

FIL Holdings (UK) Limited

IFPR Disclosures
as at 31 December 2022



Publication Date: 23 June 2023

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1. Introduction

1.1 About this document

This document sets out public disclosures for FIL Holdings (UK) Limited (“FHL” or “the FHL Group”) and its MIFIDPRU subsidiaries and provides information on the FHL Group’s approach to management of risks and harms.

The disclosures in this document do not constitute any form of audited financial statements and have been produced solely for the purposes of meeting regulatory disclosure requirements. The disclosures focus on risk management activities at a corporate level and therefore, do not give any details of fund or product related risk management activities.

The disclosures have been reviewed and approved by the Directors of the FHL Group.

1.2 Regulatory context

The FHL Group is subject to the Investment Firms Prudential Regime (IFPR) which was introduced in the United Kingdom on 1 January 2022 and seeks to address specific risks that investment firms face in a more appropriate and proportionate manner than previous rules based on regulatory standards for large banks.

As a UK based investment firm group, undertaking activities within the scope of the UK Markets in Financial Instruments Directive (“MIFID”), the FHL Group is subject to the rules and guidelines codified in the prudential sourcebook for MiFID investment firms, MIFIDPRU, which forms a part of the FCA Handbook. MIFIDPRU rules also apply to the four regulated investment firm subsidiaries within the FHL Group: FIL Pensions Management (“FPM”), Financial Administration Services Limited (“FASL”), FIL Investments International (“FIL”) and FIL Investment Advisors (UK) Limited (“FIA”), that were previously subject to the prudential sourcebook for Investment Firms (IFPRU), for Banks, Building Societies and Investment Firms (BIPRU) and are referred to as MIFIDPRU investment firms. The remaining two regulated subsidiaries, FIL Investment Services (UK) Limited (“FISL”) and FIL Wealth Management Limited (“FWML”) are not subject to the MIFIDPRU rules. The FHL Group is categorised as a non-small and non-interconnected investment firm (non-SNI firm).

In accordance with the requirements of MIFIDPRU 8, the FHL Group is required to publish the disclosure documents for its regulated MIFIDPRU entities FASL, FPM, FIL and FIA. All the regulated entities form a part of the FHL Group and follow the same policy for risk management, governance arrangements, and investment policy.

This document contains regulatory disclosures about the FHL Group and its four MIFIDPRU subsidiaries.

1.3 FHL Background

The FHL Group is a subsidiary of FIL Financial Services Holdings Limited (“FFSH”), a Bermuda registered company, which is also the parent company of FIL Life Insurance Limited (“FIL Life”). Its ultimate parent company is FIL Limited (“FIL Group”), a privately-owned company registered and domiciled in Bermuda. It is regulated by the Bermuda Monetary Authority and is required to prepare a capital adequacy assessment for the consolidated FIL Group.

FIL Group offers investment solutions and retirement expertise to institutions, individuals and their advisers around the world. It has the commitment and resources to provide the investment expertise, technology and service innovation needed to help its clients achieve their financial goals.

As part of its global investment and retirement savings business, the FHL Group serves a diverse range of clients, including pension funds, sovereign wealth funds, financial institutions, insurers, wealth managers and private individuals.

The FHL Group is a UK based financial holding company and does not undertake any regulated investment activities itself. Business of the FHL Group is conducted through the subsidiaries listed in section 1.6.

Within the FHL Group, there are no material deposit-taking, market-making or investment banking entities.

1.4 Sustainability

The FHL Group's purpose is to work together to build better financial futures for all its stakeholders: including clients, employees, and communities. Its philosophy seeks to align with that purpose, and to support positive Environmental, Social and Governance (ESG) impacts through investment processes and its corporate activities.

FIL Group's Sustainable Investing Principles document provides details on its sustainable investing framework, its approach to sustainable client solutions, exclusions, investment stewardship and engagement, the integration of ESG risks and opportunities across the investment management process. Sustainability integration leads to better long-term financial, environmental, and social outcomes for clients and a broad set of stakeholders. The FHL Group integrates material sustainability considerations into its fundamental research as it believes these can drive better decisions and outcomes, which are integral to the financial futures of its clients. For further information, please click [here](#) to download the Sustainable Investing Principles document.

FIL Group published its first Corporate Sustainability Report (CSR) in 2021 to outline how it approaches ESG standards. In 2022, FIL Group published a detailed report to provide update on its progress towards the sustainability targets. For further information please click [here](#) to download the report.

In addition, the FHL Group's Task Force on Climate-related Financial Disclosures (TCFD) report aims to provide more transparency to stakeholders on key aspects of climate risks and opportunities including, but not limited to governance, strategy, and risk management as well as information on the metrics and targets used. For further information, please click [here](#) to download the report.

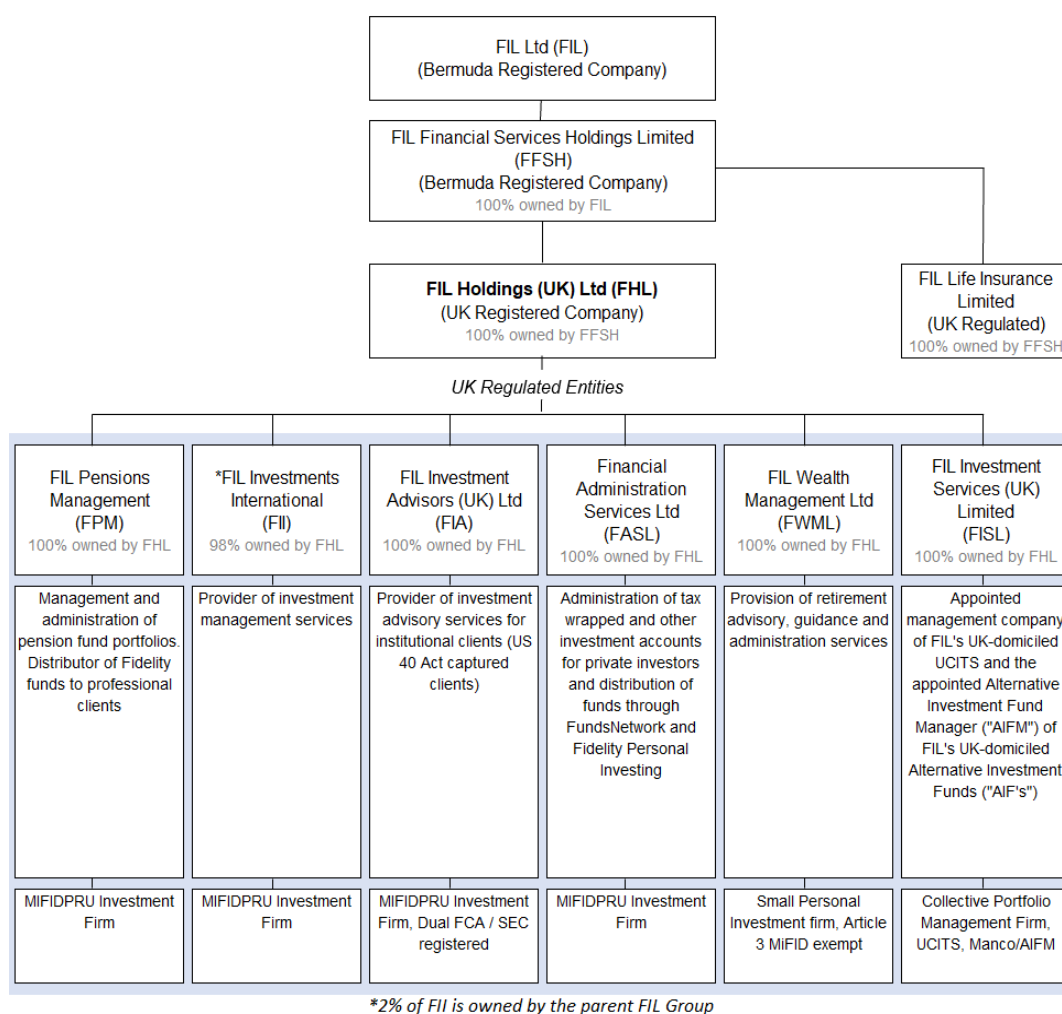
1.5 Basis of preparation

The disclosures included in this document relate to the FHL Group on a consolidated basis and for the MIFIDPRU subsidiaries on an individual basis. The FHL Group adopts a consolidated approach for preparation of its financial statements, which are prepared under UK GAAP as at 31 December each year. The consolidated statutory balance sheet includes all subsidiary undertakings which, in the opinion of the Directors, principally affect the consolidated profits or assets of the FHL Group.

