturity date – *No maturity* Issuer call subject to prior supervisory approval – *Not applicable* Optional call date, contingent call dates and redemption amount – *Not applicable* Subsequent call dates, if applicable – *Not applicable* Coupons/dividends – *Not applicable* Fixed or floating dividend/coupon – *Not applicable* Coupon rate and any related index – *Not applicable* Existence of a dividend stopper – *Not applicable* Convertible or non-convertible – *Not applicable* Write-down features – *Not applicable* Link to the terms and conditions of the instrument – *Not applicable*

Balance Sheet Reconciliation

The Company shall disclose the balance sheet included in its audited financial statements for the year-end disclosures.

As at December 31, 2022, the reconciliation of Company's assets and liabilities and regulatory Own Funds are shown in the following table:

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

	Balance sheet as in published/ audited financial statements	Under regulatory scope of consolidation	Cross reference to template OF1
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			

1.	Tangible assets	6,563,772		
2.	Debtors: amounts falling due within one year	50,087,361		
3.	Debtors: amounts falling due within one year	30,210		OF1: row 11
4.	Cash at bank and in hand	13,425,470		
Total Assets		**70,106,813**		
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
1.	Amounts falling due within one year	(5,841,539)		
Total Liabilities		**(5,841,539)**		
Shareholders' Equity				
1.	Called-up share capital	10,000		OF1: row 4
2.	Share premium reserve	140,000		OF1: row 5
3.	Profit and loss – Accumulated	60,391,715		OF1: row 6
4.	Profit and loss – Current Year	3,723,559		
5.				
Total Shareholders' equity		**64,265,274**		

Capital Requirements

The Company as a non-SNI Investment Firm shall at all times have own funds at least the highest of the following:

a) Permanent Minimum Capital Requirement,
b) Fixed Overhead Requirements, and
c) K-Factors Requirement.

Permanent Minimum Capital Requirement

As per the provisions of MIFIDPRU 4.4, FIUK as a MIFIDPRU Investment Firm not authorised to provide the investment service of dealing on own account, nor permitted to hold clients' money or assets, its permanent minimum capital requirement is £75k.

FIUK does not apply any applies any transitional provisions on the Permanent Minimum Capital Requirement as per the provisions of MIFIDPRU TP 2.12-2.16

Fixed Overheads Requirement

The fixed overheads requirement applies to all MIFIDPRU Investment Firms. The FOR is intended to calculate a minimum amount of capital that a MIFIDPRU Investment Firm would need available to absorb losses if it has cause to wind-down or exit the market.

It is calculated as the one quarter of the fixed overheads of the preceding year (or business plan where the audited financial statements are not available) in accordance with the provisions of MIFIDPRU 4.5. When calculating its fixed overheads requirement, a firm must use the figures resulting from the accounting framework applied by the firm in accordance with MIFIDPRU 4.5.2R.

Further to the above, the Company's fixed overheads requirement based on the latest audited financial statements is £9,447,619 as per the table below:

Fixed Overheads Requirement

Item	£'000

Total expenses of the previous year after distribution of profits	43,983
Total deductions	
(-)Staff bonuses and other remuneration	(5,422)
(-)Employees', directors' and partners' shares in net profits	
(-)Other discretionary payments of profits and variable remuneration	
(-)Shared commission and fees payable	
(-)Fees to tied agents	
(-)Interest paid to customers on client money where this is at the firm's discretion	
(-)Non-recurring expenses from non-ordinary activities	
(-)Expenditures from taxes	(771)
(-)Losses from trading on own account in financial instruments	
(-)Contract based profit and loss transfer agreements	
(-)Expenditure on raw materials	
(-)Payments into a fund for general banking risk	
(-)Expenses related to items that have already been deducted from own funds	
Annual Fixed Overheads	**37,790**
Fixed Overheads requirement	**9,448**

K-Factors Requirement

The K-factor capital requirements are essentially a mixture of activity- and exposure-based requirements. K-factor application to an individual FCA investment firm will depend on the MiFID investment services and activities the Firm undertakes.