The consolidated approach is suitable where the FHL Group has the power to govern the financial and operating policies of an investee entity to obtain benefits from its activities. There is no current or foreseen material, practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.

As at 31 December 2022, both the FHL Group and its MIFIDPRU subsidiaries held Own Funds in excess of regulatory minimum capital requirements, Own Funds Requirements. FHL and its principal subsidiaries. The FHL Group is comprised of six regulated legal entities providing a range of financial services as illustrated in Figure 1.1 below:

Figure 1.1: FCA Regulated Entities

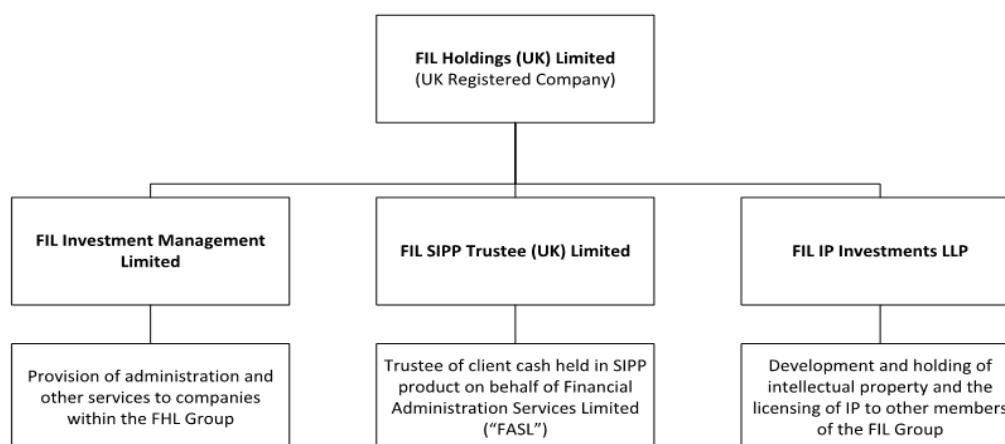


All the above companies are incorporated in England and Wales and are wholly owned by the FHL Group except for FIL Investments International (98% ownership) where the remaining 2% of shares are held by the wider FIL Group. None of the regulated sub entities have any principal subsidiaries under them.

FIL Life Insurance Limited ("FIL Life") is a separate UK company authorised by the Prudential Regulation Authority (PRA) and regulated by the FCA. FIL Life is wholly owned by FIL (the parent company of the FHL Group) and falls outside of the FHL Group as illustrated in Figure 1.1. FIL Life is subject to its Own Risk and Solvency Assessment requirements.

In addition to the regulated subsidiaries above, the FHL Group has three principal unregulated subsidiary entities as shown in Figure 1.2 below:

Figure 1.2: Unregulated Entities



1.6 Materiality

Regulations permit the omission of one or more of the required disclosures, if that information is immaterial. A disclosure is deemed to be material if the omission of that information would likely change or influence the assessment or decision of a user relying on that information for the purposes of making economic decisions. Where a disclosure is considered to be immaterial, this has been stated.

1.7 Frequency of disclosure

These disclosures are required to be made on an annual basis, in line with relevant regulations. If appropriate, some disclosures will be made more frequently, if business undergoes a significant change to its business model.

The FHL Group and its regulated entities have an accounting reference date of 31 December and disclosures are published within 6 months of the financial year end.

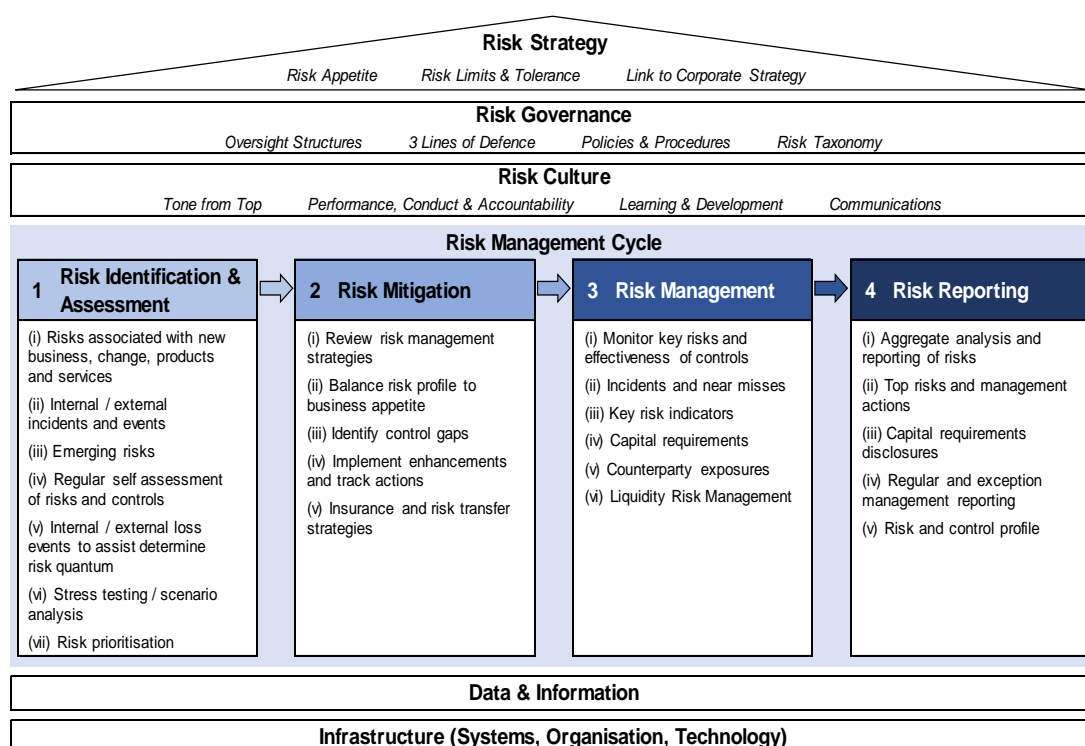
2. Risk Management

2.1 Risk management objectives and policies

Risk management is defined across the FHL Group by the Enterprise Risk Management (ERM) framework. The framework supports the effective identification of risks, potential events and trends which may significantly affect the FHL Group's ability to achieve its strategic goals or maintain its operations and aligns to the FIL Group framework.

The ERM framework includes:

- the application of a common enterprise-wide risk management framework, activities and processes across the organisation.
- clear assignment of roles, responsibilities, and accountabilities for risk management.
- the effective use of appropriate risk identification, mitigation and management strategies.
- the integration of relevant, reliable and timely risk management information into reporting and decision-making processes.
- the identification and assessment of existing and uncertain future events that may influence the achievement of business plans and strategic objectives.



2.2 Risk strategy

The FHL Group's risk strategy is to ensure that effective risk management is embedded in all its core operating and decision-making processes, and that existing and emerging risks are identified and managed within acceptable risk limits for financial risks and risk tolerances for non-financial risks.

The FHL Group's risk strategy is supplemented by its risk appetite framework, including risk appetite statements and related metrics, which reflect the aggregated level of risk that the organisation is willing to assume or tolerate to achieve its business objectives.

The FHL Group's risk management framework includes both qualitative and quantitative monitoring of risk metrics, escalation processes and action management plans to ensure that the organisation remains within risk appetite statements, limits and tolerances.

The FHL Group's Board and the Audit and Risk Committee (ARC) regularly review its performance against the risk appetite and approve all alterations or additions to the underlying risk appetite metrics.

2.3 Risk governance

The FHL Group is committed to the highest standard of corporate governance, business integrity and professionalism in all its activities.

The FHL Board is accountable for ensuring that appropriate governance structures and internal controls are implemented to comply with relevant rules, laws and regulations as well as FIL Group policies; and that these are consistent with protecting clients and customers and are in the long-term interests of FHL's shareholders.

The FHL Board is responsible for the supervision, leading and controlling of its subsidiaries. It is responsible for the implementation of the ERM framework and has created a governance structure to provide oversight and direction to the business through delegated authorities to designated committees as represented in Section 4. The committees inform the FHL Board of the risk profile and effectiveness of the risk management framework. The FHL Board receives matters escalated for consideration from subsidiary boards and committees.

The risk management structure at the FHL Group is designed on a 'Three Lines of Defence' basis to ensure clear accountabilities for all risk management activities in the organisation.

The 1st Line of Defence is formed of risk owners, owning all risks emerging from their respective businesses and/or processes and being accountable for managing, monitoring and mitigating these risks on an ongoing basis in line with established policies, tools and procedures.

The 2nd Line of Defence, which includes the Global Risk Team and other risk-type controllers, such as Compliance, comprises an independent risk and control layer responsible for the design of core enterprise and specific risk-type frameworks, methodologies, and tools, and provides risk oversight.

The 3rd Line of Defence is Internal Audit, which provides independent assurance on the adequacy of the design and effectiveness of systems and controls in the FHL Group.

The FHL Board has ultimate responsibility for risk management activities within the FHL Group in line with the MIFIDPRU and SYSC (Senior Management Arrangements, Systems and Controls) requirements.

2.4 Risk aware culture

The FHL Group has adopted an approach to promote, embed and measure a strong risk aware culture across the organisation, including reinforcing individual behaviours and capabilities that are aligned to the FIL Group's core values and beliefs. This approach also includes alignment of compensation and performance structures which incentivise risk accountability and the right risk behaviours.

2.5 Risk identification and assessment

The FHL Group's risk taxonomy provides a consistent approach for the classification, identification, and definition of risks. It covers all relevant risks across the organisation and aligns to the FIL Group's risk taxonomy.

As a part of risk management cycle, risk assessment is conducted to ensure understanding of risk levels, including materiality and impact. The risk assessment process includes identifying and

understanding root causes, materiality drivers, themes and impacts of individual and aggregated risks throughout the risk assessment process.

2.6 Risk mitigation and management

Risk mitigation strategies are crucial for ensuring that residual risk levels are managed within risk appetite and include defined control environment, remediation processes, strategic de-risking of processes, risk transfer (insurance), disposal of assets or reduction of exposure, diversification, and collateral.

Risk-type controllers are responsible for prescribing, monitoring and testing minimum control requirements aligned to the FHL Group's risk appetite for that risk-type. Risk owners are expected to meet the minimum control requirements and to develop and implement additional controls to appropriately manage their specific risks and risk levels.

2.7 Risk reporting

On a regular basis, the FHL Board receives risk management information which includes but is not limited to:

- Risk profile, including top risks
- Risk appetite breaches
- Key risk and control indicators
- Material risk events or issues
- Regulatory and capital reporting

3. Risk Profile

3.1 FHL's risk profile

The FHL Board, through its established governance structure, monitors the FHL Group's risk profile continuously and receives formal reports concerning the material risks. These risks have been compared to the risk taxonomy and risk register to ensure that they continue to represent the most material risks facing the business.

The Table 3.1 below consists of the risks that the FHL Group is exposed to:

Table 3.1: Key risks and risk types

| Key Risks | Risk Types |
|---|---|
| Financial | Counterparty / credit risk Market risk Liquidity risk Pension risk |
| Operational | Operational delivery risk Duties to customer risk Employment practices & workplace safety risks Regulatory risk Financial crime risk Financial reporting risk Information security risk Business process disruption risk Record & data management risk Technology failure risk Information security risk Tax compliance risk |
| Investment | Fund counterparty / credit risk Fund market risk Fund liquidity risk |
| Strategic | Market dynamics risk Business strategy risk Business performance risk Group risk Business concentration risk |
| Environmental, Social & Governance (ESG) | Environmental and Climate risk Social Risk Governance Risk |

Financial risk includes credit risk, market risk, liquidity risk and pension risks.

- **Counterparty/Credit risk** - the risk of a counterparty failing to meet their financial obligations when due.
- **Market risk** - the risk of an adverse financial impact due to changes in fair values of financial instruments from fluctuations in foreign currency exchange rates, interest rates, property prices and equity prices.
- **Liquidity risk** - the risk that the FHL Group either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure them only at excessive cost.

The FHL Group's policy is to maintain sufficient liquidity in each MIFIDPRU subsidiary to enable it to meet BAU and stressed liquidity requirements. Sufficient liquidity is also maintained at the FHL Group level to enable it to inject capital rapidly into subsidiaries to meet any unforeseen liquidity

requirements and scenarios. There are no significant regulatory or exchange control restrictions that would prevent this and the required currencies can generally be obtained either same day or the next business day. There are some limited restrictions on repatriating capital surpluses from subsidiaries back to the FHL Group.

- **Pension risk** - the risk that the liabilities of defined benefit pension plans are not fully funded, i.e., the binding provision of defined benefit pension scheme that could not be covered by corresponding assets or a shortfall in value of pension plans assets.

Operational risk is the risk of loss or harm to customers resulting from inadequate or failed internal processes, people and systems or from external events. This covers a broad set of risks which includes:

- **Operational delivery** - Risks arising from the delivery of the FHL Group's business operations including failures in our customer and fund-level transactions e.g., transaction capture, those associated with the use of vendors and suppliers, unclear or untimely internal communication, fund accounting errors and change programme risks.
- **Duties to customers** - Risks arising from the failure to ensure fair, impartial and suitable treatment of customers, including unfair customer treatment, misleading customer communication and investment compliance breaches.
- **Financial crime** - Risks arising from internal and external financial crime, including bribery and corruption, fraud, money laundering and terrorist financing, embargos/sanctions and market abuse.
- **Information security** - Risks arising from losses of sensitive information, including cybersecurity, unauthorised and inappropriate access and information asset security.
- **Technology failure** - Risks arising from significant failures of technology.
- **Business disruption** - Risk of business disruption that adversely impacts the people and/or processes of the FHL Group, for example impacts due to property damage.

Investment risk arises in the investment funds managed by the FHL Group. It is borne by investors, provided the FHL Group manages the funds within limits and in line with investor expectations. The FHL Group actively manages communications and disclosures with investors to ensure that the risk profile of funds is transparent and understood by those who ultimately bear this type of risk. The risks are monitored through risk indicators to ensure that the funds are not exposed to significant credit or concentration risk with respect to their primary counterparties.

Strategic risk is the risk that the FHL Group cannot compete effectively, becomes unviable, or that the business strategy being pursued is inappropriate or incomplete. This includes risks related to market dynamics, business strategy and business performance. Typically, strategic risks affect the revenues and/or profitability of the FHL Group or result in opportunity costs which are not directly mitigated by capital.

ESG Risk is an environmental, social or governance factor or condition that can cause harm to the FHL Group as an organisation or assets managed by it behalf of clients.