Capital requirement from applying K-factors formula is the sum of Risk to Client ('RtC'), Risk to Market ('RtM') and Risk to Firm ('RtF').

As at December 31, 2022, the Company's K-Factors Requirement is £252,291 as shown in the table below:

K-Factors Results

Item	Factor Amount £'000	K-Factor Requirement £'000
TOTAL K-FACTOR REQUIREMENT		
Risk To clients		
K-AUM	*1,261,455*	*252*
K-CMH (Segregated)		
K-CMH (non-Segregated)		
K-ASA		
K-COH (Cash Trades)		
K-COH (Derivative Trades)		
Risk to Market		
K-NPR		
K-CMG		
Risk to Firm		

Item	Factor Amount £'000	K-Factor Requirement £'000
K-TCD		
K-DTF (Cash Trades)		
K-DTF (Derivative Trades)		
K-CON		

Overall Capital Adequacy Position

According to MIFIPDRU 3.2.2, Investment firms shall have own funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall meet all the following conditions at all times:

$$\frac{\boldsymbol{Common\ Equity\ Tier\ 1\ Capital}}{\boldsymbol{D}} \geq \mathbf{56\%}$$

$$\frac{\boldsymbol{Common\ Equity\ Tier\ 1\ Capital + Additional\ Tier\ 1\ Capital}}{\boldsymbol{D}} \geq \mathbf{75\%}$$

$$\frac{\boldsymbol{Common\ Equity\ Tier\ 1\ Capital + Additional\ Tier\ 1\ Capital + Tier\ 2\ Capital}}{\boldsymbol{D}} \geq \mathbf{100\%}$$

where D is the Company's own funds requirement calculated in with MIFIDPRU 4.3.

The Company's own funds, own funds requirement and capital ratio reported as at December 31, 2022, were as follows:

Capital Adequacy Analysis

OWN FUNDS COMPOSITION	**£'000**
Total Own Funds	**60,512**
OWN FUNDS REQUIREMENTS	**£'000**
Permanent Minimum Capital Requirement (MIFIDPRU 4.4)	*75*
Fixed Overheads Requirement (MIFIDPRU 4.5)	*9,448*
K-Factors Requirement (MIFIDPRU 4.6)	*252*
Total Own funds Requirement	**9,448**
CAPITAL RATIOS	
Common Equity Tier 1 Capital Ratio (min. 56%)	**640.49%**
Surplus/(Deficit) of **Common Equity Tier 1** Capital Ratio	55,221
Tier 1 Capital Ratio (min. 75%)	**640.49%**
Surplus/(Deficit) of Tier 1 Capital Ratio	53,426
Total Capital Ratio (min. 100%)	**640.49%**
Surplus/(Deficit) of Total Capital Ratio	51,064

As per the above results, FIUK as at December 31, 2022 maintains adequate own funds to cover its capital requirements. Moreover, the Company will continue to monitor the above ratios in order to ensure compliance with the capital adequacy requirements at all times.

Remuneration

The Remuneration Committee[9] (RemCo) of the Board of Directors of FIUK has been established and is responsible for assisting the Board with establishing and implementing the Remuneration Policy, as well as performing ongoing annual reviews of fixed and variable remuneration. In addition, the members of the Remuneration Committee serve as contacts for the FCA in connection with FIUK's compliance with the Remuneration Code[10].

The Remuneration Committee has been constituted in a way that enables it to exercise competent and independent judgment on Remuneration. As there are no independent members of the governing body, the members of the Remuneration Committee include members of the governing body who oversee divergent areas at FIUK. In this way, those members who do not oversee certain operational areas mitigate the conflicts of interest of those members who do oversee such operational areas in the making of remuneration decisions for such areas.

The Remuneration framework is designed to take into account the interests of all FIUK's clients, with a view to ensuring that clients are treated fairly and their interests are not impaired by FIUK's remuneration practices in the short, medium or long term. FIUKs approach to remuneration is designed to ensure responsible business conduct, and so as not to create a conflict of interest or incentive that may lead Staff to favour their own interests or FIUK's interests to the potential detriment of any client.