Group risk is the risk that the financial position of a firm may be adversely affected by its relationships, financial and non-financial, with other entities in the same group or by risk which may affect the financial position of the whole group e.g., reputational contagion. Whilst the FHL Group is part of the wider FIL Group, it is financially independent from a capital and liquidity perspective. The FHL Group does not rely on other FIL Group entities for financial support, however, there is an option to request further investment or short-term funding from FIL Limited if necessary.

Concentration risk spans multiple risk categories and is the risk of large individual exposures and significant exposures to groups of counterparties whose likelihood of default is driven by common underlying factors (sector, economy, geography, location, instrument type). The FHL Group does not have significant concentrations of clients, fund strategies or balance sheet exposures, and the risk is

mitigated through credit exposures being diversified across a range of approved counterparties in accordance with agreed limits. Counterparty monitoring is performed on a daily basis.

3.2 Other risks

The following risks have also been considered and are not currently deemed material to the FHL Group:

Residual risk (a sub-category of credit risk) is the risk that recognised risk measurement and mitigation techniques used by the credit institution prove less effective than expected. This risk is not considered to be applicable, as the FHL Group does not have a loan book.

Securitisation risk is the risk that the capital resources held by the financial institution in respect of assets which it has securitised are inadequate with regard to the economic substance of the transaction, including the degree of risk transfer achieved.

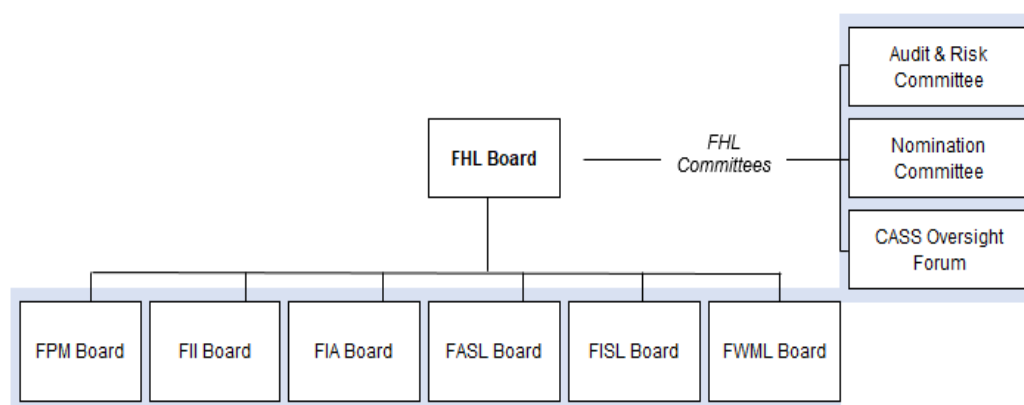
Insurance risk is the risk arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities, undertaking insurance business or providing underwriting services. The FHL Group does not undertake insurance business or otherwise provide underwriting services and so this risk is not applicable.

4. Governance Structure

4.1 FHL Board and committees

The structure of the FHL Board and its committees as at 31 December 2022 is shown in the Figure 4.1 below:

Figure 4.1: FHL Board and its Committees:



The FHL Board is collectively responsible for the oversight of its subsidiaries. Furthermore, the Board is also responsible for the setting of the strategy and risk appetite, maintaining an effective and efficient system of internal control and monitoring the business performance. The subsidiaries operate independently within this overall Group framework. It has adopted a formal schedule of matters reserved for Board approval that details key aspects of the company's affairs that cannot be delegated. The Board receives matters escalated for consideration from subsidiary boards and committees. Any issues arising that have wider implications for the FIL Group or require a FIL group-wide approach are escalated by the FHL Board to the FIL Group Board for consideration.

The FHL Board delegates certain responsibilities to standing Board committees, which assist the Board in carrying out its functions and ensure that there is independent oversight of internal control and risk management. The committees are as follows:

The FHL Audit and Risk Committee (ARC) meets at least quarterly and is responsible for risk oversight, providing independent and objective assurance to the FHL Board on the effectiveness of the FHL Group's system of internal control, including financial, operational, compliance and risk management. It recommends risk appetite to the FHL Board and monitors adherence to pre-defined levels. The Committee also oversees relevant regulatory, tax and legal issues, along with all other emerging matters that the FHL Board deems relevant. It receives reports from Internal Audit, Compliance, Risk Management, Finance and the external auditors, PricewaterhouseCoopers LLP (PwC). The Committee membership is independent of line management, comprising a non-executive director who Chairs the ARC and two independent non-executive directors. Furthermore, the UK heads of oversight (Audit, Compliance and Risk) are standing attendees. Where necessary the FHL ARC escalates matters of note to the FIL Audit and Risk Committee for consideration.

The CASS Oversight Forum meets on a monthly basis and is responsible for the governance, oversight and control of FHL Group's client money and customer asset arrangements and associated control framework. The Forum meets formally on a monthly basis with provision to meet more often as and when determined necessary, at the direction of the CASS Oversight Officer.

The Nomination Committee meets at least twice a year and is responsible for the following matters for the boards of the FHL Group and its regulated subsidiaries. It regularly reviews the structure, size and composition (including the skills, knowledge, experience and diversity) of the boards and make recommendations to the boards with regard to any changes. It ensures that plans are in place for

orderly succession to board and senior management positions, and oversee the pipeline for succession, taking into account the challenges and opportunities facing the FHL Group, and the skills and expertise needed on the boards in the future. In addition, the Nomination Committee receives an annual update on the remuneration policies adopted by the FIL Group and gains assurance that they are appropriate for the FHL Group and comply with applicable financial services regulation.

The Committee membership is independent of line management, comprising a non-executive director who Chairs the committee, who also Chairs the FHL board, and all the independent non-executive directors who serve on the FHL board (currently four). The Chair of the Nomination Committee provides an update on its proceedings to the FHL board and the boards of other subsidiaries as appropriate.

In addition to the committee structure outlined above, the FHL Board receives quarterly updates from the Boards of the six principal regulated subsidiaries. These subsidiaries' Boards are responsible for the management of business-specific activities carried out by the entity. Each of these entities has delegated certain responsibilities to standing Board committees, which assist the Board in carrying out its functions, and appointed a Chief Executive Officer with delegated authority to run the business on a day-to-day basis. In turn, each CEO has established committees, forums and management teams to manage and oversee these days to day activities to ensure compliance with FCA rules and Group policies.

In addition, the FHL Group draws on a number of FIL Group global resources and committees to provide specialist expertise and services. These include key control functions such as Risk, Internal Audit and Compliance. Central functions such as Finance, Technology and Human Resources have vital roles to play in the sound and prudent management of the business. Full escalation routes have been established between the Committees and the Boards.

4.2 FHL Board membership

The FHL Board is chaired by a non-executive Chairman and is responsible for setting the Group's strategy and risk appetite, maintaining an effective and efficient system of internal controls and monitoring business performance. The subsidiaries operate within this overall Group framework.

The FHL Board is comprised of senior executives with management responsibility for business decisions and compliance with the regulatory system. As of 31 December 2022, the FHL Board comprised nine directors:

- A Non-Executive Chairman
- A Chief Executive
- Two Non-Independent Non-Executive Directors
- Three Independent Non-Executive Directors
- Two further Executive Directors (Chief Operating Officer and Chief Financial Officer UK)

A fourth Independent Non-Executive Director was appointed on 23 February 2023 to fill a vacancy that had arisen following the retirement of an Independent Non-Executive Directors during late 2022.

The Board provides constructive challenge and monitors the management team in delivering the agreed strategy in line with agreed risk appetite limits approved by the FHL Board. The independent non-executive directors contribute broad business and risk experience and external insight to the FHL Board discussions alongside independent and objective judgment.

When considering the appointment and succession of directors, the FHL Board and Nomination Committee give due consideration to the collective suitability of the Board and that of the individual directors. Relevant factors that will be considered include skills and experience; honesty and integrity; and having sufficient available time to devote to the role.

The FHL Board conducts periodic self-assessments of the Board as a whole and of individual Board members, as well as its governance practices, and takes corrective actions or makes improvements as deemed necessary or appropriate.

FIL Group has a 'Diversity at Work' policy for all employees. The FHL Group believes that its success is based on maintaining and developing an environment where employees are recognised as individuals and individuals are not discriminated against. The FHL Board recognises the value of diversity and has signed up to HM Treasury's 'Women in Finance Charter'.

The FHL Board members are listed in the Table 4.1 below:

Table 4.1: FHL Board members

| Name | Position | Directorships | | |
|----------------------------|------------------------------------|---------------|-----|---------|
| | | FHL | FIL | Non-FIL |
| Romain Boscher | Non-Executive Director | 6 | - | |
| Michelle Cracknell | Independent Non-Executive Director | 3 | - | 8 |
| Peter John Horrell | Non-Executive Director | 3 | - | 0 |
| Mark Gotts | Non-Executive Director | 1 | - | - |
| Cara Hewitt | Chief Financial Officer | 2 | - | 1 |
| Anthony Stephen Lanser | Chief Executive Officer | 5 | - | - |
| Dipi McKernan | Chief Operating Officer | 1 | - | 1 |
| Teresa Robson-Capps | Independent Non-Executive Director | 2 | - | 7 |
| Alan Rubenstein | Independent Non-Executive Director | 2 | - | 5 |
| Patrick Olson ¹ | Independent Non-Executive Director | 2 | - | 1 |

¹ Appointed on 21 February 2023

5. Own Funds

5.3 FHL Own Funds

MIFIDPRU 8 requires the FHL Group to disclose the composition of its Own Funds. The FHL Group's Own Funds consists entirely of Tier 1 Capital. Table 5.1 below discloses information on the detailed capital position of the FHL Group as of 31 December 2022:

Table 5.1: Own Funds

| | Own Funds | 31-Dec-22 (£'000) |
|----|---|----------------------|
| 1 | OWN FUNDS | 578,600 |
| 2 | TIER 1 CAPITAL | 798,788 |
| 3 | COMMON EQUITY TIER 1 CAPITAL | 798,788 |
| 4 | Fully paid-up capital instruments | 153,151 |
| 5 | Share premium | 36,075 |
| 6 | Retained earnings | 565,487 |
| 7 | Accumulated other comprehensive income | - |
| 8 | Other Reserves | 44,075 |
| 9 | Adjustment to CET1 due to prudential filters | - |
| 10 | Other funds | - |
| 11 | (-) Total deductions from CET1 | (220,188) |
| 12 | CET1: Other capital elements, deductions and adjustments | - |
| 13 | ADDITIONAL TIER 1 CAPITAL | - |
| 14 | Fully paid up, directly issued capital instruments | - |
| 15 | Share premium | - |
| 16 | (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1 CAPITAL | - |
| 17 | Additional Tier 1: Other capital elements, deductions and adjustments | - |
| 18 | TIER 2 CAPITAL | - |
| 19 | Fully paid up, directly issued capital instruments | - |
| 20 | Share premium | - |
| 21 | (-) TOTAL DEDUCTIONS FROM TIER 2 | - |
| 22 | Tier 2: Other capital elements, deductions and adjustments | - |

As of 31 December 2022, the Group had no additional Tier 1 capital or Tier 2 capital. The FHL Group had available own funds of £578.6m as of 31 December 2022.

MIFIDPRU 8 requires the FHL Group to reconcile its Own Funds to the balance sheet in the audited financial statements. Table 5.2 below provides the reconciliation as of 31 December 2022:

Table 5.2: Reconciliation of Own Funds with Balance sheet

| Own Funds and Balance Sheet Reconciliation | 31-Dec-22 (£'000) |
|---|----------------------|
| Assets - Breakdown by asset classes | |
| Intangible assets | 103,798 |
| Tangible assets | 94,260 |
| Investments | 3,649 |
| Pension assets | 849 |
| Current assets | 1,046,745 |
| Total Assets | 1,249,301 |
| Liabilities - Breakdown by liability classes | |
| Creditors: amounts falling due after more than one year | 207 |

| Own Funds and Balance Sheet Reconciliation | 31-Dec-22 (£'000) |
|---|------------------------------|
| Creditors: amounts falling due within one year | 441,385 |
| Provisions for liabilities | 8,921 |
| Pensions and similar obligations | - |
| Total Liabilities | 450,513 |
| Net assets | 798,788 |
| Capital and reserves | |
| Called up share capital | 55,151 |
| Share premium account | 36,075 |
| Capital contribution | 98,000 |
| Other reserve | 44,075 |
| Profit and loss account | 565,487 |
| Total Shareholder's Equity | 798,788 |

5.4 FHL Own Funds Requirement

The Own Funds Requirement is calculated as the highest of Permanent Minimum Capital Requirement (PMR), the Fixed Overheads Requirement (FOR) and the K-factor Requirement (KFR).

As at 31 December 2022, the FHL Group's Fixed Overhead Requirement of £176.7m establishes its Own Funds requirement, being higher than the base capital requirement and the total K-Factor requirement. The FHL Group held Own Funds in excess of its Own Funds Requirements. Table 5.3 provides the details of the Own Funds Requirements required to be held by the FHL Group:

Table 5.3: Own Funds Requirements

| Own Funds Requirement | 31-Dec-22 (£'000) |
|--|------------------------------|
| Permanent Minimum Requirement (PMR) | 566 |
| Fixed Overheads Requirement (FOR) | 176,707 |
| K-factor Requirement (KFR) | 69,035 |
| Own funds requirement (Highest of PMR, FOR and KFR) | 176,707 |

5.5 FHL K-factor requirement (KFR)

The K-factor requirement (KFR) is the minimum capital requirement based on FCA-prescribed quantitative indicators representing specific risks that investment firms pose to their clients, the markets in which they operate, or to themselves. Below are the K-factors relevant to the FHL Group and its MIFIDPRU subsidiaries:

- K-AUM (assets under management) addresses risks to clients resulting from the operation of asset management business.
- K-COH (client orders handled) addresses risks of harm to clients when providing the reception and transmission of client orders and execution of orders on behalf of clients.
- K-CMH (client money held) addresses the risk of potential harm where an investment firm holds money for its customers taking into account the legal arrangements in relation to asset segregation and irrespective of the national accounting regime applicable to client money.
- K-ASA (Assets Safeguarded and Administered) captures the risk of safeguarding and administering client assets and ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts.

The FHL Group has followed regulatory guidance in assessing the K-factor requirements, with the results shown in Table 5.4.

Table 5.4: K Factor requirements

| K-factor requirements | 31-Dec-22 (£'000) |
|-------------------------------|------------------------------|
| K-ASA | 29,627 |
| K-AUM | 27,425 |
| K-CMH | 6,918 |
| ΣK-AUM + K-CMH + K-ASA | 63,970 |
| K-COH | 5,065 |
| Total KFR | 69,035 |

5.6 Approach to assessing the adequacy of Own Funds

The FHL Group assesses the adequacy of Own Funds by conducting Internal Capital Adequacy and Risk Assessment (ICARA), the overall purpose of which is to ensure that the FHL Group:

- a. has appropriate systems and controls in place to identify, monitor and where proportionate, reduce all potential harms that may result from the ongoing operations or winding down of the FHL Group's business or those of its individual MIFIDPRU investment firm subsidiaries; and
- b. holds adequate financial resources for the business that the FHL Group and its subsidiaries undertake.