The Remuneration Committee has responsibility to review the remuneration structure and to ensure it complies with the principles set out in the Remuneration Policy. This requires an assessment of the mechanisms and systems adopted to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels (with assistance from the Risk Committee) and that the overall Remuneration Policy is gender neutral, is consistent with and promotes sound and effective risk management.

The Remuneration Committee also assesses the achievement of performance targets and the need for ex post risk adjustment, including the application of malus and claw back arrangements, and produces an annual report to the Board of its proceedings and on all matters within the Remuneration Committee's responsibilities.

The remuneration structure, within FIUK is based on fixed components of salary and benefits, and variable components, such as performance based bonuses; the latter varying with performance of the firm, business functions or team. The potential for undesirable behaviour due to an inappropriate balance of pay and rewards is mitigated through the implementation of internal systems and controls which address known conduct risks and ensure compliance with relevant risk appetite statements and regulation.

FIUK's splits variable remuneration from the advice process. Specifically, whether to recommend discretionary asset management services, and the recommended asset allocation, is determined by employees who do not earn commissions or formula-bases bonuses. Further, employees who are eligible to receive variable commissions and/or formula-based bonuses also receive either a fixed salary or call fees that are not contingent upon a client hiring FIUK, which forms a substantial portion of their overall remuneration, as appropriate for their roles.

Oversight, on conduct matters, is performed by the Fitness and Propriety Panel who in turn will make recommendations to the Remuneration Committee on staff performance. In the event of reasonable evidence of employee misbehavior or material error (which may include failure to follow any of the firm's policies and procedures or for conduct exposing the firm to undue conduct or other risk) or adverse financial conditions affecting the firm, the Remuneration Committee will determine the extent to which variable remuneration should be reduced, withheld or recouped. FIUK may seek to apply malus or claw back for a period of up to three years.

[9] under MiFIDPRU 7.3 (the "Remuneration Committee")
[10] SYSC 19G

Within FIUK "Remuneration" means all forms of payments or financial or non-financial benefits provided directly or indirectly by FIUK to Staff, this comprises of;

- **Fixed Base Salary**: FIUK pays all employees a salary. An employee's salary is subject to yearly reviews by FIUK and any salary increases are at the sole discretion of FIUK.
- **Variable Remuneration**: FIUK pays variable remuneration to employees, this type of payment is;
    - Calculated primarily by reference to fees received from clients for investment management services.
    - formula-based bonuses tied to certain actions or achievements; and
    - Discretionary bonuses which are primarily awarded based on employee performance

Material Risk Takers

FIUK has evaluated all staff to determine whose professional activities could materially impact the firm and identified the following types of employees and outsourced personnel as *material risk takers*[11] senior managers, those performing significant influence functions such as Directors, heads of significant business lines, compliance, client facing employees receiving total remuneration in the same bracket, as the aforementioned.

Annual Remuneration Disclosure for 1 January – 31 December 2022

Total fixed remuneration paid to all staff in was £18,848,982 and total variable remuneration paid to all staff in 2022 was £22,526,054. Of the total remuneration paid; Total remuneration paid to senior management in 2022 was £1,056,488, The total remuneration paid to material risk takers was £13,509,881, and the total remuneration paid to other staff in 2022 was £26,808,668. Total fixed remuneration paid to senior management in 2022 was £563,125, the total fixed remuneration paid to material risk takers in 2022 was £1,668,230, and the total fixed remuneration paid to other staff in 2022 was £16,617,628. Total variable remuneration paid to senior management in 2022 was £493,363, the total variable remuneration paid to material risk takers in 2022 was £11,841,651, and the total variable remuneration paid to other staff in 2022 was £10,191,040. There was £0 paid in guaranteed variable remuneration to senior management, in 2022, and £0 to material risk takers, with no material risk taker being compensated. There was £0 of severance payments awarded during the period to senior management, and £0 to material risk takers, with no material risk taker being compensated in 2022. All variable remuneration was paid in cash upon achieving targets. There was no deferred compensation, sign-on payments, or severance payments to senior managers or material risk takers

[11] SYSC19G.5.1