The ICARA process is used to comply with Overall Financial Adequacy Rule (OFAR) to assess additional own funds above the Own Funds Requirements. The FHL Group is required to disclose its approach to assessing the own funds adequacy to meet OFAR. In line with the requirements laid out in MIFIDPRU rules, quantitative assessment is performed to determine the overall capital and liquid assets threshold requirement. This assessment is performed by calculating:

- a. Capital and liquid assets required to support ongoing operations; and
- b. Capital and liquid assets required to execute an orderly wind-down.

The FHL Group performs ICARA assessment at the Group level with the resulting own funds and liquid asset requirements allocated to subsidiaries as appropriate. The result of the FHL Group's ICARA process are subject to periodic review by the FCA under the Supervisory Review and Evaluation Process (SREP).

6. Remuneration Policy and Practices

6.1 Background

This section sets out the remuneration related disclosures for the FHL Group. FIL Group is a private company owned by management and the founding family. The key employees are, from time to time, offered the opportunity to purchase A Shares out of their own post-tax monies, which helps to ensure strong alignment between shareholders and management interests and also inculcates a suitably long-term investment time horizon. Such shareholdings are generally retained throughout the individual's employment at FIL Group and are relatively illiquid. The Board of FIL Group believes that over the medium to long term most of the wealth creation of a key employee will be derived from the FIL Group shareholdings, rather than the components of remuneration covered by salary, benefits, bonus and other incentive plans. FIL Group operates a Group-wide remuneration policy, which applies to all employees across the Group. This document provides details of this remuneration policy and satisfies the remuneration disclosures for the year ended 31 December 2022.

The remuneration policies and practices of the FHL Group and its subsidiaries are governed by the IFPR rules.

IFPR's remuneration code is based on the proportionality principle and the disclosure requirements are based on balance sheet assets of entities on solo basis. Over the four-year period immediately preceding the given financial year, the value of the FHL Group and subsidiaries' on and off-balance sheet assets on a solo basis is on average less than £300 million. Therefore, in accordance with SYSC 19G.1, the FHL Group has disapplied additional remuneration pay-out process rules and disclosures.

6.2 Decision-making process

The remuneration policy of the FHL Group is set at FIL Group level, in keeping with all Group policies and practices. Subsidiary company Boards, including FHL, have no formal responsibility for setting local remuneration policy, except as prescribed by local legal requirements.

6.3 Remuneration committee and oversight

FIL Group has established a remuneration committee. The committee has responsibility for taking a group-wide perspective on the principles and parameters of remuneration, and for oversight of the remuneration for specified senior executives.

The remuneration policy and compensation for individuals is set with an appropriate level of challenge and independence for a privately-owned asset management company.

Periodically, the FHL Group receives independent advice on technical executive remuneration issues. This advice is provided by PwC and Willis Towers Watson LLP, as well as from other advisers on an ad-hoc basis where they are better placed to give advice on specific issues.

FIL Board and senior management take full account of FIL Group's strategic objectives in setting the remuneration policy and the Board is mindful of its duties to shareholders and other stakeholders. In making decisions on remuneration, senior management seek to preserve shareholder value by ensuring the successful recruitment, retention and motivation of employees.

No individual is involved in decisions relating to his or her own remuneration.

6.4 Pay and performance

The FHL Group's remuneration is made up of fixed pay, i.e., salary and benefits, and performance-related pay which are designed to reflect performance against a range of quantitative and qualitative targets.

The remuneration package is structured in a way that the fixed element is sufficiently large to enable the company to operate a fully flexible and discretionary bonus policy.

The FHL Group currently sets the variable component in a manner which takes into account individual performance, performance of the individual's business unit and the overall results of FHL and FIL as a whole.

Staff performance is formally evaluated annually. The evaluations also consider the staff member's contribution in promoting sound and effective risk management where appropriate.

Gender neutrality is a core feature of our approach to remuneration, to support equal pay for our employees for equal work, or work of equal value.

6.5 Aggregate quantitative information on remuneration

The FHL Group has undertaken 'quantitative' as well as 'qualitative' test of material risk-taking in drawing up a Remuneration Code Staff list for the FHL Group.

The FHL Group's Code Staff is a split between senior management and other members of staff whose actions have a material impact on the risk profile of the firm.

The FHL Group Code Staff employees have been identified as employees drawn from categories of staff including:

- Senior management and risk takers
- Staff engaged in control functions
- Key Function Heads

Qualitative information disclosures

In line with IFPR requirements, the FHL Group has identified Material Risk Takers (MRTs), staff whose professional activities have a material impact on the risk of the Group. A total of 23 MRTs were identified in accordance with SYSC 19G.5 for the financial year 2022 and the total remuneration of these is given in Table 6.1 below.

Table 6.1: Total amount of remuneration awarded to MRTs

| | Senior Management (£'m) | Other MRTs (£'m) | Total (£'m) |
|-----------------------|----------------------------|---------------------|----------------|
| Fixed Remuneration | 3.1 | 2.3 | 5.4 |
| Variable Remuneration | 5.8 | 2.6 | 8.4 |
| Total Remuneration | 8.9 | 4.9 | 13.8 |

6.6 Guaranteed variable remuneration and severance pay

The variable remuneration programme is flexible to allow the firm to respond to changes in market conditions and to maintain its pay-for-performance approach. The FHL Group did not award any guaranteed variable remuneration during the financial year.

Additionally, no severance payment awarded during the financial year.

7. FIL Pensions Management (FPM)

7.1 Background

FPM provides management and administration of pension fund portfolios. FPM is also the UK distributor for Fidelity's funds domiciled in the UK, Luxembourg and Ireland, in addition to Fidelity's Investment Trusts. It enters into portfolio management agreements with a wide variety of institutional clients, including pension funds, local authorities, insurers, charities and foundations. FPM is a distribution entity and delegates investment management to other FIL entities and Fidelity Institutional Asset Management (FIAM) in the US.

FPM has also entered into an agreement with FIL Life Insurance Limited (FIL Life) and provides all the administration services that underpin FIL Life offerings. These include open architecture workplace pension schemes and investment-only life fund platform services to third-party workplace pension providers.

7.2 Board Membership

The FPM Board is responsible for the implementation, management and oversight of the UK Institutional business strategy, Wholesale business strategy, operations and activities. It also provides administration services to FIL Life. As at 31 December 2022, the FPM Board comprised of a non-executive director and 4 executive directors. Table 7.1 below show the list of directors.

Table 7.1: FPM Board Members

| Name | Position |
|------------------------|-------------------------------------|
| John Clougherty | Executive Director |
| Peter John Horrell | Chairman and Non-Executive Director |
| Anthony Stephen Lanser | Chief Executive Officer |
| Malcom Palmer | Executive Director |
| Charlie Wood | Executive Director |

7.3 Own Funds

MIFIDPRU 8 requires FPM to disclose its Own Funds. Table 7.2 below provides information on FPM's Own Funds as of 31 December 2022.

Table 7.2: FPM Own Funds

| | Own Funds | 31-Dec-22 (£'000) |
|----|--|----------------------|
| 1 | OWN FUNDS | 123,205 |
| 2 | TIER 1 CAPITAL | 113,215 |
| 3 | COMMON EQUITY TIER 1 CAPITAL | 113,215 |
| 4 | Fully paid-up capital instruments | 127,031 |
| 5 | Share premium | - |
| 6 | Retained earnings | (13,816) |
| 7 | Accumulated other comprehensive income | - |
| 8 | Other Reserves | - |
| 9 | Adjustment to CET1 due to prudential filters | - |
| 10 | Other funds | - |
| 11 | (-) Total deductions from CET1 | (10) |
| 12 | CET1: Other capital elements, deductions and adjustments | - |
| 13 | ADDITIONAL TIER 1 CAPITAL | - |
| 14 | Fully paid up, directly issued capital instruments | - |
| 15 | Share premium | - |

| | Own Funds | 31-Dec-22 (£'000) |
|----|---|----------------------|
| 16 | (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1 CAPITAL | - |
| 17 | Additional Tier 1: Other capital elements, deductions and adjustments | - |
| 18 | TIER 2 CAPITAL | 10,000 |
| 19 | Fully paid up, directly issued capital instruments | - |
| 20 | Share premium | - |
| 21 | (-) TOTAL DEDUCTIONS FROM TIER 2 | - |
| 22 | Tier 2: Other capital elements, deductions and adjustments | - |

FPM's Own Funds comprise of CET1 capital in the form of share capital, reserves and retained earnings. In addition, as of 31 December 2022, FPM held a Tier 2 capital of £10m.

7.4 Own Funds Requirement

Own Funds Requirement of FII is calculated the highest of Permanent Minimum Requirement, Fixed Overheads Requirement and K-factor Requirement. As at 31 December 2022, FPM's Fixed Overhead Requirement of £36m establishes its Own Funds Requirement, being higher than the permanent minimum requirement and K-Factor requirement.

Table 7.3: FPM Own Funds Requirement

| Own Funds Requirement | 31-Dec-22 (£'000) |
|--|----------------------|
| Permanent Minimum Requirement (PMR) | 150 |
| Fixed Overheads Requirement (FOR) | 35,957 |
| K-factor Requirement (KFR) | 5,474 |
| Own funds requirement (Highest of PMR, FOR and KFR) | 35,957 |

7.5 K-factor requirement (KFR)

The K-factor requirement (KFR) is the minimum capital requirement based on FCA-prescribed quantitative indicators representing specific risks that investment firms pose to their clients, the markets in which they operate, or to themselves. FPM has followed regulatory guidance in assessing the K-factor requirements, with the results shown in table below.

Table 7.4: FPM K-Factor requirements

| K-factor requirements | 31-Dec-22 (£'000) |
|-------------------------------|----------------------|
| K-ASA | - |
| K-AUM | 5,371 |
| K-CMH | 1 |
| ∑K-AUM + K-CMH + K-ASA | 5,372 |
| K-COH | 102 |
| Total KFR | 5,474 |

8. Financial Administration Services Limited (FASL)

8.1 Background

FASL operates an open architecture retail investment platform including the associated provision of “tax wrapper” products such as Self Invested Personal Pensions (“SIPPs”) and Individual Savings Accounts (“ISAs”). The platform offers access to investment instruments, including Open Ended Investment Companies (OEICs), Investment Companies with Variable Capital domiciled in Ireland (“ICAVs”), Société d’Investissement à Capital Variable (“SICAVs”), Exchange traded funds (“ETFs”), Investment Trusts and listed companies.

The business is organised into two distinct channels:

- **Adviser Solutions** - Fidelity Adviser Solutions (FAS) is the adviser platform which provides investment funds and securities to financial advisers and their clients. This channel serves retail customers who have chosen to engage the services of an intermediary (usually a financial adviser and/or discretionary portfolio manager). As part of the service, a range of tools and reports are provided to help intermediaries improve their service to the end customer.
- **Personal Investing** - This channel services customers who have chosen to invest directly and manage their own investments. These clients are provided with a range of educational and guidance material and have access to focused restricted advice in relation to their retirement income options.

8.2 Board Membership

The FASL Board is responsible for the implementation, management and oversight of the UK Platform business strategy, operations and activities. It has adopted a formal schedule of matters reserved for Board approval that details key aspects of the company's affairs that cannot be delegated.

The FASL Board delegates certain responsibilities to standing Board committees, which assist the Board in carrying out its functions and ensure that there is independent oversight of internal control and risk management. The committees are as follows:

The Asset Range Governance Committee (“ARGC”) has been appointed by the Board to ensure that appropriate systems and controls are in place so that FASL discharges its duties under the FCA’s Product Intervention and Product Governance rules and guidance to ensure that it acts in the best interests of clients when distributing investments.

The FASL board is chaired by an independent non-executive director. The FASL board comprise of 3 non-executive directors, one of which is an independent non-executive director, 2 executive directors and one chief executive officer.

Table 8.1 below shows the list of board members as at 31 December 2022

Table 8.1: FASL Board Members

| Name | Position |
|------------------------|---|
| Alan Martin Rubenstein | Chairman and Independent Non-Executive Director |
| Jacqueline Boylan | Executive Director |
| Peter John Horrell | Non-Executive Director |
| Ann Michelle Cracknell | Independent Non-Executive Director |
| Stuart Paul Welch | Chief Executive Officer |
| Anthony Stephen Lanser | Executive Director |

8.3 Own Funds

MIFIDPRU 8 requires FASL to disclose its Own Funds. Table 8.2 below provides information on Own Funds as of 31 December 2022.

Table 8.2: FASL Own Funds

| | Own Funds | 31-Dec-22 (£'000) |
|----|---|----------------------|
| 1 | OWN FUNDS | 239,589 |
| 2 | TIER 1 CAPITAL | 334,601 |
| 3 | COMMON EQUITY TIER 1 CAPITAL | 334,601 |
| 4 | Fully paid-up capital instruments | 538,500 |
| 5 | Share premium | - |
| 6 | Retained earnings | (203,899) |
| 7 | Accumulated other comprehensive income | - |
| 8 | Other Reserves | - |
| 9 | Adjustment to CET1 due to prudential filters | - |
| 10 | Other funds | - |
| 11 | (-) Total deductions from CET1 | (103,012) |
| 12 | CET1: Other capital elements, deductions and adjustments | - |
| 13 | ADDITIONAL TIER 1 CAPITAL | - |
| 14 | Fully paid up, directly issued capital instruments | - |
| 15 | Share premium | - |
| 16 | (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1 CAPITAL | - |
| 17 | Additional Tier 1: Other capital elements, deductions and adjustments | - |
| 18 | TIER 2 CAPITAL | 8,000 |
| 19 | Fully paid up, directly issued capital instruments | - |
| 20 | Share premium | - |
| 21 | (-) TOTAL DEDUCTIONS FROM TIER 2 | - |
| 22 | Tier 2: Other capital elements, deductions and adjustments | - |

FASL own funds comprise of CET1 capital in the form of share capital, reserves and retained earnings. As of 31 December 2022, the FPM had a Tier 2 capital of £8m.

8.4 Own Funds Requirement

Own Funds Requirement of FASL is calculated the highest of Permanent Minimum Requirement, Fixed Overheads Requirement and K-factor Requirement. As at 31 December 2022, FASL's Fixed Overhead Requirement of £47.2m establishes its Own Funds Requirement, being higher than the permanent minimum requirement and K-Factor requirement.

Table 8.3: FASL Own Funds requirement

| Own Funds Requirement | 31-Dec-22 (£'000) |
|--|----------------------|
| Permanent Minimum Requirement (PMR) | 150 |
| Fixed Overheads Requirement (FOR) | 47,627 |
| K-factor Requirement (KFR) | 36,687 |
| Own funds requirement (Highest of PMR, FOR and KFR) | 47,627 |

8.5 K-factor requirement (KFR)

K-factor requirement (KFR) is the minimum capital requirement based on FCA-prescribed quantitative indicators representing specific risks that investment firms pose to their clients, the markets in which they operate, or to themselves. IFPR regulatory guidance has been followed in assessing the K-factor requirements, the results of which are shown in Table 8.4 below

Table 8.4: FASL K Factor requirements

| K-factor requirements | 31-Dec-22 (£'000) |
|-------------------------------|------------------------------|
| K-ASA | 29,627 |
| K-AUM | 11 |
| K-CMH | 6,917 |
| ΣK-AUM + K-CMH + K-ASA | 36,555 |
| K-COH | 132 |
| Total KFR | 36,687 |

9. FIL Investments International (FII)

9.1 Background

FII is the principal investment manager for the FHL Group and covers a range of asset classes and multi-asset strategies. FII is an appointed investment manager for a significant proportion of the FIL Group's collective investment products, including OEICs, SICAVs and a range of UK closed ended funds or Investment Trusts, for which FISL is the appointed Alternative Investment Fund Manager (AIFM).

9.2 Board Membership

The FII Board is responsible for the implementation, management and oversight of the UK Investment Management business strategy, operations and activities. The Board consists of 4 executive directors and a non-executive director.

Table 9.1 below shows the list of board members as at 31 December 2022.

Table 9.1: FII Board Members

| Name | Position |
|---------------------------|-------------------------------------|
| Maria Isabella Abbonizio | Executive Director |
| Romain Jean-Marie Boscher | Chairman and Non-Executive Director |
| Victoria Kelly | Executive Director |
| Malcom Palmer | Executive Director |
| Andrew McCaffery | Chief Executive Officer |

9.3 Own Funds

MIFIDPRU 8 requires FII to disclose its Own Funds. Table 9.2 below provides information on Own Funds as of 31 December 2022.

Table 9.2: FII Own Funds

| | Own Funds | 31-Dec-22 (£'000) |
|----|---|----------------------|
| 1 | OWN FUNDS | 119,959 |
| 2 | TIER 1 CAPITAL | 192,542 |
| 3 | COMMON EQUITY TIER 1 CAPITAL | 192,542 |
| 4 | Fully paid-up capital instruments | 8,225 |
| 5 | Share premium | 2,222 |
| 6 | Retained earnings | 182,094 |
| 7 | Accumulated other comprehensive income | - |
| 8 | Other Reserves | 1 |
| 9 | Adjustment to CET1 due to prudential filters | - |
| 10 | Other funds | - |
| 11 | (-) Total deductions from CET1 | (72,583) |
| 12 | CET1: Other capital elements, deductions and adjustments | - |
| 13 | ADDITIONAL TIER 1 CAPITAL | - |
| 14 | Fully paid up, directly issued capital instruments | - |
| 15 | Share premium | - |
| 16 | (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1 CAPITAL | - |
| 17 | Additional Tier 1: Other capital elements, deductions and adjustments | - |
| 18 | TIER 2 CAPITAL | - |
| 19 | Fully paid up, directly issued capital instruments | - |
| 20 | Share premium | - |

| | Own Funds | 31-Dec-22 (£'000) |
|----|--|----------------------|
| 21 | (-) TOTAL DEDUCTIONS FROM TIER 2 | - |
| 22 | Tier 2: Other capital elements, deductions and adjustments | - |

9.4 Own Funds Requirement

Own Funds Requirement of FII is calculated the highest of Permanent Minimum Requirement, Fixed Overheads Requirement and K-factor Requirement. As at 31 December 2022, FII's Fixed Overhead Requirement of £47.2m establishes its Own Funds Requirement, being higher than the permanent minimum requirement and K-Factor requirement.

Table 9.3: FII Own Funds requirements

| Own Funds Requirement | 31-Dec-22 (£'000) |
|--|----------------------|
| Permanent Minimum Requirement (PMR) | 75 |
| Fixed Overheads Requirement (FOR) | 47,221 |
| K-factor Requirement (KFR) | 25,925 |
| Own funds requirement (Highest of PMR, FOR and KFR) | 47,221 |

9.5 K-factor requirement (KFR)

K-factor requirement (KFR) is the minimum capital requirement based on FCA-prescribed quantitative indicators representing specific risks that investment firms pose to their clients, the markets in which they operate, or to themselves. IFPR regulatory guidance was followed for assessing the K-factor requirements, the results of which are shown in Table 9.4 below.

Table 9.4: FII K Factor requirements

| K-factor requirements | 31-Dec-22 (£'000) |
|-------------------------------|----------------------|
| K-ASA | - |
| K-AUM | 21,012 |
| K-CMH | - |
| ∑K-AUM + K-CMH + K-ASA | 21,012 |
| K-COH | 4,913 |
| Total KFR | 25,925 |

10. FIL Investment Advisors (UK) Limited (FIA)

10.1 Background

FIA is the provider of investment advisory services for the US based institutional clients. FIA forms a part of the FHL Group's investment management capability in the UK. It is a U.S. Securities and Exchange Commission (SEC) registered business that principally manages sub-delegated arrangements on behalf of several US-based investment managers.

10.2 Board Membership

The FIA Board is responsible for the implementation, management and oversight of the UK Investment Management business strategy, operations and activities. The Board consists of 4 executive directors and a non-executive director. Table 10.1 below shows the list of board members as at 31 December 2022.

Table 10.1 FIA Board Members

| Name | Position |
|---------------------------|-------------------------------------|
| Maria Isabella Abbonizio | Executive Director |
| Romain Jean-Marie Boscher | Chairman and Non-Executive Director |
| Victoria Kelly | Executive Director |
| Malcom Palmer | Executive Director |
| Andrew McCaffery | Chief Executive Officer |

10.3 Own Funds

MIFIDPRU 8 requires FIA to disclose its Own Funds. Table 10.2 below provides information on FIA's Own Funds as of 31 December 2022.

Table 10.2: FIA Own Funds

| | Own Funds | 31-Dec-22 (£'000) |
|----|---|----------------------|
| 1 | OWN FUNDS | 6,533 |
| 2 | TIER 1 CAPITAL | 7,070 |
| 3 | COMMON EQUITY TIER 1 CAPITAL | 7,070 |
| 4 | Fully paid-up capital instruments | 2,042 |
| 5 | Share premium | 1,135 |
| 6 | Retained earnings | 3,893 |
| 7 | Accumulated other comprehensive income | - |
| 8 | Other Reserves | - |
| 9 | Adjustment to CET1 due to prudential filters | - |
| 10 | Other funds | - |
| 11 | (-) Total deductions from CET1 | (537) |
| 12 | CET1: Other capital elements, deductions and adjustments | - |
| 13 | ADDITIONAL TIER 1 CAPITAL | - |
| 14 | Fully paid up, directly issued capital instruments | - |
| 15 | Share premium | - |
| 16 | (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1 CAPITAL | - |
| 17 | Additional Tier 1: Other capital elements, deductions and adjustments | - |
| 18 | TIER 2 CAPITAL | - |
| 19 | Fully paid up, directly issued capital instruments | - |
| 20 | Share premium | - |
| 21 | (-) TOTAL DEDUCTIONS FROM TIER 2 | - |
| 22 | Tier 2: Other capital elements, deductions and adjustments | - |

10.4 Own Funds Requirement

Own Funds Requirement of FIA is calculated the highest of Permanent Minimum Requirement, Fixed Overheads Requirement and K-factor Requirement. As at 31 December 2022, FIA's Fixed Overhead Requirement of £1.2m establishes its Own Funds Requirement, being higher than the permanent minimum requirement and K-Factor requirement.

Table 10.3: FIA Own Funds requirements

| Own Funds Requirement | 31-Dec-22 (£'000) |
|--|----------------------|
| Permanent Minimum Requirement (PMR) | 75 |
| Fixed Overheads Requirement (FOR) | 1,168 |
| K-factor Requirement (KFR) | 1,031 |
| Own funds requirement (Highest of PMR, FOR and KFR) | 1,168 |

10.5 K-factor requirement (KFR)

K-factor requirement (KFR) is the minimum capital requirement based on FCA-prescribed quantitative indicators representing specific risks that investment firms pose to their clients, the markets in which they operate, or to themselves. IFPR regulatory guidance has been followed in assessing the K-factor requirements, the results of which are shown in table 10.4 below.

Table 10.4: FIA K-Factor requirements

| K-factor requirements | 31-Dec-22 (£'000) |
|-------------------------------|----------------------|
| K-ASA | - |
| K-AUM | 1,031 |
| K-CMH | - |
| ∑K-AUM + K-CMH + K-ASA | 1,031 |
| K-COH | - |
| Total KFR | 1,031 |